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on the Royal Mint:

CHANCELLOR'S PAPERS ON  
THE ROYAL MINT: 1986  
ANNUAL REPORT

PO -CH /NL/0153

ANN.1 PT.A

Begin: 31/3/86

Ends: 31/3/86

DD: 25 years

22/9/95



*Royal Mint*

ANNUAL REPORT  
1986

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## ROYAL MINT TRADING FUND

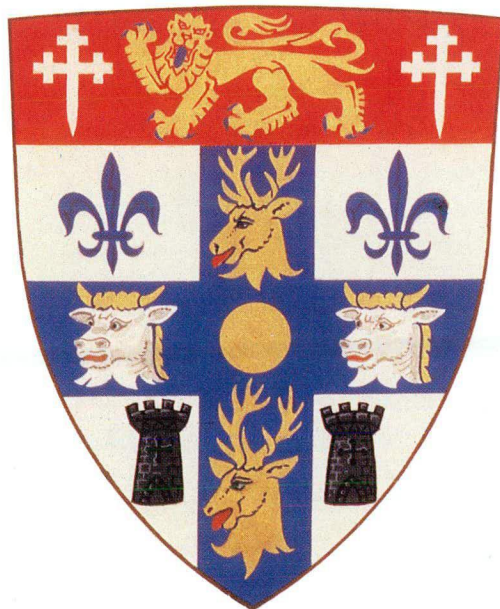
# ANNUAL REPORT

FOR THE YEAR ENDED 31st MARCH 1986

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 70 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 three occasions.



# UNITED KINGDOM COINS FOR 1985



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1986 \$1000 Hong Kong  
Year of the Tiger.  
Not to actual size.

# MANAGEMENT

AS AT 31 MARCH 1986

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Dr D J Gerhard CB	Deputy Master and Comptroller (Chief Executive)
R W Gravenor	Production and Commercial Director
D C Snell	Marketing and Finance Director
A R W Lotherington	Sales Director
Dr R L P Berry CBE B E S Collins CBE	Non- Executive Directors

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BANKERS Bank of England

AUDITORS Comptroller and Auditor General  
Coopers and Lybrand

OFFICE Royal Mint, Llantrisant,  
Mid Glamorgan CF7 8YT

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Left to right  
Mr A R W Lotherington  
Mr R W Gravenor  
Dr D J Gerhard  
Mr D C Snell  
Mr C G Mathias,  
(Board Secretary)

## DEPUTY MASTER'S REPORT

By the end of June 1986 725 million £1 coins were in circulation and 90 million £1 notes. Demand for circulating coin is dictated by the clearing banks who place their orders each Monday for delivery the next week to some 80 cash centres throughout the country. Consequently, the Mint has to forecast likely demand some months ahead and in the case of the £1 coin I am pleased to be able to report that our forecasts were sufficiently accurate to ensure an adequate supply of coins without an accumulation of unacceptably high stocks.

The new £2 commemorative coin issued to mark this year's Commonwealth Games, has proved to be very popular and 7 million pieces have been issued to date. Distribution has been handled by the Post Office to whom we are grateful for a high level of enthusiasm and commitment to this new venture. Despite rumours to the contrary, the £2 coin is and will remain a legal tender coin, although it was issued as a commemorative piece. It has been suggested that the coin was being issued into general circulation 'by the back door' but that was manifestly not the case since none of the usual consultation took place with representatives of the blind, the vending industry, the retail trade etc, before its specification was finalised. Doubtless the £2 coin will appear again as a commemorative piece, though not in 1987.

In recent months the Royal Mint has been much preoccupied with its celebration of '1100 years in minting'. An exhibition bearing that title was opened at Goldsmiths' Hall by His Royal Highness The Duke of Edinburgh on 23rd June and remained open for five weeks before transferring to the National Museum of Wales in Cardiff. Additionally on 15th July Her Royal Highness The Princess of Wales visited Llantrisant to open the new Precious Metal Unit and to unveil a plaque commemorating this important year in our history. Minting occurred in London well before 886 AD but in that year, under Alfred the Great, minting in London permanently passed out of Mercian hands into the hands of the West Saxon kings, from whom our present Royal family is descended, thus establishing 1986 as a particularly significant year in the Mint's long and varied history. The occasion has also been marked by the publication of an illustrated History of the Royal Mint by Mr G P Dyer and by the issue of 1100 bronze commemorative medals bearing the design illustrated on page 13.

Looking back at the Royal Mint's history I am impressed by the valuable assistance so often provided by outside organisations and indi-

viduals. For centuries the Goldsmiths' Company and individual goldsmiths have advised and assisted the Mint, and on numerous occasions we have benefited from the services of other Nationals: the Frenchman Blondeau, who in the 17th Century showed what could be achieved by new minting processes; the Italian Benedetto Pistrucci, whose 19th Century design can still be seen on the gold sovereign; and at the present time our Chief Engraver, who brings to his tasks skills first acquired in Germany. And no less than in the past, we continue to be grateful for the opportunity to work with technical and commercial partners. Principal amongst these are The Birmingham Mint and the IMI Mint, with whom we have co-operated (allowing for changes in titles) for more than 80 years, which together with the De la Rue Company have successfully operated in consort with the Royal Mint to secure valuable export business.

Nostalgia and pride in our history should not be allowed to give the impression that the Royal Mint lives entirely in the past. It is our aim to be in the forefront of innovation, though perhaps with the exception of the cashless society. In the past year Royal Mint staff could be seen making an enthusiastic exhibition of themselves on Waterloo Station as part of the Thames Television Telethon which raised £2.5 million for charity; small management teams put up a creditable performance in a local business game; we established, in partnership with the Goldsmiths' Company, a British Medallist Scholarship at the Rome School; and our contribution to the industry and education included participation in the Shell Livewire Scheme, work experience training for local pupils, support for the Llantrisant Festival, and active involvement in the CBI Welsh Council.

