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THE ROYAL MINT ANNUAL
REPORT 1988

PO -CH /NL/0125

ANN.3 PT.A

Begin: 31/3/88

DD: 25 years

Ends: 31/3/88

22/9/95



Royal Mint

ANNUAL REPORT
1987-88



ROYAL MINT TRADING FUND

ANNUAL REPORT

FOR THE YEAR ENDED 31st MARCH 1988

The Royal Mint has a long and distinguished history. It has produced domestic coinage for over 1000 years and for sixty years has also maintained a thriving export business. For much of this period the Mint was located in, and later by, the Tower of London. However, the introduction of decimal coinage in the United Kingdom and the increase in export business necessitated expansion, and a new mint was constructed at Llantrisant in the Vale of Glamorgan, leaving only a small office in London. The first coins were struck at the new Mint in 1968.

As well as producing ordinary circulating coin and coinage blanks for over 60 countries the Royal Mint manufactures special proof and uncirculated quality coin in gold, silver and base metals; military and civilian decorations and medals; commemorative medals for governments, learned societies and private companies; royal and official seals; and tokens. A very high reputation for quality and delivery has been built up over the years.

On April 1 1975 the Mint was established as a Government Trading Fund (operationally very similar to a government owned company) since when it has consistently achieved a high level of profitability. For many years over half its sales have gone overseas and, in recognition, The Queen's Award for Export Achievement has been presented on four occasions.



A SELECTION OF UNITED KINGDOM COINS



1988 Brilliant uncirculated coin collection.



1988 Proof coin set.



Obverse and reverse of the Britannia gold proof one ounce coin.



The 1988 Britannia gold proof set containing the one, half, quarter and one tenth ounce coins.

STRUCK BY THE ROYAL MINT FOR 1988



Obverse and reverse of the 1988 proof gold sovereign.



Acrylic paperweight containing the 1988 brilliant uncirculated £1 coin.



The 1988 silver proof £1 coin bearing the Royal Arms.



The 1988 gold proof sovereign set containing the double sovereign, sovereign and half-sovereign.



MANAGEMENT

AS AT 31 MARCH 1988

A D Garrett	Deputy Master and Comptroller (Chief Executive)
R W Gravenor	Commercial and Production Director
D C Snell	Finance Director
A R W Lotherington	Sales Director
B D Williams	Marketing Director
B E S Collins CBE Professor B Ralph	Non- Executive Directors

BANKERS Bank of England

AUDITORS Comptroller and Auditor General
Coopers and Lybrand

SECRETARIAT Miss Linda Viner, Board Secretary
Royal Mint, Llantrisant,
Mid Glamorgan CF7 8YT
Tel 0443 222111

Left to right:
Mr A R W Lotherington,
Mr R W Gravenor,
Mr A D Garrett,
Mr D C Snell,
Mr B D Williams,
Miss L Viner (Board Secretary)



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The 400th Anniversary of the Spanish Armada, the third in a series of centenary medals issued to commemorate events of national importance.

Right, the obverse of the silver medal. Left, the reverse of the bronze medal.

Medals not shown to actual size.



DEPUTY MASTER'S REPORT

The past year has seen changes in organisation, with Ministerial responsibility for the Royal Mint being transferred from the Economic Secretary, HM Treasury to the Paymaster General, and with my own appointment as Deputy Master.

Dr Jeremy Gerhard, who retired at the beginning of January, was appointed Deputy Master at the end of 1977, shortly after the Royal Mint began operating as a Government Trading Fund. Since the Trading Fund was established, the Royal Mint has developed, largely under Dr Gerhard's direction, from a department of the Civil Service acting as a quasi-commercial concern into its present position as a world leader with over 50% of the available market. It has

within two to three years. Essential to this aim is the flagship product, the Britannia gold bullion coin, successfully launched in October in the United Kingdom, Europe and the Far East and now firmly established in those markets. Initial sales forecasts have been surpassed and the forthcoming years will see a continuing drive to secure a substantial share of the worldwide market.

The Britannia is the first major development in the gold coinage for over 150 years. As the United Kingdom's gold bullion coin, it is displacing the historic and popular sovereign, whose 500th anniversary will be celebrated in 1989, and collectors' versions of which continue to be produced.

1989 also sees the tercentenary of one of the most important events in modern British parliamentary history, the Bill of Rights of 1689. The Bill marks the moment in 1689 when the balance of power was effectively transferred from the Crown to Parliament, and a £2 coin will be issued to commemorate the anniversary. An announcement was also made about the issue of a £1 coin bearing a new design, the shield of the Royal Arms surmounted by St Edward's crown. The new coin entered circulation a few weeks after the date upon which the £1 note ceased to be legal tender, its displacement by £1 coins complete. Over 800 million £1 coins are now in circulation compared with 580 million £1 notes prior to the introduction of the first £1 coin in 1983.

The Paymaster General, the Rt Hon Peter Brooke MP (right) accompanied by Dr. Jeremy Gerhard at the launch of the Britannia gold bullion coin in London.

October 1987



become a prime example of a government department's commercial success in a competitive international market-place, with the Queen's Award for Export Achievement being earned no fewer than four times.

During this time total sales have exceeded £749 million, including £456 million of exports; profits have totalled £72 million, and £52 million has been paid to the Treasury as dividend.

The Royal Mint, however, is not content to rest upon its laurels, and although ahead of the field, recognises growing opportunities and challenges in domestic and overseas markets. Plans are currently being finalised with the objective of increasing turnover by at least a third

A comparison of the new smaller 5p and 10p coins with 5p and 10p coins currently in circulation. Coins to actual size.



The coin options pamphlet referred to in the last annual report was published as a basis for public consultation early in 1987. The pamphlet was sent to MPs, the press, vending machine manufacturers and users, the clearing banks and members of the public, including organisations for the blind for whom a braille version was printed.

Silver Armada medal presented to HRH The Prince of Wales at the opening of the Armada Exhibition, National Maritime Museum.

April 1988

As a result of this consultation process, the Chancellor of the Exchequer announced at the end of 1987 that the government had decided to introduce a smaller 5p coin in the early 1990s and a smaller 10p coin two or three years later. Subsequently, in a speech made at the Trial of the Pyx in May, the Chancellor confirmed that the new 5p coin would be introduced in 1990 with the new 10p following in 1992.

During the year within the Mint there were good productivity gains in most areas of production. Operating costs were well controlled, despite a high production volume, and important improvements to facilities were completed. Significant strides were also made towards increasing the Mint's capability to handle a wide range of coin materials.

REVIEW OF TRADING

Issues of United Kingdom circulating coins considerably exceeded those of recent years due to the exceptional demand for the low value bronze coins. Sales of circulating coins to overseas countries, although lower than the record levels achieved last year, continued to make a significant contribution to our overall success.

