The Royal Mint

The Royal Mint Limited
Annual Report | 2013-14

Making Money for Everyone

The Royal Mint

The Royal Mint Limited
Annual Report 2013-14

Company registration number: 6964873

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The Royal Mint Limited Directors

Peter Warry*
Chairman

Adam Lawrence
Chief Executive

Vin Wijeratne
Director of Finance

Mary Chapman*
Chair of the Remuneration Committee

David Harding*
Chair of the Audit Committee

David Morgan*
(appointed 1 September 2013)

Xenia Carr-Griffiths*
(appointed 1 October 2013)

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

*Non-Executive Directors

Company Secretary

Anne Jessopp

Executive Management Team

Adam Lawrence
Chief Executive

Vin Wijeratne
Director of Finance

Anne Jessopp
Director of Business Services

Phil Carpenter
Director of Operations

Andrew Mills
Director of Circulating Coin

Shane Bissett
Director of Commemorative Coin

External auditors to The Royal Mint Limited
PricewaterhouseCoopers LLP

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

Company registration number: 6964873
Registered office: The Royal Mint, Llantrisant, CF72 8YT
Email: Informationoffice@royalmint.com
Website: www.royalmint.com

Chairman's Statement

The Royal Mint Limited has enjoyed a very successful year. The Ministerial target of a 10% return on average capital employed has been exceeded (2013-14: 10.2%, 2012-13: 0.5%) and all the other Ministerial targets were achieved.

The Chief Executive highlights in his report the recovery of the Circulating Coin business which was helped significantly by overseas contracts. The alloy-recovery programme from the replacement of old 5p and 10p coins returned over £15.7m worth of legacy metal to HM Treasury. A solid Commemorative Coin business saw the introduction of a number of new coins to reinforce the brand with favourable results. This included a special-edition silver proof £5 crown to celebrate the arrival of His Royal Highness Prince George of Cambridge, the introduction of a first ever £20 coin for £20 offer and the first in an annual series of UK Chinese New Year coins. This was supplemented by significant continued growth in the Bullion business despite varied market conditions – an increase in revenue by 61% and gross profit by 44%.

Of equal importance has been the progress on our strategic priorities. The investment in iSIS and the ownership of the intellectual property means that the new £1 coin announced by the Chancellor of the Exchequer, the Rt Hon. George Osborne MP, on 19 March 2014 is not just an exciting and highly secure coin for the UK but also provides endorsement for international sales which could be significant for this world-leading innovation. We continue to develop our Bullion and Vault business whilst the planned construction of a new Visitor Centre will offer a new route to gain and retain customers as well as providing an exciting tourist attraction for Wales.

We have also sustained our focus on saving costs through a variety of initiatives including the replacement of our IT systems which will be implemented over the next three years. We are also part way through a plan to replace most of our existing plating lines with new more efficient and more flexible plant.

I know that the Board would like me to record their appreciation for the contribution made by everyone involved in making 2013-14 such a successful year. I would also personally like to thank Colin Balmer for his significant contribution over the past six years as a Non-Executive Director and to welcome Xenia Carr-Griffiths and David Morgan to their new roles on the Board.

Peter Warry
Chairman

> "After thirty years loyal service, the time is right to retire the current £1 coin, and replace it with the most secure coin in the world. I am particularly pleased that the coin will take a giant leap into the future, using cutting edge British technology while at the same time, paying tribute to the past in the 12-sided design of the iconic threpenny bit."
>
> Chancellor of the Exchequer, the Rt Hon. George Osborne MP

The Chancellor of the Exchequer, the Rt Hon. George Osborne MP, visited the site after the announcement of the new £1, just one of the positive strategic developments for us in the next financial year.

Under the microscope – the world will be watching for news of the new £1 coin, a welcome challenge for us that will promote our capabilities both in the UK and globally.

Chief Executive's Report

2013-14 continued to present both challenges and exciting opportunities for The Royal Mint. As a result of holding true to our values and through the hard work of our employees, we were able to turn the business around, successfully achieving all four Ministerial targets.

Our Circulating Coin business has seen a continued strong demand from HM Treasury and significant success with the overseas business. UK coin issues reached a level not seen since 1999-2000 with almost 2 billion coins being issued to the banks and the Post Office. This was driven by the success of the alloy-recovery programme announced in the 2012 Autumn Statement that withdrew cupro-nickel 5p and 10p coins and replaced them with lower cost aRMour® plated 5p and 10p coins. This resulted in returning £15.7m to HM Treasury and ultimately the UK taxpayer.

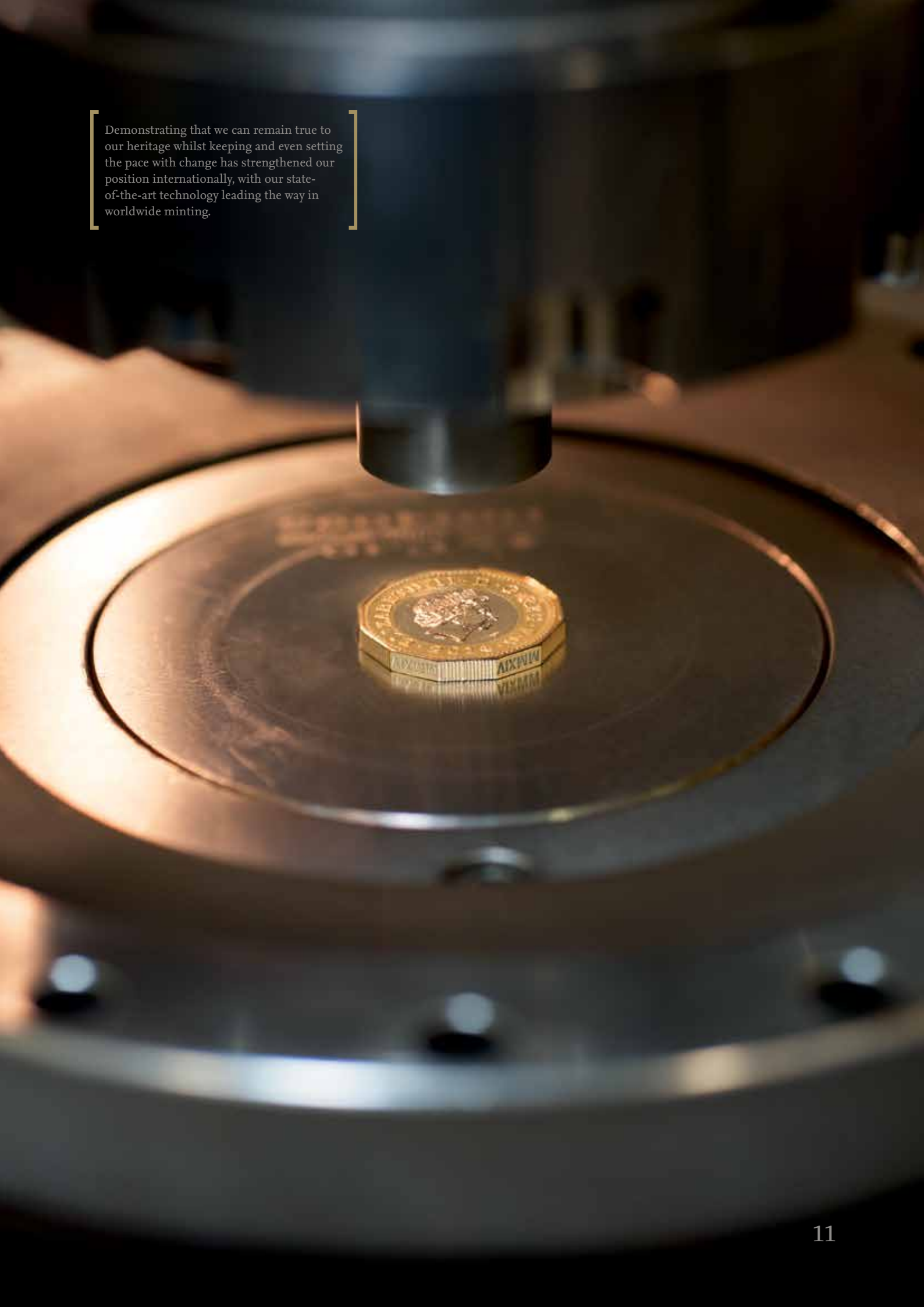
Demand in the overseas circulating coin market rebounded from the disappointingly low levels of the previous year with over 2 billion pieces issued and another three countries converted to The Royal Mint's aRMour® full plate. A significant contract award was the three-year agreement reached with the National Bank of Poland to supply three aRMour® brass plated coins that will significantly improve seignorage of these denominations. This performance underlined The Royal Mint as the world's leading export mint in number of countries supplied and pieces issued. Earlier in the year we signed a Memorandum of Understanding with the Royal Thai Treasury covering a number of mutually beneficial projects including circulating coins, circulating coin management and commemorative coins.

In May we successfully launched iSIS, our new high-security machine readable coin feature at the Currency Conference in Athens demonstrating it to more than 20 central banks. This covert feature based on a similar high-security feature available in high-denomination banknotes for the past decade can be read at over 4,000 coins a minute. The availability of this technology is timely as a number of overseas high-denomination 'clad' coins previously thought to be out of reach of counterfeiters have now been compromised.

Several years of investment, innovative technological research and development to complete iSIS culminated in winning the Wales Quality Centre Innovation Award 2013 and the Chancellor of the Exchequer, the Rt Hon. George Osborne MP, announcing as part of his budget statement the UK Government's intention to introduce a new, secure £1 coin including the high-security iSIS feature. This will provide significant export opportunities for the business in the long run. The focus during 2014-15 will be on consultation with industry stakeholders and the public, with the new coin coming into circulation during 2017.

We also exceeded our target for the supply of commemorative coins to overseas central banks and issuing authorities in the year.

Throughout 2013-14 our Commemorative Coin business has continued to develop in line with the long-term vision for The Royal Mint. Our Bullion business continued to grow as we made distribution gains in the UK and internationally. In 2013-14 bullion gold sales increased from 109,000 oz to 177,000 oz and silver from 560,000 oz to 2,125,000 oz. We have continued to commercialise our precious metals vaulting service utilising existing assets and have partnered with Deutsche Bank and ETF Securities in this market.



Demonstrating that we can remain true to our heritage whilst keeping and even setting the pace with change has strengthened our position internationally, with our state-of-the-art technology leading the way in worldwide minting.

With the birth of His Royal Highness Prince George of Cambridge in July The Royal Mint offered a silver penny to each child born on the same day to honour the tradition of 'crossing a baby's palm with silver as a way of wishing it health and prosperity through life'. Favourable media coverage resulted in the special-edition silver proof £5 crown and Sovereign struck on the day of the royal birth selling out within five days of the arrival of Prince George.

We launched the first ever £20 coin in September 2013, featuring the iconic design by Benedetto Pistrucci of St George and the Dragon. This was sold for £20 and the issue limit of 250,000 sold out. Building on the success of the London 2012 Olympic and Diamond Jubilee programmes, where we saw major international distribution gains, and looking to the future, we launched the first ever UK Chinese New Year coin commemorating the Year of the Horse, the first in a 12-year series.

The importance of online customer interaction with the brand has continued to see a positive effect on sales. There has been a continued focus on improving our online presence and in 2013-14 we had over 3 million unique visitors to our website and now have a total of 200,000 Facebook fans and 14,000 Twitter followers.

Our objective of continuing to develop the medals business resulted in winning the tender for the production of 120,000 Arctic Star medals and Bomber Command clasps in 2013.

Our commitment to safety, health and the environment has continued this year where we have made significant improvements in embedding our principles through a project called Zero Harm. Whilst unfortunately, we have seen an increase in the number of accidents this year compared to 2012-13, there is an overall downwards trend in accident frequency and severity since commencing our Zero Harm project.

Looking forward, and building our customer brand experience, we have secured Welsh Government support for the construction of an £8.0m project that will result in the opening of a Visitor Centre in Llantrisant intended for the 2016 tourist season, incorporating a live factory tour and a heritage experience. This, together with the consultation process for the new £1 coin and a strong order book gives us a positive outlook for 2014-15 and beyond.

I should like to thank all our people for their contribution and hard work and we look forward to continue working towards our vision to be recognised as the world's best mint.

Adam Lawrence
Chief Executive

Britain's Prince William and Kate, Duchess of Cambridge hold the Prince of Cambridge, Tuesday July 23, 2013, as they pose for photographers outside St. Mary's Hospital exclusive Lindo Wing in London.

The success of the new £20 coin confirmed our ability to make our commemorative products accessible and relevant, allowing us to engage with the increasingly modern nation.


ELIZABETH·II·D·G·REG·F·D
TWENTY POUNDS
IRB

The launch of the UK's first Chinese Lunar coins for the Year of The Horse began a new series, blending British and Chinese heritage and opening new doors in the international market.

英国首枚纯金农历生肖纪念币

THE UK'S FIRST FINE GOLD LUNAR COIN

Strategic Report

Activities and structure

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

The Royal Mint Limited's operations are divided into two segments: Circulating Coin and Commemorative Coin. The principle activities of these segments are as follows:

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 coins and medals;
- the manufacture and supply of official medals, seals and dies;
- the licence of design rights for the manufacture and supply of gold Sovereign coins; and
- the secure storage of precious metals.

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

Objectives and strategy

One of the primary responsibilities of The Royal Mint is the provision and maintenance of UK coinage. The Royal Mint, in conjunction with HM Treasury, is required to produce sufficient quantities of each denomination to meet public demand.

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

- to develop our brand and reputation as the world's leading exporting mint;
- to grow our global market share utilising aRMour® plating technology;
- to successfully introduce iSIS technology into the UK and leverage this into the global market;
- to increase operational flexibility to be able to react quickly to variations in demand;
- to continue to enhance The Royal Mint's competitive position by improving productivity and reducing costs;
- to create differentiation through the quality of The Royal Mint's products and services;
- to continue to innovate and develop unique and attractive products; and
- to increase operating efficiency and reduce customer lead-times.