Technologically our most ambitious programme concerns computerisation. Computer systems were first introduced in 1975 with the industrial payroll, and new systems have been progressively introduced since then and today computerisation is assisting all major operational areas. The largest investment has been in the marketing and Coin Club areas reflecting the Royal Mint's desire progressively to market its product through good customer service. The computer installation is based on the ICL system 25 minis, DEC PDP11 minis and Apricot micros. The ICL system 25s and Apricots are fully networked providing individual departmental systems but with access to corporate data, the DEC systems are to be included in the network within the coming year. Development in the future will include further integration,



The computer room, completed in 1985, currently houses 6 ICL system 25 mini computers.



office automation and improved management information.

## REVIEW OF TRADING

The demand for United Kingdom circulating coins was exceptionally low during the year. However, the overall market for overseas coin increased and despite severe competition, sales of circulating coins to overseas governments increased substantially. Collectors coins continued to sell well in both the United Kingdom and overseas markets with North America and Japan performing particularly well. The availability of the £2 Commonwealth Games commemorative coin in the last quarter has stimulated demand and proved successful in the incentive promotion field. Membership of the Royal Mint Coin Club increased again, with its quarterly publication 'Bulletin' being very popular.

The results on page 8 emphasise the importance of the Royal Mint's success in overseas markets. Overseas sales amounted to £47.7 million, an increase of 27% over the 1985 sales of £37.5 million and 90% over the 1984 sales of £25.1 million. The operating profit after interest was £3.8 million representing a 11.6% historic cost return on average capital employed. The overall trading performance, despite near record sales levels was disappointing when compared with that achieved in recent years, reflecting the fierce competition now being experienced in virtually all our markets. I am pleased to report that despite the downturn in profitability, the level of dividend has remained high, £3.5 million having been paid to the consolidated fund.

I commented in last year's report on factors, largely outside our control, which affected the assessment of our reported current

cost profit. These factors have now been removed as the metal included in stocks and work-in-progress less advances received from customers no longer form part of the Monetary Working Capital adjustment. The financial objective set for the Mint of an average 12% current cost return for the three years ending 31 March 1987, did not reflect the market conditions which have existed for the last two years and which we now expect to continue. Despite a substantial increase in overseas business, the average current cost return for the past two years of 8.4% is lower than the target and 1987 is unlikely to improve the position.

We have now been operating as a commercial organisation financed by means of a Government Trading Fund for eleven years and during this period a total of £43.6 million has been paid in dividends. This represents a very substantial return on the original public dividend capital (equity) invested of £7 million. In addition the consolidated fund has benefited from commission payments in respect of United Kingdom collectors' coin amounting to £14.4 million.

To conclude my report, I and my colleagues regretfully say goodbye to Dr R.L. Berry who has been a non-executive member of the Royal Mint Management Board for the last 5 years. I would like to express my personal appreciation of Dr Berry's wise and helpful counsel throughout this period and I look forward to an equally long and rewarding association with his successor, Professor Brian Ralph of the Department of Metallurgy and Materials Science at University College Cardiff.

*Jeremy Gerhard*

D J Gerhard  
Deputy Master (Chief Executive)

# EVENTS AND VISITORS

1	2
3	4
5	



1. Mr Ian Stewart, Economic Secretary to the Treasury, the Deputy Master and the Secretary of State for Northern Ireland, Mr Tom King discuss details of the Northern Ireland £1 coin design at its launch.  
*February 1986.*



2. His Royal Highness Prince Edward paid a private visit to the Royal Mint in April, and is seen here signing the visitors' book while the Deputy Master looks on.  
*April 1986.*



3. Police Constable D T Jones with Royal Mint police dog Zak, winner of the Ministry of Defence police dog trials at Hereford.  
*May 1986.*



4. Production and Commercial Director Roy Gravenor greeting the Somali Ambassador and his wife, Mr and Mrs Salah Mohammed Ali, during a visit to Llantrisant.  
*June 1986.*

5. During her visit to Llantrisant as part of the 1100th anniversary celebrations, Her Royal Highness The Princess of Wales opened the new Precious Metal Unit.  
*July 1986.*

# FINANCIAL SUMMARY

	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000
<b>HISTORICAL COST BASIS:</b>					
United Kingdom Sales	26691	21162	22477	31440	29851
Overseas Sales	47707	37480	25070	26440	40585
	<u>74398</u>	<u>58642</u>	<u>47547</u>	<u>57880</u>	<u>70436</u>
Operating profit	3311	5608	7044	4938	8225
Dividend	3500	4000	6500	3500	8000
Retained profit for the year	286	1726	991	1721	356
Capital employed at 31 March	32772	32673	32059	31901	30891
Operating profit/sales	4.5%	9.6%	14.8%	8.5%	11.7%
Operating profit to average capital employed at 31 March	10.1%	17.3%	22.0%	15.7%	26.5%
<b>CURRENT COST BASIS:</b>					
Operating profit	2331	4623	6113	4192	7317
Profit for the year	2806	4741	6560	4475	7448
Financial objective ratio: Current cost operating profit as a percentage of the average value of net assets employed at current cost	5.5%	11.2%	15.2%	10.8%	19.6%

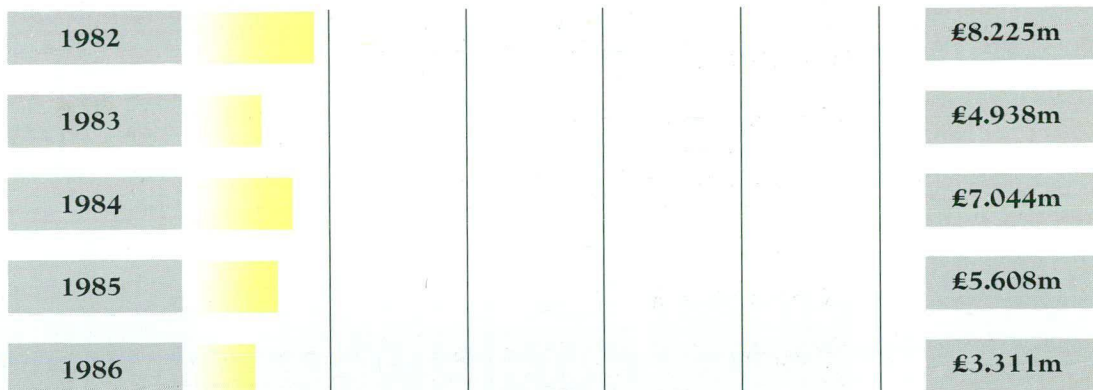


The Scott Medallion.  
Struck to commemorate  
Captain Scott's expedition  
to the South Pole in 1912  
and the 1984 expedition  
'In the Footsteps of Scott'.

