



BRITISH HALLMARKING COUNCIL

**Annual Report and Accounts
for the year ended 31 December 2006**

**Presented to the House of Commons pursuant to
Section 7 of the Government Resources and Accounts Act 2000**

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BRITISH HALLMARKING COUNCIL
REPORT OF THE CHAIRMAN – 2006

Introduction

2006 was a busy year for the Council. The main issues facing Council were the prospect of implementation of the Hampton report, advice to the Secretary of State for Trade and Industry about the perceived need for a number of legislative changes, and the problems arising from the application of the Convention and Dutch national marks by the main Dutch Assay Office at manufacturers premises in China.

There was a change to the membership of Council during the year when Professor Dorothy Hogg stepped down as the Council member appointed by the Edinburgh Assay Office and was replaced by Mr Peter Nussey. There were a number of retirements from Council without replacement before the end of the year – in particular Mr Roger Burman retired as the member appointed by the Birmingham Assay Office. He had made an outstanding contribution to Council and to the cause of hallmarking having served on Council for 26 years during which he served as Chairman for 9 years. Others members who gave terrific service over many years and who retired this year are Michael Frampton, Peter Atkinson, Zoe Simpson and John Evans. Also, Mr David Evans retired as the Deputy Warden of the London Assay Office and was replaced by Dr Robert Organ.

I would like to thank all members of the Council for the contribution that they have made over the past year.

During the year the main issue affecting the Assay Offices and the jewellery industry as a whole, was the continuing downturn in demand caused by a number of factors including consumer buying trends; changes in fashion and the relatively high price of gold. As at the end of 2006 there was no reason to believe that the decline in sales had bottomed out.

The Hampton Report

In the early part of the year discussions with DTI, the Office of Fair Trading and the National Weights and Measures laboratory took place. Council will remain in existence and the Chairman of Council will retain direct access to DTI at Ministerial level, and a relationship with NWML will be created through which NWML will assume the role previously taken by the Consumer and Competition Directorate at DTI.

The EU Directive

There were no formal steps taken to revive or replace the draft EU Directive concerning hallmarking, although it is apparent to Council that there remains support for an initiative of that kind in Europe so that the situation requires continuing monitoring. Also, the progress of other draft Directives which might have an effect on hallmarking was kept under constant review and submissions made to DTI as necessary. As at the date of this report it does not appear that any such draft directives are likely to have a material impact upon hallmarking in the UK, although it is expected that implementation of the Unfair Commercial Practices Directive will have a substantial effect on consumer protection legislation generally. Council will be keen to ensure that there is no reduction in the protection given to buyers of jewellery.

Hallmarking in China

During the year it became apparent that the main Dutch Assay Office was providing manufacturers of jewellery established in China a service whereby the Dutch Office would apply Convention hallmarks and, it is believed, Dutch national hallmarks on the manufacturers premises.

Numerous concerns about this practice were expressed including that marks so applied were not legally valid in the UK; that the conditions in which they were applied were not equivalent to those required by UK law and practice and also that the offer of this service amounted to unfair competition in that UK law does not permit UK Offices to apply marks outside the UK.

Protests were made to the Dutch Government and to the Convention Authorities as a result of which the main Dutch office has undertaken to cease the application of Convention marks in China , and the situation regarding national marks is being closely monitored.

In addition, there is ongoing discussion both within the Convention, and also between Council and DTI, about the possibility that at some future time the Convention might encompass convention marks applied by Convention members under controlled conditions offshore. We are also considering how that might affect the UK Offices.

Amendments to the 1973 Act

The proposed changes to the Act relating to exemptions concerning items made of mixed precious metals or mixed precious and base metals and bringing forward to 1950 the date of exemption for items which are not hallmarked but which meet minimum fineness standards are expected to be implemented in early 2007.

Further, Council, in conjunction with British Jewellery Association and National Association of Goldsmiths, is promoting the inclusion of jewellery made of palladium alloy within the hallmarking regime, and was encouraged by the result of an informal consultation which took place in the autumn of 2006.

Sub – Offices

Two applications for new sub Offices have been put before Council this year – for the Birmingham Assay Office to open a sub Office at the premises of Argos, Castleford, and for the London Assay Office to open a sub Office at its own premises at 35 Greville St in the Hatton Garden district in London. Both of these applications were accepted. The Greville St application was notable as it was the first time a sub Office independent of a particular “ host “ customer was approved. Also, the use of X-ray fluorescence for both pass and fail testing at sub offices has been approved by Council this year. Reviews of the existing sub office operations proved to be satisfactory, and it was a credit to the Offices in Sheffield and Birmingham that they have been able to achieve this.

The Technical Committee

The Technical Committee is the name given to gatherings of the Assay Masters to discuss practical issues, and the recommendations flowing from those meetings are most useful to Council. Next year the Committee will be looking at the information and guidance to be given to the trade about the new regimes for marking mixed precious metal and precious and base metal items, and will also be bringing forward proposal to make the statutory notice more accessible, both through technology and by producing it in a variety of languages.

Inspection by the Royal Mint

The Act requires an officer of the Royal Mint to visit each Assay Office on an annual basis in order to report on the accuracy and efficiency of the methods and procedures of assay. The reports for 2006 were all satisfactory

Enforcement

Local trading standards Departments continue to be the bodies responsible in practice for the enforcement of the Hallmarking Act.