United Kingdom collector coin sales reached record levels, the popularity of the sovereign coins not affecting the demand for the new Britannia proof coins which exceeded the issue limits. In addition to the United Kingdom, the Royal Mint sold collector coins in many overseas countries with North America and the Far East being particularly important.

Medal sales continued at levels achieved in recent years and the second medal in the Royal Mint Centenary series was issued, commemorating the 300th anniversary of the revival of the Order of the Thistle.

The introduction of the Britannia bullion coin was very successful and accounts for the total sales value in the year of £94.3 million, substantially exceeding that achieved in recent years. Overseas sales of all products accounted for 72% of total turnover and made an important contribution to the overall operating performance.

The historical cost operating profit before interest was £6.3 million, representing a return of 18% on average funds employed. The current cost operating profit was £4.8 million and the return of 10.3% achieved on the average current cost capital employed exceeded the target figure of 10%.

The dividend paid of £5.5 million was 87.6% of the historical cost operating profit and represented a return of 15.5% on the capital employed at 31 March 1988.



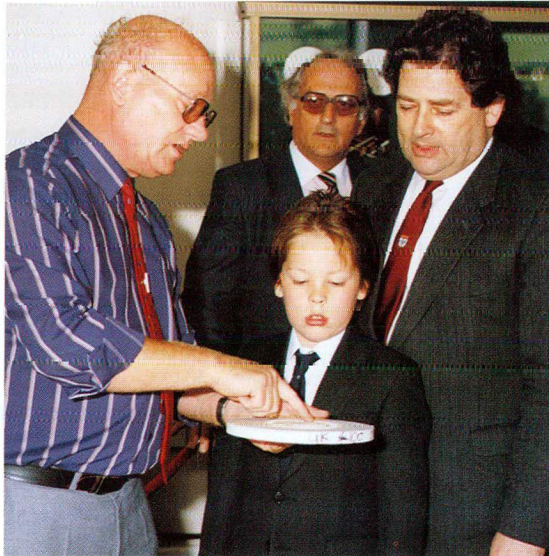
Overall, the Mint has completed another very satisfactory year, the credit for which goes not only to the Management team and staff of the Mint, so ably led by my predecessor, but also to our business partners around the world. My thanks to all of them.

Personally, I am proud to be in a position to continue and develop the tradition of excellence that has made the Royal Mint the best in the world at what it does.

A D Garrett
Deputy Master (Chief Executive)

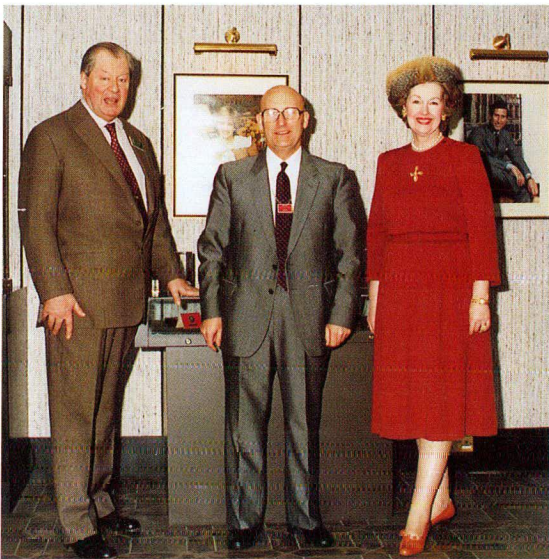
EVENTS AND VISITORS

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1. Hubert Elsasser, Chief Engraver, explaining a point of design to the Chancellor of the Exchequer, the Rt Hon Nigel Lawson and his son Tom during a visit to the Royal Mint.
August 1987

2. Pupils from Powis College, North Wales, joint winners of the 1987 National Schools Competition seen in the coining press room during a visit to the Royal Mint.
December 1987



3. The Rt Hon The Earl Spencer and the Countess Spencer paid a private visit to the Royal Mint, and are seen here with Roy Gravener, Commercial and Production Director.
December 1987

4. Ministry of Defence Police Constables Turner and Jones with police dogs Aston and Zak, trophy winners at the Central Dog Trials and contenders at the National Dog Trials to be held later in 1988.
April 1988

5. The Deputy Master and Assistant Director Engineering with a group of Royal Mint prize winner apprentices, two of whom are going on to attend degree courses at the Royal Military College of Science.
May 1988



FINANCIAL SUMMARY

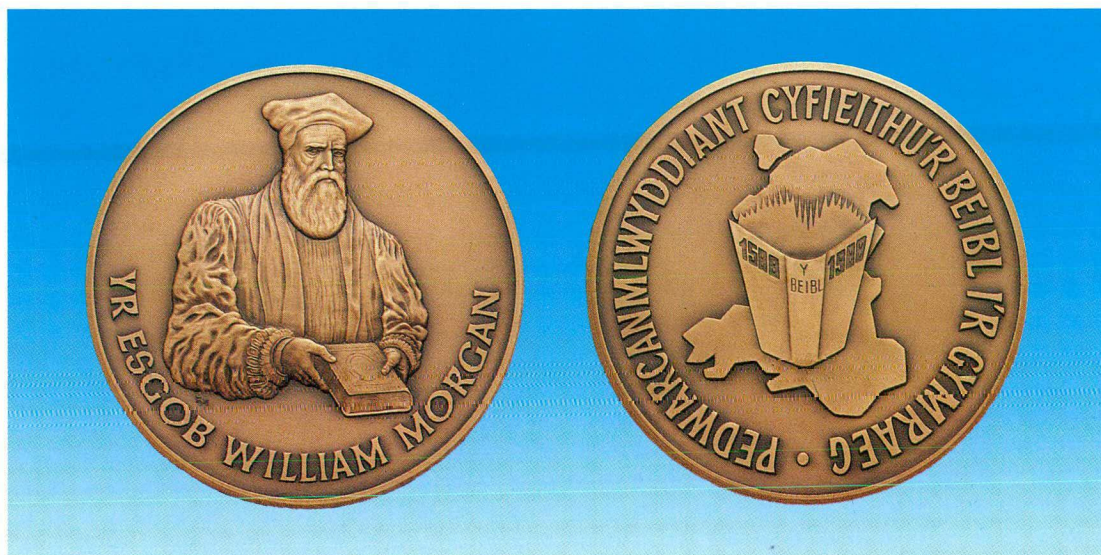
	1987-88 £'000	1986-87 £'000	1985-86 £'000	1984-85 £'000	1983-84 £'000
HISTORICAL COST BASIS:					
United Kingdom Sales	26738	23273	26691	21162	22477
Overseas Sales	67564	45998	47707	37480	25070
	<u>94302</u>	<u>69271</u>	<u>74398</u>	<u>58642</u>	<u>47547</u>
Operating profit	6276	7289	3311	5608	7044
Dividend	5500	6500	3500	4000	6500
Retained profit for the year	1581	1549	286	1726	991
Capital employed at 31 March	35528	34134	32772	32673	32059
Operating profit/sales	6.7%	10.5%	4.5%	9.6%	14.8%
Operating profit to average capital employed at 31 March	18.0%	21.8%	10.1%	17.3%	22.0%
CURRENT COST BASIS:					
Operating profit	4765	6237	2331	4623	6113
Profit for the year	5570	6997	2806	4741	6560
Financial objective ratio: Current cost operating profit as a percentage of the average value of net assets employed at current cost	10.3%	14.5%	5.5%	11.2%	15.2%

Medal struck to commemorate the 400th Anniversary of the Welsh translation of The Bible by Bishop William Morgan.

