The Royal Mint

Royal Mint Trading Fund
Annual Report | 2011-12

Making Money for Everyone

The Royal Mint

Royal Mint Trading Fund
Annual Report and Accounts 2011-12

Presented to the 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 5 July 2012

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Annual Report and Accounts 2011-12
The Royal Mint Trading Fund

Royal Mint Trading Fund Accounting Officer is Jeremy Pocklington

The Royal Mint Limited Directors

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Chief Executive

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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 2012, 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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The Royal Mint

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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 operating profit of £10.9m (2010-11: £3.6m) 2011-12 has been a successful year for the Royal Mint. Indeed, on a comparable pre-vesting basis, the Operating Profit would have been £14.6m (2010-11: £7.3m). Similarly, the return on average capital employed of 12.6% (2010-11: 5.5%) is excellent, particularly in light of the challenging global economic circumstances.

The Chief Executive of The Royal Mint Limited has outlined in his report the many highlights of an eventful year. One of the more notable was the visit of the Prime Minister, the Rt Hon David Cameron MP, and his Cabinet who held one of their regular meetings at the Royal Mint. The choice of venue reflects the esteem in which the Royal Mint is held both locally and nationally.

Last year, my predecessor drew attention to the opportunities presented to the business by the Royal Wedding, the exclusive licence to produce UK coins for the London 2012 Olympic and Paralympic Games and the build-up to the Queen's Diamond Jubilee. The Commemorative Coin side of the business has been able to take advantage of these events to generate significant sales and expand its customer base.

2012-13 promises to be a momentous year, not least because Royal Mint employees will have the singular honour of seeing the Victory Medals they have manufactured for the London 2012 Games being awarded to the successful sports men and women, thereby ensuring a place at the heart of the world's largest sporting festival.

During the year, Circulating Coin business utilised its aRMour® technology to produce nickel-plated 5p and 10p pieces which were introduced into circulation for the first time. Overseas governments are increasingly choosing aRMour® plating as the preferred method of coin production, providing both security, quality and value for money.

In such an eventful year many demands were placed on employees and business partners. I know that the Board of The Royal Mint Limited would like me to record their appreciation for the contribution made by all involved.

Jeremy Pocklington
Accounting Officer

"It's absolutely right that we're here in the place that we are going to be striking the gold medals for the Olympics, which is not just a London event, but a UK-wide event."

Rt Hon David Cameron MP, at the Cabinet Meeting held at the Royal Mint on 12 July 2011

The Trial of the Pyx – where coins produced at the Royal Mint are tested by an independent jury – took place in February with a total of 81,829 coins checked.

Chief Executive's Report of The Royal Mint Limited

The last 12 months have been a significant period in the history of the Royal Mint as we built momentum in the final lead-up to 2012, the year which will see the Queen's Diamond Jubilee and the Olympics, both once-in-a-lifetime events. I should like you to join us on our journey over the last year in highlighting some of our key achievements, including some firsts for the worldwide minting industry.

April

In April 2011 we were proud to unveil the only official UK coin to commemorate the engagement of His Royal Highness Prince William and Miss Catherine Middleton. The official Royal Wedding coin followed and, as the nation got behind the celebrations, many of our ranges sold out. We created a unique piece of Royal Wedding history when we struck 40 coins each containing a kilogram of 22 carat solid gold. It is the first time in the Royal Mint's 1,000-year history that kilo coins have been made to celebrate a Royal Wedding, making them amongst the most rare and exclusive items to commemorate the event.

May

In May 2011, we held the inaugural Coin Management Knowledge Forum. The five-day conference saw delegates fly in from around the world for a packed itinerary of visits, presentations, workshops and to learn more about aRMour®, the Royal Mint's superior plating process. That offers central banks, issuing authorities and governments a variety of benefits compared to other coin and blank products, including increased seigniorage, significant cost savings and exceptional wear-resistance.

June

In June 2011, we were proud to be the first mint in the world to be awarded the gold standard in social responsibility by being accredited with Social Accountability 8000 (SA 8000), the international standard designed to ensure safe working conditions, fair management practices and protection of workers' rights. Our SA 8000 accreditation means that our customers can buy the coins and medals we produce confident in the knowledge they have been produced by a socially responsible business.

A number of our key suppliers are also working towards the accreditation. To recognise the importance of our partnerships with our supply chain, we held our first Annual Supplier Awards to celebrate and recognise the collective benefits of successful long term partnership.

Several of our overseas customers are already enjoying the benefits of our new aRMour® plating facilities.

Collectors were thrilled to see coins celebrating both the engagement and wedding of His Royal Highness Prince William and Miss Catherine Middleton. Marking this happy year in British royal history, both coins proved extremely popular.

Before he left, the Prime Minister enjoyed a visit to our Commemorative Coin Production Unit. He was allowed to strike a London 2012 Gold Proof £5 Coin, but was helpfully reminded that Proof quality coins should only ever be handled on the edge with gloved hands.

July

In July 2011, we were delighted when the Prime Minister, the Rt Hon David Cameron MP, chose to host his first Cabinet meeting in Wales at the Royal Mint. We were chosen because of our long history and heritage as a leading British manufacturer and our position as a leading UK export business.

Cabinet members were given a guided tour of the Royal Mint's circulating and commemorative coin production facilities and the Prime Minister and the Foreign Secretary, the Rt Hon William Hague MP, each struck a gold UK £5 Countdown coin, created to mark one year to go to the London 2012 Olympic and Paralympic Games. They were also shown the range of service medals produced by the Royal Mint, including the Accumulated Campaign Service Medal and the George Cross, and met and talked with a number of Royal Mint employees.

One year to go to London 2012 was marked in Trafalgar Square with the official launch of the designs of the Olympic Victory Medals by the London Organising Committee of the Olympic Games (LOCOG) manufactured by the Royal Mint.

August

In August 2011, representatives from the Royal Mint attended the American Numismatic Association (ANA) World's Fair of Money 2011, held in Chicago. This was the first time that we presented the designs for the Olympic Gold Kilos, 5oz, the Diamond Jubilee Crown and the Olympic Crown.

Back home, at the invitation of The Foreign and Commonwealth Office, the Royal Mint took part in filming a programme on the legacy of London 2012 to be shown in Foreign Embassies and on British Airways business flights.

September

September 2011 saw the design for Paralympic Victory Medals unveiled to coincide with one year to go to the Paralympic Games. As excitement started to build, we held a number of viewings of the Olympic and Paralympic Victory Medals between September and December. Employees were able to bring their invited family and friends to see the medals and find out about the production process.

In September, we also shared the results of our annual employee survey which was extremely positive. 81% of employees gave their views and the survey was followed by a series of action planning sessions to ensure we continue to build on the engagement of our employees for our future business success.

During his visit in July, the Prime Minister, David Cameron has shown himself keen to take his Cabinet out from Whitehall and Westminster and into the regions and nations of the UK. His first Cabinet meeting in Wales was held at the Royal Mint on 12 July 2011.

October

In October 2011, we were proud to win a Manufacturing Innovation award for our new Water Recycling Plant. This award is presented to the company generating the most impressive commercial benefit from designing and implementing an innovative product or process.

The plant started operating 24 hours a day, seven days a week in March 2012 and initial results have been very encouraging. The next stage of the project will be to re-use the recycled demineralised water produced by the plant to reduce the cost of waste and our impact on the environment.

October also saw us present the design for the Diamond Jubilee £5 coin as well as a unique collaboration which unites three stunning coins from the Commonwealth's three Royal Mints.

November

In November 2011, as production of the Olympic Victory Medals began, we welcomed two winning British students to the Royal Mint. Saiman Miah and Pippa Sanderson were selected as the designers of two of the official UK coins to celebrate the London 2012 Olympic and Paralympic Games, following a Royal Mint competition for art and design students attending higher education colleges and universities across the UK.

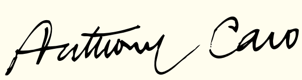
December

In December 2011, we became one of the first organisations in the world to achieve certification for the International Standard for Energy Management ISO 50001, the most robust framework for optimising energy efficiency.

This is a tremendous achievement and will enable us to make continual improvements in line with the latest international standards in our energy performance, generating significant savings and reducing our carbon footprint. Ultimately, this will help us to maintain our position as one of the most sustainable and efficient operations in the global minting industry.

December product launches included the Brilliant Uncirculated pack for the 200th Anniversary of the birth of Charles Dickens, along with the annual definitive, commemorative BU sets, annual premium and collector proof sets.