The Commemorative Coin business strategic objectives are:

- to achieve consistent growth in sales and profitability by developing The Royal Mint brand, innovative product development and growth of our customer database;
- to grow share of the global bullion market;
- to reduce our dependence on the UK market through international development;
- to expand our precious-metal storage business;
- to build a high quality visitor attraction offering a unique experience;
- to maintain a high level of customer service;
- to continue to innovate and develop unique and attractive products; and
- to improve productivity and reduce costs.

Financial performance

The Royal Mint returned an operating profit, before adjusting for the impact of IAS 39 related items and exceptionals (note 5), of £6.7m (2012-13: £0.8m).

Revenue increased by 24% to £314.9m (2012-13: £254.1m).

Commemorative Coin sales increased by 20% to £213.7m (2012-13: £177.5m).

Circulating Coin sales increased by 32% to £101.2m (2012-13: £76.6m).

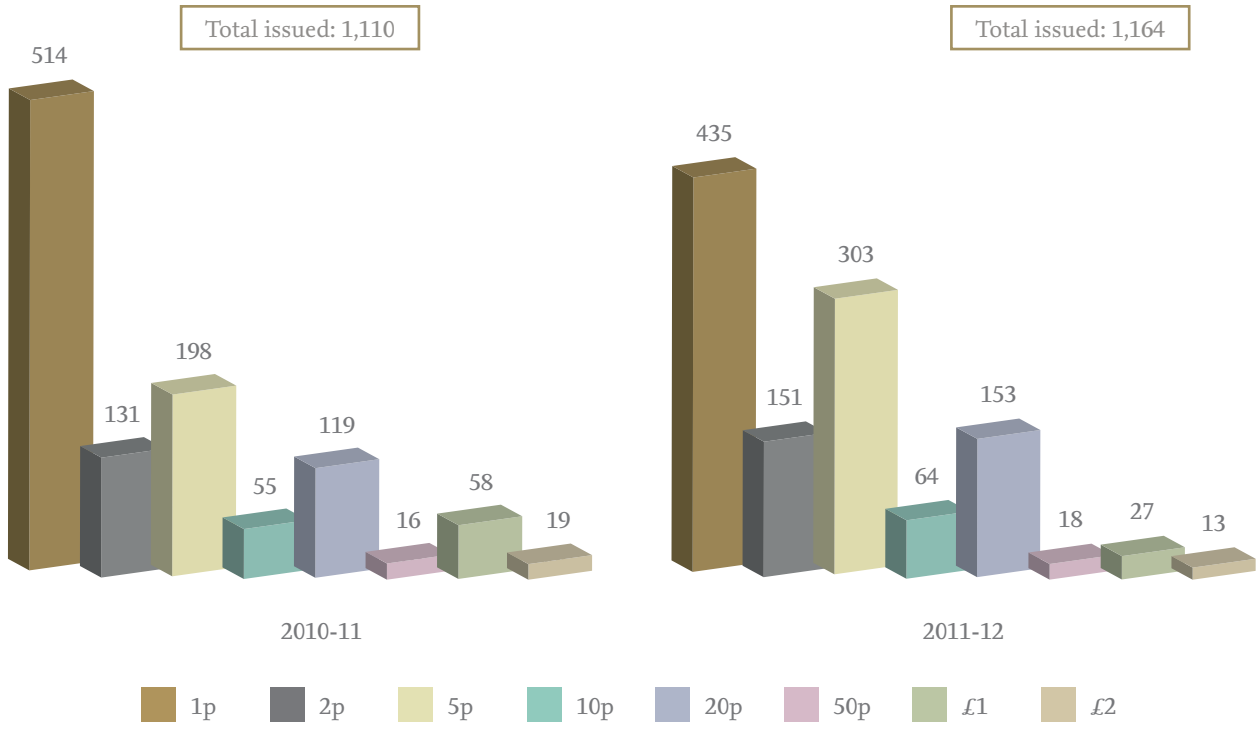
This year has seen cash inflows from operating activities of £16.5m (2012-13: £10.5m inflow).

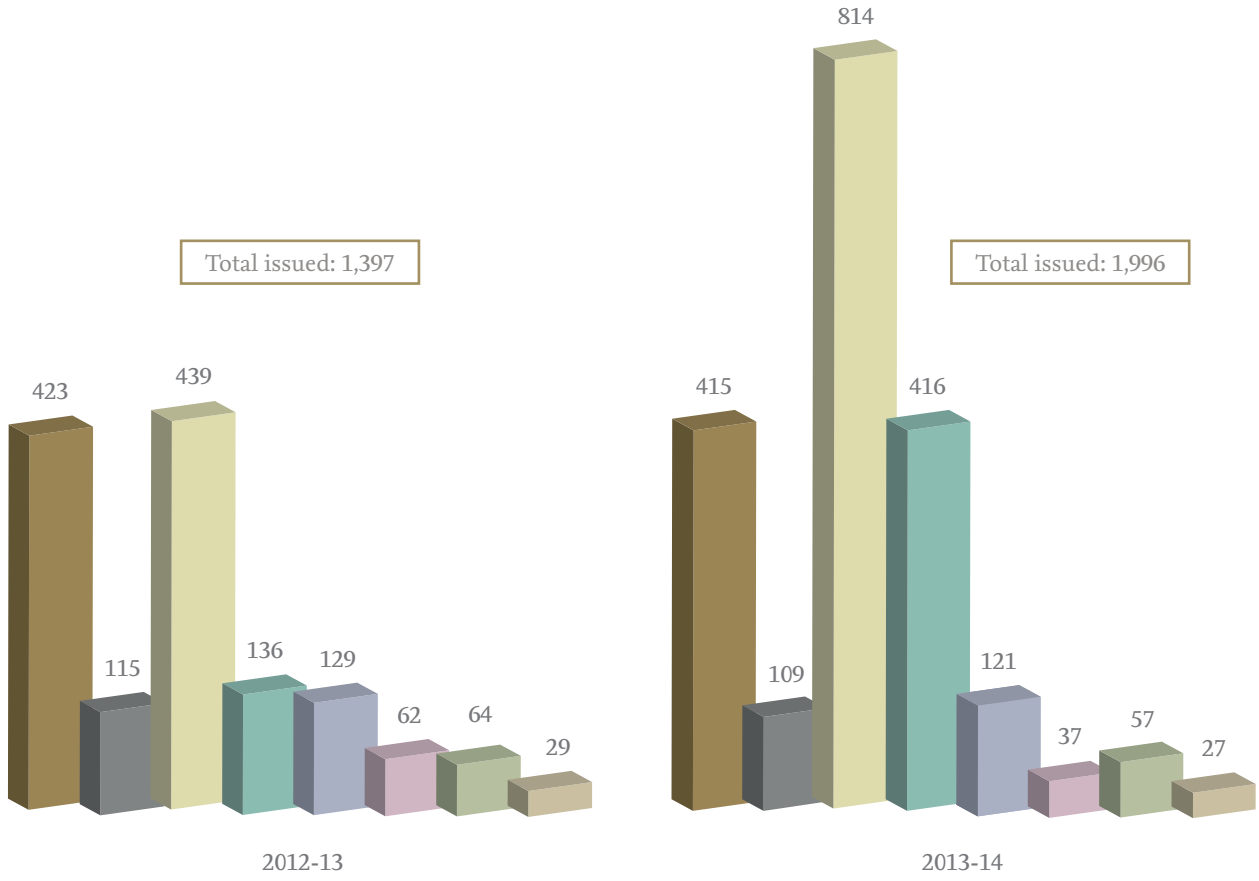
Capital expenditure of £3.1m (2012-13: £6.1m) was mainly in the following areas:

- upgrading existing plants; and
- developing one business system to replace current IT systems.

Net assets decreased by £0.8m to £55.1m. The decrease in net assets has resulted from generating a profit after tax of £4.3m and hedging reserve movements of £0.3m offset by movements in the pension deficit of (£1.4m) and paying the 2012-13 dividend of (£4.0m).

UK Coin Issues in Year
(Pieces Millions)





Summary financial results

	2013-14 £m	2012-13 £m
Revenue:		
Circulating Coin		
UK	37.8	37.5
Overseas	63.4	39.1
Total Circulating Coin	101.2	76.6
Commemorative Coin	213.7	177.5
Total	314.9	254.1
Operating profit		
Circulating Coin	13.6	2.4
Commemorative Coin	9.3	10.9
Central overheads*	(16.2)	(12.5)
Operating profit before IAS 39 related adjustment and exceptionals costs	6.7	0.8
IAS 39 related adjustments (note 5)	(0.1)	(0.7)
Exceptionals (note 5)	–	(1.2)
Operating profit / (loss)	6.6	(1.1)
Net finance cost	(0.9)	(1.2)
Profit / (Loss) before tax	5.7	(2.3)

* Central overheads include the impact of performance related remuneration for the whole business.

Circulating Coin

The Circulating Coin business continued to be impacted by volatility within the overseas market, although we have seen encouraging signs of recovery which is reflected in a contribution to central costs of £13.6m (2012-13: £2.4m). During the year, overseas deliveries of coins and blanks amounted to 2.0 billion pieces (2012-13: 1.5 billion pieces) in 28 countries.

2013-14 has seen considerable progress in achieving our key long-term strategies. Firstly, encouraging central banks to change their coinage from non-ferrous metals to aRMour® plated steel coins and blanks. In the year a further three countries introduced aRMour® plated coins bringing the total number of issuing authorities worldwide to more than 50. The most prominent contract signed in the year was a three-year contract to produce brass-plate aRMour® coins for the National Bank of Poland. Secondly, was further investment in developing iSIS technology which resulted in the Chancellor of the Exchequer, Rt Hon. George Osborne MP, announcing on 19 March 2014 that a new UK £1 coin will incorporate iSIS technology.

We have also seen a strong financial performance within the UK which saw a 43% increase in issues during the year. This mainly resulted from the first full year of the alloy-recovery programme, whereby cupro-nickel 5p and 10p coins were withdrawn from circulation and replaced with the aRMour® plated equivalents.

The Royal Mint issued 1,996 million coins (2012-13: 1,397 million) to UK cash centres. Working against a Ministerial delivery target of 99% being available for shipment to banks and post offices within 11 days, The Royal Mint achieved 100%.

The latest survey to monitor the level of £1 counterfeit coins was conducted in November 2013. This survey indicated a slight increase with a counterfeit rate of around 3.0% compared to November 2012 which showed a rate of around 2.7%. It is anticipated that this rate will decrease with the introduction of the new £1 coin in 2017, which will feature world-leading anti-counterfeiting technology.

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

The Commemorative Coin business had another successful year with a contribution to central costs of £9.3m (2012-13: £10.9m).

Within core commemorative business the success was driven by four key ranges. The early part of the year saw demand for the Queen's Coronation anniversary range. This was followed by the christening range to celebrate the birth of His Royal Highness Prince George of Cambridge, the silver £5 crown becoming the fastest selling silver coin in our history, whilst the gold christening kilo sold out. In the middle part of the year we launched the first UK £20 silver coin which superceded the christening silver crown in becoming our fastest selling silver coin and in early April 2014 sales reached the issue limit. Lastly, November saw the launch under the impressive dome of the Victoria and Albert Museum of the 2014 Lunar Year of the Horse coin series.

We continued to grow our Bullion business where we saw a 70% increase in coins sold. This was predominately driven by significant demand for the silver Britannia range.

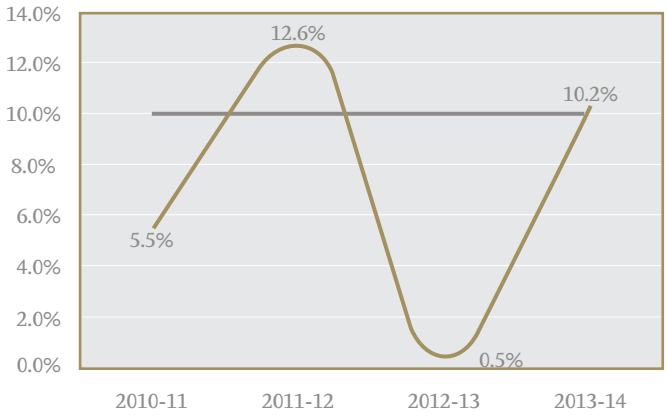
Last year, the Commemorative Coin Ministerial targets were not achieved. Throughout this year we have undertaken a review to address the issues and improve performance; these actions have enabled the Ministerial targets for 2013-14 to be met.

Key performance indicators (KPIs)

The Royal Mint's performance indicators are the key Ministerial targets details of which can be found below.

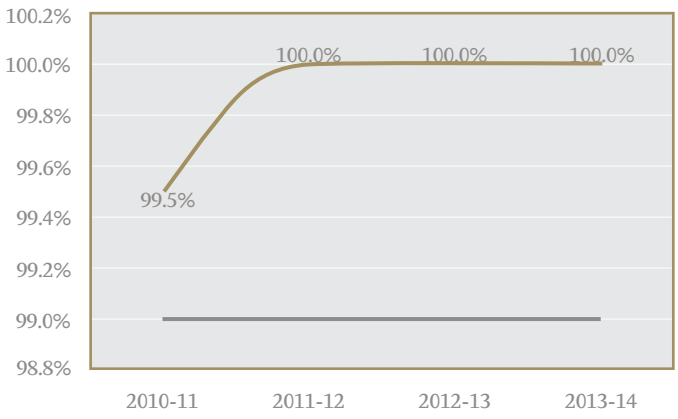
Target 1

To achieve rate of return on average capital employed. (Rate of return on average capital employed is calculated by expressing operating profit as a percentage of average capital employed. Operating profit has been modified to exclude IAS 19 employee benefits and IAS 39 financial instruments related adjustments and exceptional items.)