Left. Portrait of Bishop William Morgan.

Right. Bible superimposed on a map of Wales. The inscription translates as '400th Anniversary of the Welsh Translation of the Bible'.

Medals not shown to actual size.



TRADITIONAL SKILLS, MODERN TECHNOLOGY

The Royal Mint has produced coins for over 1000 years. Today it is at the forefront of technological progress, but in certain production areas sophisticated modern techniques have not supplanted traditional skills such as engraving or silversmithing.

A number of operations are shown here to illustrate this alliance of technology and tradition, of modern machinery and human skill.



Scientific Services

(Above). The fire assaying of gold, a process unbettered for over 1000 years, is used to establish the precise amount of fine gold in an alloy of unknown composition.

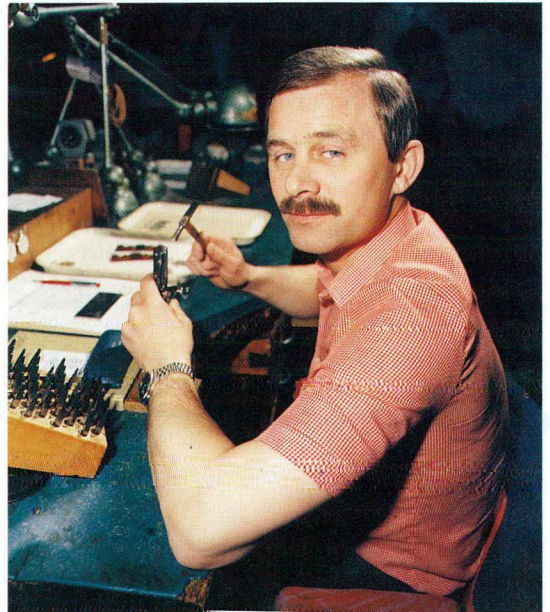
Samples of alloy are mixed with silver, enclosed in lead envelopes and placed into a furnace. Firing removes all traces of base metal, leaving only fused gold and silver buttons. The silver content of each button is dissolved by nitric acid, leaving fine gold in a form which can be weighed to establish the proportion of gold in the original alloy.

The scientist is removing a tray of 72 buttons from the furnace.

Proof Coin Unit

(Right). A British made press, recently installed in the proof coin unit, which is capable of striking coins or medals as large as 75mm in diameter with a force of up to 600 tonnes.

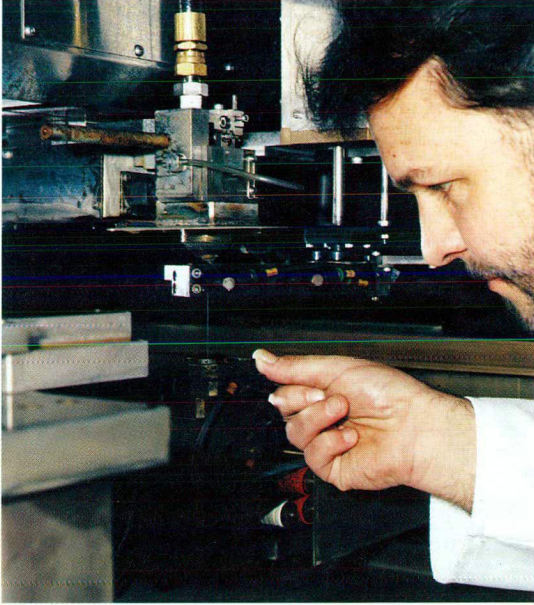
The operator is holding a silver medal struck to commemorate the City of Dublin millennium.



Medal Department

(Above). Many civil and military medals have recipient's names impressed upon the edge prior to having ribbons attached. This is an exacting operation, carried out by hand, and presenting a recognisably superior alternative to machine stamping





Tool Room

(Above). An example of the latest technology in tool manufacture, a computer controlled wire erosion machine, effective in cutting precise shapes from steel alloys of up to 100mm in thickness.

A fine wire, just visible in the photograph, carries a charge sufficient to generate temperatures of up to 12,000°C, enabling it to cut through the toughest alloys.



Proof Coin Unit

(Above). Proof gold and silver collector's coins are manufactured in strictly controlled conditions using the latest technology and subject to stringent quality control procedures.

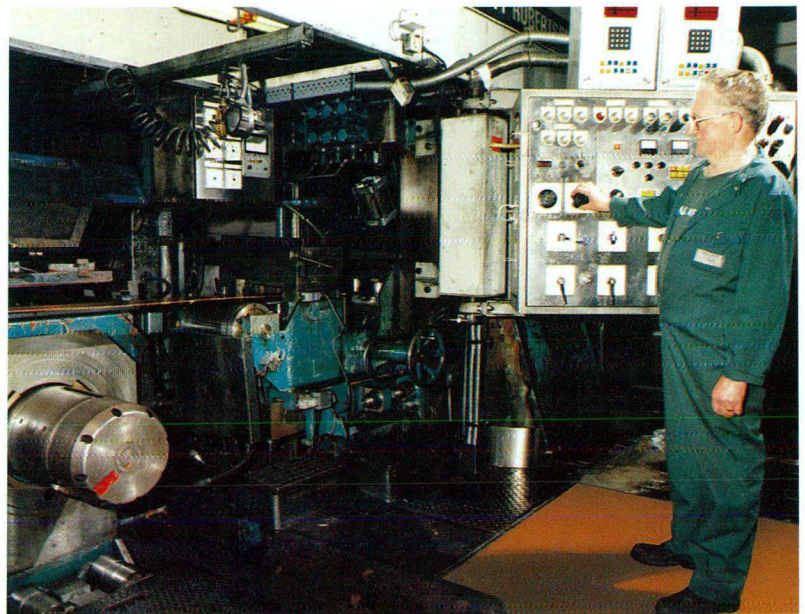
At the final stage the coins are placed into protective capsules and then into the presentation cases in which they will be sent to customers all over the world.

Melting, Rolling and Blanking

(Below). All coining material processed in the melting, rolling and blanking unit passes through a hydraulically operated gauging mill.