Two of the most distinguished artists of their generation, Sir Anthony Caro OM CBE RA and Tom Phillips CBE RA, have combined with the master craftsmen of the Royal Mint to create these limited edition pieces, the first ever UK Kilo coins which celebrates the London 2012 Olympic and Paralympic Games.



Sir Anthony Caro OM CBE RA
Kilo, 100mm diameter,
Fine Gold

Tom Phillips CBE RA
Kilo, 100mm diameter,
Fine Silver

A dramatic night-time projection on London's Royal Festival Hall was just one of the ways in which we launched the official Diamond Jubilee UK £5 coin on 10 October 2011.

The World Money Fair took place on 3-5 February, 2012 at the Estrel Convention Centre. The Royal Mint stand focuses very much on our nickel-plating facilities.

January

Following the increase in demand for brass and nickel-plated products, a new rotary retort furnace was installed in Blank Processing in January 2012. We understand that this could be the largest furnace of its type in the world and puts the Royal Mint at the forefront of new technology for coin production.

February

Our presence at the World Money Fair, Berlin, in February 2012, was particularly significant this year with the Royal Mint granted official Mint of Honour status. Our stand featured Circulating and Commemorative Coin displays.

We hosted a reception for key international partners, held many customer meetings and sponsored the official show dinner, which featured a moving performance from members of the Treorchy Male Voice Choir, some of whom were our employees.

In addition, we were awarded the Best Gold Coin for our Olympic Games Faster Series, Neptune Design, for the highest achievement in numismatic design, artistic vision and craftsmanship.

March

Finally, in March 2012, we introduced a preferential customer list for our loyal and highly valued Commemorative Coin customers who will have a dedicated account manager. Our focus is to offer these customers a premium service along with unique opportunities such as visiting the Royal Mint's site.

Throughout the year, safety, health and the environment have continued to be one of our key corporate objectives.

As we close out the 2011-12 financial year, I should like to take this opportunity to thank all of our employees for their commitment and invaluable work as we continue towards our vision of being recognised as the world's best mint, by our customers, suppliers and those who work in the minting industry.

Adam Lawrence

The annual World Money Fair in Berlin is one of Europe's largest numismatic shows. In recognition of its long service to the show, the Royal Mint was designated Mint of Honour at February's event.

Management Commentary
For the year ended 31 March 2012

Activities and structure

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; and
— the manufacture and supply of official medals, seals and dies.

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:

— to 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.

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 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 2011-12, was 10% (2010-11: 10%). The return in 2011-12 was 12.6% (2010-11: 5.5%). For this purpose, the annual rate of return is calculated using the operating profit for the year before interest as a percentage of the average capital employed. The performance against other key ministerial targets is set out on page 31.

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.

London 2012 – One Year To Go was celebrated in July and staff enjoyed an 'Olympic Day' in the Royal Mint grounds. We were joined by Olympians and Paralympians from the UK, New Zealand, South Africa and Australia including Pippa Britton who treated us to a thrilling demonstration of her skill.

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

- develop our brand and reputation as the world's leading exporting mint;
- increase our market share via aRMour® plating technology;
- increase operational flexibility to be able to react quickly to variations in demand;
- continue to improve the Royal Mint's competitive position through improved productivity levels and reduction in costs;
- create differentiation through the quality of the Royal Mint's products and services; and
- increase operating efficiency and capacity to reduce customer lead-times.

The Commemorative Coin business strategic objectives are to:

- take advantage of the unique opportunity presented by the London 2012 Olympic and Paralympic Games and the Queen's Diamond Jubilee to generate sales and broaden the customer base;
- achieve consistent growth in sales and profitability through building the Royal Mint brand, product development and growth of the customer database;
- grow share of the bullion market;
- reduce our dependence on the UK market through international development;
- maintain a high level of customer service; and
- improve productivity and reduce costs.

Issues of UK circulating coins 2011-12

Denomination	Number of Pieces Millions	Face Value £m
£2	12.9	25.8
£1	27.2	27.2
50 pence	18.1	9.1
20 pence	153.1	30.6
10 pence	63.7	6.4
5 pence	302.8	15.1
2 pence	150.6	3.0
1 penny	434.8	4.3
Total	1,163.2	121.5

Estimated value and number of coins in circulation at 31 March 2012

Denomination	Number of Pieces Millions	Face Value £m
£2	369	738
£1	1,496	1,496
50 pence	865	432
20 pence	2,631	526
10 pence	1,600	160
5 pence	3,755	188
2 pence	6,637	133
1 penny	11,300	113
Total	28,653	3,786

Operating and Financial Review

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

The Royal Mint returned an operating profit, before adjusting for the impact of hedging ineffectiveness (IAS 39 – page 21), of £10.9m (2010-11: £3.6m).

Revenue increased by 45.9% to £313.9m (2010-11: £215.1m), with most of the growth coming from Commemorative Coin which achieved sales of £216.0m (2010-11: £121.5m). This increase was driven largely by demand for our lower margin bullion products together with Olympic products particularly in the Far East.

Circulating Coin sales increased by 4.6% to £97.9m (2010-11: £93.6m), mainly due to increases in base metal prices.

The key long-term strategy of encouraging central banks to change their coinage from non-ferrous metals to aRMour® plated steel coins and blanks continued.

aRMour® is available in nickel-plate, copper-plate and brass-plate. The process involves a full plate mono layer that is electroplated directly on to a steel core. This results in a very strong bond between the plated material and the steel core resulting in coins that have expected lifetimes in excess of 20 years in circulation. In comparison to other plated products there are many other benefits of aRMour® for circulating coins and coin blanks. These include the ability to incorporate edge lettering and latent image security features, superior wear and corrosion resistance coupled with lower acquisition costs. In January 2012 5p and 10p aRMour® nickel plated steel products were introduced into circulation in the UK.

This year has seen cash inflows from operating activities of £17.7m (2010-11: £27.2m outflow). The cash inflow was from trading activities and efficient working capital management.

Capital expenditure of £4.7m (2010-11: £15.5m) was mainly in the following areas:

— improvements in site facilities which included an award-winning water treatment plant (details can be found in the Sustainability Report);

— capital expenditure associated with continued development of aRMour® strategy; and

— purchase of software licences including a new externally hosted website.

Summary financial results

	2011-12 £m	2010-11 £m
Revenue:		
Circulating Coin		
UK	39.5	31.1
Overseas	58.4	62.5
Total Circulating Coin	97.9	93.6
Commemorative Coin	216.0	121.5
Total	313.9	215.1
Operating profit		
Circulating Coin	8.4	12.0
Commemorative Coin	16.5	3.7
Central overheads	(14.0)	(12.1)
Operating profit before hedging ineffectiveness	10.9	3.6
Hedging ineffectiveness (page 21)	(1.7)	0.1
Operating profit	9.2	3.7
Net finance cost	(0.9)	(0.6)
Profit before tax	8.3	3.1

Circulating Coin

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

The Royal Mint issued 1,163 million coins (2011-12: 1,111 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 May 2011 indicated a counterfeit rate of around 3.0% (May 2010: 2.8%) and November 2011 a counterfeit rate of around 3.1%. Both surveys indicate that the overall trend is increasing despite the action taken by all parties involved over the past year.

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 £16.5m (2010-11: £3.7m) driven largely by demand for Olympic coins, particularly in the Far East, together with improved performance of our bullion products, as wholesale customers and investors sought to purchase our sovereign and Britannia range. The sovereign is the oldest traded bullion coin in the world.

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

The Commemorative Coin ministerial targets (shown on page 31) were not achieved. It is anticipated that performance will be improved in 2012-13.

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 its website is now up and running. 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.

Dividends

The Board has declared a dividend for 2011-12 of £4m. In 2010-11 a dividend of £4.0m was provided for and was paid on 1 May 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, as in the past, are from movements in commodity metal prices and exchange rates.

Effects of commodity hedging

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.

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

In 2011-12 the year-end impact of commodity hedging on the Consolidated Income Statement was a loss of £1.7m (2010-11: £0.1m gain).

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.

Metal prices have been extremely volatile during the year. The volatility of our key non-ferrous metals, nickel and copper, is shown in the graphs below.