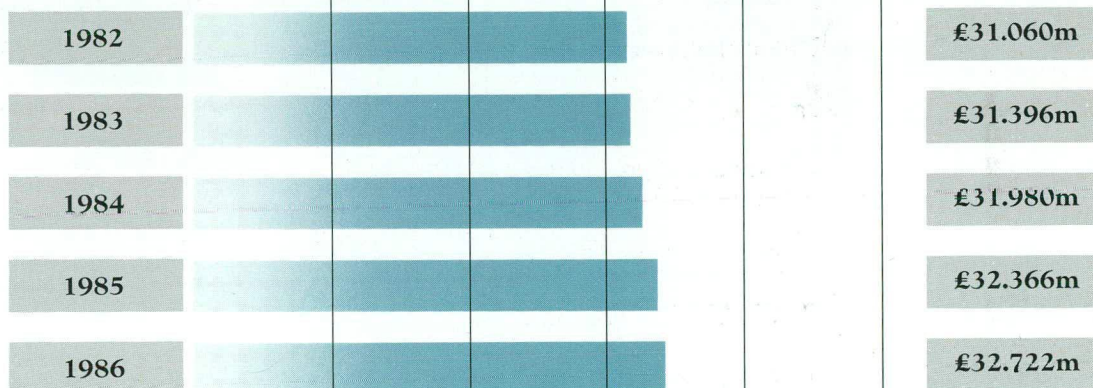
Medallions shown actual size.

# TRADING PERFORMANCE

## OPERATING PROFIT



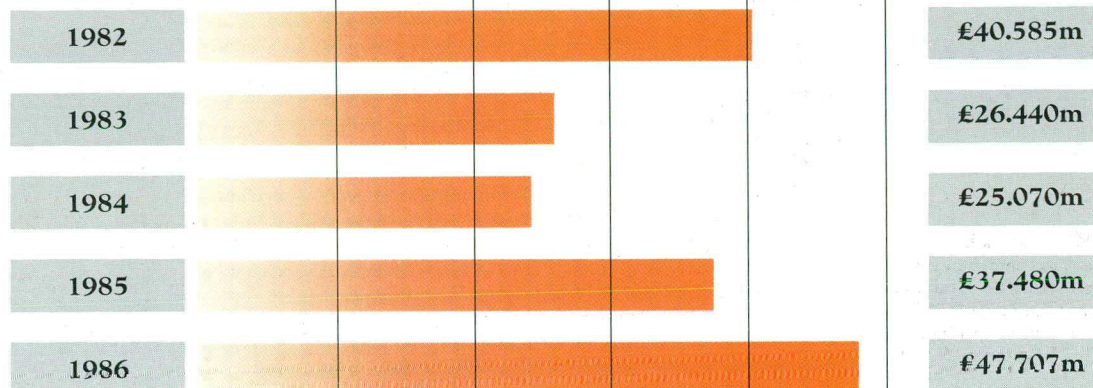
## AVERAGE CAPITAL EMPLOYED



## HOME SALES



## OVERSEAS SALES



## £1 COIN DESIGNS



Leslie Durbin

By Royal Proclamation of 22 June 1983 Her Majesty Queen Elizabeth II authorised four new designs for the reverse of the £1 coin.

The designs are the work of Leslie Durbin, CBE, MVO, and a life's ambition was fulfilled when the Royal Mint Advisory Committee, presided over by HRH The Duke of Edinburgh, selected his designs from the many submitted. He chose floral emblems to represent Scotland, Wales, Northern Ireland and England, each design being given unity by the incorporation of the Royal Diadem.

Leslie Durbin, one of the country's most distinguished silversmiths, was born in 1913 and after winning a L.C.C. scholarship to what was then the Central School of Arts and Crafts, was apprenticed to Omar Ramsden, the leading silversmith of the day.

In 1938 he won a Goldsmiths' Company scholarship and later a travelling scholarship and until called for wartime service in the RAF, continued to study and to carry out commissions.

Seconded from the RAF in 1943, Mr Durbin undertook what was to be his most important commission, the gold and silverwork for the Sword of Stalingrad and its scabbard, designed by Professor R Gleadowe.

The two-handed tempered steel sword was, appropriately, the gift of King George VI to the heroic defenders of Stalingrad, and it was

presented to Marshall Stalin by Winston Churchill in 1943. A gold sovereign was presented along with the sword, following the old superstition that if a gift with a cutting edge is not accompanied by a token payment, it will sever the friendship between giver and receiver.

In 1945 Leslie Durbin set up a workshop with a former colleague, where he continued to create works of art while teaching one day a week at the Royal College of Art.

The design of silver had been in the doldrums since before the second world war and indeed ceremonial silver had changed little during the 20th century. Leslie Durbin designs however combined freshness and tradition, with a strong feeling for the symbolic, an innovative quality later evident in the designs for the £1 coins.

The products of his workshop, varied and numerous, ranged from Church plate, processional crosses and candlesticks to legislative maces, badges of office and a silver engagement-card holder, the latter a gift to the Queen from members of the Royal Family.

Leslie Durbin was supposedly retired, if that is possible for an artist, when he produced the designs for the £1 coins and although these are not his first coin designs – his work appearing on coins for St. Helena, Hong Kong and for the World Wildlife series – they are likely to be remembered as much for their remarkable execution as for the distinction of their designer.