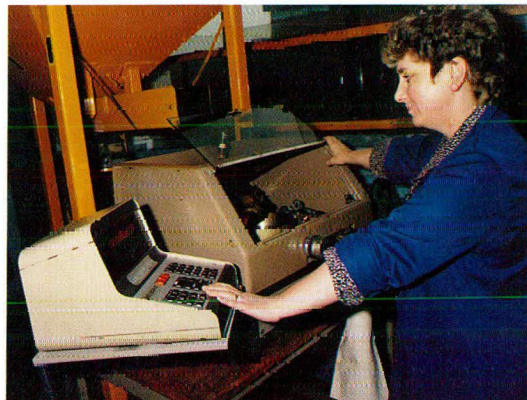
Rolling accuracy is automatically controlled by a computer gauging system and the mill, capable of rolling metal strip to an accuracy of .01mm, reduces material from over 3mm in thickness to a gauge appropriate to that of the finished coin.

Coils of finished material weighing approximately one tonne are transferred directly to the blanking process.



Coining Press Room

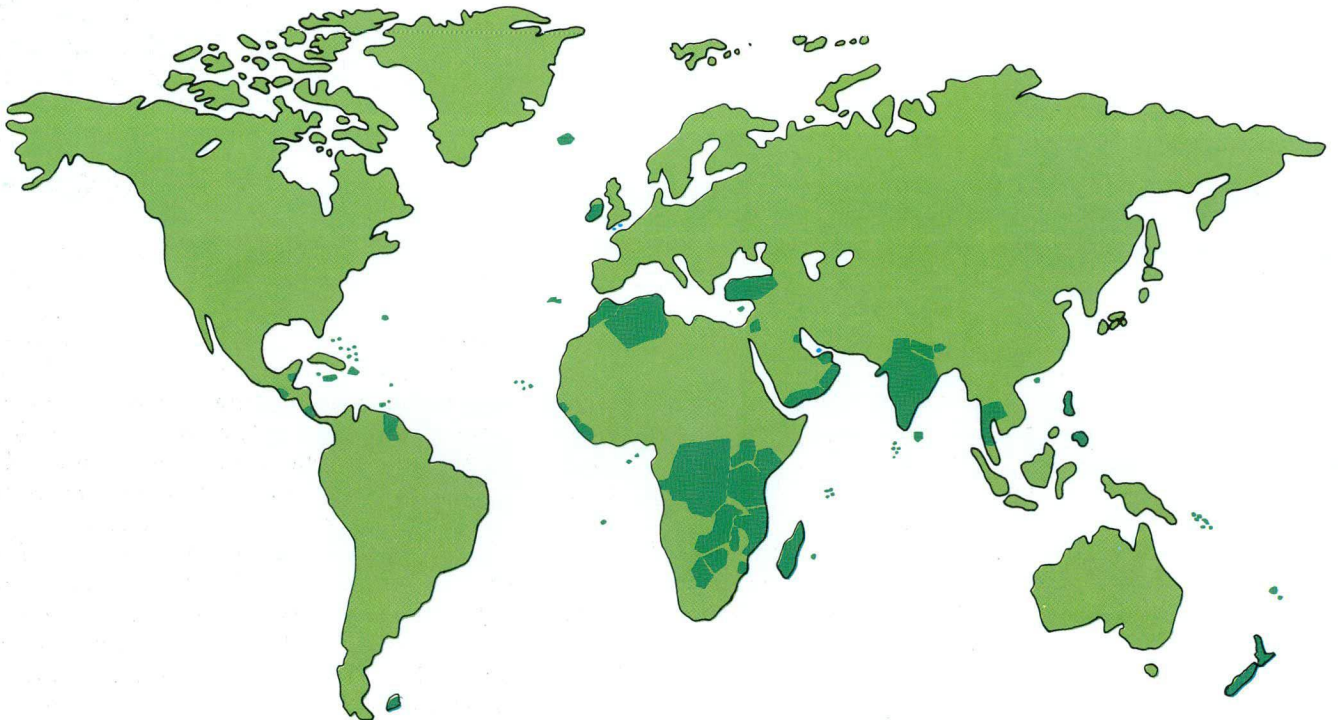
(Below). One of the latest of a generation of computer controlled electronic counting machines installed in the coining press room and capable of accurately counting between 1500 and 3500 coins per minute, depending upon the diameter of the coins.



OVERSEAS ISSUES

In 1987-88 The Royal Mint issued coins for 65 Countries

Algeria	Iceland	Rwanda
Bahamas	India	Sao Tome & Principe
Bahrain	Indonesia	Seychelles
Barbados	Irish Republic	Sierra Leone
Belize	Jamaica	Solomon Islands
Bermuda	Jersey	Sri Lanka
Bhutan	Jordan	St Helena
Botswana	Kenya	Suriname
Cape Verde	Lesotho	Swaziland
Cayman Islands	Liberia	Tanzania
Cook Islands	Malagasy	Thailand
Cyprus	Malawi	Tonga
Dominican Republic	Maldiv Islands	Trinidad & Tobago
East Caribbean States	Malta	Turks & Caicos
Ecuador	Mauritius	Uganda
Falkland Islands	Mongolia	United Arab Emirates
Fiji	Morocco	Vanuatu
Gambia	Mozambique	Yemen (PDR)
Guernsey	Nepal	Zaire
Guyana	New Zealand	Zambia
Haiti	Oman	Zimbabwe
Hong Kong	Philippines	



THE BRITANNIA GOLD BULLION COIN



Obverse of
one-ounce Britannia



Reverse of
half-ounce Britannia



Reverse of
quarter-ounce Britannia



Reverse of
tenth-ounce Britannia



On 13 October 1987, just seven months after the Chancellor of the Exchequer's announcement that the British Government had decided to issue a gold bullion coin, the new Britannia was officially launched in London.

The Britannia is being struck in four sizes, containing 1 oz, ½ oz, ¼ oz and ⅒ oz of fine gold. All four coins have been declared legal tender, the one-ounce Britannia having a face value of £100 and the other coins in proportion at £50, £25 and £10. It is not intended, of course, that the coins should circulate and their actual value will be determined by the value of the gold which they contain. They are therefore being offered for sale at a price which varies from day to day, being based on the gold price on the day that they are purchased, with the addition of a small and competitive premium to cover the cost of minting and distribution.

Their issue represents the first major development in the gold coinage of the United Kingdom for more than 150 years, no new gold coins having appeared since the coinage reform which followed the Battle of Waterloo and which saw the romantic guinea superseded by the modern sovereign. The sovereign, indeed, quickly became the most popular and widely traded of all gold coins, but from the late 1960s it was under challenge from a new breed of gold bullion coin containing exactly one ounce of fine gold. The South African Kruggerand soon captured a major portion of the bullion coin market, and in more recent years it has been followed by the Canadian Maple Leaf, the American Eagle and the Australian Nugget. The sovereign, which contains the awkward weight of 0.2354 ozs of fine gold, could not compete on equal terms, and it is to ensure that the United



Top. Obverse of the short-lived gold florin of Edward III, which briefly preceded the gold noble in 1344.