Commemorative Coin

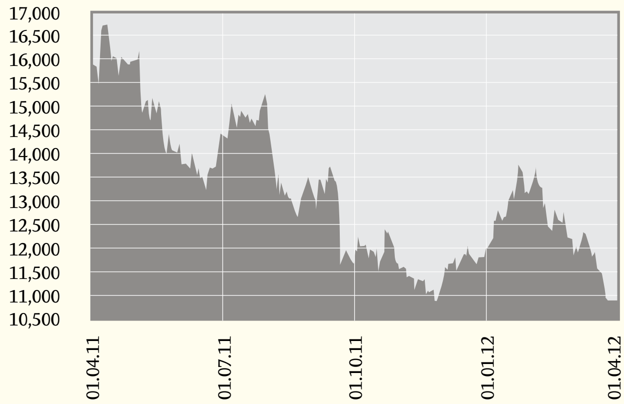
The Royal Mint has employed two different strategies within the Commemorative Coin business.

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.

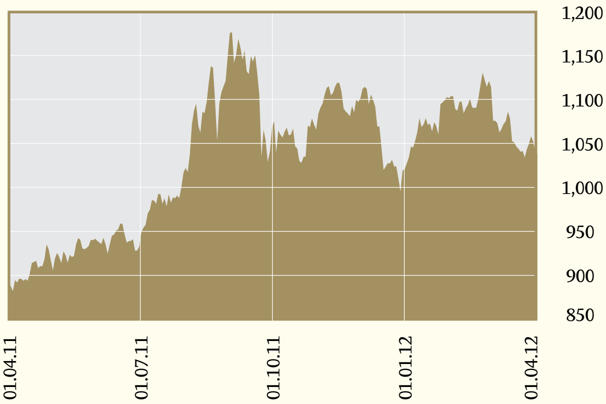
Bullion products. Selling prices are quoted based on the prevailing market rates of the precious metals, which are purchased specifically to satisfy each order thereby avoiding exposure to risk by using consignment arrangements.

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

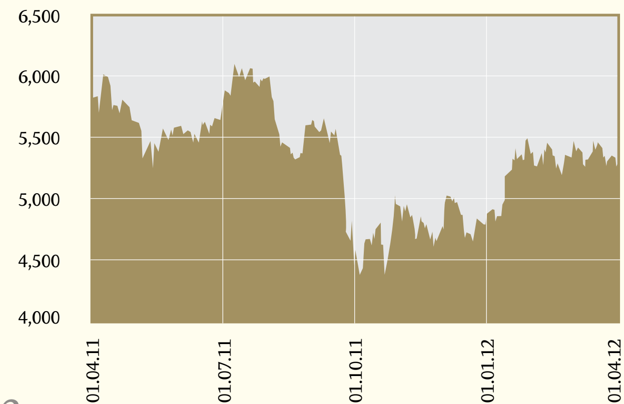
£ / tonne Nickel price (Source LME)



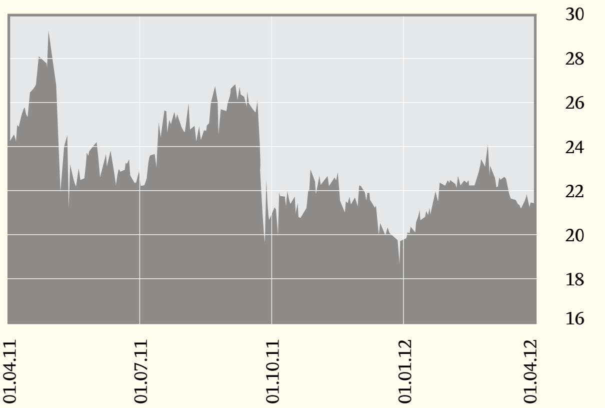
Gold price (Source LBMA) £ / oz



£ / tonne Copper price (Source LME)



Silver price (Source LBMA) £ / oz



Foreign exchange

Metal purchases

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

Sales and non-metal purchases

The Royal Mint hedges its exposure to exchange rate movements on sales and purchases in foreign currency by selling / buying forward exchange contracts as appropriate.

Research and development

The Royal Mint continues to invest in research and development; the cost of which is disclosed in note 3.

Creditor payment policy

The Royal Mint always seeks to comply with agreed terms. A total of 86% (2010-11: 83%) of invoices were paid within the agreed period.

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 the development of our people has been recognised and we were delighted to be announced as the winner of the Annual Training and Development Award at the Western Mail's Business Awards.

We have continued to build our programmes of reward and recognition through our monthly peer-to-peer Leading Lights' scheme and Long Service Award dinner.

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

Disabled employees

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

Sickness absence

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

Safety, Health and Environment (SHE)

The Royal Mint continues to seek to achieve the highest standards of business ethics and is fully committed to meeting its SHE responsibilities. The Royal Mint's SHE management systems aim for continuous improvement beyond basic legal compliance. This involves placing a strong emphasis on working with, and looking after, our workforce.

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

— the results of external SHE audits demonstrate that we are achieving continuous improvement in all aspects of performance;
— over the past three years there has been a 39% decrease in the total number of accidents reported, by further raising employee understanding of safety, health and environment issues through training and regular communication; and
— the Royal Mint continues to work to the stringent controls of its Environmental Permit, which is regulated by the Environment Agency and the Control of Major Accident Hazards (COMAH) regulations, overseen by both the Environment Agency and the Health and Safety Executive.

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

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

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

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

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

Directors

Details of the Directors of The Royal Mint Limited are set out on page 3. 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 Royal Mint views the future positively. The year ahead provides us with the opportunity to celebrate the unique position of our company's heritage in providing official UK commemorative coins for the Queen's Diamond Jubilee and the London 2012 Olympic and Paralympic Games; and to reinforce the merits of our aRMour® platform within our Circulating Coin business.

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

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

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

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

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

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

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.

The Royal Mint has the capacity to produce 15,000 Tonnes of Nickel plated circulating coin blanks per annum. In 2011-2012 we supplied blanks to 10 countries around the world.

Sustainability Report

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

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

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

— 100% implementation of the BS EN 16001 energy standard. During 2011 the BS EN 16001 standard was replaced by the ISO 50001 - energy management standard; and

— 5% pa reduction in energy use measured in kilowatt hours per tonne of throughput. The Royal Mint achieved a 6% reduction in energy use in 2011-12.

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

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

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

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

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

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

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

Made in Wales Awards – Manufacturing Innovation category – Winner

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

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

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

Greenhouse Gas Emissions and Energy Consumption

		2008-09	2009-10	2010-11	2011-12
Non Financial Indicators	Total Emissions (Tonnes of CO_2eq)	26,300	24,700	25,600	25,300
	Normalised Tonnes of CO_2eq per tonne of circulating coin	1.48	1.35	1.46	1.38
Related Energy Consumption	Electricity Consumption (scope 2) (Giga-watt hours)	38.1	39.0	37.6	39.2
	Gas Consumption (scope 1) (Giga-watt hours)	23.6	21.4	21.3	18.8
	Energy costs (£'000)	4,189	3,877	2,987*	3,746

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

Water Consumption

		2008-09	2009-10	2010-11	2011-12
Non Financial Indicators	Supplied m^3	183,000	170,000	146,000	150,000
	Abstracted m^3	1,210,000	1,070,000	1,070,000	840,000
	m^3 use of water per tonne of circulating coin	72.2	66.5	69.4	53.7
	Water Supply Costs (£'000)	280	261	224	238

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

Waste

		2008-09	2009-10	2010-11	2011-12
Non Financial Indicators	Hazardous Waste (Total Tonnes)	1,024	2,021*	2,666*	2,212*
	Non Hazardous Waste (Total Tonnes)	3,162	1,342	714	777
	Resused / Recycled (Total Tonnes)	223	144	278	991#
	Waste Costs (£'000)	543	514	482	481

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

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

The 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.

Working with the Supply Chain

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

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

During the workshops the Royal Mint encourages its suppliers to look at its environmental impact and encourages achievement of standards such as ISO 14001 the Environmental Management Standard, ISO 5001 the Energy Management Standard and SA 8000 Ethical Standard.

Reporting and Data

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

For transport, the mileages of Royal Mint vehicles are recorded monthly along with data supplied by taxi companies and the carbon from air travel is supplied by the Royal Mint's travel operator. These Scope 3 emissions are not significant.

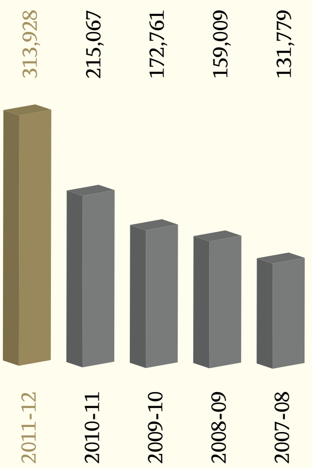
The Royal Mint won a Manufacturing Innovation award for the new Water Recycling Plant. The award is presented to the company or individual that has generated the most impressive commercial benefit from designing and implementing an innovative product or process made in Wales.