*Top Left.* The Scottish design adopted for the £1 coins of 1984 shows the thistle, the floral emblem of Scotland. The thistle appeared on the coins of Scotland issued prior to the Act of Union in 1707, and in particular on the copper bawbee.

The thistle has also frequently been used since the nineteenth century to represent Scotland on the coinage of the United Kingdom.

*Top Right.* The national emblem of Wales, the leek, is featured on the reverse of all 1985 dated £1 coins. History tells us that in 633 AD at the Battle of Heathfield, St David persuaded his countrymen to distinguish themselves from their Saxon foes by wearing a leek in their caps, and in the 16th century the leek was recognised as the official emblem of Wales.

*Bottom Left.* The flax plant, once a familiar sight throughout Northern Ireland is the design for the £1 coin in 1986.

The flax has attractive blue flowers, six of which are portrayed on the design to represent the six Counties. Flax is chiefly associated with the manufacture of linen, the oldest textile known to man. It is harvested complete with roots and is also used to produce linseed oil, cattle feed, plasterboard and paper.

*Bottom Right.* To represent England in 1987 the emblem chosen is an oak, shown for the first time on the United Kingdom coinage as a complete tree. Grown in England since pre-historic times its strength, hardness and durability made it ideal for shipbuilding. As a maritime nation England employed oak for its ships for centuries, particularly for those of the Royal Navy upon which, according to the Act of War of the day "the wealth, safety and strength of the Kingdom chiefly depend."



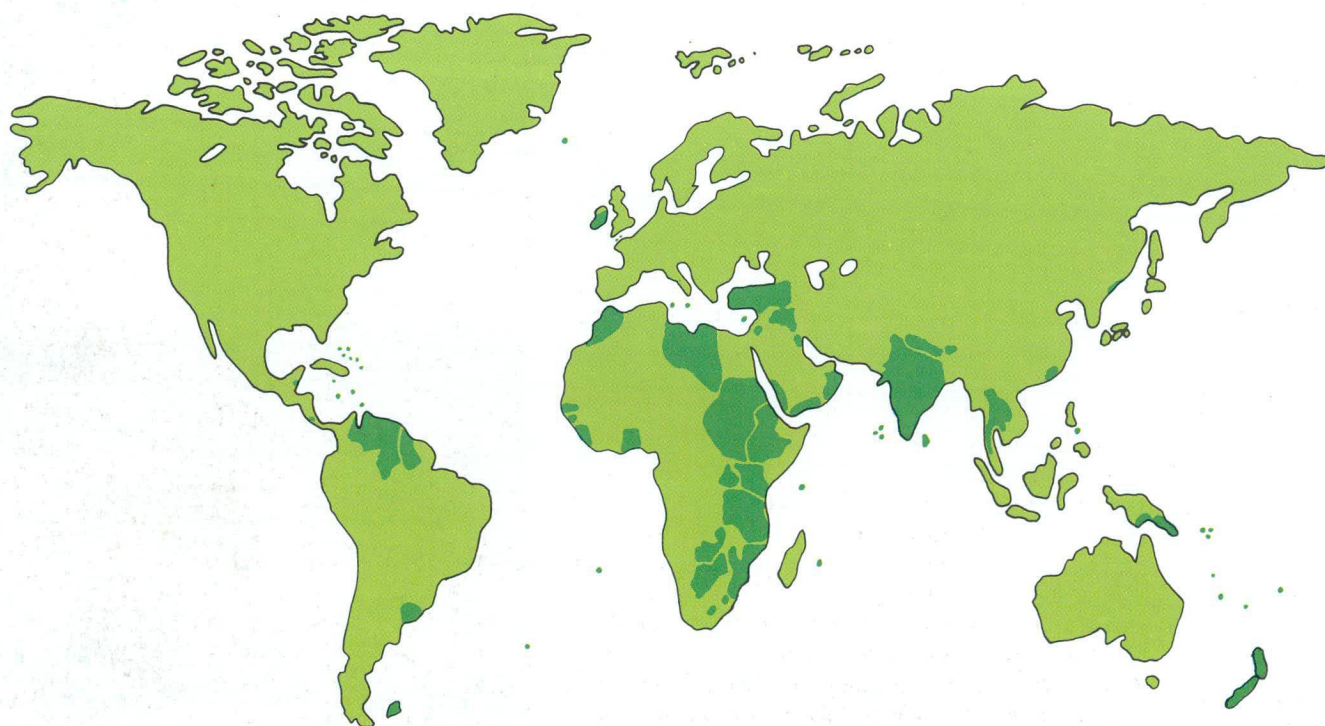
*Right.* Inkstand commissioned by the Bank of England for presentation to the London Clearing House 1958.