Above. Obverse of gold angel, introduced in the reign of Edward IV (1461-83).

Opposite. Obverse and reverse of gold noble of Edward III, first struck in 1344 and soon to establish itself as a regular part of the currency (enlarged).

Kingdom should obtain its share of the vast international market for gold bullion coins that the Britannia has been introduced.

At the same time, the issue of the Britannia is a continuation of a proud and distinguished tradition, for Britain has a long history of striking gold coins. Since the gold noble established itself in the mid-fourteenth century, gold has been a regular feature of the output of the Royal Mint. But even in those early days, the role of gold coins was not only as a domestic circulating medium but also for international trade, and as the acceptability of the noble increased so it was paid the compliment of imitation on the Continent.



Below. Obverse of sovereign of Henry VII, following Continental coins in its use of an enthroned portrait.



In time the noble gave way to the angel and, from 1489, to the twenty-shilling sovereign. Subsequently, a coin of the nominal value of twenty shillings was usually part of the gold currency, and when the guinea was first struck in 1663 it, too, was officially a twenty-shilling coin. It was not until 1717 that its value was stabilised at the familiar, if somewhat inconvenient, figure of twenty-one shillings. As with the earlier coins, the



The first guinea, 1663

guinea achieved importance not just at home but also abroad, a committee of the Privy Council being told in 1788 that English gold coin was preferred to all other gold coin in every part of Europe.

From 1817 the guinea was replaced by a coin of twenty shillings, for which the old name of sovereign was revived. Before long this new coin could lay claim to being, in Clapham's phrase, the chief coin in the world. Its production was extended by the establishment of overseas branches of the Royal Mint, first in Australia and later in Canada, India and South Africa, where locally-mined gold could be turned into sovereigns and half-sovereigns exactly similar to those struck in London. The sovereign circulated in many parts of the Empire, but as well as following the British flag it was also to be found in countries like Portugal and Brazil. This export



The first modern sovereign, 1817



Sovereign of George V, 1914

trade reflected the popularity of a coin whose accuracy was guaranteed and whose prestige made it universally acceptable, giving it a special position in the operations of commerce and exchange even after it had ceased to circulate at home during the First World War.

So for more than 600 years gold coins have been part of the British currency, enjoying a popularity which has seen them circulate far beyond the shores of Britain. The new Britannia, with its international appeal, is accordingly but the latest chapter of a long story.



Above. The gold trial plate of 1477, the earliest in existence. Trial plates provided the means whereby the accuracy of the gold coinage could be checked against an officially-approved standard.

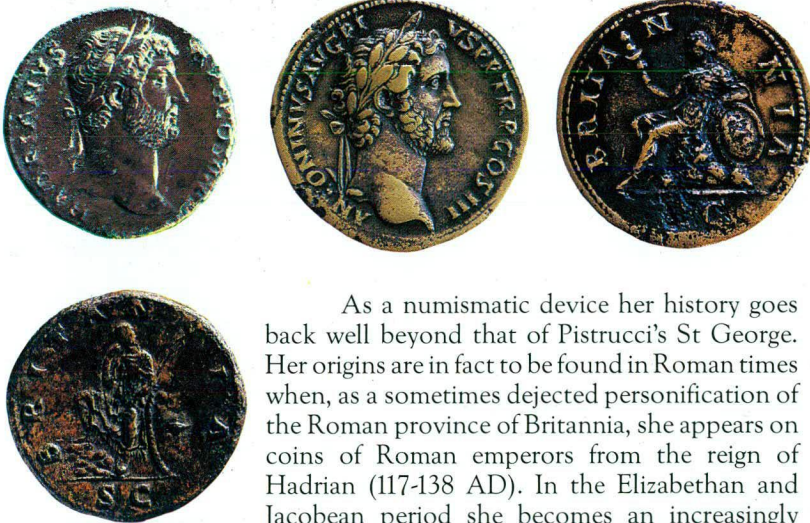
Opposite. Copper halfpenny and farthing of Charles II. The first English coins to show the figure of Britannia.

In another important respect, the Britannia is again firmly traditional. British gold coins have long been renowned for their spectacularly beautiful designs: the noble with its figure of the king standing in a ship; St Michael, who appropriately graces the angel; and the majestic enthroned portrait of the king which dominates the original sovereign. More recently, Benedetto Pistrucci's classical rendering of St George and the Dragon has come to seem inseparable from the modern sovereign. First used in 1817, it was dropped from the sovereign in 1825, to be revived in 1871 in response to criticism of the aesthetically unsatisfactory reverse designs then in use. Since 1887 it has appeared on all sovereigns and must now rank as one of the most enduring of numismatic designs.

It is particularly fitting, therefore, that another beautiful and traditional numismatic design should feature on the new Britannia. Indeed, it was perhaps inevitable, once it had been decided the new coin should be called a Britannia, that it should bear on the reverse that evocative figure.



from the copper and, later, the bronze coinage. In 1797 she became more firmly a maritime figure, Sir Nathaniel Dance-Holland's patriotic design being inspired by the naval victories of the war with France; her spear was replaced by a trident and she is shown seated on a rock, surrounded by the sea and with a ship in the background. Subsequently, she appears variously with ship, lighthouse, both or neither, to the apparent



Above. Sestertii of Hadrian (117-138 AD) and Antoninus Pius (138-161 AD). The seated figure personifies the Roman province of Britannia.

As a numismatic device her history goes back well beyond that of Pistrucci's St George. Her origins are in fact to be found in Roman times when, as a sometimes dejected personification of the Roman province of Britannia, she appears on coins of Roman emperors from the reign of Hadrian (117-138 AD). In the Elizabethan and Jacobean period she becomes an increasingly familiar figure in drama and literature; and in 1672 she reappears on the coinage, providing the reverse for the new copper halfpennies and farthings authorised by Charles II. The striking design was closely based on its Roman predecessor, showing Britannia as a seated figure with spear and shield. At a time of stereotyped designs, a seated Britannia was so unusual that, according to Sir William Petty in 1682, 'upon the account of Beauty our *Britannia* Half-pence were almost all hoarded as Medals till they grew common.'

Thereafter Britannia, though naturally subject to stylistic variation, was never absent



Title pages of John Dee's *General and Rare Memorials Pertaining to the Perfect Arte of Navigation* (1577), of the 1607 edition of William Camden's *Britannia*, and of Michael Drayton's *Poly-Olbion* (1612).

Opposite. Copper penny of 1797, showing Britannia seated on a rock and holding a trident.



consternation of those who look for uniformity and seek hidden meaning in the aesthetic judgement of successive artists and engravers.