Financial Summary

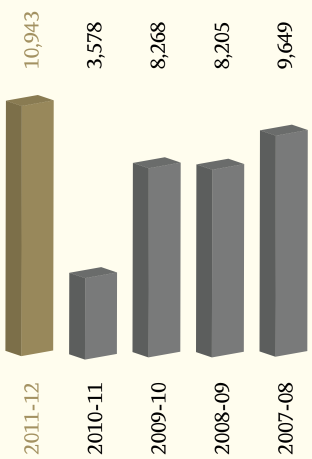
	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000	2007-08 £'000
Accounting standards			Prepared under International Financial Reporting Standards (IFRS)		Prepared under UK Generally Accepted Accounting Principles (UKGAAP)
UK sales	113,795	72,569	62,715	76,787	75,441
Overseas sales	200,133	142,498	110,046	82,222	56,338
Total Sales	313,928	215,067	172,761	159,009	131,779
Operating profit before exceptionals and IAS 39 hedging ineffectiveness (note 5)	10,943	3,578	8,268	8,205	9,649
IAS 39 hedging ineffectiveness	(1,654)	77	2,263	(1,413)	–
Exceptional items	–	–	(5,273)	(2,204)	(1,325)
Operating profit	9,289	3,655	5,258	4,588	8,324
Net interest	(966)	(522)	(1,062)	(322)	(1,150)
Profit before tax	8,323	3,133	4,196	4,266	7,174
Tax	1,251	(590)	(443)	–	–
Profit after tax	9,574	2,543	3,753	4,266	7,174
Net assets	75,449	55,267	59,116	55,920	58,207
Operating profit before exceptionals and IAS 39 hedging ineffectiveness/sales	3.5%	1.7%	4.8%	5.2%	7.3%
Operating profit / sales	3.0%	1.7%	3.0%	2.9%	6.3%

The impact of hedging ineffectiveness 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.

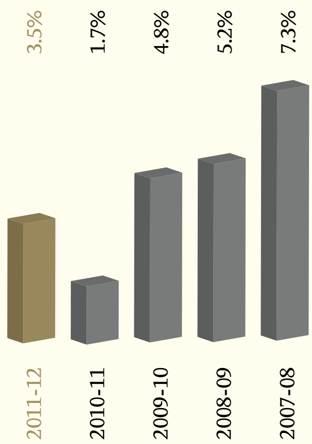
Total sales £'000



Operating profit before exceptional items and IAS 39 hedging ineffectiveness (see Note 5) £'000



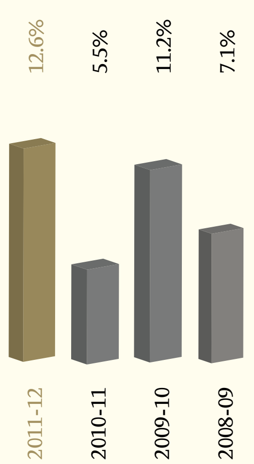
Operating profit before exceptional items and IAS 39 hedging ineffectiveness (see Note 5) £'000 as a percentage of sales



Key Ministerial Targets

		2011-12	2010-11	2009-10	2008-09
Target 1* To achieve an average rate of return on average capital employed	Target	10.0%	10.0%	10.0%	5.1%
	Outturn	12.6%	5.5%	11.2%	7.1%
Target 2 UK Circulating Coin Delivery of accepted orders from UK banks and post offices within 11 days	Target	99.0%	99.0%	99.0%	99.0%
	Outturn	100%	99.5%	99.9%	100.0%
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	80.0%	80.0%	80.0%	N/A
	Outturn	75.0%	78.0%	49.8%	N/A
Target 4 Medals Orders delivered by agreed delivery date	Target	98.0%	98.0%	98.0%	98.0%
	Outturn	92.0%	93.2%	97.6%	99.1%
Target 5 Quality Commemorative Coin products accepted by individual UK customers	Target	99.7%	99.7%	99.7%	99.7%
	Outturn	98.5%	98.5%	99.6%	99.6%

Financial objective ratio (target 1)



* ROACE is calculated by expressing Operating profit as a percentage of average capital employed. Average capital employed will be taken as the average of the monthly balance sheet capital employed excluding loans, cash and museum transactions, assets and liabilities.

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

The Royal Mint Advisory Committee 2011-12

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 King 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, two at Buckingham Palace, one at Cutlers' Hall and one at the Art Workers' Guild. In addition, there were meetings of the working group on the design of coins for the London 2012 Olympic and Paralympic Games and of the Sub-Committee on the selection of themes for new UK coins.

Programme for London 2012

Work began on designing coins for the London 2012 Olympic and Paralympic Games in the months immediately following the announcement of London's successful bid. It has been the single largest programme of UK coins to date and resolving what has amounted to more than 60 individual designs has taken a great deal of time and energy.

The final elements of the programme were examined by the Committee during 2012 and amongst them were the UK's first kilo and five ounce coins. Three Royal Academicians, Sir Anthony Caro, Tom Phillips and Christopher Le Brun (the current President of the Academy), were commissioned to work on these high-status precious metal coins but, beyond the important matter of design, a new Act of Parliament, in the shape of a Private Members' Bill supported by Mark Lancaster MP, was required to allow the Royal Mint to produce UK coins weighing as much as a kilo. Working firmly within their own styles, the three artists have developed contrasting responses to the sporting theme and, seen together, the designs demonstrate with some conviction the flexibility with which coinage design can be approached.

Commemorative Coins

The Diamond Jubilee of Her Majesty The Queen is an event of considerable historical significance and one of the most prominent ways in which it will be commemorated through public art will be on the nation's coinage. Crown pieces issued by the Royal Mint will form part of the official symbolism of the Jubilee and, true to the strength of his track record as one of the most gifted numismatic artists of his generation, Ian Rank-Broadley has created designs of great sensitivity and dignity.

The idea of issuing kilo and five ounce coins for the Diamond Jubilee as well as for the Olympic Games, prompted the thought of approaching Mr Rank-Broadley again with a request to prepare what would become a suite of designs by him to celebrate the Jubilee. His low-relief sculpture for the kilo took many weeks but it is, even by his own high standards, an accomplished piece of work.

There are very few other themes that could hope to compete with the Olympic Games and the Diamond Jubilee but as one of the most beloved of authors Charles Dickens has himself become something of a national treasure. The 200th anniversary of his birth falls in 2012 and the Committee examined a varied selection of responses to the brief. Conventional portraits and pictorial scenes were included but it was the idea of a writer being defined, quite literally, by his own words that captured the imagination of the Committee. Having designed a 50 pence piece on the subject of the WWF in 2011 it was again Matt Dent who came through with a characteristically intelligent solution for the two-pound coin by constructing a profile silhouette of Dickens using the titles of his books.

Designs for the Diamond Jubilee UK £5 coin were unveiled in October 2011. The portrait of Her Majesty The Queen created especially for Diamond Jubilee commemorative coins is the work of the distinguished sculptor Ian Rank-Broadley FRBS.

Sub-Committee on the Selection of Themes

In line with changes to the Committee's terms of reference in the summer of 2009, there were two meetings of the Sub-Committee on the Selection of Themes for UK Coins. At the meeting in June 2011 themes for new coins to be issued in 2013, with their associated denominations, were agreed and have subsequently received Ministerial and Royal approval. At the meeting in March 2012 themes for 2014 were discussed and, with a view to establishing a longer-term perspective, preliminary research was presented on a plan extending over the next five years.

Membership

Having been reviewed, the terms of three members, John Maine, Sir David Cannadine and Stephen Raw, were extended by a further three years. Approaching the subject matter of discussions from very different perspectives, each has provided the Committee with invaluable advice. As artist members, Mr Maine and Mr Raw have not only been able to suggest new artists and designers, they have also shaped the outcome of discussions with a grounded creative input.

Sir David Cannadine has always delivered insightful judgements on the designs presented to the Committee but, in bringing to bear his formidable historical knowledge on the question of future themes for the UK coinage, he has become increasingly influential.

There have been no retirements during the year but, with MaryAnne Stevens' term in office coming to an end a month following the end of the reporting year and the recruitment for her successor at an advanced stage, it seems appropriate to pay tribute to her now. Her contribution to the work of the Committee has been hugely important, demonstrating a remarkable commitment in time and energy to its fundamental cause of raising the standard of numismatic art in Britain.