*Reproduced by courtesy of the Worshipful Company of Goldsmiths.*

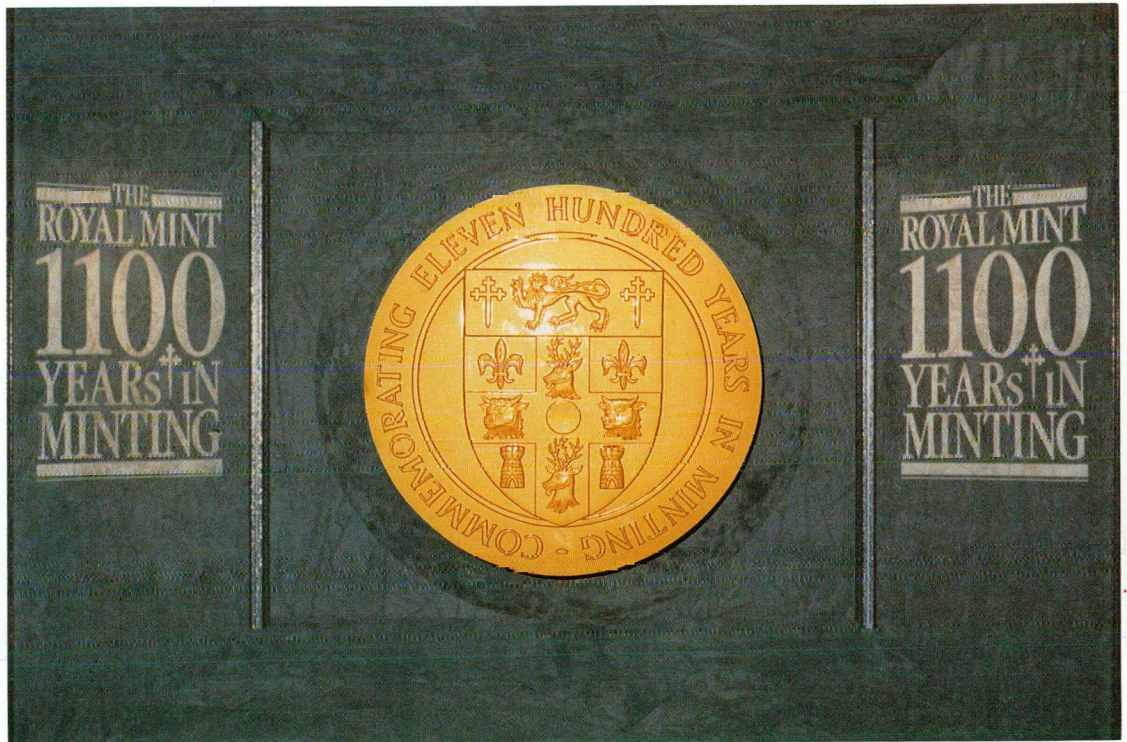
# OVERSEAS ISSUES

In 1985/86 The Royal Mint issued coins for 73 Countries

Ascension Island	Iceland	Seychelles
Bahamas	India	Sierra Leone
Bahrain	Iraq	Solomon Islands
Barbados	Irish Republic	Somalia
Belize	Jamaica	Sri Lanka
Bermuda	Jersey	St Helena
Bhutan	Jordan	Sudan
Botswana	Kenya	Swaziland
Cape Verde	Kiribati	Tanzania
Cayman Islands	Kuwait	Thailand
Cook Islands	Lesotho	Tonga
Costa Rica	Liberia	Trinidad & Tobago
Cyprus	Libya	Tristan da Cunha
Dominican Republic	Malawi	Turkey
East Caribbean Currency Authority	Maldives Islands	Turks & Caicos
Ethiopia	Malta	Tuvalu
Falkland Islands	Mauritius	Uganda
Gambia	Morocco	Uruguay
Ghana	Mozambique	Vanuatu
Gibraltar	Nepal	Venezuela
Guernsey	New Zealand	Yemen Arab Republic
Guyana	Oman	Yemen P.D.R.
Haiti	Papua New Guinea	Zambia
Hong Kong	Philippines	Zimbabwe
	Sao Tome & Principe	



# 1100th ANNIVERSARY CELEBRATIONS



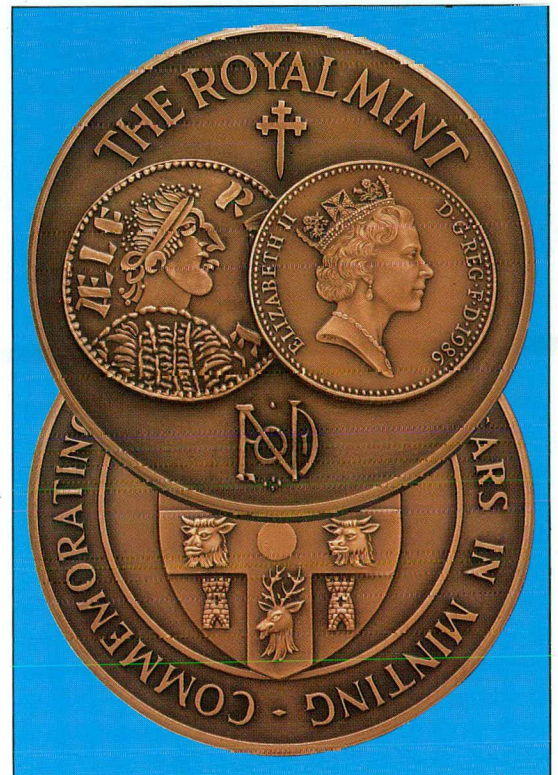
The entrance to the Royal Mint's '1100 Years in Minting' exhibition at Goldsmiths' Hall, showing an electrotype enlargement of one side of the commemorative medal.

Exactly 1100 years ago, in 886 AD, Alfred the Great occupied London and, by the account in the Anglo-Saxon Chronicle, 'all the English people that were not under subjection to the Danes submitted to him.' With Alfred's success, control of minting in London passed permanently into the hands of the West Saxon kings, from whom the present Royal Family traces its descent.

An unbroken thread links the modern Royal Mint to that far-off event and the anniversary has accordingly provided a happy opportunity to reflect on the long history of the Royal Mint: on its development from the workshops of the Anglo-Saxon moneyers to a single mint within the walls of the Tower of London; and later from custom-built premises at Tower Hill to a splendid new mint at Llantrisant in South Wales.

As a permanent reminder of the anniversary, the Royal Mint has struck a specially-designed medal to commemorate the occasion. 1100 serially-numbered medals have been produced in toned bronze for presentation to members of the Mint staff and others. The obverse, designed by Norman Sillman, symbolises the span of time by showing a penny of Alfred the Great alongside a modern penny of 1986. Included in the design is the LONDONIA monogram which appeared on pennies of Alfred struck in London, together with the cross-crosslet

mark of the Llantrisant Mint. The reverse, modelled by the Engraving Department of the Royal Mint, bears the Mint's Coat of Arms, which dates from the reign of Elizabeth I.



The 1100th anniversary medal.