Britannia has now, as Sir Roy Strong puts it, assumed the status of an immortal, epitomising the aspirations and identity of an island race. Yet by her very familiarity she created a real problem for the sculptor Philip Nathan, and it says much for his skill that on the new gold Britannia he has succeeded in producing a figure that is both fresh and lively while at the same time traditional and distinctively British. Unusually, perhaps, he has chosen to show her as a standing figure, recalling for numismatists two splendid designs by G W De Saulles which appeared on florins of Edward VII and on a British trade dollar which circulated in the Far East at the turn of the century.

The United Kingdom has therefore entered the gold bullion market with a truly



Britannia survived decimalisation, providing the reverse design for the 50p coins.



Reverse of Edward VII florin, 1902. The daughter of the Chancellor of the Exchequer is said to have acted as the model for G W De Saulles.



Obverse of British trade dollar, 1895. This standing Britannia is also the work of G W De Saulles.



The reverse of the one-ounce Britannia, together with Philip Nathan's original sketch.

British gold coin, struck in the traditional 22 carat gold alloy which itself dates back more than 450 years to the time of Henry VIII and Cardinal Wolsey. It is being produced in the Precious Metal Unit opened by Her Royal Highness The Princess of Wales when she visited Llantrisant in July 1986, a new unit whose sophisticated equipment and trained staff enable us to guarantee that the coins will contain not less than the stated weight of fine gold.

The first stage of the operation is accordingly complete, for we believe that we have designed and struck the most beautiful and elegant of the new generation of international gold bullion coins. Now, by our efforts over the next few years, we must try to make it the most popular.

FINANCIAL AND GENERAL REPORTS

INTRODUCTION

The Royal Mint has been operating as a Trading Fund since 1 April 1975 in accordance with the Royal Mint Trading Fund Order 1975 (S.I. 1975 No. 501) made under the Government Trading Funds Act 1973. The operations of the Royal Mint provided for under this order are the manufacture and supply of coins, medals, seals and similar articles and any operation incidental or conducive to such manufacture or supply.

The Royal Mint has built up a high reputation for quality and today exports coins to 65 countries throughout the world. In addition to producing circulating coinage for the United Kingdom and overseas countries, it provides seals, medals and dies for both official and commercial customers. The production and sale of collector coins represents an important part of the business activity.

The Master of the Mint is the Chancellor of the Exchequer. The Chief Executive and Accounting Officer of the Royal Mint is the Deputy Master and Comptroller.

The employees of the Royal Mint are civil servants and are subject to conditions of service and rates of pay prescribed for the Civil Service.

FINANCIAL OBJECTIVE

The Government Trading Funds Act 1973 lays upon the Minister responsible for each fund the duty:

- “(a) to manage the funded operations so that the revenue of the fund is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
- (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.”

The Chancellor of the Exchequer has determined that the further financial objective desirable of achievement by the Royal Mint for the period 1 April 1987 to 31 March 1990 shall be an average rate of return of at least 10%. For this purpose, the annual rate of return for each of the three years is to be calculated as the current cost operating profit as a percentage of the average net assets at current cost.

FINANCIAL RESULTS

Sales in the year of £94.3 million included £67.6 million (72%) to overseas customers.

The historical cost operating profit for the year before interest was £6.3 million representing a return of 18% on average funds employed and 6.7% on total sales value. A dividend of £5.5 million was paid to the Consolidated Fund and £1.6 million transferred to reserves.

The current cost operating profit calculated in accordance with the Notes on pages 26-27 was £4.8 million and represents a return of 10.3% on average net assets at current cost.

GENERAL

In 1987, the Royal Mint entered the worldwide bullion coin market, the Britannia coins with face values of £100, £50, £25, £10 containing 1oz, 1/2oz, 1/4oz and 1/10oz of fine gold respectively, being successfully launched.

Capital expenditure in the year of £2.2 million included the provision of an additional office block, new blank processing plant, and CNC equipment for use in tool manufacture.

In accordance with the Hallmarking Act 1973, the Queen's Assay Master – a title held by the Assistant Director, Assay & Scientific Services – established that the assay methods and procedures of the four Assay offices in London, Birmingham, Sheffield and Edinburgh were satisfactory in all respects.

The policy of employing and training disabled persons, wherever their aptitudes and abilities allow, continued. Where employees become disabled we endeavour to continue their employment, provided there are jobs which they can do, bearing in mind not only their handicap or disability but their experience and skills.

The number of people employed at the 31 March 1988 was 965.

The formalised system of Team Briefing introduced five years ago continued to work well with non-industrial staff but resistance at shop floor level remains. Each employee receives a copy of the Annual Report which includes the audited accounts.

Royal Mint Services Limited, the company operated on a joint venture basis with Thomas De La Rue and Company Limited, supplied services to thirteen countries during the year.

OPERATING ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1988

	NOTES	1987-88 £'000	1986-87 £'000
TURNOVER	2	94302	69271
Change in stocks of finished goods and work in progress		184	(626)
Own work capitalised		167	50
Other operating income		208	153
Raw materials and consumables		(56938)	(31568)
Other external charges		(6843)	(6076)
Staff costs	4	(12743)	(12389)
Depreciation and other amounts written off tangible fixed assets	6	(1214)	(1031)
Other operating charges		(10847)	(10495)
		<u>(88026)</u>	<u>(61982)</u>
OPERATING PROFIT	3	6276	7289
INTEREST RECEIVABLE AND SIMILAR INCOME		1098	996
INTEREST PAYABLE AND SIMILAR CHARGES	5	(293)	(236)
PROFIT FOR THE YEAR		7081	8049
DIVIDEND PAYABLE TO THE CONSOLIDATED FUND		(5500)	(6500)
RETAINED PROFIT FOR THE YEAR		1581	1549
RETAINED PROFIT BROUGHT FORWARD		25641	24092
RETAINED PROFIT CARRIED FORWARD		<u>27222</u>	<u>25641</u>

The notes on pages 21 to 24 form part of the Historical Cost Accounts

BALANCE SHEET

AS AT 31 MARCH 1988

	NOTES	1988 £'000	1987 £'000
FIXED ASSETS			
Tangible assets	6	13008	11983
CURRENT ASSETS			
Stocks		58557	36508
Debtors		8022	5344
Investments		6937	5937
Cash at bank and in hand		3572	6371
		<u>77088</u>	<u>54160</u>
CREDITORS: amounts falling due within one year		(54568)	(32009)
NET CURRENT ASSETS	7	<u>22520</u>	<u>22151</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>35528</u>	<u>34134</u>
		<u><u> </u></u>	<u><u> </u></u>
PROVISION FOR LIABILITIES AND CHARGES	9	<u>1000</u>	<u>1000</u>
CAPITAL AND RESERVES			
Public dividend capital		7000	7000
National Loans Fund	8	306	493
Profit and Loss Account		27222	25641
		<u>34528</u>	<u>33134</u>
		<u>35528</u>	<u>34134</u>
		<u><u> </u></u>	<u><u> </u></u>