She embraced with enthusiasm the challenge of judging designs for the London 2012 Olympic and Paralympic Games, no small undertaking in time and forebearance. Her deep knowledge of art history, and the authority with which she speaks to the finer points of art and design, will be missed, as indeed will her acute awareness of the qualities of artists at work in Britain today and, in particular, of Academicians.

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.

To celebrate the Queen's Diamond Jubilee the 2012 Sovereign features a new treatment of St George and the Dragon.

Members of the Committee
At 31 March 2012
(with dates appointment)

Lord Waldegrave of North Hill
Chairman (January 2011)

Miss MaryAnne Stevens
Director for Academic Affairs, Royal Academy of Arts
(April 2001, re-appointed April 2008)

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)

Mr Tim Knox
Director of Sir John Soane's Museum (February 2008)

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

Professor Nick Mayhew
Numismatic Consultant to the Committee

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

The design for the new Welsh government seal was commissioned from the sculptor John Bergdahl.

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 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.

On 24 April 2012 Jeremy Pocklington succeeded Peter Schofield as Accounting Officer for the Royal Mint Trading Fund. The relevant responsibilities as Accounting Officer are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in 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 policies, aims and objectives, whilst safe-guarding public funds and the Fund 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, and as noted the Board has assessed its own effectiveness.

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 9 times in 2011-12 (2010-11: 9 times). Attendance by members at the Board and Committee meetings are set on page 38.

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

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

The Role of the Board

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

The roles and responsibilities of the Board are:

— compliance with statutory requirements and UK Corporate Governance Code guidelines;
— scrutiny of financial accounts through the Audit Committee of the Board;
— approval of annual plans;
— to set the company's strategic aims;
— oversight of corporate risk register;
— approval of major capital expenditure;
— oversight of operating performance;
— development of remuneration systems for Executive Directors, including performance related pay;
— annual evaluation of its performance and that of its committees;
— performance appraisal of Executive Management plus succession planning; and
— approval of Senior Executive appointments or, where appropriate, recommendation of appointments to Shareholder Executive / Minister.

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

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

The Audit Committee

The Audit Committee comprises three independent Non-Executive Directors. The Committee invites a representative of the Royal Mint Trading Fund and HM Treasury as shareholder, the Chief Executive, the 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 41.

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 Director's 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 pages 42-46.

Nominations Committee

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

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

Executive Management Team

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

The roles and responsibilities of the Executive are:

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

Risk Management

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

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

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

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

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

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

— key engineering failure;
— political and economic instability of overseas customers;
— the execution of the 2012 growth strategy targeted at the Queen's Diamond Jubilee and the Olympics; 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 the 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 2011-12 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

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 32.

Jeremy Pocklington

Accounting Officer
22 June 2012

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, in the light 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. 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. This 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 effectively contribute to the successful development of the business.

Executive Management Team
The team as at 31 March 2012 is made up of 6 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 the 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)**
The Remuneration Committee agreed a STIP for 2011-12. The purpose was to recognise and reward outstanding performance against planned business targets, with a strong focus on ROACE. The maximum award for 2011-12 (if ROACE in excess of 130% of target is achieved), was £60,000 for Adam Lawrence and 30% of basic pay (2010-11: 30%) for the other members of the Executive Management Team.

STIP awards are disclosed in the year they are paid. Amounts paid in 2011-12 relate to performance in 2010-11 and are outlined in the table. Amounts payable for 2011-12 performance have not been finalised and will be fully disclosed when paid in 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 this three-year period. The maximum it is possible to earn each year ranges from 25% to 33% of salary. LTIPs maturing in 2011-12 resulted in a payment of £53,000 based on performance over the preceding 3 years, with £Nil earned in relation to 2010-11. LTIP awards are disclosed in the year they are paid. At the year end £109,000 (2010-11: £132,000) 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. 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 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	Remuneration 2010-11 £'000	STIP payments made in 2010-11 for 2009-10 performance £'000	LTIP payments made in 2010-11 for 2009-10 performance £'000
Adam Lawrence*# Chief Executive Appointed 1 January 2011	195-200	4	53	165-170	30	–
Vin Wijeratne* Director of Finance Appointed 24 November 2010	125-130	1	–	40-45	–	–
Anne Jessopp Director of Business Services	130-135	3	–	125-130	26	–
Phil Carpenter Director of Operations	105-110	3	–	100-105	25	–
Andrew Mills Director of Circulating Coin	130-135	3	–	125-130	25	–
Shane Bissett Director of Commemorative Coin Appointed 28 February 2011	125-130	–	–	10-15	–	–
Andrew Stafford Chief Executive Left 31 December 2010	–	–	–	155-160	60	150
Dave Knight Director of Commemorative Coin Left 11 February 2011	–	–	–	105-110	27	–

*Board Member
#Adam Lawrence was promoted from Director of Finance (remuneration: £138,000 per annum) to Chief Operating Officer on 1 May 2010 (remuneration: £158,000 per annum) and to his current role of Chief Executive on 1 January 2011. 2011-12 remuneration reflects a full year in this role.

Andrew Mills and 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 2011-12 the banded remuneration of the highest-paid director of the Royal Mint was £250,000-£255,000. This was 9 times the median remuneration of the workforce, which was £29,000. 2011-12 was an exceptional year as median remuneration of the highest paid director includes a LTIP payment which was based on performance over the previous three years. If this LTIP payment was excluded the remuneration of the highest paid director would be 7 times that of the median remuneration of the workforce.

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 2012 £'000	Accrued Pension at 31 March 2011 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as at 31 March 2011 £'000	Transfer Value as at 31 March 2012 £'000	Increase in Transfer Value less employees contributions £'000
Adam Lawrence* Chief Executive	8	4	4	44	116	67
Anne Jessopp Director of Business Services	6	3	2	43	97	50
Phil Carpenter Director of Operations	3	2	1	29	69	38
Andrew Mills Director of Circulating Coin	6	3	2	51	109	54

*Board Member

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 £13,000 (2010-11: £5,000)
Shane Bissett £13,000 (2010-11: £nil)

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. The current appointments run to 31 December 2012.

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

	2011-12 £'000	2010-11 £'000
Mike Davies	45	45
Colin Balmer	23	23
Mary Chapman	20	20
David Harding	18	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 £4,000 (2010-11: £7,000).

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

Jeremy Pocklington

Accounting Officer
22 June 2012

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 2012 under the Government Trading Funds Act 1973. The financial statements comprise: the Consolidated Income Statement, the Consolidated and Royal Mint Trading Fund Statements of Comprehensive Income, the Consolidated and Royal Mint Trading Fund Statements of Changes in Equity, Consolidated and Royal Mint Trading Fund Statements of Financial Position, the 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 Funds; 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 statement 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 2012 and of its profit 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 and 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
26 June 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP

Consolidated Income Statement

For the year ended 31 March 2012

	Notes	Before IAS 39 hedging ineffectiveness (note 5) 2011-12 £'000	IAS 39 hedging ineffectiveness (note 5) 2011-12 £'000	Total 2011-12 £'000	Before IAS 39 hedging ineffectiveness (note 5) 2010-11 £'000	IAS 39 hedging ineffectiveness (note 5) 2010-11 £'000	Total 2010-11 £'000
Revenue - Continuing	2	313,928	–	313,928	215,067	–	215,067
Cost of sales	3	(265,955)	(953)	(266,908)	(180,936)	(876)	(181,812)
Gross profit		47,973	(953)	47,020	34,131	(876)	33,255
Administrative expenses	3	(13,948)	–	(13,948)	(12,189)	–	(12,189)
Selling and distribution costs	3	(22,840)	–	(22,840)	(18,503)	–	(18,503)
Other gains / (losses)-net	22	(242)	(701)	(943)	139	953	1,092
Operating profit	2	10,943	(1,654)	9,289	3,578	77	3,655
Finance income	6	181	–	181	33	–	33
Finance costs	6	(1,147)	–	(1,147)	(555)	–	(555)
Profit before tax		9,977	(1,654)	8,323	3,056	77	3,133
Tax charge for the year	7			1,251			(590)
Profit for the financial year				9,574			2,543
Profit attributable to:							
HM Treasury				9,574			2,543