A major feature of the celebrations was an exhibition tracing the development of the Mint during the past 1100 years. Through the generosity of the Worshipful Company of Goldsmiths, with whom the Mint has for so long enjoyed a friendly relationship, a room was made available in the magnificent surroundings of Goldsmiths' Hall in London. On 23 June, in the presence of distinguished guests and senior members of the Mint staff, the exhibition was formally opened by His Royal Highness The Prince Philip, Duke of Edinburgh. It remained open for the following five weeks, during which time it was seen by some 4000 visitors.

While the exhibition was at Goldsmiths' Hall, evening receptions were arranged for artists, numismatists and business associates of the Mint. Probably the happiest of these occasions was that of 10 July, when about 100 former members of the Mint staff gathered to see the exhibition and to indulge in a little harmless nostalgia.

Far left. Sections of the exhibition at Goldsmiths' Hall, covering the history of the Royal Mint from the turn of the century to the Second World War and below, the seventeenth century and Sir Isaac Newton, the most famous Mint officer of all time.



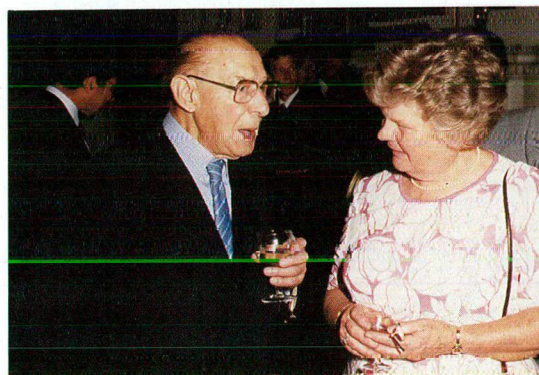
Opposite. HRH Prince Philip at the opening of the exhibition, discussing with the Deputy Master, Dr D J Gerhard C.B., and Mr G P Dyer, the Mint's Librarian and Curator, the stylised portrait of King Alfred which dominated the opening panel of the exhibition, and below, taking an interest in a showcase of late medieval items.



Far right. The Deputy Master giving assistance to two young visitors to the exhibition.



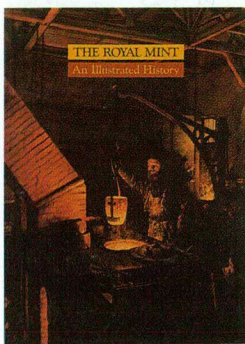
Right. One of the former members of staff who attended the reception on 10 July was Mr H G Stride, OBE, ISO, seen here with Mrs Gerhard. Mr Stride, now 92 years old, was Chief Clerk of the Mint and retired in 1961.





Above. HRH The Princess of Wales unveiling the commemorative plaque during her visit to Llantrisant on 15 July and afterwards meeting children of Mint staff.

Far right. Part of the Royal Mint exhibition at the Annual Convention of the American Numismatic Association in Milwaukee.



The front cover of the new *Illustrated History*, showing a nineteenth century painting by the Hon. John Collier of the Silver Melting House at Tower Hill.

On 15 July the celebrations moved to Llantrisant, where the Mint was graced by a visit from Her Royal Highness The Princess of Wales. Besides opening the new Precious Metal Unit, the Princess unveiled a plaque to mark the 1100th anniversary and presented commemorative medals to the longest-serving member of the Mint staff and also to the most recent newcomer. In turn, she was handed a special striking of the medal in silver-gilt which, at her request, is to be sold and the proceeds given to charity.

In further emphasis of the Mint's modern association with Wales, the 1100th anniversary exhibition was transferred from Goldsmiths' Hall to the National Museum of Wales in Cardiff at the beginning of August. Nearly 200 people attended the opening of the exhibition on 12 August and it is hoped that many thousands of visitors will have seen the exhibition before it closes on 10 October.

Nor were celebrations confined to the United Kingdom. A second exhibition on the theme of 'Eleven Hundred Years of Minting' was prepared for the Annual Convention of the American Numismatic Association, held in Milwaukee from 6 to 10 August. Also in the United States, the weekly numismatic publication 'Coin World' featured the 1100th anniversary in a series of articles in its issue of 28 May.

Finally, the anniversary provided an opportunity to publish an illustrated history of the Royal Mint to replace the old 'Outline

History,' which had passed through several editions since its first publication at the time of the Festival of Britain in 1951. The new version was written by the Mint's Librarian & Curator, Mr G P Dyer; and Mr Dyer has also collaborated with Dr C E Challis, Reader in Modern History at the University of Leeds, to produce a booklet on the Coat of Arms featured on the reverse of the 1100th anniversary medal.

A notable milestone in our long history has thus been marked in various different ways, all combining to make 1986 a memorable year indeed for the Royal Mint.



# 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 over 70 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. In recent years, the market for collectors' coins has been developed and now 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 1984 to 31 March 1987 shall be an average rate of return of at least 12%. 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 increased by 27% to £74.4 million and included £47.7 million (64%) to overseas customers.

The historical cost operating profit for the year before interest was £3.31 million, representing a return of 10.1% on average funds employed and 4.5% on total sales value. A dividend of £3.5 million was paid to the consolidated fund and £0.29 million transferred to reserves.

The method of calculating the current cost adjustments has been revised as explained in Note 3 on page 26. The current cost operating profit calculated in accordance with the Notes on pages 26-28 was £2.33 million and represents a return of 5.5% on average net assets at current cost.

## GENERAL

Capital expenditure in the year of £2.82 million included the cost of a new precious metal processing facility.

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.

As a consequence of the higher levels of activity in the year, the number employed increased by 70 to 1029 at 31 March 1986.

The formalised system of Team Briefing introduced three years ago continued to work well with non-industrial staff but the 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 eleven countries during the year.