The notes on pages 21 to 24 form part of the Historical Cost Accounts

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1988

	1987-88 £'000	1986-87 £'000
SOURCE OF FUNDS		
Profit for the year	7081	8049
Adjustments for items not involving the movement of funds:		
Depreciation and other amounts written off tangible fixed assets	1214	1031
TOTAL FROM OPERATIONS	<u>8295</u>	<u>9080</u>
APPLICATION OF FUNDS		
Dividend paid	(6500)	(3500)
Repayment to the National Loans Fund	(187)	(187)
Purchase of tangible fixed assets	<u>(2239)</u>	<u>(1909)</u>
	<u>(8926)</u>	<u>(5596)</u>
(DECREASE)/INCREASE IN WORKING CAPITAL	<u>(631)</u>	<u>3484</u>
Made up as follows:		
Stocks	22049	(7253)
Debtors	2678	(428)
Creditors (excluding proposed dividend and repayments due to the National Loans Fund)	(23559)	7597
Investments	1000	2000
Cash at bank and in hand	<u>(2799)</u>	<u>1568</u>
	<u>(631)</u>	<u>3484</u>

The notes on pages 21 to 24 form part of the Historical Cost Accounts

NOTES TO THE ACCOUNTS

NOTE 1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Accounting.

The accounts are prepared under the historical cost convention. They are intended to conform with Statements of Standard Accounting Practice issued by the accountancy bodies represented on the Consultative Committee of Accountancy Bodies and, where appropriate, with accounting provisions of the Companies Act 1985.

(b) Turnover.

This consists of the invoiced price of products sold and services provided to customers, excluding payments to Issuing Authorities and Value Added Tax.

(c) Tangible Fixed Assets.

Tangible fixed assets in existence at 1 April 1975 are included at the cost to the Trading Fund on that date in accordance with a Treasury direction under Section 2(1) of the Government Trading Funds Act 1973. Tangible fixed assets acquired since 1 April 1975 are capitalised at the cost of acquisition and installation reduced by regional development grants. No account is taken of the Royal Mint collection of coins and medals which is of inestimable value.

(d) Depreciation.

Depreciation is provided to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal rates used for this purpose are:

	%
Buildings	2
Plant and machinery	5-10

No depreciation is provided in respect of land.

(e) Stocks and Work in Progress.

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost consists of direct materials, labour and production overheads. Direct materials include a base stock of copper and nickel valued at 1 April 1975. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from its existing state to a finished condition. Provision is made for obsolescent, slow moving and defective stocks.

(f) Investments.

British Government Stocks are valued at the lower of cost and market value.

(g) Foreign Exchange.

Revenue and expenditure incurred in foreign currencies which are not covered by a forward option contract are translated at the rate of exchange ruling on the date of conversion. Balances held in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

(h) Insurance.

No outside insurance is effected against fire, explosion, common law, third party, theft and similar risks. The cost of repairs, claims for damages, and the book value of assets destroyed, up to a total of £1 million, is charged to the operating account in the year it arises; a provision of £1 million is maintained to reflect this level of risk. The aggregate cost of claims in excess of £1 million is covered by the inclusion in operating costs of a notional premium.

(i) Pension Scheme.

Payment is made by the Trading Fund into the Consolidated Fund of such sums as may be appropriate as representing accruing liabilities of the Treasury in respect of pensions and other similar benefits for persons who have been employed in the funded operations and in respect of the administrative expenses attributable to the liabilities and their discharge.

NOTE 2
TURNOVER

Turnover is wholly attributable to the manufacture of coins and similar articles.

	1987-88 £'000	1986-87 £'000
United Kingdom	26738	23273
Overseas	67564	45998
	<u>94302</u>	<u>69271</u>

NOTE 3
OPERATING PROFIT

	1987-88 £'000	1986-87 £'000
Operating profit is stated after charging/(crediting):		
Sub-contracted work and semi-processed material	6843	6076
Audit fee	42	44
Hire of plant and machinery	24	45
Insurance costs:		
Notional premium	92	115
Release of excess insurance provision (Note 1(h))	(64)	(55)

NOTE 4
STAFF COSTS

	1987-88 £'000	1986-87 £'000
Wages and salaries	10225	9965
Social Security costs	701	681
Other pension costs	1817	1743
	<u>12743</u>	<u>12389</u>

AVERAGE NUMBER EMPLOYED

	1987-88	1986-87
Industrial	610	636
Non-industrial	364	362
	<u>974</u>	<u>998</u>

NOTE 5
INTEREST PAYABLE

	1987-88 £'000	1986-87 £'000
On loans repayable within five years	293	236

NOTE 6
TANGIBLE FIXED ASSETS

	Freehold land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost:			
At 1 April 1987	5478	12420	17898
Additions	758	1481	2239
Disposals	—	(325)	(325)
	<u>6236</u>	<u>13576</u>	<u>19812</u>
At 31 March 1988			

NOTE 6 (Continued)

	Freehold land and Buildings £'000	Plant and Machinery £'000	Total £'000
Depreciation and other amounts written off tangible fixed assets			
At 1 April 1987	501	5414	5915
Charge for year	101	1113	1214
Disposals	—	(325)	(325)
At 31 March 1988	602	6202	6804
Net book value at 31 March 1988	5634	7374	13008
Net book value at 1 April 1987	4977	7006	11983

NOTE 7

NET CURRENT ASSETS

	£'000	1988 £'000	1987 £'000
Current assets			
Stocks			
Metal stocks	40171		20961
Work in progress (excluding metal)	2588		4105
Stores and packing materials	1051		993
Finished goods	14747		10449
		58557	36508
Debtors			
Trade debtors	6948		4521
Other debtors	740		293
Prepayments and accrued income	334		530
		8022	5344
Investments			
British Government Stocks	1937		1937
National Loans Fund Deposit	5000		4000
		6937	5937
Cash			
Cash at bank	3556		6359
Cash in hand	16		12
		3572	6371
		77088	54160
Creditors: amounts falling due within one year			
Trade creditors	(36327)		(17889)
Other creditors	(642)		(521)
Payments received on account	(10992)		(6494)
Taxation and social security	(131)		(119)
Accruals and deferred income	(789)		(299)
Dividend payable to the Consolidated Fund	(5500)		(6500)
National Loans Fund	(187)		(187)
		(54568)	(32009)
NET CURRENT ASSETS		22520	22151

NOTE 7 (continued)

Metal stocks include £1.738 million (1987: £1.738 million) in respect of a base stock of copper and nickel with a net realisable value of £6.678 million at 31 March 1988 (1987: £2.515 million) and £33.175 million (1987: £13.357 million) in respect of precious metal held for third parties and reflected in trade creditors. The current replacement cost of other uncommitted stocks and work in progress was not significantly different from the balance sheet value.