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000
Profit for the financial year		9,574	2,543
Other comprehensive income:			
Cash flow hedges		(754)	(2,782)
Actuarial (loss) / gain on defined benefit scheme	17	(638)	92
Deferred tax on actuarial gain / (loss) on defined benefit scheme	16	153	(24)
Gain on Heritage Assets revaluation	9	16,000	–
(Loss) / gain on plant and machinery revaluation	8	(153)	322
Total comprehensive income for the year		24,182	151
Total comprehensive income attributable to:			
HM Treasury		24,182	151

Royal Mint Trading Fund Statement of Comprehensive Income

For the year ended 31 March 2012

	2011-12 £'000	2010-11 £'000
Profit for the financial year	–	4,000
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	–	4,000
Total comprehensive income attributable to:		
HM Treasury	–	4,000

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 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 gain of defined benefit scheme	–	–	153	–	–	153
Loss on plant and machinery revaluation	–	(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

	Public Dividend Capital £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
At 1 April 2010	5,500	2,388	48,470	2,758	59,116
Movements in the year:					
Profit for the financial year	–	–	2,543	–	2,543
Cash flow hedges	–	–	–	(2,782)	(2,782)
Actuarial loss on defined benefit scheme	–	–	92	–	92
Deferred tax on actuarial loss of defined benefit scheme	–	–	(24)	–	(24)
Gains on plant and machinery revaluation	–	322	–	–	322
Transfers	–	(144)	144	–	–
Total Comprehensive Income for the year	–	178	2,755	(2,782)	151
Transactions with HM Treasury – dividends	–	–	(4,000)	–	(4,000)
At 31 March 2011	5,500	2,566	47,225	(24)	55,267

The Notes on pages 56 to 91 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 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

	Public Dividend Capital £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2010	5,500	49,819	55,319
Movements in the year:			
Profit for the financial year	–	4,000	4,000
Total Comprehensive Income for the year	–	4,000	4,000
Transactions with HM Treasury – dividends	–	(4,000)	(4,000)
At 31 March 2011	5,500	49,819	55,319

The Notes on pages 56 to 91 form part of the Accounts.

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 £'000	2011 As restated* £'000
Non-Current Assets			
Property, plant and equipment	8	47,459	46,237
Heritage assets	9	16,211	5
Intangible assets	10	1,846	1,427
Deferred tax asset	16	885	–
Total Non-Current Assets		66,401	47,669
Current Assets			
Inventories	11	34,293	34,407
Derivative financial instruments	23	229	1,051
Retirement benefit asset	17	229	562
Trade and other receivables	12	29,164	32,106
Cash and cash equivalents		1,853	868
Total Current Assets		65,768	68,994
Current Liabilities			
Short term borrowings	13	(15,000)	(27,000)
Trade and other payables	14	(38,399)	(31,409)
Current tax liability	7	(457)	–
Derivative financial instruments	23	(1,493)	(243)
Total Current Liabilities		(55,349)	(58,652)
Net Current Assets		10,419	10,342
Non-Current Liabilities			
Deferred tax liability	16	–	(1,043)
Provision for liabilities and charges	15	(1,371)	(1,701)
Net Assets		75,449	55,267
Equity			
Public dividend capital		5,500	5,500
Revaluation reserve		2,413	2,566
Retained earnings		52,122	47,225
Hedging reserve		(778)	(24)
Heritage Assets reserve		16,192	–
Total Equity		75,449	55,267

The Notes on pages 56 to 91 form part of the Accounts.
*Please refer to Accounting Policies section 2.24 for details.

Jeremy Pocklington
Accounting Officer
22 June 2012

Royal Mint Trading Fund Statement of Financial Position

At 31 March 2012

	Notes	2012 £'000	2011 £'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	(8,000)	(4,000)
Total Current Liabilities		(8,000)	(4,000)
Net Assets		51,319	55,319
Equity			
Public dividend capital		5,500	5,500
Retained earnings		45,819	49,819
Total Equity		51,319	55,319

The Notes on pages 56 to 91 form part of the Accounts.

Jeremy Pocklington
Accounting Officer
22 June 2012

Consolidated Statement of Cashflow

For the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 As restated* £'000
Cashflow from Operating Activities			
Operating profit		9,289	3,655
Depreciation and amortisation on non-current assets		3,829	3,347
Loss on disposal		52	–
Cashflow hedges		1,318	(1,763)
Movements in working capital:			
Inventory		114	(8,173)
Retirement benefit asset		(141)	(291)
Trade and other receivables		2,942	(10,625)
Trade and other payables		1,849	(11,550)
Provisions		(353)	(1,296)
Cashflow from operations		18,899	(26,696)
Tax paid		(67)	–
Interest paid		(1,113)	(462)
Net Cashflow from operating activities		17,719	(27,158)
Cashflow from Investing Activities			
Acquisition of property, plant & equipment		(3,922)	(14,867)
Acquisition of intangible assets		(830)	(603)
Interest received		18	37
Net cash used in investing activities		(4,734)	(15,433)
Cashflow from Financing Activities			
Dividend paid		–	(4,000)
Short-term loans		(12,000)	27,000
Net cash (used) / generated in financing activities		(12,000)	23,000
Net movement in Cash and Cash Equivalents		985	(19,591)
Cashflow from movement in borrowings		12,000	(27,000)
Movement in net debt		12,985	(46,591)
Net (debt) / funds at start of year		(26,132)	20,459
Net debt at end of year	21	(13,147)	(26,132)

The Notes on pages 56 to 91 form part of the Accounts.
*Please refer to Accounting Policies section 2.24 for details.

Royal Mint Trading Fund Statement of Cashflow

For the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000
Cashflow from Operating Activities			
Operating profit		–	–
Net Cashflow from operating activities		–	–
Cashflow from Investing Activities			
Dividend received from The Royal Mint Limited		–	4,000
Cash transferred to The Royal Mint Limited		12,000	(27,000)
Net cash used in investing activities		12,000	(23,000)
Cashflow from Financing Activities			
Dividend paid		–	(4,000)
Short-term loans		(12,000)	27,000
Net cash generated used in financing activities		(12,000)	23,000
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 56 to 91 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 2011-12 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. A prior year adjustment in relation to precious metal arrangements has been recorded and disclosed in section 2.24. The particular policies adopted are described below. They have been applied consistently unless otherwise stated in dealing with items that are considered material to the accounts.

2.1 Changes in accounting policy and disclosures

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

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

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

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

It is not anticipated that the above will have a significant impact on the 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 an open market 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.

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.

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 have 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 – valuation to be 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 2014 to 31 March 2017.

Valuations for each class of Heritage Asset will be undertaken every five years. No meaningful valuation is possible as regards master tools and dies for which cost information is unavailable.

No valuation as regards architectural plans, film reels, tapes and glass negatives is to be undertaken as their significance as regards valuation is not judged sufficiently high enough to warrant expenditure and obtaining a valuation.

Assets acquired since vesting
Heritage assets acquired since company formation have been capitalised to the balance sheet 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 3 and 8 years. Other software costs are charged as incurred.

2.6 Impairment of non-financial assets

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

Note 1 continued

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 balance sheet 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 balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the date of 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 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.

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and incentive schemes

The Royal Mint 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;
— 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 period 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.

2.24 Prior year adjustment

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

Statement of Financial Position

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

There has been no adjustment to the Income Statement or net assets as a result of this treatment.
The impact on the Statement of Financial Position as at 1 April 2010 would be to reduce inventory and borrowings by £12.3 million.

Cashflow

	As previously reported £'000	Prior year adjustment £'000	As restated £'000
Net cashflow from operating activities	(76,545)	49,387	(27,158)
Cashflow from investing activities	(15,433)	–	(15,433)
Cashflow from financing activities	72,387	(49,387)	23,000
Net increase in cash and cash equivalents	(19,591)	–	(19,591)
Cashflow from movement in borrowings	(76,387)	49,387	(27,000)
Movement in net debt	(95,978)	49,387	(46,591)
Net funds at start of year	8,116	12,343	20,459
Net debt at end of year	(87,862)	61,730	(26,132)

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.

In arriving at the retirement benefit asset for the year, an actuarial estimate has been made of the impact of individuals who have determined that they wish to transfer into The Royal Mint Limited's pension scheme. This is based on latest available information which will require refinement in the financial statements for the year ending 31 March 2013.