Target 2

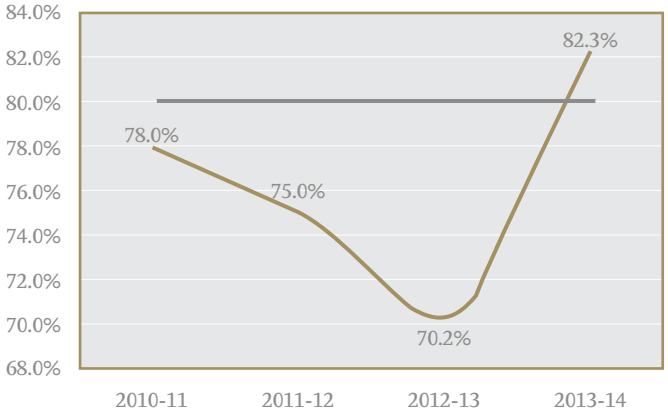
UK Circulating Coin Delivery of accepted orders from UK banks and post offices within 11 days.



Actual Target

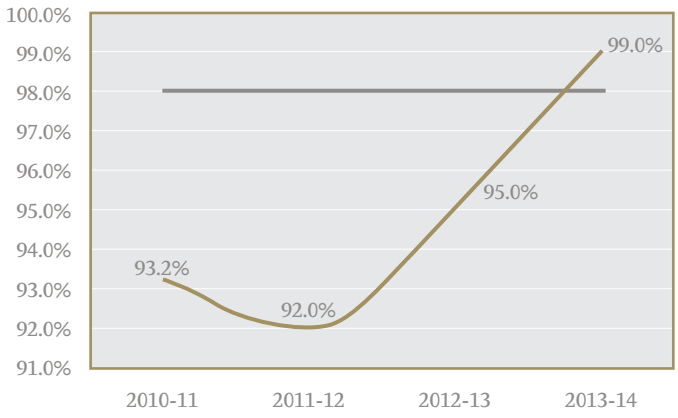
Target 3

UK Commemorative Coin Delivery of orders to individual UK customers within three days, measured from receipt of order or published due date.



Target 4

Medals Orders delivered by agreed delivery date.



Principal risks and uncertainties

The Royal Mint Limited's risk priorities in 2013-14 were in the following areas:

- key engineering failure;
- political and economic instability of overseas customers;
- loss of market share to competitor technologies; and
- failure in management of key projects.

The company's overall risk management approach is highlighted on page 34.

Financial Risk Management

Derivative financial instruments

The Royal Mint operates a prudent hedging policy and uses various types of financial instruments to manage its exposure to market risks that arise from its business operations. The main risks continue to arise from movements in commodity metal prices and exchange rates.

Metal prices

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

Circulating Coin

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

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

Commemorative Coin

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

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

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

Foreign exchange

The Royal Mint minimises its exposure to exchange rate movements on sales and purchases by making the majority of sales and purchases via sterling-denominated contracts. Where this is not the case The Royal Mint reduces exposure by using forward exchange contracts.

Effects of commodity hedging

Under International Accounting Standard (IAS) 39, hedge accounting rules have been adopted where appropriate. The ineffective portion of the gain or loss on the hedging instrument (as defined under the accounting rules of IAS 39) is recorded as other gains / (losses) in the Income Statement.

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

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

The combined impact of this together with open forward foreign currency exchange contracts has been highlighted separately in the Income Statement. In 2013-14 the year-end impact was a loss of £0.2m (2012-13: £0.7m loss). Financial risk management disclosures are set on in note 23 to the financial statements.

Safety, Health and Environment (SHE)

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

The 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. These are being delivered through a project called Zero Harm (details can be found within the Sustainability Report on page 28).

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

- reduce the total number of accidents which occur on site;
- continue to embed a positive SHE culture and ensure there is a comprehensive SHE framework in place; and
- implement a strategy to manage and recycle waste products, conserve natural resources and to minimise the impact on the environment of ourselves and our suppliers.

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

The following performance measures indicate our progress towards these goals:

- the results of external SHE audits demonstrate that we are achieving continuous improvement in all aspects of performance;
- despite further raising employee involvement in safety, health and environment issues over the past year there has been a 33% increase in the total number of accidents reported compared to 2012-13. However, the total number of accidents reported in 2013-14 was 37% below the number reported in 2011-12 before the commencement of the Zero Harm project; 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.

Outlook

The outlook for 2014-15 remains positive. We plan to build on this year's successes to deliver a sustainable profit.

Within Circulating Coin we continue to aim to persuade our overseas customers of the benefits of converting to aRMour® plated coins and blanks and introducing them to our high-security iSIS coin. For the UK, our focus will be on the public consultation process for introducing the new £1 coin and continuing with the alloy-recovery programme. Over the longer term we intend to build on our success with iSIS and continue to innovate and develop novel products and solutions.

We will continue to strengthen our core Commemorative Coin business through increased brand engagement and, following the announcement on 24 April 2014 by the Minister for Economy, Science and Transport, Edwina Hart AM, by investing in the development of a Visitor Centre which is expected to be opened in 2016.

Our Bullion business will aim to grow by increasing its share of the global market and developing an online trading platform. We are committed to diversifying our customer base and product range through developing and exploring the feasibility of new ventures and new markets.

Adam Lawrence
Chief Executive
3 June 2014

Directors' Report

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors

A list of current Directors is shown on page 05.

Colin Balmer resigned as a Director on 1 July 2013. David Morgan and Xenia Carr-Griffiths were appointed as Directors on 1 September 2013 and 1 October 2013 respectively.

Dividends

Post year end the Board declared a dividend for 2013-14 of £4.0m. Dividends relating to 2012-13 performance of £4.0m were paid during the year (2012-13: £8.0m).

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 87% (2012-13: 81%) of invoices were paid within the agreed period. We will continue to work with our suppliers and develop our internal processes and systems over the forthcoming year in order to deliver further improvement in this measure.

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.

One of our key objectives over the forthcoming year is to involve as many employees as possible in continuous improvement activities, in particular in the standardisation of processes to achieve business excellence. A number of initiatives are being developed in order to achieve this objective.

The Royal Mint continues to develop initiatives to make this a 'great place to work'. In recognition and celebration of the significant number of loyal long-term serving employees, and, as a result of 'involving our people' and acting upon feedback suggestions from our annual employee survey, we have introduced a scheme to recognise long service. This will provide specific recognition of those serving 10, 25 and 40 years and at retirement.

In 2012, The Royal Mint introduced a new initiative to sponsor a particular charity for a two year period. Cancer Research Wales was the charity voted for by employees with £24,463 being raised during this period through a variety of fundraising activities. The new Royal Mint charity for 2014-16 has been voted on and confirmed as Tŷ Hafan. Tŷ Hafan offers comfort, care and support for life-limited children and young people and is dedicated to improving the quality of life of their whole family. We will work with this charity to maximise fundraising and volunteering opportunities for our employees.

During summer 2013 we took part in 'Gromit Unleashed', a public art exhibition on the streets of Bristol. Led by Aardman Animations, 80 giant fibreglass sculptures of Gromit were individually designed and created by artists and celebrities. We worked with artist Stephanie Roberts to create our sponsored Gromit 'National Treasure', which was decorated with around 10,000 pennies along with a unique medallion featuring Gromit himself. After the exhibition, the sculptures were auctioned to raise funds for Wallace & Gromit's Grand Appeal, the Bristol Children's Hospital Charity, raising £2.4m in total.

The Royal Mint Limited made a donation to this appeal in order to bring 'our' Gromit back to The Royal Mint. The sculpture was a popular attraction for families attending our staff Christmas pantomime and will be incorporated into the new Visitor Centre.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through in-house newsletters, briefing groups and the distribution of the annual report.

The number of people employed (permanent and casual staff) at 31 March 2014 was 786 (2013: 791).

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 rate for 2013-14 was 3.7% (2012-13: 2.9%).

Independent Auditors

So far as the directors are aware, there is no relevant audit information, (i.e. information needed by the company's auditors in connection with preparing their report), of which the company's auditors are unaware, and the directors have taken all steps that they ought to in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to confirm their appointment will be proposed at the Annual General Meeting.

Future developments, outlook and financial risk management

These areas are dealt with in the Strategic Report.

Authority of issue of financial statements

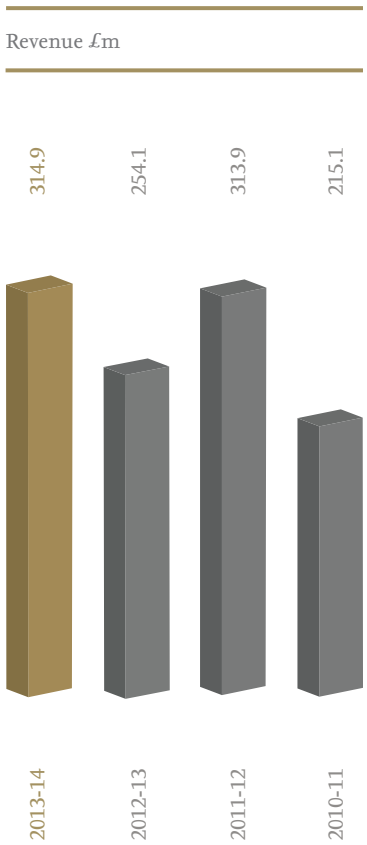
The Directors gave authority for the financial statements to be issued on 3 June 2014. Neither the entity's owner nor others have the power to amend the financial statements after issue. Approved by the Board of Directors and signed on its behalf

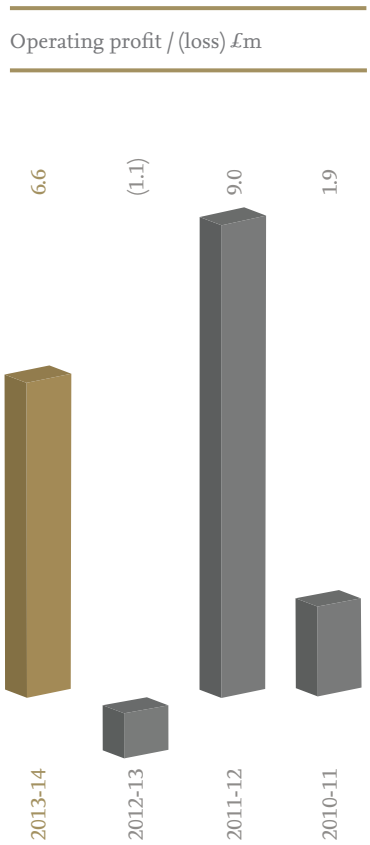
Vin Wijeratne

Director of Finance
3 June 2014

Financial Summary

	2013-14 £m	2012-13 £m	2011-12 £m	2010-11 £m
UK revenue	126.3	112.8	113.7	72.6
Overseas revenue	188.6	141.3	200.2	142.5
Total revenue	314.9	254.1	313.9	215.1
Operating profit before IAS 39 related items and exceptionals	6.7	0.8	10.7	3.4
IAS 39 related items (note 5)	(0.1)	(0.7)	(1.7)	(1.5)
Exceptional items (note 5)	–	(1.2)	–	–
Operating profit / (loss)	6.6	(1.1)	9.0	1.9
Net interest	(0.9)	(1.2)	(0.9)	(0.5)
Profit / (loss) before tax	5.7	(2.3)	8.1	1.4
Tax	(1.4)	0.3	1.2	(0.6)
Profit / (loss) after tax	4.3	(2.0)	9.3	0.8
Net assets	55.1	55.9	66.3	58.4





iSIS – the new generation of coin, robust and secure. It is raising security, lowering costs and building on our reputation and that of the nation.

Sustainability Report

The Zero Harm project, which is in the second year of the five-year plan, is intended to develop The Royal Mint's commitment to a consistently healthy, safe environment with zero accident performance. Through the Zero Harm project it is The Royal Mint's intention to be at the forefront in employing sustainable business practices to minimise our environmental footprint. The health and safety of people who work at, for and with The Royal Mint is central to all business plans and operations.

The Zero Harm Vision:

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

'This is who we are…'

As part of the year two (2013-14) objectives of **Zero Harm** the Royal Mint set the following targets:

— Waste to Landfill less than 100 tonnes (2012-13 target: 500 tonnes).

  The Royal Mint sent to landfill a total of 265 tonnes during the year; this was down on the previous year's amount of 497 tonnes. However, the target of 100 tonnes was exceeded due to changes in the classification of filter cake produced by the site's effluent treatment process.

  Excluding filtercake, 76 tonnes of general waste was sent to landfill.

— Discharge to Natural Water courses less than 150,000 m3 (2012-13 target: 500, 0000 m3).

  During the year 118,000 m3 (2012-13: 271,000 m3) was discharged to the nearby river.

  This water is one pass cooling water, used to cool the on site furnaces. The longer term aim of The Royal Mint is to invest in new technology that will reduce / eliminate the need to use this type of cooling water.

— 10% reduction in primary energy use measured in kilowatt hours per tonne of circulating coin throughput (2012-13 target: 5% reduction).

  There was a small decrease in the amount of primary energy used, for the year. The Royal Mint's primary energy per tonne of throughput was 0.8% below the previous year. However, compared with 2011-12 energy use was 10.2% higher, primarily driven by a change in product mix towards more energy intense manufacturing processes.