# OPERATING ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1986

	NOTES	1986 £'000	1985 £'000
TURNOVER	2	74398	58642
Change in stocks of finished goods and work in progress		(3675)	815
Own work capitalised		172	119
Other operating income		201	167
Raw materials and consumables		(39197)	(27972)
Other external charges		(6744)	(7696)
Staff costs	4	(11635)	(10421)
Depreciation and other amounts written off tangible fixed assets	6	(847)	(711)
Other operating charges		(9362)	(7335)
		<u>(71087)</u>	<u>(53034)</u>
OPERATING PROFIT	3	3311	5608
INTEREST RECEIVABLE AND SIMILAR INCOME		893	813
INTEREST PAYABLE AND SIMILAR CHARGES	5	(418)	(695)
PROFIT FOR THE YEAR		<u>3786</u>	<u>5726</u>
DIVIDEND PAYABLE TO THE CONSOLIDATED FUND		(3500)	(4000)
RETAINED PROFIT FOR THE YEAR		<u>286</u>	<u>1726</u>
RETAINED PROFIT BROUGHT FORWARD		<u>23806</u>	<u>22080</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>24092</u></u>	<u><u>23806</u></u>

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

# BALANCE SHEET

AS AT 31 MARCH 1986

	NOTES	1986 £'000	1985 £'000
FIXED ASSETS			
Tangible assets	6	11105	9581
CURRENT ASSETS			
Stocks		43761	55821
Debtors		5772	4572
Investments		3937	2000
Cash at bank and in hand		4803	8458
		<u>58273</u>	<u>70851</u>
CREDITORS: amounts falling due within one year		<u>(36606)</u>	<u>(47759)</u>
NET CURRENT ASSETS	7	21667	23092
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32772</u>	<u>32673</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	680	867
Profit and Loss Account		24092	23806
		<u>31772</u>	<u>31673</u>
		<u>32772</u>	<u>32673</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 1986

	£'000	1986 £'000	1985 £'000
SOURCE OF FUNDS			
Profit for the year		3786	5726
Adjustments for items not involving the movement of funds:			
Depreciation and other amounts written off tangible fixed assets		847	711
Movement of insurance provision		—	(421)
TOTAL FROM OPERATIONS		<u>4633</u>	<u>6016</u>
APPLICATION OF FUNDS			
Dividend paid	(4000)		(6500)
Repayment to the National Loans Fund	(691)		(1118)
Purchase of tangible fixed assets (net of regional development grants)	(2371)		(1723)
		<u>(7062)</u>	<u>(9341)</u>
		<u>(2429)</u>	<u>(3325)</u>
(DECREASE) IN WORKING CAPITAL			
Made up as follows:			
Stocks		(12060)	11014
Debtors		1200	1802
Creditors (excluding proposed dividend and repayments due to the National Loans Fund)		10149	(21481)
Investments		1937	(35)
Cash at bank and in hand		<u>(3655)</u>	<u>5375</u>
		<u>(2429)</u>	<u>(3325)</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	1
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.

	1986 £'000	1985 £'000
United Kingdom	26691	21162
Overseas	47707	37480
	<u>74398</u>	<u>58642</u>

NOTE 3  
OPERATING PROFIT

	1986 £'000	1985 £'000
Operating profit is stated after charging/(crediting):		
Sub-contracted work and semi-processed material	6744	7696
Audit fee	42	36
Hire of plant and machinery	58	43
Insurance costs:		
Notional premium	65	50
Release of excess insurance provision (Note 1(h))	(34)	(457)

NOTE 4  
STAFF COSTS

	1986 £'000	1985 £'000
Wages and salaries	9196	8176
Social security costs	652	617
Other pension costs	1787	1628
	<u>11635</u>	<u>10421</u>

## AVERAGE NUMBER EMPLOYED

	1986	1985
Industrial	641	610
Non-industrial	356	343
	<u>997</u>	<u>953</u>

NOTE 5  
INTEREST PAYABLE

	1986 £'000	1985 £'000
On loans repayable within five years	418	570
On loans repayable after five years	-	125
	<u>418</u>	<u>695</u>

NOTE 6  
TANGIBLE FIXED ASSETS

	Freehold land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost:			
At 1 April 1985	3975	10237	14212
Additions	1169	1655	2824
Regional development grants	(289)	(164)	(453)
Disposals	-	(305)	(305)
	<u>4855</u>	<u>11423</u>	<u>16278</u>
At 31 March 1986	4855	11423	16278

## NOTE 6 (Continued)

	Freehold land Buildings £'000	Plant and Machinery £'000	Total £'000
Depreciation and other amounts written off tangible fixed assets			
At 1 April 1985	366	4265	4631
Charge for year	46	801	847
Disposals	—	(305)	(305)
At 31 March 1986	412	4761	5173
Net book value at 31 March 1986	4443	6662	11105
Net book value at 1 April 1985	3609	5972	9581

## NOTE 7

## NET CURRENT ASSETS

	£'000	1986 £'000	1985 £'000
Current assets			
Stocks			
Metal stocks	20789		30189
Work in progress (excluding metal)	3380		3234
Stores and packing materials	958		984
Finished goods	18634		21414
		43761	55821
Debtors			
Trade debtors	4606		3534
Other debtors	703		538
Prepayments and accrued income	463		500
		5772	4572
Investments			
British Government Stocks	1937		2000
National Loans Fund Deposit	2000		—
		3937	2000
Cash			
Cash at bank	4788		8325
Cash in hand	15		133
		4803	8458
		58273	70851
Creditors: amounts falling due within one year			
Trade creditors	(22885)		(24647)
Other creditors	(1493)		(913)
Payments received on account	(8120)		(17199)
Taxation and social security	(163)		(177)
Accruals and deferred income	(258)		(132)
Dividend payable to the Consolidated Fund	(3500)		(4000)
National Loans Fund	(187)		(691)
		(36606)	(47759)
NET CURRENT ASSETS		21667	23092

## NOTE 7 (Continued)

Metal stocks include £1.738 million (1985: £1.738 million) in respect of a base stock of copper and nickel with a net realisable value of £2.740 million at 31 March 1986 (1985: £3.644 million) and £17.845 million (1985: £21.173 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

	1986 £'000	1985 £'000
11% unsecured loans	600	1238
12½% unsecured loans	267	320
	<u>867</u>	<u>1558</u>
Repayments due within twelve months (included in current liabilities)	(187)	(691)
	<u>680</u>	<u>867</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