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 tables 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 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

Analysis by Class of Business 2010-11

	Circulating £'000	Commemorative* £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	93,610	121,457	215,067	–	215,067
Depreciation and amortisation	(2,515)	(354)	(2,869)	(478)	(3,347)
Operating profit	12,016	3,797	15,813	(12,158)	3,655
Segment assets and liabilities:					
Non-current assets	33,473	6,489	39,962	7,707	47,669
Current assets	43,467	22,894	66,361	2,633	68,994
Current liabilities	(7,473)	(4,688)	(12,161)	(46,491)	(58,652)
Non-current liabilities	–	–	–	(2,744)	(2,744)
Net assets	69,467	24,695	94,162	(38,895)	55,267

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 £16.2m (2011: £nil).

Note 2 continued

B. Geographical Analysis of Revenue

Revenue by destination is set out below:

	2011-12 £'000	2010-11 £'000
UK	113,795	72,569
Greece	48,708	30,492
Rest of Europe	67,565	41,463
Asia	37,155	30,086
Africa	18,239	23,594
Americas	22,759	15,369
Rest of the World	5,707	1,494
	313,928	215,067

During 2011-12 revenue from two customers amounted to £47.6m and £39.5m (2010-11: £31.0m and £28.6m), respectively, which each represented in excess of 10% of revenue.

Note 3

EXPENSES BY NATURE

	2012-12 £'000	2010-11 £'000
Changes in inventories of finished goods and work in progress (excluding metal)	739	194
Raw materials and consumables used	22,627	16,830
Metal costs of products sold	215,980	139,775
Hire of plant and machinery	865	206
Employee benefit expenses	37,414	34,632
Agency workers	1,264	1,016
Training	469	192
Travel and subsistence	1,383	914
Transportation expenses	2,480	1,811
Depreciation and amortisation charges	3,829	3,347
Plant and building maintenance	2,459	1,967
Research and development	215	120
Promotional expenses	6,199	5,698
Commission expenses	2,004	1,420
Auditors' remuneration:		
Audit of these financial statements	18	15
Non audit fees	–	–
Audit of subsidiaries	59	57
Non audit fees to auditor of subsidiaries:		
Tax	–	9
Other	25	–
Other expenses	5,667	4,301
Total cost of sales, selling and distribution costs and administration expenses	303,696	212,504

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to a £953,000 loss (2010-11: £876,000 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 42 to 46.

Total Staff Costs

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

Average Number Employed

		2011-12		2010-11
Production				
Staff with a permanent contract	583		586	
Other staff	66		46	
		649		632
Sales and Marketing				
Staff with a permanent contract				
Other staff	121		121	
	12		3	
		133		124
Administration				
Staff with a permanent contract	129		130	
Other staff	4		6	
		133		136
		915		892

Staff costs above include a charge of £1,136,000 (2009-10: £200,000) 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 £30,000 and the median was £29,000.

Note 5

IMPACT OF HEDGING INEFFECTIVENESS UNDER IAS 39

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.

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

Note 6

FINANCE COSTS

	2011-12 £'000	2010-11 £'000
On loans repayable within five years	421	199
Unwinding of discount on provision for early retirement (Note 15)	23	26
Precious metal consignment arrangment fees	703	330
Net Cashflow from operating activities	1,147	555

FINANCE INCOME

	2011-12 £'000	2010-11 £'000
Bank interest received	17	33
Net return on pension scheme assets	164	–
Net Cashflow from operating activities	181	33

Note 7

TAXATION

Analysis of tax charge in year

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

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

	2011-12 £'000	2010-11 £'000
Profit before tax	8,323	3,133
Profit multiplied by the standard rate of corporation tax of 26%	2,163	877
Effects of:		
Trading Fund profit not being taxable	(66)	(482)
Expenses not deductible for tax purposes	133	143
Adjustments re: prior years	(3,542)	130
Reduction in tax rate for deferred tax provision	61	(78)
Tax charge for year	(1,251)	590

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

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

The effective tax rate for the year was 27% (2011: 17%) ignoring adjustments relating to prior years and the tax charge arising from the reduction in the rate at which deferred tax has been provided to 24%. The prior year deferred tax credit is mainly comprised of additional capital allowances which arose in relation to the assets vested from the Royal Mint Trading Fund on 1 January 2010, which followed the preparation of a detailed capital allowances claim.

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

Current tax liability

	2011-12 £'000	2010-11 £'000
Profit before tax	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 and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
Valuation				
At 1 April 2011	14,631	16,772	79,580	110,983
Additions	–	4,994	4	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
Net book value at 1 April 2011	13,013	16,772	16,452	46,237

Land and buildings are stated at open market current use valuation at 5 October 2009. This valuation which totalled £12.44 m was provided by BNP Paribas Ltd in accordance with the guidelines set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Land and buildings are re-valued every three years.

Note 9

HERITAGE ASSETS

	Heritage Assets £'000	Total £'000
Cost		
At 1 April 2011	5	5
Additions	206	206
Revaluation	16,000	16,000
At 31 March 2012	16,211	16,211
Net book value at 31 March 2012	16,211	16,211
Net book value at 1 April 2011	5	5

Note 9 continued

The collection

The Museum has 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.

In line with requirements of FRS 30 respecting the valuation of Heritage Assets, the Trustees of the Museum have discussed on several occasions the feasibility and benefit to the Museum of providing such valuations. The conclusion of those discussions has been to obtain valuations within the last 12 months of those parts of the collection which are readily accessible and for which there is an established market. The two areas so far covered have, as a result, been the coins and medals. Work in connection with the valuation has been carried out by the auctioneers Morton & Eden, a well respected firm with a great deal of experience and knowledge in the area. These items were valued at £16m in April 2012.

The Trustees have also discussed the other parts of the collection for which a valuation might be obtained, taking account of the existence of a mature market, the significance of the items, the costs of the initial work and the on-going requirement to update such valuations from time to time. They have agreed a plan extending over five years which covers those parts of the collection for which there is to a greater or lesser extent an existing market, combined with a judgement on the significance of the different elements of the collection. For the year 2012-13 valuations will be sought for the Library, the seal counterparts and impressions and the trial plates.

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.

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.

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

Note 11

INVENTORIES

Consolidated

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

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

Note 12

RECEIVABLES

Consolidated

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

Note 12 continued

Included within the receivables are the following:

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

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

	2012 £'000	2011 £'000
Pounds sterling	25,753	32,058
Euro	344	–
US Dollar	3,067	48
	29,164	32,106

Provision is made for Commemorative Coin Business to Consumer receivables that become overdue for payment.

Movement in provision for impairment in receivables:

	2012 £'000	2011 £'000
At 1 April	(613)	(524)
Utilised / (Provision) made in year	5	(89)
At 31 March	(608)	(613)

Note 13

SHORT-TERM BORROWINGS

Consolidated

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

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

Note 14

PAYABLES: amounts falling due within one year

	Consolidated 2012 £'000	Consolidated 2011 £'000	Trading Fund 2012 £'000	Trading Fund 2011 £'000
Trade payables	21,626	19,320	–	–
Other payables	1,178	267	–	–
Payments received on account	3,894	5,823	–	–
Taxation and social security	1,858	707	–	–
Proposed dividend	8,000	4,000	8,000	4,000
Accruals and deferred income	1,843	1,292	–	–
	38,399	31,409	8,000	4,000

Included within the payables are the following:

Balances with other Government bodies not shown separately above:

	£	£
Other Central Government bodies	11,656	4,512
Public Corporations and Trading Funds	25	34
	11,681	4,546

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 2012 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 2011	929	772	1,701
Charge made in year	47	–	47
Unwinding of discount on provision	23	–	23
Utilised in year	(337)	(63)	(400)
At 31 March 2012	662	709	1,371

Provisions are expected to be utilised within the next 5 years.

Note 16

DEFERRED TAXATION

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

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

Movements in deferred tax (assets) / liabilities were:

Deferred tax (assets) / liabilities

	Tax losses £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2011	(380)	1,117	228	146	(68)	1,043
(Credited) / charged to the Income Statement	380	(1,793)	(337)	62	(87)	(1,775)
(Credited) to Statement of Comprehensive Income	–	–	–	(153)	–	(153)
At 31 March 2012	–	(676)	(109)	55	(155)	(885)

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

Analysis of deferred tax liability

	2012 £'000	2011 £'000
Deferred tax liability over 12 months	(335)	1,043
Deferred tax liability within 12 months	(550)	–
	(885)	1,043

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

The Chancellor also announced that the main rate of corporation tax would fall to 22% from 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 24% to 23%, if these applied to the deferred tax balance at 31 March 2012, would be to reduce further the deferred tax asset by approximately £74,000.