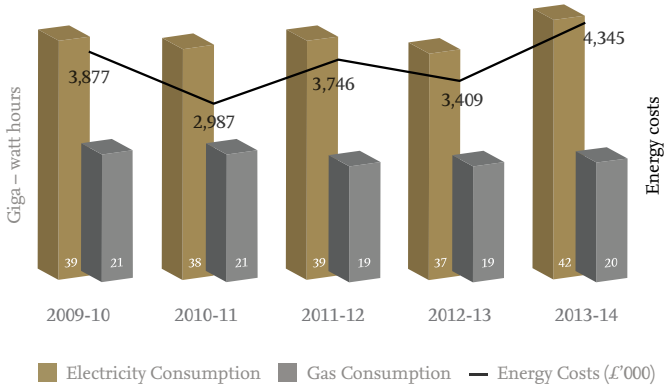
The Royal Mint continues to maintain the following International Organization for Standardization standards, ISO14001 Environmental Management System and ISO50001 Energy Management System. These accreditations run alongside the Social Accountability 8000(or SA 8000) Standard, which is the first global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

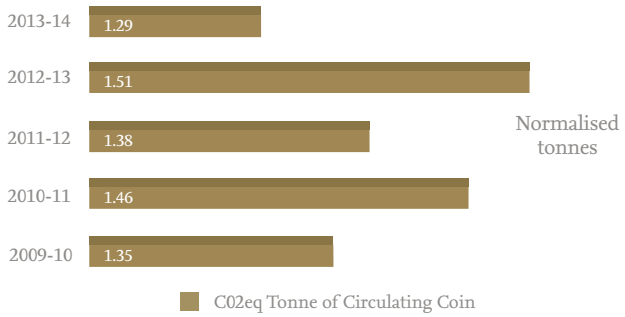
Greenhouse-gas emissions and energy consumption

The use of energy is a significant aspect of the organisation's environmental impact. The Royal Mint continually explores opportunities to improve energy efficiency throughout its activities and supply chain. This includes process improvements, investment in more energy efficient equipment, and the development of new technologies.

Total emissions for 2013-14 were 23,000 tonnes of CO2 equivalent (2012-13: 23,600 tonnes), as analysed in further detail below.

The Royal Mint measures 'normalised tonnes' (calculated as tonnes of CO2 equivalent per tonne of Circulating Coin manufactured) as a key indicator of energy efficiency. For 2013-14 normalised tonnes was 1.29 (2012-13: 1.51), representing a year-on-year reduction of 15%.

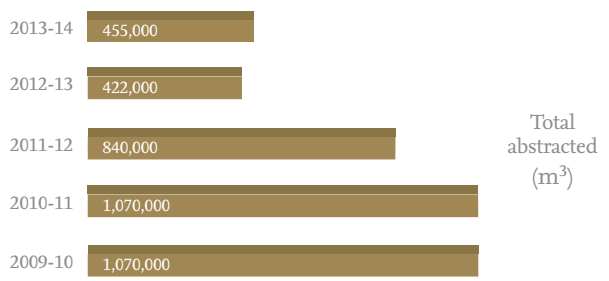




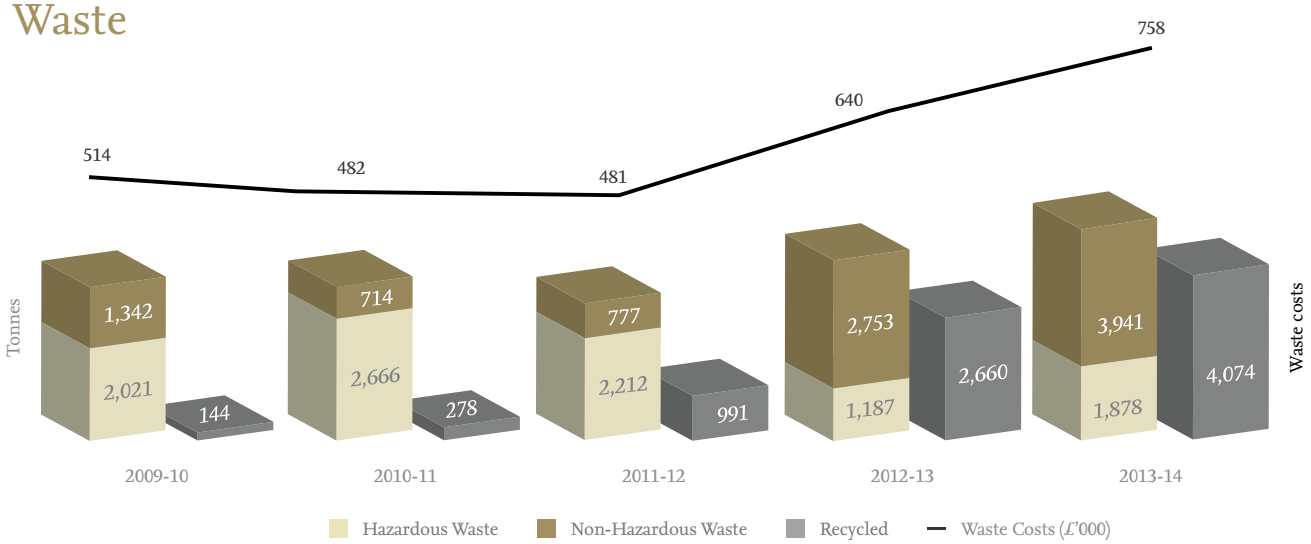
Water consumption

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

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



Waste



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.

During 2013-14 increased amount of process and effluent solutions were disposed of offsite resulting in increased amounts of waste being generated. Of this waste 70% was recycled (2012-13: 68%).

Scope Analysis

Tonnes of CO2eq		2009-10	2010-11	2011-12	2012-13	2013-14
Scope 1	Natural gas usage (heating and furnaces)	4,370	4,390	3,850	3,920	3,620
	Use of Royal Mint owned vehicles	12	12	12	13	8
	Process emissions from the furnace stack	0	1	1	2	2
	Fugitive Emissions (e.g. air conditioning and refrigeration leaks)	14	2	2	2	2
Scope 2	Electricity usage	19,600	20,500	20,600	19,100	18,800
Scope 3	Business travel	528	612	704	220	220
	Water supply	47	41	51	41	36
	Water treatment (off site)	52	88	88	51	84
	Waste disposal	66	30	30	30	169*

*The increased figure due to first year of reporting of metal waste disposal.

Finite resources

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

Protecting and enhancing the natural environment

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

Working with the supply chain

The Royal Mint has introduced an ethical and sustainable purchasing policy with key suppliers. The policy encourages key suppliers to have an ethical sourcing policy or be members of a recognised responsible sourcing organisation or equivalent body. This encourages suppliers to obtain materials from sustainable sources, minimise their impact on the environment and encourage the achievement of standards such as ISO 14001 the Environmental Management Standard, ISO 50001 the Energy Management Standard and SA 8000 Ethical Standard.

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

Reporting and data

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

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

Meticulous hand-packing where appropriate, reducing waste and contributing to our sustainability. In all our processes we aim to minimise our impact upon the environment.

Corporate Governance

Internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of The Royal Mint Limited's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the Annual Report. It accords with HM Treasury guidance.

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

In particular, it includes:

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

Executive Directors provide the Board with annual written confirmation in relation to the effectiveness of the system of internal control in their area of responsibility. There were no non-trivial lapses of data security in the year.

Risk management

Under the guidance of the Board and Audit Committee, The Royal Mint Limited's risk management process is undertaken by the Executive Management Team and focuses on the identification and management of the key risks which could impact on the achievement of The Royal Mint Limited's policies, aims and strategic objectives.

As part of its oversight process, the Board undertakes a review of risk management at least annually and has input into the broader risk management.

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

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

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

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

The Royal Mint Limited's risk priorities in 2013-14 are detailed on page 22.

Internal Audit

The Royal Mint Limited operates internal audit arrangements to standards defined in the Government Internal Audit Standards. During 2013-14 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 that require inclusion in this Statement.

Board and its committees

The Board of Directors comprise of the Chairman, three Non-Executive Directors and two Executive Directors (the Chief Executive and Director of Finance). The Director of Business Services attends the meeting in the capacity of Company Secretary. The Board met 10 times in 2013-14 (2012-13: 10 times). Attendance by members at the Board and Committee meetings are set out below:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Adam Lawrence	10	n/a	n/a	n/a
Vin Wijeratne	10	n/a	n/a	n/a
Peter Warry	10	n/a	3	1
Colin Balmer	3	1	1	1
Mary Chapman	10	4	3	1
David Harding	10	4	3	1
David Morgan	6	2	2	–
Xenia Carr-Griffiths	5	n/a	2	–
Tim Martin	10	n/a	n/a	1
Number of meetings	10	4	3	1

Colin Balmer's appointment as a Non-Executive Director concluded on 1 July 2013.

David Morgan and Xenia Carr-Griffiths were appointed to the Board as Non-Executive Directors on 1 September 2013 and 1 October 2013 respectively. This includes a handover period before the appointments of David Harding and Mary Chapman conclude in 2014.

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

The Role of the Board

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

The roles and responsibilities of the Board are:

- to set the company's strategic aims;
- approval of the annual corporate plan and five-year plans;
- oversight of corporate risk register and internal control systems;
- oversight of business performance;
- approval of major capital expenditure;
- scrutiny of financial accounts through the Audit Committee of the Board;
- approval of Senior Executive appointments or, where appropriate, recommendation of appointments to the Shareholder Executive / HM Treasury Minister;
- performance appraisal of Executive Management plus succession planning;
- development of remuneration systems for Executive Directors, including performance related pay;
- compliance with statutory requirements and HM Treasury guidance as regards corporate governance; and
- annual evaluation of its performance and that of its committees.

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

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

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

During the year, the main focus of the Board was to execute against the Five-Year Plan approved in 2012-13. As set out in the Strategic Report, Year One of the Plan has been delivered, both in terms of financial performance for 2013-14, and the progression of projects designed to deliver improved performance in future years.

Audit Committee

The Audit Committee comprises no fewer than three independent Non-Executive Directors. The Committee invites a representative of the Royal Mint Trading Fund and HM Treasury as shareholder, the Chief Executive Officer, Director of Finance and senior representatives of both the internal and external auditors to attend meetings.

The Audit Committee monitors and reviews the effectiveness of the internal control systems, accounting policies and practices, financial reporting process, risk management procedures, as well as the integrity of the financial statements. It also closely monitors and oversees the work of the internal auditors as well as ensuring the external auditors provide a cost effective service and remain objective and independent.

Remuneration Committee

The Committee is made up of no fewer than three Non-Executive Directors and meets at least twice a year. Remuneration decisions are guided by a Directors' Remuneration Framework which was agreed with HM Treasury at the time of the company's vesting. The Committee's primary role is to determine, in the light of this Framework, the remuneration and performance-related incentive schemes of the Executive Management Team, subject to the consent of the Shareholder Executive. The Terms of Reference for the Committee are available on The Royal Mint Limited's website, and the Remuneration Report is set out on page 38.

Nominations Committee

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

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

The Board values the varied contribution which the diverse nature of the Board members brings. The Nominations Committee ensures that all Board recruitment seeks to build on this diversity and all roles are recruited using both advertisements and search.

Executive Management Team

The Chief Executive has primary responsibility for the day-to-day management of the business, and discharges his responsibilities through an Executive, whose membership is made up from the Executives leading the main functions of the business. The Executive meet formally on a regular basis and not fewer than 10 times a year.

The roles and responsibilities of the Executive are:

- implementation of the plan and efficient operation of the business;
- development and subsequent implementation of a long-term strategy in conjunction with the Board;
- development of an annual corporate plan, for approval by the Board;
- approval of capital expenditure over £20,000 and major contracts not requiring Board approval. However, significant expenditure not approved in the Annual Corporate Plan is brought to the Boards attention;
- preparation of a risk register and subsequent reviews and mitigating actions;
- development and implementation of performance improvement programmes;
- establishment, maintenance and development of operating procedures; and
- working with the Remuneration Committee to develop remuneration systems for staff, including performance related pay.

Going concern

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

Vin Wijeratne

Director of Finance
3 June 2014

Remuneration Report

Information within the Remuneration Report accords with HM Treasury guidance.

Remuneration Committee

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

Committee remit

The remit was updated in March 2014. The amended remit can be accessed on The Royal Mint Limited's website.

Remuneration policy

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

Executive Management Team

The team as at 31 March 2014 is made up of six people in the following roles: Chief Executive, Director of Finance, Director of Business Services, Director of Operations, Director of Commemorative Coin, Director of Circulating Coin.

Executive Management Team – terms, conditions and remuneration

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

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

ii. **Short-Term Incentive Plan (STIP)**
At the start of the year the Remuneration Committee agreed a STIP for 2013-14. The purpose was to recognise and reward outstanding performance against planned business targets, with a strong focus on return on average capital employed (ROACE). The maximum award for 2013-14, if ROACE of 130% of target were achieved, was 33% of basic salary for Adam Lawrence and 30% of basic salary for the other members of the Executive Management Team.

STIP awards are disclosed in the year they are paid. Amounts paid in 2013-14 relate to performance in 2012-13 and are outlined in the table.

iii. **Long-Term Incentive Plan (LTIP)**
The LTIP is in place to reward and recognise achievement of the strategic and sustainable development of the business. Targets are set over a three-year timescale. Incentives earned by achieving these targets are paid in the year following the end of the three-year period. The maximum it is possible to earn each year is 33% of basic salary for Adam Lawrence and 25% for the members of the Executive Management Team. LTIP awards are disclosed in the year they are paid. At the year-end £284,000 (2012-13: £74,000) has been provided in the accounts in relation to LTIP. The final amount earned for each year in respect of the LTIP will depend upon targets met.

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

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

The following sections provide details of the salaries, pension entitlements and fees of the Board members and Executive Management Team.