NOTE 8

NATIONAL LOANS FUND

	1988 £'000	1987 £'000
11% unsecured loans	333	467
12 $\frac{1}{8}$ % unsecured loans	160	213
	<u>493</u>	<u>680</u>
Repayments due within twelve months (included in current liabilities)	(187)	(187)
	<u>306</u>	<u>493</u>

Loans from the National Loans Fund are repayable by annual instalments over the period 1 April 1975 to 31 March 1990.

NOTE 9

PROVISION FOR LIABILITIES AND CHARGES

	1987-88 £'000	1986-87 £'000
Balance at 1 April	1000	1000
Charged/(credited) to operating account		
Notional premium (see Note 1(h))	92	115
Payments during the year	(28)	(60)
Release of excess provision	(64)	(55)
	<u>—</u>	<u>—</u>
Balance at 31 March	<u>1000</u>	<u>1000</u>

NOTE 10

CAPITAL EXPENDITURE APPROVED

	1988 £'000	1987 £'000
Commitments in respect of contracts	1689	1305
Approved expenditure in addition to contracts	935	596
Approved expenditure outstanding	<u>2624</u>	<u>1901</u>

CURRENT COST ACCOUNTS

CURRENT COST OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 1988

	NOTES	1987-88 £'000	1986-87 £'000
TURNOVER		94302	69271
Operating profit as in the historical cost accounts		6276	7289
Current cost operating adjustments	2	(1511)	(1052)
Current cost operating profit		4765	6237
Interest		805	760
CURRENT COST PROFIT FOR THE YEAR		5570	6997
Dividend payable to the Consolidated Fund		(5500)	(6500)
TRANSFER TO RESERVES FOR THE YEAR		70	497
STATEMENT OF RESERVES			
	NOTES	1987-88 £'000	1986-87 £'000
RESERVES AT 1 APRIL		34905	33839
MOVEMENTS IN RESERVES	5		
Transfer to reserves for the year		70	497
Increase in current cost reserve		5712	569
		5782	1066
RESERVES AT 31 MARCH		40687	34905
CURRENT COST BALANCE SHEET AS AT 31 MARCH 1988			
	NOTES	1988 £'000	1987 £'000
FIXED ASSETS			
Tangible fixed assets	3	21458	20399
NET CURRENT ASSETS	4	27535	22999
		48993	43398
PROVISION FOR LIABILITIES AND CHARGES		1000	1000
CAPITAL AND RESERVES			
Public dividend capital		7000	7000
National Loans Fund		306	493
Reserves	5	40687	34905
		47993	42398
		48993	43398

The notes on pages 26 and 27 form part of the Current Cost Accounts.

NOTES TO THE CURRENT COST ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

Except as indicated in the notes which follow, the accounting policies are those used in the historical cost accounts.

NOTE 2 CURRENT COST ADJUSTMENTS

	1987-88 £'000	1986-87 £'000
Cost of sales adjustment	(434)	(269)
Monetary working capital adjustment	(284)	(76)
Total working capital adjustment	(718)	(345)
Depreciation adjustment	(793)	(707)
	<u>(1511)</u>	<u>(1052)</u>

- (a) Cost of sales adjustment.
This provides for the difference between the historical and replacement cost of stocks, excluding the cost of metal, consumed in the period. The adjustment has been computed by making the "averaging method" calculation on a monthly basis. Where appropriate, indices published by the Central Statistical Office have been used.
- (b) Monetary working capital adjustment.
This provides for the effect of inflation on the working capital required to sustain the level of activity achieved in the year. Working capital requirements are assessed as debtors, creditors and cash balances necessary for normal operations. The adjustment has been computed by making the "averaging method" calculation on a monthly basis, by reference to the same index as has been used for the cost of sales adjustment.
- (c) Depreciation adjustment.
This provides for the difference between the value to the business of fixed assets consumed in the period and the depreciation charged in the historical cost accounts. Depreciation rates are as set out in the historical cost accounts.

NOTE 3 TANGIBLE FIXED ASSETS

	1988 Gross £'000	1988 Deprecia- tion £'000	1988 Net £'000	1987 Net £'000
Land and buildings	11137	1241	9896	8895
Plant and machinery	26058	14496	11562	11504
	<u>37195</u>	<u>15737</u>	<u>21458</u>	<u>20399</u>

The gross current cost of buildings, plant and machinery has been calculated on the basis of indices published by the Central Statistical Office. Land is at the 31 March 1982 valuation.

NOTE 4
NET CURRENT ASSETS

	1988 £'000	1987 £'000
Subject to working capital adjustments:		
Stocks and work in progress, less advances received from customers	5678	8130
Net monetary working capital	6249	3793
British Government Stocks	2010	2003
Other current assets/(liabilities)	19098	15573
	<u>33035</u>	<u>29499</u>
Dividend payable to the Consolidated Fund	(5500)	(6500)
	<u>27535</u>	<u>22999</u>

- (a) In general, stocks and work in progress are included at net current replacement cost. The metal element of stocks and work in progress, less commitments to and advances received from customers, has been revalued on the basis of the London Metal Exchange prices ruling at 31 March 1988.
- (b) British Government Stocks have been included at market value at 31 March 1988.
- (c) All other current assets and liabilities have been included at the amounts shown in the historical cost accounts.

NOTE 5
MOVEMENTS IN RESERVES

	Profit and Loss Account £'000	Current Cost Reserve £'000	Total £'000
Balance at 1 April 1987	19306	15599	34905
Transfer from reserves for the year	70	—	70
Revaluations during the year			
Land and buildings	—	425	425
Plant and machinery	—	402	402
Stocks and work in progress	—	4160	4160
British Government Stocks	—	7	7
Adjustments to profit and loss account for the year			
Working capital adjustments (see note 2)	—	718	718
Balance at 31 March 1988	<u>19376</u>	<u>21311</u>	<u>40687</u>
Of which			
Realised	19376	7846	27222
Unrealised	—	13465	13465
	<u>19376</u>	<u>21311</u>	<u>40687</u>

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I certify that I have examined the financial statements on pages 18 to 27 in accordance with the National Audit Office auditing standards.

In my opinion the financial statements set out on pages 18 to 24 give, under the historical cost convention, a true and fair view of the state of affairs of the Royal Mint Trading Fund at 31 March 1988 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Government Trading Funds Act 1973 and Orders made thereunder by the Chancellor of the Exchequer.

In my opinion the abridged supplementary current cost accounts set out on page 25 have been properly prepared in accordance with the current cost principles, accounting policies and methods described in notes 1 to 5.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
11th July 1988