	£'000	1986 £'000	1985 £'000
Balance at 1 April		1000	1421
Charged/(credited) to operating account			
Notional premium (see Note 1(h))	65		50
Payments during the year	(31)		(14)
Release of excess provision	(34)		(457)
		<u>-</u>	<u>(421)</u>
Balance at 31 March		<u>1000</u>	<u>1000</u>

NOTE 10  
CAPITAL EXPENDITURE APPROVED

	1986 £'000	1985 £'000
Commitments in respect of contracts	969	1642
Approved expenditure in addition to contracts	500	1171
Approved expenditure outstanding	<u>1469</u>	<u>2813</u>

# CURRENT COST ACCOUNTS

## CURRENT COST OPERATING ACCOUNT FOR THE YEAR ENDED 31 MARCH 1986

	NOTES	1986 £'000	1985 £'000
TURNOVER		74398	58642
Operating profit as in the historical cost accounts		3311	5608
Current cost operating adjustments	2	(980)	(985)
Current cost operating profit		2331	4623
Interest		475	118
CURRENT COST PROFIT FOR THE YEAR		2806	4741
Dividend payable to the Consolidated Fund		(3500)	(4000)
TRANSFER (FROM)/TO RESERVES FOR THE YEAR		(694)	741

## STATEMENT OF RESERVES

	NOTES	1986 £'000	1985 £'000
RESERVES AT 1 APRIL		33626	30108
MOVEMENTS IN RESERVES	4		
Transfer (from)/to reserves for the year		(694)	741
Increase in current cost reserve		907	2777
		213	3518
RESERVES AT 31 MARCH		33839	33626

## CURRENT COST BALANCE SHEET AS AT 31 MARCH 1986

	NOTES	1986 £'000	1985 £'000
FIXED ASSETS			
Tangible fixed assets	5	19797	17484
NET CURRENT ASSETS	6	22722	25009
		42519	42493
PROVISION FOR LIABILITIES AND CHARGES		1000	1000
CAPITAL AND RESERVES			
Public dividend capital		7000	7000
National Loans Fund		680	867
Reserves	4	33839	33626
		41519	41493
		42519	42493

The notes on pages 26 to 28 form part of the Current Cost Accounts.

# NOTES TO THE CURRENT COST ACCOUNTS

## NOTE 1 ACCOUNTING POLICIES

The current cost operating account and balance sheet have been prepared, to the extent considered appropriate, in accordance with the Statement of Standard Accounting Practice No. 16. Except as indicated in the notes which follow, the accounting policies are those used in the historical cost accounts.

## NOTE 2 CURRENT COST ADJUSTMENTS

	1986 £'000	1985 £'000
Cost of sales adjustment	(243)	(589)
Monetary working capital adjustment	9	62
Total working capital adjustment	(234)	(527)
Depreciation adjustment	(746)	(458)
	<u>(980)</u>	<u>(985)</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 PRIOR YEAR ADJUSTMENT

The method of calculating the current cost adjustments has been revised during the year. In prior years the metal included in stocks and work in progress less advances received from customers was treated as monetary working capital for purposes of calculating the monetary working capital adjustment. This treatment gave rise to significant fluctuations in the current cost operating account which did not present a clear picture of performance. For this reason, the monetary working capital adjustment now excludes the metal included in stocks and work in progress less advances received from customers. The comparative figures in respect of prior years have been adjusted accordingly.

NOTE 4  
MOVEMENTS IN RESERVES

	Profit and Loss Account £'000	Current Cost Reserve £'000	Total £'000
Balance at 1 April 1985			
As previously stated	20263	13363	33626
Prior year adjustment	(760)	760	—
As restated	19503	14123	33626
Transfer from reserves for the year	(694)	—	(694)
Revaluations during the year			
Land and buildings	—	580	580
Plant and machinery	—	955	955
Stocks and work in progress	—	(909)	(909)
British Government Stocks	—	47	47
Adjustments to profit and loss account for the year			
Working capital adjustments (see note 2)	—	234	234
Balance at 31 March 1986	18809	15030	33839
Of which			
Realised	18809	5283	24092
Unrealised	—	9747	9747
	18809	15030	33839

NOTE 5  
TANGIBLE FIXED ASSETS

	1986 Gross £'000	1986 Deprecia'n £'000	1986 Net £'000	1985 Net £'000
Land and buildings	9052	826	8226	6849
Plant and machinery	22977	11406	11571	10635
	32029	12232	19797	17484

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 6

## NET CURRENT ASSETS

	1986 £'000	1985 £'000
Subject to working capital adjustments:		
Stocks and work in progress, less advances received from customers	8055	9681
Net monetary working capital	2617	(4032)
British Government Stocks	1984	2000
Other current assets/(liabilities)	13566	21360
	<u>26222</u>	<u>29009</u>
Dividend payable to the Consolidated Fund	(3500)	(4000)
	<u>22722</u>	<u>25009</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 1986.
- (b) British Government Stocks have been included at market value at 31 March 1986.
- (c) All other current assets and liabilities have been included at the amounts shown in the historical cost accounts.

## CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I certify that I have examined the foregoing Balance Sheet, Operating Account and the supporting information set out in the Statement of Source and Application of Funds and the Notes. In my opinion these 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 1986 and of its profit and the source and application of its funds for the year ended on that date, and comply with the provisions of the Government Trading Funds Act 1973 and Orders made thereunder by the Chancellor of the Exchequer. I have no observations to make upon these Accounts.

I have also examined the supplementary current cost accounts together with the notes thereon for the year ended 31 March 1986. In my opinion the accounts have been prepared in accordance with the accounting policies and methods described in the notes and give, under the current cost principles described in Statement of Standard Accounting Practice No. 16, a true and fair view of the state of affairs of the Royal Mint Trading Fund at 31 March 1986 and of its profit for the year ended on that date.

GORDON DOWNEY  
Comptroller and Auditor General

National Audit Office  
16th July 1986