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 £159,000 (2011-12: £58,000) 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 2012 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were:

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

Note 17 continued

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

	2011-12 £'000	2010-11 £'000
Current service cost	5,945	6,123
Pension scheme expenses	67	90
Interest cost	697	252
Expected return on assets	(861)	(317)
Adjustment for Nuvos Bulk Transfer Value	338	–
Amounts charged to the Income Statement	6,186	6,148

Amounts recognised in the Consolidated Statement of Comprehensive Income

	2011-12 £'000	2010-11 £'000	2009-10 £'000
Actual return less expected return on assets	(151)	(361)	35
Experienced (losses) / gains arising on the scheme liabilities	(905)	453	(84)
Experienced gain arising on past service transfer	418	–	–
Actuarial (losses) / gains recognised in Statement of Comprehensive Income	(638)	92	(49)

Amounts recognised in the Statement of Financial Position

	2011-12 £'000	2010-11 £'000	2009-10 £'000
Fair value of plan assets	19,560	11,468	4,613
Present value of plan liabilities	(19,331)	(10,906)	(4,434)
Net Defined Benefit Asset	229	562	179

History of experienced gains and losses

	2011-12 £'000	2010-11 £'000	2009-10 £'000
Experience adjustments in relation to plan assets	(151)	(361)	35
Experience adjustments in relation to plan liabilities	(905)	453	(84)

Note 17 continued

Reconciliation of movements in the Statement of Financial Position

	2011-12 £'000	2010-11 £'000
Surplus at 1 April	562	179
Current service cost	(5,945)	(6,123)
Pension scheme expenses	(67)	(90)
Interest cost	(697)	(252)
Expected return on assets	861	317
Adjustment for Nuvos Bulk Transfer Value	(338)	–
Actuarial (loss) / gain	(638)	92
Contributions	6,491	6,439
Net Defined Benefit Asset	229	562

Reconciliation of movements in liabilities during the year

	2011-12 £'000	2010-11 £'000
Scheme liabilities at beginning of year	10,906	4,434
Movement in year:		
Current service cost	5,945	6,123
Transfer value from Civil Service Scheme	867	385
Pension scheme expenses	67	90
Interest cost	697	252
Employee contributions	522	484
Benefits paid	(578)	(409)
Actuarial loss / (gain)	905	(453)
Scheme liabilities at end of year	19,331	10,906

Reconciliation of movements in assets during the year

	2011-12 £'000	2010-11 £'000
Scheme assets at beginning of year	11,468	4,613
Movements in year:		
Expected return on scheme assets	861	317
Employer contributions	6,491	6,439
Employee contributions	522	484
Transfer value from Civil Service Scheme	947	385
Benefits paid	(578)	(409)
Actuarial loss	(151)	(361)
Scheme assets at end of year	19,560	11,468

Note 17 continued

Reconciliation of amount recognised in the Consolidated Statement of Comprehensive Income

	2011-12 £'000	2010-11 £'000
Actual return less expected return on assets	(151)	(361)
Experience (loss) / gain arising on the scheme liabilities	(905)	453
Experienced gain arising on past service transfer	418	
Actuarial (loss) / gain recognised in Statement of Comprehensive Income	(638)	92
Cumulative actuarial (loss) / gain recognised in Statement of Comprehensive Income	(595)	43

Further analysis of RMLS assets

Assets are made up of Prudential M&G Pooled Funds distributed as shown below with an expected long-term rate of return of 5.15% derived as follows:

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

The overall expected return on RMLS assets has been assessed with reference to the distribution of assets underlying the policy. Each asset class return is based on the long-term expected rate of return on that class. The overall expected return is a weighted average of the returns for all asset classes. Contributions expected to be paid in 2012-13 are £6.6m

Note 18

CAPITAL COMMITMENTS

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

Note 19

OPERATING LEASE COMMITMENTS

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

Note 20

RELATED PARTY TRANSACTIONS

The Royal Mint 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

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

Note 21

ANALYSIS OF NET DEBT

Consolidated

	At 1 April 2011 £'000	Cashflow £'000	At 31 March 2012 £'000
Cash at bank and in hand	868	985	1,853
Short term loan due within one year	(27,000)	12,000	(15,000)
	(26,132)	12,985	(13,147)

ANALYSIS OF NET FUNDS / (DEBT)

Trading Fund

	At 1 April 2011 £'000	Cashflow £'000	At 31 March 2012 £'000
Cash at bank and in hand	–	–	–
	–	–	–

Note 22

OTHER GAINS / (LOSSES) – NET

	2012 £'000	2011 £'000
Foreign exchange (loss) / gain	(242)	139
Ineffectiveness of commodity hedges	(701)	953
	(943)	1,092

Note 23

FINANCIAL INSTRUMENTS

Derivative asset

	2012 £'000	2011 £'000
Foreign currency fair value	37	13
Commodity fair value	177	111
Precious metal fair value	15	927
	229	1,051

Derivative liability

	2012 £'000	2011 £'000
Foreign currency fair value	31	35
Commodity fair value	846	183
Precious metal fair value	616	25
	1,493	243

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

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 2012	Effect on net earnings of a 10% decrease 2012 £'000	Closing exchange rate 2011	Effect on net earnings of a 10% decrease 2011 £'000
Euro	1.1998	(3)	1.1296	(3)
US Dollar	1.5978	30	–	–
Australian Dollar	1.5423	1	–	–
Swiss Franc	1.4442	–	–	–
		28		(3)

	Closing exchange rate 2012	Effect on net earnings of a 10% increase 2012 £'000	Closing exchange rate 2011	Effect on net earnings of a 10% increase 2011 £'000
Euro	1.1998	27	1.1296	24
US Dollar	1.5978	(266)	1.6030	(3)
Australian Dollar	1.5423	(12)	–	–
Swiss Franc	1.4442	–	1.55	(1)
		(251)		20

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

There were no outstanding zinc futures contracts at the year end.

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

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

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

Purchases are made in two ways:

(1) For a specific order;

(2) Based on forecast sales demand over a specified period.

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

	Ozs 2012	Value at average price 2012 £'000	Fair value 2012 £'000	Ozs 2011	Value at average price 2011 £'000	Fair value 2011 £'000
Gold forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	9,786	10,626	(391)	11,815	10,137	455
	9,786	10,626	(391)	11,815	10,137	455
Silver forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	151,619	3,281	(196)	115,786	2,265	467
	151,619	3,281	(196)	115,786	2,265	467
Platinum forwards –						
GBP denominated contracts:						
Maturing in less than 1 year	270	291	(14)	727	826	(20)
	270	291	(14)	727	826	(20)

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

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

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

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

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 consignments 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:

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

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
Circulating receivables:			
2012	629	–	53
2011	169	–	32

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
Wholesale trade receivables:			
2012	862	267	395
2011	609	41	123

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to consumer receivables:			
2012	128	74	378
2011	141	–	436

Counter-party risk
The Royal Mint 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 2012 the amount is £30m (2011: £32m).

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, as part of the vesting process the Royal Mint Trading Fund negotiated a revolving credit facility of £36m, of which £15m was drawn down at 31 March 2012. It is anticipated that this will be sufficient to meet future requirements.

The table below analyses the Royal Mint 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 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	–

At 31 March 2011

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	27,000	–	–	–
Derivative financial instruments	243	–	–	–
Trade and other payables	31,409	–	–	–
Provision for Liabilities and Charges	1,114	370	211	6

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 2012 £'000	Fair value 2012 £'000	Carrying value 2011 £'000	Fair value 2011 £'000
Financial assets:				
Loans and receivables	29,164	29,164	32,106	32,106
Derivatives used for hedging	229	229	1,051	1,051
Financial liabilities:				
Loans & Payables	53,856	53,856	58,409	58,409
Derivatives used for hedging	1,493	1,493	243	243

Note 24

INVESTMENTS IN SUBSIDIARIES

	2012 £'000	2011 £'000
Cost at 31 March	59,319	59,319

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

	2012 £'000	2011 £'000
Capital and reserves:		
The Royal Mint Limited	66,318	58,395
The Royal Mint Museum	1,131	893

	2011-12 £'000	2010-11 £'000
Profit after tax for the year:		
The Royal Mint Limited	9,315	836
The Royal Mint Museum	238	893

Note 25

LOSSES AND SPECIAL PAYMENTS

There have been no losses or special payments during the year (2010-11: £nil).

Note 26

EVENTS AFTER THE REPORTING PERIOD

On 21 May The Royal Mint Limited declared a dividend of £4m to the Royal Mint Trading Fund.

Other than this, 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 26 June 2012.

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