Remuneration and Incentive Plan Payments

Executive Management Team	Remuneration 2013-14 £'000	STIP payments made in 2013-14 for 2012-13 performance £'000	LTIP Payments made in 2013-14 for 3 years performance £'000	Remuneration 2012-13 £'000	STIP payments made in 2012-13 for 2011-12 performance £'000	LTIP payments made in 2012-13 for 3 years performance £'000
Adam Lawrence* Chief Executive	205-210	–	–	200-205	34	–
Vin Wijeratne* Director of Finance	130-135	–	–	125-130	18	–
Anne Jessopp Director of Business Services	135-140	–	–	130-135	18	–
Phil Carpenter Director of Operations	115-120	–	–	110-115	17	–
Andrew Mills Director of Circulating Coin	140-145	–	–	135-140	3	–
Shane Bissett Director of Commemorative Coin	130-135	–	–	130-135	25	–

*Board member

Shane Bissett's remuneration includes relocation costs.
No non-cash benefits-in-kind were provided during the year.

Median Pay

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

Using this basis, in 2013-14 the banded remuneration of the highest-paid Director of The Royal Mint was £205,000-£210,000 (2012-13: £235,000-£240,000). This was seven times (2012-13: eight times) the median remuneration of the workforce, which was £30,000 (2012-13: £30,000).

Pension benefits accrued in Prudential Platinum Pension

The Royal Mint Limited Scheme

Executive Management Team	Accrued Pension at 31 March 2014 £'000	Accrued Pension at 31 March 2013 £'000	Employee Contributions paid 2013-14 £'000	Value of Pension accrued 2013-14 £'000	Value of Pension accrued 2012-13 £'000
Adam Lawrence* Chief Executive	17	12	6	80-85	70-75
Anne Jessopp Director of Business Services	11	8	4	50-55	40-45
Phil Carpenter Director of Operations	6	5	2	30-35	30-35
Andrew Mills Director of Circulating Coin	12	9	4	50-55	40-45

Executive Management Team	Accrued Pension Commencement Lump Sum at 31 March 2014 £'000	Accrued Pension Commencement Lump Sum at 31 March 2013 £'000	Increase in accrued pension in year in excess of inflation £'000	Transfer Value as at 31 March 2014 £'000	Transfer Value as at 31 March 2013 £'000	Increase in Transfer Value less employees contributions £'000
Adam Lawrence* Chief Executive	–	–	4	277	212	59
Anne Jessopp Director of Business Services	–	–	3	215	165	46
Phil Carpenter Director of Operations	18	14	1	155	120	33
Andrew Mills Director of Circulating Coin	–	–	3	236	179	53

*Board member

The 'Increase in Transfer Value less Employee Contributions' corresponds to the difference between the value placed on benefits accrued at dates which are one year apart, the start and end of the year, less employee contributions. This largely relates to the value placed on the additional accrual of benefits over the year, but also reflects any changes in assumptions used to calculate transfer values.

Vin Wijeratne and Shane Bissett are members of the Royal Mint Group Personal Pension Plan, a defined contribution scheme. Employer contributions made during the year were as follows:
Vin Wijeratne £14,000 (2012-13: £14,000)
Shane Bissett £15,000 (2012-13: £14,000)

Employment agreements

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

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

Non-Executive Directors' – terms, conditions and fees

	2013-14 £'000	2012-13 £'000
Peter Warry (Appointed 10 December 2012)	45	15
Mary Chapman	20	20
David Morgan (Appointed 1 September 2013)	11	–
Xenia Carr-Griffiths (Appointed 1 October 2013)	11	–
David Harding	23	19
Colin Balmer (Resigned 1 July 2013)	6	23
Mike Davies (Resigned 31 December 2012)	–	34

The Non-Executive Directors are engaged under letters of appointment from HM Treasury. Either party can terminate his or her engagement upon giving three months' notice. During the year the appointment of Colin Balmer concluded and two new Non-Executive Directors, Xenia Carr-Griffiths and David Morgan, were appointed. Over the next 12 months the appointments of Mary Chapman and David Harding, will also conclude.

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

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 £7,000 (2012-13: £8,000).

Tim Martin received no remuneration from The Royal Mint Limited.

Anne Jessopp
Company Secretary
3 June 2014

Winning the tender for the production of the Arctic Star Medal and Bomber Command Clasps was a positive step in developing the medals business.

Independent auditors' report to the members of The Royal Mint Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The Royal Mint Limited, comprise:

- the statement of financial position as at 31 March 2014;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Lynn Pamment (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
9 June 2014

Income Statement

For the year ended 31 March 2014

	Notes	Before IAS 39 related items and exceptionals 2013-14 £'000	IAS 39 related items (Note 5) 2013-14 £'000	Total 2013-14 £'000	Before IAS 39 related items and exceptionals As restated* 2012-13 £'000	Before IAS 39 related items (Note 5) 2012-13 £'000	Exceptionals (Note 5) 2012-13 £'000	Total As restated* 2012-13 £'000
Revenue	2	314,872	–	314,872	254,123	–	–	254,123
Cost of sales	3	(273,150)	225	(272,925)	(216,201)	701	(857)	(216,357)
Gross profit		41,722	225	41,947	37,922	701	(857)	37,766
Administrative expenses	3	(16,356)	–	(16,356)	(12,490)	–	(142)	(12,632)
Selling and distribution costs	3	(18,502)	–	(18,502)	(24,045)	–	(230)	(24,275)
Other gains / (losses)-net	22	(115)	(394)	(509)	(549)	(1,375)	–	(1,924)
Operating profit / (loss)		6,749	(169)	6,580	838	(674)	(1,229)	(1,065)
Finance income	6	10	–	10	12	–	–	12
Finance costs	6	(921)	–	(921)	(1,258)	–	–	(1,258)
Profit / (Loss) before tax		5,838	(169)	5,669	(408)	(674)	(1,229)	(2,311)
Tax (charge) / credit for the year	7			(1,349)				300
Profit / (Loss) for the financial year				4,320				(2,011)
Profit / (Loss) attributable to:								
Owners of the parent				4,320				(2,011)

The Notes on pages 52 to 88 form part of the Financial Statements.
All results above relate to Continuing Operations.
*Please refer to Note 1: accounting policy 2.24.

Company Number 6964873

Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	2013-14 £'000	2012-13 As restated* £'000
Profit / (Loss) for the financial year		4,320	(2,011)
Other comprehensive income:			
Cash flow hedges		247	374
Remeasurements for defined benefit scheme	16	(1,669)	(977)
Deferred tax on remeasurements for defined benefit scheme	15	266	259
Total comprehensive income for the period		3,164	(2,355)
Total comprehensive income attributable to:			
Owners of the parent		3,164	(2,355)

The Notes on pages 52 to 88 form part of the Financial Statements.
*Please refer to Note 1: accounting policy 2.24.

Statement of Changes in Equity

For the year ended 31 March 2014

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
At 1 April 2013	6,000	39,319	11,040	(421)	55,938
Movements in the year:					
Profit for the financial year	–	–	4,320	–	4,320
Cashflow hedges	–	–	–	247	247
Remeasurements for defined benefit scheme	–	–	(1,669)	–	(1,669)
Deferred tax on remeasurements for defined benefit scheme	–	–	266	–	266
Total Comprehensive Income for the year	–	–	2,917	247	3,164
Transactions with owners – dividends	–	–	(4,000)	–	(4,000)
At 31 March 2014	6,000	39,319	9,957	(174)	55,102

The Notes on pages 52 to 88 form part of the Financial Statements.

Statement of changes in equity (continued)

For the year ended 31 March 2013

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Hedging Reserve £'000	Total Equity £'000
At 1 April 2012	6,000	39,319	21,769	(795)	66,293
Movements in the year:					
Loss for the financial year (As restated*)	–	–	(2,011)	–	(2,011)
Cash flow hedges	–	–	–	374	374
Remeasurements for defined benefit scheme (As restated*)	–	–	(977)	–	(977)
Deferred tax on remeasurements for defined benefit scheme	–	–	259	–	259
Gain on plant and machinery revaluation (As restated*)	–	–	–	–	–
Total Comprehensive Income for the year	–	–	(2,729)	374	(2,355)
Transactions with owners – dividend	–	–	(8,000)	–	(8,000)
At 31 March 2013	6,000	39,319	11,040	(421)	55,938

The Notes on pages 52 to 88 form part of the Financial Statements.
*Please refer to Note 1: accounting policy 2.24.

Statement of Financial Position

At 31 March 2014

	Notes	2014 £'000	2013 As restated* £'000
Non-Current Assets			
Property, plant and equipment	8	45,470	47,381
Intangible assets	9	1,723	1,681
Deferred tax asset	15	982	–
Total Non-Current Assets		48,175	49,062
Current Assets			
Inventories	10	24,387	35,496
Derivative financial instruments	23	762	83
Deferred tax asset	15	–	1,635
Current tax receivable	7	–	1,080
Trade and other receivables	11	20,346	19,567
Cash and cash equivalents		–	1,079
Total Current Assets		45,495	58,940
Current Liabilities			
Borrowings	12	(7,480)	(18,000)
Trade and other payables	13	(26,110)	(30,496)
Retirement benefit liability	16	(2,485)	(352)
Deferred tax liability	15	–	(716)
Derivative financial instruments	23	(424)	(1,367)
Total Current Liabilities		(36,499)	(50,931)
Net Current Assets		8,996	8,009
Non-Current Liabilities			
Deferred tax liability	15	(1,146)	–
Provision for liabilities and charges	14	(923)	(1,133)
Net Assets		55,102	55,938
Equity			
Share capital	24	6,000	6,000
Share premium	24	39,319	39,319
Retained earnings		9,957	11,040
Hedging reserve		(174)	(421)
Total Equity		55,102	55,938

*Please refer to Note 1: accounting policy 2.24.

The Notes on pages 52 to 88 form part of the Financial Statements.

Approved by the Board of Directors and signed on its behalf

Adam Lawrence
Chief Executive
3 June 2014

Statement of Cashflow

For the year end 31 March 2014

	Notes	2014 £'000	2013 As restated* £'000
Cashflow from operating activities			
Profit / (loss) before tax		5,669	(2,311)
Depreciation and amortisation on non-current assets		4,795	4,714
Loss on disposal of assets		67	417
Interest		911	1,246
Cashflow hedges		(1,375)	394
Movements in working capital:			
Inventory		11,109	(1,203)
Retirement benefit asset		464	(252)
Trade and other receivables		(779)	9,596
Trade and other payables		(4,261)	523
Provisions		(221)	(262)
Cashflow from operations		16,379	12,862
Interest paid		(927)	(1,396)
Tax received / (paid)		1,080	(1,012)
Net Cashflow from operating activities		16,532	10,454
Cashflow from investing activities			
Acquisition of property, plant and equipment		(2,377)	(5,585)
Acquisition of intangible assets		(724)	(490)
Interest received		10	12
Net cash used in investing activities		(3,091)	(6,063)
Cashflow from financing activities			
Movement in short-term loans		(11,000)	3,000
Dividends paid		(4,000)	(8,000)
Net cash used in financing activities		(15,000)	(5,000)
Net movement in cash and cash equivalents		(1,559)	(609)
Cashflow from movement in borrowings		11,000	(3,000)
Movement in net funds		9,441	(3,609)
Net debt at start of year		(16,921)	(13,312)
Net debt at end of year	21	(7,480)	(16,921)

*Please refer to Note 1: accounting policy 2.24.

The Notes on pages 52 to 88 form part of the Financial Statements.

Notes to the Financial Statements

Note 1

PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention, as modified by revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Royal Mint Limited for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently 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 statements adopted by the company
IAS19 "Employee Benefits" amended, was adopted in the year. The change in the company's accounting policy has principally been to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. See note 2.24 for the impact on the financial statements of this and also the change in accounting policy in relation to plant and equipment.

Other new and amended statements mandatory for the first time for the financial year beginning 1 April 2013 have had no material impact.

New statements, amendment and interpretations issued but not effective financial year beginning 1 April 2013.
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company except the following set out below:

IFRS9 "Financial Instruments"
This is a new accounting standard that introduces a new classification approach for financial assets and liabilities. The previous four categories for financial assets will be reduced to three, being fair value through profit and loss, fair value through other comprehensive income and amortised cost or fair value through profit and loss. This may result in additional gains or losses being recognised in the Income Statement or OCI.

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.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Income Statement within Other Gains and Losses.

2.4 Property, plant and equipment

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

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

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

2.5 Intangible assets

Licences for computer software

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

Financial assets are recognised when The Royal Mint Limited becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the Income Statement or loans and receivables, as appropriate. Financial assets are classified at initial recognition and, where allowed and appropriate, this designation is re-evaluated at each financial year-end. When financial assets are recognised, initially they are measured at fair value, being the transaction price, plus in the case of financial assets not at fair value through the Income Statement, directly attributable transaction costs.

All standard purchases and sales of financial assets are recognised on the trade date, being the date a commitment is made to purchase or sell the asset. Standard transactions require delivery of assets within the time frame generally established by regulation or convention in the market place.

Note 1 continued

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

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

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

2.8 Impairment of financial assets

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

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

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

2.9 Trade receivables

Trade receivables are recognised at the original invoice amount and carried at amortised cost less an allowance for any identified impairment. The impairment allowance is established when there is objective evidence that amounts due under the original terms of the transaction will not be collected. The impairment is charged to the Income Statement and represents the difference between the carrying amount and the recoverable amount. Balances are written off when the probability of recovery is assessed as remote. Impaired debts are de-recognised when their outcome is certain.

2.10 Financial liabilities

(a) Interest-bearing loans and borrowings

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

(b) Financial liabilities at fair value through the statement of comprehensive income

Financial liabilities at fair value through the Income Statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Income Statement.

2.11 Derivative financial instruments

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

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

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

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

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Income Statement within –Other Gains and Losses. Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects the Income Statement in Cost of Sales, such as when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Income Statement in Other Gains and Losses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the Income Statement in Cost of Sales or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the Income Statement in Other Gains and Losses.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the Income Statement in Other Gains and Losses.

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

2.13 Cash and cash equivalents

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

2.14 Trade payables

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

Trade payables are recognised initially at the original invoice amount (fair value).

2.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Note 1 continued

2.16 Employee benefits

(a) Pension obligations

The Royal Mint Limited operates defined benefit and defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

Past service costs are recognised immediately in income.

For defined contribution plans, The Royal Mint Limited pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and incentive schemes

The Royal Mint Limited recognises a liability and an expense for profit sharing and incentive schemes, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.18 Revenue recognition

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

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

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

Note 1 continued

2.19 Leases

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

2.20 Exceptional items

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

2.21 Dividend distribution

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

2.22 Share Capital

Ordinary shares are classified as equity.

2.23 Going Concern

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.24 Change in accounting policy

(a) Property, Plant and Equipment

The company has reviewed its policy for the carrying value of property, plant and equipment and determined that this should be based on cost rather than valuation. Previously valuation was based on cost uprated by indices published by the Office for National Statistics.

A prior year adjustment has been made to adjust the 2013 comparatives as set out below.

(b) IAS 19 Revised (Employee Benefits)

The above revision to IAS19 is effective for organisations with a year end after 1 January 2014. IAS 19R requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate is determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets. The revised standard also enhances the disclosure requirements of such plans and the risks to which entities are exposed through participation in those plans, as set out in Note 16.

A prior year adjustment has been made to adjust the 2013 comparatives as set out below.

Income Statement

	As previously reported £'000	Adjustment (a) £'000	Adjustment (b) £'000	As restated £'000
Revenue	254,123	–	–	254,123
Cost of sales	(216,391)	34	–	(216,357)
Gross profit	37,732	34	–	37,766
Administrative expenses	(12,674)	–	42	(12,632)
Selling and distribution costs	(24,275)	–	–	(24,275)
Other (losses)-net	(1,924)	–	–	(1,924)
Operating loss	(1,141)	34	42	(1,065)
Finance income	156	–	(144)	12
Finance costs	(1,258)	–	–	(1,258)
Loss before tax	(2,243)	34	(102)	(2,311)
Tax credit for the year	300	–	–	300
Loss for the financial year	(1,943)	34	(102)	(2,011)
Loss attributable to:				
HM Treasury	(1,943)	34	(102)	(2,011)

Note 1 continued

Statement of Comprehensive Income

	As previously reported £'000	Adjustment (a) £'000	Adjustment (b) £'000	As restated £'000
Loss for the financial year	(1,943)	34	(102)	(2,011)
Other comprehensive income:				
Cash flow hedges	374	–	–	374
Remeasurements for defined benefit scheme	(1,079)	–	102	(977)
Deferred tax on Remeasurements for defined benefit scheme	259	–	–	259
Gain on plant and machinery revaluation	413	(413)	–	–
Total comprehensive income for the year	(1,976)	(379)	–	(2,355)

Statement of Financial Position

	As previously reported £'000	Adjustment (a) £'000	Adjustment (b) £'000	As restated £'000
NON-CURRENT ASSETS				
Property, plant and equipment	47,785	(404)	–	47,381
Intangible assets	1,681	–	–	1,681
TOTAL NON-CURRENT ASSETS	49,466	(404)	–	49,062
TOTAL CURRENT ASSETS	58,940	–	–	58,940
CURRENT LIABILITIES				
TOTAL CURRENT LIABILITIES	(50,931)	–	–	(50,931)
NET CURRENT ASSETS	8,009	–	–	8,009
NON-CURRENT LIABILITIES				
Provision for liabilities and charges	(1,133)	–	–	(1,133)
NET ASSETS	56,342	(404)	–	55,938
EQUITY				
Share capital	6,000	–	–	6,000
Share premium	39,319	–	–	39,319
Revaluation reserve	438	(438)	–	–
Retained earnings	11,006	34	–	11,040
Hedging reserve	(421)	–	–	(421)
TOTAL EQUITY	56,342	(404)	–	55,938

Note 1 continued

Statement of Cashflow

	As previously reported £'000	Adjustment (a) £'000	Adjustment (b) £'000	As restated £'000
CASHFLOW FROM OPERATING ACTIVITIES				
Operating loss	(1,141)	34	42	(1,065)
Depreciation and amortisation on non-current assets	4,835	(121)	–	4,714
Loss on disposal of assets	330	87	–	417
Cashflow hedges	394	–	–	394
Movements in working capital:				
Inventory	(1,203)	–	–	(1,203)
Retirement benefit asset	(354)	–	102	(252)
Trade and other receivables	9,596	–	–	9,596
Trade and other payables	523	–	–	523
Provisions	(262)	–	–	(262)
Cashflow from operations	12,718	–	144	12,862
Interest paid	(1,252)	–	(144)	(1,396)
Tax received / (paid)	(1,012)	–	–	(1,012)
Net cashflow from operating activities	10,454	–	–	10,454
Cashflow from investing activities	(6,063)	–	–	(6,063)
Cashflow from financing activities	(5,000)	–	–	(5,000)
Net movement in cash and cash equivalents	(609)	–	–	(609)
Cashflow from movement in borrowings	(3,000)	–	–	(3,000)
Movement in net funds	(3,609)	–	–	(3,609)
Net debt at start of year	(13,312)	–	–	(13,312)
Net debt at end of year	(16,921)	–	–	(16,921)

Note 1 continued

3.1 Critical accounting estimates and assumptions and judgements in applying the accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

Key assumptions for pension obligations are disclosed in Note 16.

(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 recover ability 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.

(e) Property, Plant and Equipment

The determination of asset lives for depreciation purposes is reviewed on a regular basis. Assessing the useful economic life of an asset is based on management judgement taking into account historical experience, wear and tear and the impact of technological change. Consequently this represents a source of estimation uncertainty.

Note 2

SEGMENTAL REPORTING

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

The following table present revenue, operating profit and certain asset and liability information regarding The Royal Mint Limited business segments for the years ending 31 March.

A. Analysis by class of business 2013-14

	Circulating £'000	Commemorative £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	101,206	213,666	314,872	–	314,872
Depreciation and amortisation	(3,072)	(561)	(3,633)	(1,162)	(4,795)
Operating profit / (loss)	13,624	9,311	22,935	(16,355)	6,580
Segment assets and liabilities:					
Non-current assets	33,223	5,264	38,487	9,688	48,175
Current assets	35,504	6,360	41,864	3,631	45,495
Current liabilities	(14,571)	(4,359)	(18,930)	(17,569)	(36,499)
Non-current liabilities	(647)	–	(647)	(1,422)	(2,069)
Net assets	53,509	7,265	60,774	(5,672)	55,102

Analysis by class of business 2012-13 (As restated*)

	Circulating £'000	Commemorative £'000	Total Segments £'000	Unallocated £'000	Total £'000
Segment revenue	76,589	177,534	254,123	–	254,123
Depreciation and amortisation	(3,167)	(440)	(3,607)	(1,107)	(4,714)
Operating profit	2,554	11,052	11,606	(12,671)	(1,065)
Segment assets and liabilities:					
Non-current assets	34,487	5,411	39,898	9,164	49,062
Current assets	31,867	19,436	51,303	7,637	58,940
Current liabilities	(8,518)	(16,137)	(24,655)	(26,276)	(50,931)
Non-current liabilities	(665)	–	(665)	(468)	(1,133)
Net assets	57,171	8,710	65,881	(9,943)	55,938

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

*Please refer to Note 1: accounting policy 2.24

Note 2 continued

B. Geographical analysis of revenue

Revenue by destination is set out below:

	2013-14 £'000	2012-13 As restated* £'000
UK	126,299	112,768
Germany	37,241	21,278
Rest of Europe	38,061	47,694
United States of America	58,753	19,465
Rest of Americas	5,550	4,512
Asia	30,341	34,382
Africa	17,276	13,568
Rest of the World	1,351	456
	314,872	254,123

During 2013-14 revenue from two customers amounted to £44.9m and £37.7m (2012-13 one customer: £37.3m) which represented in excess of 10% of revenue.

*The geographical analysis has been refined to provide additional country information. Consequently the 2012-13 comparative has been restated.

Note 3

EXPENSES BY NATURE

	2013-14 £'000	2012-13 As restated* £'000
Movement in Work in Progress and Finished Goods Inventory (excluding metal)	9	4,039
Raw materials and consumables used	20,004	19,364
Metal costs of products sold	227,601	167,836
Hire of plant and machinery	356	341
Employee benefit expenses	36,951	36,011
Agency workers	2,804	1,258
Training	290	217
Travel and subsistence	1,090	1,234
Transportation expenses	2,038	2,078
Depreciation and amortisation charges	4,795	4,714
Loss on disposal	67	417
Professional fees and Consultancy	1,137	1,380
Plant and building maintenance	2,584	2,159
Research and development	59	128
Postage	896	823
Promotional expenses	2,980	5,656
Commission expenses	1,346	825
Auditors' remuneration		
Audit of these financial statements	59	59
Non audit fees – tax services	25	–
Non audit fees – other	10	–
Other expenses	2,682	4,725
Total cost of sales, selling and distribution costs and administration expenses	307,783	253,264

Included in metal costs above is the impact of commodity hedging on cost of sales amounting to £225,000 gain (2012-13: £701,000 gain).

*Please refer to Note 1: accounting policy 2.24.

Note 4

REMUNERATION AND EMPLOYMENT

Total staff costs

	£'000	2013-14 £'000	£'000	2012-13 As restated* £'000
Wages and salaries				
Staff with a permanent contract	27,465		25,733	
Other staff	554		1,645	
		28,019		27,378
Social Security costs				
Staff with a permanent contract	1,964		1,950	
Other staff	57		148	
		2,021		2,098
Other pension costs				
Staff with a permanent contract	6,880		6,463	
Other staff	31		72	
		6,911		6,535
		36,951		36,011

*Please refer to Note 1: accounting policy 2.24.

Average number employed

		2013-14		2012-13
Production				
Staff with a permanent contract	507		560	
Other staff	14		40	
		521		600
Sales and Marketing				
Staff with a permanent contract	128		121	
Other staff	7		14	
		135		135
Administration				
Staff with a permanent contract	134		116	
Other staff	11		10	
		145		126
		801		861

Directors Emoluments

	2013-14 £'000	2012-13 £'000
Aggregate emoluments excluding long term incentive scheme	548	494
Aggregate amounts receivable under long term incentive scheme	91	–
Contributions under defined contribution pension scheme	14	14
Highest paid director (excluding termination payments)		
Total amounts of emoluments and amounts receivable under long term incentive scheme	330	236
Accrued defined benefit pension at year end	17	12

Retirement benefits are accruing to one executive director under a defined benefit scheme (2012-13: 1).

Note 5

A) EXCEPTIONAL ITEMS

This relates to 60 employees leaving the Royal Mint through a voluntary release scheme during 2012-13.

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

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

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

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

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

Note 6

FINANCE COSTS

	2013-14 £'000	2012-13 £'000
On loans repayable within five years	353	435
Precious metal consignment arrangement fees	557	799
Unwinding of discount on provision for early retirement (Note 14)	11	24
	921	1,258

FINANCE INCOME

	2013-14 £'000	2012-13 As restated* £'000
Bank interest received	10	12
	10	12

*Please refer to Note 1: accounting policy 2.24.

Note 7

TAXATION

Analysis of tax charge in year

	2013-14 £'000	2012-13 £'000
UK corporation tax		
– Current year	–	–
– Prior year	–	(525)
Deferred tax:		
– Current year	1,414	(259)
– Prior year	(65)	484
Taxation charge / (credit)	1,349	(300)

The tax charge / (credit) for the year differs from the theoretical amount which would arise using the standard rate of corporation tax in the UK (23%):

	2013-14 £'000	2012-13 As restated* £'000
Profit / (Loss) before tax	5,669	(2,311)
Profit multiplied by the standard rate of corporation tax of 23% (24% for 2012-13)	1,304	(555)
Effects of:		
Expenses not deductible for tax purposes	135	288
Adjustments re prior years	(66)	(41)
Reduction in tax rate for deferred tax provision	(24)	8
Taxation charge / (credit) for year	1,349	(300)

A reduction in the rate's from 26% to 24% (effective from April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The effective tax rate for the year was 24% (2012-13: 13%) 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 20%.

In addition to the amount credited to the Income Statement, a deferred tax credit relating to actuarial losses on defined benefit pension schemes of £266,000 (2012-13: £259,000 credit) has been credited directly to the Statement of Comprehensive Income.

Current tax (receivable) / liability

	2013-14 £'000	2012-13 £'000
UK corporation tax	–	(1,080)

*Please refer to Note 1: accounting policy 2.24

Note 8

PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
At 1 April 2013	19,828	3,551	78,943	102,322
Additions	–	2,267	–	2,267
Transfers	609	(4,496)	3,887	–
Disposals	–	–	(378)	(378)
At 31 March 2014	20,437	1,322	82,452	104,211
Depreciation				
At 1 April 2013	2,598	–	52,343	54,941
Charge for year	718	–	3,395	4,113
Disposals	–	–	(313)	(313)
At 31 March 2014	3,316	–	55,425	58,741
Net book value at 31 March 2014	17,121	1,322	27,027	45,470

	Freehold land and buildings £'000	Payments on account and assets in the course of construction £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 April 2012	19,297	7,462	88,807	115,566
Prior year adjustment	–	–	(11,830)	(11,830)
As restated*	19,297	7,462	76,977	103,736
Additions	–	4,576	–	4,576
Transfers	531	(8,487)	7,956	–
Disposals (as restated*)	–	–	(5,990)	(5,990)
At 31 March 2013	19,828	3,551	78,943	102,322
Depreciation				
At 1 April 2012	2,033	–	66,078	68,111
Prior year adjustment	–	–	(11,709)	(11,709)
As restated*	2,033	–	54,369	56,402
Charge for year (as restated*)	565	–	3,649	4,214
Disposals (as restated*)	–	–	(5,675)	(5,675)
At 31 March 2013	2,598	–	52,343	54,941
Net book value at 31 March 2013	17,230	3,551	26,600	47,381

*Please refer to Note 1: accounting policy 2.24.

Note 9

INTANGIBLE ASSETS

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
Cost			
At 1 April 2013	423	3,448	3,871
Additions	724	–	724
Transfers	(213)	213	–
At 31 March 2014	934	3,661	4,595
Amortisation			
At 1 April 2013	–	2,190	2,190
Amortisation for year	–	682	682
At 31 March 2014	–	2,872	2,872
Net book value at 31 March 2014	934	789	1,723

	Payments on account and assets in the course of construction £'000	Software Licences £'000	Total £'000
Cost			
At 1 April 2012	846	3,644	4,490
Additions	347	–	347
Transfers	(770)	770	–
Disposals	–	(966)	(966)
At 31 March 2013	423	3,448	3,871
Amortisation			
At 1 April 2012	–	2,644	2,644
Amortisation for year	–	500	500
Disposals	–	(954)	(954)
At 31 March 2013	–	2,190	2,190
Net book value at 31 March 2013	423	1,258	1,681

Note 10

INVENTORIES

	2014 £'000	2013 £'000
Metal inventory	14,668	22,912
Work in progress (excluding metal)	4,672	4,188
Stores and packing materials	2,676	2,809
Finished goods	2,371	5,587
	24,387	35,496

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

Inventory held on consignment amounted to £69.5 million at 31 March 2014 (2013: £100.5 million). Consignment fees under these arrangements are set out in note 6.

Note 11

TRADE AND OTHER RECEIVABLES

	2014 £'000	2013 £'000
Trade receivables	18,863	17,941
Less provision for impairment of receivables	(499)	(706)
VAT	1,586	1,915
Prepayments and accrued income	396	417
	20,346	19,567

Included within the receivables are the following:

	2014 £'000	2013 £'000
Central Government bodies	2,759	2,855
Other Government bodies	3	3
Local Authorities	6	1
NHS Trusts	2	4
Public Corporations and Trading Funds	–	95
	2,770	2,958

Note 11 continued

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

	2014 £'000	2013 £'000
Pounds sterling	16,500	17,004
US Dollars	2,460	2,277
Euros	819	286
Polish Zloty	567	–
	20,346	19,567

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

Movement in provision for impairment in receivables is shown below:

	2014 £'000	2013 £'000
At 1 April	(706)	(608)
Utilised / (Provision) in year	207	(98)
At 31 March	(499)	(706)

Note 12

SHORT-TERM BORROWINGS

	2014 £'000	2013 £'000
Short-term loans	7,000	18,000
Bank overdraft	480	–
	7,480	18,000

Note 13

TRADE AND OTHER PAYABLES: amounts falling due within one year

	2014 £'000	2013 £'000
Trade payables	12,017	10,943
Other payables	5,024	1,340
Payments received on account	6,970	16,173
Taxation and social security	714	723
Accruals and deferred income	1,385	1,317
	26,110	30,496

Included within the payables are the following:

Balances with other Government bodies not shown separately above:

	2014 £'000	2013 £'000
Other Central Government bodies	3,411	995
Public Corporations and Trading Funds	71	93
	3,482	1,088

Note 14

PROVISION FOR LIABILITIES AND CHARGES

The early retirement provision has been assessed at current prices at the date of the Statement of Financial Position, and in accordance with International Accounting Standard 19, has been discounted at a real rate of 1.8%, with the unwinding of the discount treated as an interest charge.

	Early Retirement £'000	Environment remediation £'000	Total £'000
At 1 April 2013	468	665	1,133
Charge made in year	4	–	4
Unwinding of discount on provision	11	–	11
Utilised in year	(207)	(18)	(225)
At 31 March 2014	276	647	923

The profile of settlement of provisions is set out on page 87.

Note 15

DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method using a tax rate of 20% (2012-13: 23%).

	2014 £'000	2013 £'000
Asset at 1 April	(919)	(885)
Movements on deferred tax were:		
Charged / (credited) to the Income Statement	1,349	225
Credited to Statement of Comprehensive Income	(266)	(259)
Liability / (asset) at 31 March	164	(919)

Movements in deferred tax (assets) / liabilities were:

	2014 Assets £'000	2014 Liabilities £'000	2014 Net £'000	2013 Assets £'000	2013 Liabilities £'000	2013 Net £'000
Tax losses	(199)	–	(199)	(976)	–	(976)
Accelerated tax depreciation	–	1,066	1,066	–	716	716
Derivative instruments	–	80	80	(298)	–	(298)
Retirement benefit obligation	(497)	–	(497)	(111)	–	(111)
Other	(286)	–	(286)	(250)	–	(250)
Deferred tax (asset) / liability	(982)	1,146	164	(1,635)	716	(919)

	Tax losses £'000	Accelerated tax depreciation £'000	Derivative instruments £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2013	(976)	716	(298)	(111)	(250)	(919)
(Credited) / charged to the Income Statement	777	350	378	(120)	(36)	1,349
Credit to Statement of Comprehensive Income	–	–	–	(266)	–	(266)
At 31 March 2014	(199)	1,066	80	(497)	(286)	164

	2014 £'000	2013 £'000
Deferred tax credited to Statement Comprehensive Income during the year was:		
Remeasurements for on defined benefits schemes	(266)	(259)
	(266)	(259)

Analysis of deferred tax liability / (asset)

	2014 £'000	2013 £'000
Deferred tax liability after 12 months	1,146	–
Deferred tax (asset) after 12 months	(982)	(919)
	164	(919)

Note 15 continued

A reduction in the rate from 26% to 24% (effective from April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax at 31 March 2014 has been calculated based on the rate of 20% which was substantively enacted at the balance sheet date

Note 16

RETIREMENT BENEFIT SCHEMES

Defined contribution scheme
The Royal Mint Limited operates a defined contribution scheme for employees who have joined the organisation since 1 January 2010 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 £231,000 (2012-13: £196,000) represents contributions payable to the scheme by The Royal Mint Limited at rates specified in the plan rules.

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

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

Platinum Premium
Participants are entitled to pension retirement benefits of 1.67% of final salary per year of service on attainment of a retirement age of 60 years. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004.

Platinum Nuvos
Participants build up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension earned prior to 1 February 2014 is uprated in line with RPI and for pension earned after 1 February 2014 is uprated in line with CPI. A member may opt to commute pension to receive a lump sum payment up to the limit set by the Finance Act 2004.

Risks
The defined benefit scheme poses a number of risks to the company, for example longevity risk, interest rate risk, inflation risk and salary risk. The trustee is aware of these risks and uses various techniques to control them. The trustee has a number of internal control policies including a risk register, which are in place to manage and monitor the various risks they face.

Actuarial Valuation
The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is in the process of being carried out with an effective date of 31 December 2013. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

Note 16 continued

Detail of valuation assumptions

An actuarial valuation of the RMLS assets and liabilities for financial reporting purposes was carried out on 31 March 2014 by independent actuaries Xafinity Consulting. The liabilities have been valued using the projected unit method, taking into account benefits to 31 March 2014 with allowance for future salary increases or future price inflation for members of the Platinum Nuvos scheme. The principal actuarial assumptions used were:

	2014	2013
Discount rate	4.44%	4.7%
Price inflation RPI	3.40%	3.35%
Price inflation CPI	2.70%	–
Pensionable salary increase	3.80%	3.75%
Revaluation of deferred pensions: benefits accrued before 01/02/2014	3.40%	3.35%
Revaluation of deferred pensions: benefits accrued after 01/02/2014	2.70%	3.35%
Increase to pensions in payment: benefits accrued before 01/02/2014	3.40%	3.35%
Increase to pensions in payment: benefits accrued after 01/02/2014	2.70%	3.35%
Mortality assumption – pre-retirement	SAPS S1PxA CMI 2012(1%)	PNMA00 1%
Mortality assumption – male post retirement	SAPS S1PMA CMI 2012_M(1%)	PNFA00 1%
Mortality assumption – female post retirement	SAPS S1PFA CMI 2012_F(1%)0.0%	PNFA00 1%
Future expected lifetime of current pensioner at age 65		
Male aged 65 at year end	87.5	87.7
Female aged 65 at year end	89.7	90.1
Future expected lifetime of future pensioner at age 65		
Male aged 45 at year end	89.2	89.6
Female aged 45 at year end	91.5	92.0

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

Note 16 continued

Amounts recognised in the Statement of Financial Position:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of plan assets	37,134	29,228	19,560	11,468	4,613
Present value of plan liabilities	(39,619)	(29,580)	(19,331)	(10,906)	(4,434)
Net defined benefit (liability) / asset	(2,485)	(352)	229	562	179

Amounts recognised in Statement of Comprehensive Income

	2014 £'000	2013 As restated* £'000
Service Cost:		
Current service cost (net of employees contributions)	6,650	5,870
Administration expenses	78	85
Net Interest expense / (income)	25	(42)
Adjustment for Nuvos Bulk Transfer Value	–	151
Amounts charged to the Income Statement	6,753	6,064
Re-measurements of the net liability:		
Return on scheme assets (excluding amounts included in interest expense)	(336)	(2,378)
Loss arising from changes in financial assumptions	3,221	3,355
Gain arising from changes in demographic assumptions	(1,798)	–
Experience loss	582	–
Charge recorded in other comprehensive income	1,669	977
Total defined benefit cost	8,422	7,041

Changes in the present value of net (liability) / asset over the year:

	2014 £'000	2013 £'000
Fair value of net (liability) / asset at beginning of year	(352)	229
Movements in year:		
Employer contributions	6,289	6,460
Administration expenses	(78)	(85)
Transfer benefits from Civil Service Scheme	-	(65)
Current service cost	(6,650)	(5,870)
Interest cost (restated*)	(25)	–
Interest income	–	42
Transfer value from Civil Service Scheme	–	(86)
Re-measurement (gains) / losses (2013: restated):		
Actuarial gains and losses arising from changes in financial assumptions	(3,221)	(3,355)
Actuarial gains and losses arising from changes in demographic assumptions	1,798	–
Return on scheme assets (excluding amounts included in interest expense)	336	2,378
Other experience items	(582)	–
Net Scheme liabilities at end of year	(2,485)	(352)

*Please refer to Note 1: accounting policies 2.24.

Note 16 continued

Changes in the present value of assets over the year:

	2014 £'000	2013 £'000
Fair value of assets at beginning of year	29,228	19,560
Movements in year:		
Return on scheme assets (excluding amounts included in interest expense)	336	2,378
Interest income	1,518	1,066
Employer contributions	6,289	6,460
Employee contributions	438	462
Benefits paid	(597)	(548)
Administration expenses	(78)	(85)
Transfer value / (benefits) from Civil Service Scheme	–	(65)
Scheme assets at end of year	37,134	29,228

Actual return on assets over the year £1,854,000 (2012-13: £3,444,000).

Changes in the present value of liabilities over the year:

	2014 £'000	2013 £'000
Scheme liabilities at beginning of year	29,580	19,331
Movement in year:		
Current service cost	6,650	5,870
Interest cost (restated)	1,543	1,024
Transfer value from Civil Service Scheme	–	86
Employee contributions	438	462
Re-measurement (gains) / losses (2013: restated):		
Actuarial gains and losses arising from changes in financial assumptions	3,221	3,355
Actuarial gains and losses arising from changes in demographic assumptions	(1,798)	–
Other experience items	582	–
Benefits paid	(597)	(548)
Scheme liabilities at end of year	39,619	29,580

The split of the scheme's liabilities by category of membership is as follows:

	2014 £'000	2013 £'000
Active members	35,950	28,637
Deferred pensioners	2,446	703
Pensions in payment	1,223	240
	39,619	29,580
Average duration of the scheme's liabilities at the end of the period (years)	25	25

Note 16 continued

The major categories of scheme assets are as follows:

	2014 £'000	2013 As restated* £'000
Return seeking		
UK Equities	9,840	7,570
Overseas Equities	9,839	7,570
Diversified Growth Fund	9,034	7,088
	28,713	22,228
Debt instruments		
Corporates	4,144	3,338
Gilts	–	–
Index Linked	4,277	3,662
Total market value of assets	37,134	29,228

The equity and debt instruments all have quoted prices in active markets. The diversified Growth Fund is akin to equity investments. The Scheme has no investments in the Company or in property occupied by the Company. The Company expects to contribute £6,497,000 to the scheme during year ending 31 March 2015.

Sensitivity of the liability value to changes in the principal assumptions:

If the discount rate was 0.1% higher (lower), the scheme liabilities would decrease by £1,067,000 (increase by £1,108,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the scheme liabilities would increase by £1,164,000 (decrease by £1,122,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged. If the salary increase assumption was 0.1% higher (lower), the scheme liabilities would increase by £345,000 (decrease by £338,000). The other assumptions remain unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £1,306,000 (decrease by £1,264,000) if all the other assumptions remained unchanged. 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.

Note 17

DIVIDENDS

	2013-14 £'000	2012-13 £'000
Dividends paid	4,000	4,000

Note 18

CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Commitments in respect of contracts – Tangible Assets	1,002	350
Commitments in respect of contracts – Intangible Assets	102	124
	1,104	474

Note 19

OPERATING LEASE COMMITMENTS

	2014 £'000	2013 £'000
Operating lease rentals due on leases expiring:		
Less than one year	115	100
Between one and five years	1,573	42
Over five years	608	–
	2,296	142

Note 20

RELATED PARTY TRANSACTIONS

The Royal Mint Limited is a company wholly owned by HM Treasury. HM Treasury is regarded as a related party and it has both an ownership and a customer role.

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

The Royal Mint Limited also contracts with The Royal Mint Museum Services Limited a subsidiary of the Royal Mint Museum. The Royal Mint Museum is wholly owned by HM Treasury, the companies operate under a Service Level Agreement whereby:

1) The Royal Mint Limited provides employees, establishment and support services. The revenue for the year was £257,445 (2012-13: £251,776).
2) The Royal Mint Museum Services Limited provides services to The Royal Mint Limited, in support of its business activities and to HM Treasury in support of its obligations to manage the United Kingdom coinage. The charge for the year was £301,500 (2013: £300,000).
3) The Royal Mint Limited pays a quarterly donation to the Royal Mint Museum Limited calculated in accordance with the agreement at vesting. The donation payable for this year is £69,618 (2013: £90,394).
4) Heritage assets are donated by The Royal Mint Limited to the museum collection at a cost of £61,746 (2012-13: £156,127).

In addition, The Royal Mint Limited has had a number of material transactions with other Government bodies. Most of these transactions have been with the Ministry of Defence. During the year none of the Board members, members of the key management staff or other related parties have undertaken any material transactions with The Royal Mint Limited. Balances with other Government bodies are set out in notes 11 and 13.

Remuneration of key management staff
Key management staff are considered to be The Royal Mint Limited's Executive Management Team. Remuneration of key management staff is set out below:

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	1,079	962
Post-employment benefits	193	185
	1,272	1,147

Note 21

ANALYSIS OF NET DEBT

	At 1 April 2013 £'000	Cashflow £'000	At 31 March 2014 £'000
Cash at bank and in hand	1,079	(1,559)	(480)
Short term loan due within one year	(18,000)	11,000	(7,000)
	(16,921)	9,441	(7,480)

Note 22

OTHER GAINS / (LOSSES) – NET

	2014 £'000	2013 £'000
Foreign exchange loss	(115)	(549)
Foreign exchange forward contracts	1,278	(666)
Ineffectiveness of commodity hedges (IAS 39)	(1,672)	(709)
	(509)	(1,924)

Note 23

FINANCIAL INSTRUMENTS

	2014 £'000	2013 £'000
Derivative asset		
Foreign currency fair value	695	51
Commodity fair value	67	27
Precious metal fair value	–	5
	762	83

	2014 £'000	2013 £'000
Derivative liability		
Foreign currency fair value	52	1,145
Commodity fair value	276	138
Precious metal fair value	96	84
	424	1,367

Note 23 Continued

Financial risk management

The main risk exposures arising from The Royal Mint Limited's activities are currency risk, commodity price risk, interest price risk, credit risk and liquidity risk. These risks arise in the normal course of business and are managed by the finance department through a combination of derivative and other financial instruments. The risk management programme seeks to limit the adverse affects on financial performance.

Currency risk

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

The Royal Mint Limited's risk management policy is to enter into forward contracts for all anticipated foreign currency cash flows (mainly in relation to sales contracts), where the future settlement date is the forecast payment date. Hedge accounting is not followed for foreign currency forward contracts.

	Contract amount 2014 £'000	Average forward rate 2014	Fair value 2014 £'000	Contract amount 2013 £'000	Average forward rate 2013	Fair value 2013 £'000
Forward contract – sell £ / buy EUR						
Maturing in less than 1 year	360	1.2050	(1)	127	1.2182	4
	360		(1)	127		4
Forward contract – sell £ / buy USD						
Maturing in less than 1 year	1,607	1.6445	(21)	3,973	1.5077	(26)
	1,607		(21)	3,973		(26)
Forward contract – buy £ / sell USD						
Maturing in less than 1 year	15,102	1.5963	628	19,354	1.5947	(987)
Maturing in more than 1 year	665	1.6408	7	–	–	–
	15,767		635	19,354		(987)
Forward contract – buy £ / sell PLN						
Maturing in less than 1 year	3,184	5.0786	22	–	–	–
Maturing in more than 1 year	7,223	5.2265	(19)	–	–	–
	10,407		3	–		–
Forward contract – buy £ / sell EUR						
Maturing in less than 1 year	1,279	1.1831	27	1,953	1.2314	(85)
	1,279		27	1,953		(85)

Note 23 continued

The movements shown below largely result from foreign exchange gains/losses on translation of US Dollar / Euro denominated trade payables and receivables. The first table below shows the impact of a 10% decrease in sterling and the second table the impact of a 10% increase in sterling against other currencies on the balances of financial assets and liabilities as at 31 March.

	Closing exchange rate 2014	Effect on net earnings of a 10% decrease 2014 £'000	Closing exchange rate 2013	Effect on net earnings of a 10% decrease 2013 £'000
Euros	1.2096	74	1.1825	29
US Dollars	1.6672	164	1.5114	248
Polish Zloty	5.0372	13	–	–
New Zealand Dollars	–	–	1.4411	37
		251		314

	Closing exchange rate 2014	Effect on net earnings of a 10% increase 2014 £'000	Closing exchange rate 2013	Effect on net earnings of a 10% increase 2013 £'000
Euros	1.2096	(61)	1.1825	(24)
US Dollars	1.6672	(134)	1.5114	(203)
Polish Zloty	5.0372	(10)	–	–
New Zealand Dollars	–	–	1.4411	(30)
		(205)		(257)

Commodity price risk

The Royal Mint Limited by the nature of its business is exposed to movements in the prices of the following commodities – nickel, copper, zinc, gold, silver and platinum. In regard to base metals (nickel, copper and zinc) The Royal Mint Limited uses commodity futures to hedge against price risk movements. All commodity futures contracts hedge a projected future purchase of raw materials, which are then closed out at the time the raw material is purchased. Commodity hedges are held in the Statement of Financial Position at fair value to the extent they are deemed to be effective under IAS 39, ineffective portions of hedges are recognised in the Income Statement.
The open commodity hedges as at 31 March are as follows:

	Tonnes 2014	Value at average price 2014 £'000	Fair value 2014 £'000	Tonnes 2013	Value at average price 2013 £'000	Fair value 2013 £'000
Cashflow hedges:						
Copper futures –						
GBP denominated contracts:						
Maturing in less than 1 year	250	1,125	(127)	175	950	(55)
Maturing in more than 1 year	50	227	(27)	–	–	–
	300		(154)	175		(55)
Nickel futures –						
GBP denominated contracts:						
Maturing in less than 1 year	72	735	(53)	294	3,303	(55)
Zinc futures –						
GBP denominated contracts:						
Maturing in less than 1 year	50	62	(1)	25	32	(1)
Maturing in more than 1 year	25	32	(1)	–	–	–
	75		(2)	25		(1)

Note 23 continued

Sensitivity analysis

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

	Closing price / tonne 2014 £	Effect on net earnings of a 10% decrease 2014 £'000	Effect on equity of a 10% decrease 2014 £'000	Closing price / tonne (see below*) 2013 £	Effect on net earnings of a 10% decrease 2013 £'000	Effect on equity of a 10% decrease 2013 £'000
Copper	3,986	(18)	(102)	5,009	(72)	(18)
Nickel	9,449	(5)	(63)	10,925	(224)	(101)
Zinc	1,189	(3)	(6)	1,236	(3)	–
		(26)	(171)		(299)	(119)

	Closing price / tonne 2014 £	Effect on net earnings of a 10% increase 2014 £'000	Effect on equity of a 10% increase 2014 £'000	Closing price / tonne (see below*) 2013 £	Effect on net earnings of a 10% increase 2013 £'000	Effect on equity of a 10% increase 2013 £'000
Copper	3,986	18	102	5,009	71	19
Nickel	9,449	5	63	10,925	217	108
Zinc	1,189	3	7	1,236	3	-
		26	172		291	127

*The comparative per tonne information has been corrected to closing price rather than average price per tonne as previously disclosed.

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; or
(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 2014	Value at average price 2014 £'000	Fair value 2014 £'000	Ozs 2013	Value at average price 2013 £'000	Fair value 2013 £'000
Gold forwards – GBP denominated contracts: Maturing in less than 1 year	1,195	993	(72)	2,855	3,018	(15)
	1,195	993	(72)	2,855	3,018	(15)
Silver forwards – GBP denominated contracts: Maturing in less than 1 year	23,016	297	(24)	125,910	2,422	(64)
	23,016	297	(24)	125,910	2,422	(64)
Platinum forwards – GBP denominated contracts: Maturing in less than 1 year	–	–	–	11	12	–
	–	–	–	11	12	–

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 2014 £ / oz	Effect on net earnings of a 10% decrease 2014 £'000	Closing price 2013 £ / oz	Effect on net earnings of a 10% decrease 2013 £'000
Gold	776	(92)	1,054	(300)
Silver	12	(27)	19	(236)
Platinum	852	–	1,040	(1)
		(119)		(537)

	Closing price 2014 £ / oz	Effect on net earnings of a 10% increase 2014 £'000	Closing price 2013 £ / oz	Effect on net earnings of a 10% increase 2013 £'000
Gold	776	92	1,054	300
Silver	12	27	19	236
Platinum	852	–	1,040	1
		119		537

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

	Closing price 2014 £ / oz	Effect on net earnings of a 10% change 2014 £'000	Closing price 2013 £ / oz	Effect on net earnings of a 10% change 2013 £'000
Gold	776	40	1,054	62
Silver	12	19	19	18
Platinum	852	–	1,040	–
		59		80

Note 23 continued

Interest rate risk

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

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

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

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

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

	2014 £'000	Effect on net earnings of a 10% change 2014 £'000	2013 £'000	Effect on net earnings of a 10% change 2013 £'000
Short-term loans	7,000	14	18,000	38

Credit risk

Exposures to credit risks are as a result of transactions in the Royal Mint Limited's ordinary course of business. The major risks are in respect of:

1) Trade receivables

2) Counter parties:
   (a) cash and cash equivalents
   (b) financial Instruments

These risks are managed through policies issued by the Board of Directors.

Circulating Coin receivables

Circulating Coin receivables are in general governments, central banks and monetary authorities. Credit risk is minimised by aiming to have down-payments upon contract signature with remaining balances secured against letters of credit. Overdue balances are as follows:

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Circulating receivables:				
2014	886	–	66	110
2013	2	–	36	125

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 customer's order and is payable within 48 hours. Coins are only despatched when payment is received. The table below shows overdue outstanding balances as at 31 March:

	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 91 and 120 days £'000	Over 120 days £'000
Wholesale trade receivables:				
2014	43	26	48	44
2013	69	64	5	141

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

	Balance overdue statement 1 status £'000	Balance overdue statement 2 status £'000	Balance overdue statement 3 status £'000
Business to consumer receivables:			
2014	54	9	432
2013	101	44	523

Counter-party risk
The Royal Mint Limited purchases and sells derivative financial instruments from / to A, Aa-, BBB 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 2014 the amount is £20.3m (2013: £19.6m). Based on historical experience and the low level of default, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

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 Limited may not be able to settle or meet its obligations on time or at a reasonable price. The Royal Mint Limited's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The Royal Mint Limited manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast. In addition, The Royal Mint Limited has negotiated a revolving credit facility of £36m, of which £7m was drawn down at 31 March 2014. It is anticipated that this will be sufficient to meet future requirements.

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

At 31 March 2014

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	7,480	–	–	–
Derivative financial instruments	424	–	–	–
Trade and other payables	26,110	–	–	–
Provision for Liabilities & Charges	662	220	41	–

At 31 March 2013

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	18,000	–	–	–
Derivative financial instruments	1,367	–	–	–
Trade and other payables	30,496	–	–	–
Provision for Liabilities & Charges	884	210	39	–

Capital risk

The management of The Royal Mint Limited does not have any responsibility as regards capital risk or with regard to capital structure.

Fair Values

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

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

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

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 2014 £'000	Fair value 2014 £'000	Carrying value 2013 £'000	Fair value 2013 £'000
Financial assets:				
Loans and receivables	20,346	20,346	19,567	19,567
Derivatives used for hedging	67	67	27	27
Derivatives at fair value through profit and loss	695	695	56	56
Financial liabilities:				
Loans and payables	(33,590)	(33,590)	(48,496)	(48,496)
Derivatives used for hedging	(276)	(276)	(138)	(138)
Derivatives at fair value through profit and loss	(148)	(148)	(1,229)	(1,229)

Note 24

SHARE CAPITAL AND SHARE PREMIUM

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

	Number of shares	Ordinary shares £'000
At 1 April 2013 and 31 March 2014	6,000,001	6,000

	2014 £'000	2013 £'000
Share premium account	39,319	39,319

Note 25

ULTIMATE CONTROLLING PARTY

The ultimate controlling party of The Royal Mint Limited is HM Treasury. The largest and smallest group for which financial statements are prepared of which The Royal Mint Limited is a subsidiary is the Royal Mint Trading Fund. The financial statements can be obtained by contacting The Royal Mint details on page 05.

Note 26

COMPANY'S DOMICILE, LEGAL FORM AND COUNTRY OF INCORPORATION

The company is limited by shares and registered in England and Wales and is domiciled in the United Kingdom.

Note 27

POST BALANCE SHEET EVENTS

On 27 May 2014, the Board approved the payment of a dividend of £4.0m.

Nick Park with The Royal Mint's Gromit, part of the Gromit Unleashed exhibition raising funds for Wallace and Gromit's Grand Appeal for the Bristol Children's Hospital Charity.

Gromit sculptures, decorated by celebrities and artists, as they are prepared for auction in aid of Bristol Children's Hospital charity. Wallace and Gromit's Grand Appeal held at The Mall in Cribbs Causeway, Bristol.

The Royal Mint

Making Money for Everyone