Returns from 115 departments in response to a revised form of questionnaire from TSI reveal the following statistics:

	Premises whose principal business is jewellery (jewellers, goldsmiths, etc)	Premises whose secondary business is jewellery (fashion shops, gift shops, clothes shops, etc)
	Number	Number
1. Number of premises liable to inspection	6,315	4,604
2. Number of premises visited (Jan-Dec)	1,025	554
3. Offences detected:		
(a) Unhallmarked articles described as gold, silver, platinum (Section 1)	766	189
(b) Failure to display notice (Section 11)	143	109
(c) Other offences	48	94
4. Verbal advice to Trader	172	230
5. Warning letter to Trader (not formal caution)	51	44
6. Formal caution (issued in accordance with Lord Chancellor's guidelines)	8	
7. Information laid	17	
8. Prosecutions brought	12	
(a) successful	09	1
(b) unsuccessful		

A comparison between these statistics and those in the previous years reports reveals that the number of Departments reporting reduced from 135 to 115, the number of premises liable to inspection from 8,499 to 6,315 and the number of inspections from 2,848 to 1,025. Further, the number of Departments reported to be in regular contact with an Assay Office reduced from 46 to 26. These statistics reflect the fact that hallmarking is classified as 'low risk' by the LACORS Risk Assessment Rating. Whilst that rating has positive aspects, Council does regard active co-operation between the Departments and the Assay Offices as most important and will be monitoring the ongoing amount of contact accordingly.

Finance

The expenses of the British Hallmarking Council are covered by the Assay Offices pro-rata to their respective turnover figures in the preceding year as laid down by the 1973 Act. Accordingly, it is not appropriate for the Council to either have a permanent surplus of income over expense or to create reserves. The Accounts for the year are included in the combined Report and Accounts.

Prices for Assay and Hallmarking

The Council fixes the maximum charges which may be made by an Assay Office for assay and hallmarking. These were left unchanged during 2006 and details are set out in Appendix I to this Report.

The Date Letter

The date letter is an optional mark. The date letter for 2007 is H.

Statistics

Details of the number and weight of gold, silver and platinum items dealt with by the Assay Offices and other statistical information are set out in Appendices II & III to this Report.

The total number of items marked during the year was 24,890,000.

Auditors

The Comptroller and Auditor General has audited the Accounts for the year ended 31 December 2006.

Race Equality Policy

The Council has a Race Equality Policy, a copy of which may be obtained from the Secretary.

Publication Scheme

The Council has a publication scheme for the purposes of the Freedom of Information Act 2000, a copy of which may be obtained from the Secretary.

Conclusion

2007 will see what is effectively a new Council – with at least 4 new members – addressing the changing world of the jewellery industry and therefore of hallmarking. During the debate about Hampton it was clear that all concerned agreed that the broad mix of expertise and experience which the members possess makes Council well equipped to advise on policy solutions and implementation, and we look forward to the challenges ahead.

Thomas K Murray

Chairman

Date: 16 April 2007

BRITISH HALLMARKING COUNCIL

MEMBERS OF THE COUNCIL

The members of the Council who served during the year were:

Chairman

Mr Tom Murray is Law Clerk of the Edinburgh Assay Office. He is a solicitor in Edinburgh. He is a member of the Law Society of Scotland's Investor Protection Committee, and is the Purse Bearer to the Lord High Commissioner. He has a long family connection with hallmarking.

DTI Appointees:

Ms Linda Campbell OBE is the Chair of the food authentication and certification company PAI and non-executive director of the Institute of Quality Assurance (IQA). She was previously Chief Executive of the United Kingdom Accreditation Service (UKAS) and a Director of the British Standards Institute (BSI). She was awarded an OBE in 2003 for services to accreditation.

Mr Mike Drewry is a former Director of Environmental and Consumer Services for the City of Edinburgh Council. He is a qualified Trading Standards Officer and has held a number of Director level posts in Departments with responsibility for enforcing consumer protection laws and regulations. He is a Council Member of the Trading Standards Institute (TSI) and is one of the Institute's lead officers with responsibility for hallmarking.

Mr Martyn Pugh is a designer/maker of silverware and jewellery. His business supplies collections of silverware and jewellery and individual pieces to clients both nationally and internationally. He is a National Committee Member of the British Jewellery Association (BJA) and a Committee Member of the Association of British Design Silversmiths.

Mr Stefan Waclawski is a Director of the multiple retail jewellers M M Henderson Limited, which has 25 branches mostly in Scotland. He has over twenty-five years retail jewellery experience and is currently responsible, amongst other things, for purchasing, pricing and distribution of gold, silver and diamond jewellery and dealing with the UK Assay Offices.

Mr Fod Barnes is a former Head of Public Affairs at the National Consumer Council. He is a consultant with extensive experience of providing policy advice on consumer related matters to clients at senior level including Ministers and Sectoral Regulators. He has an interest in silversmithing.

Dr Peter Clapham CB is a former Chief Executive of the National Engineering Laboratory, the National Physical Laboratory and National Weights and Measures Laboratory. He is now a consultant specialising in standards, testing and conformity assessment. During the past three years he has chaired the Council's sub Office Applications Committee.

Mr Adam Green has had over thirty years experience in the jewellery manufacturing and retail trade and is presently Managing Director of a family retail jewellery business located in Shrewsbury.

Mr Peter Atkinson is a former Assistant Director – Trading Policy to the British Retail Consortium and Director of Consumer Affairs in the Department of Trade and Industry. He serves as an Independent Panel Member hearing appeals Croydon Council's charges for social services and a member of the Management Committee of Croydon Meals Agency. He has recently been appointed a Justice of the Peace.

Mr John Evans is a former Director of Environmental Services for Hounslow Borough Council. He is now studying for a BA(Hons) in Ceramics at the University of Westminster. He is a fellow of the Trading Standards Institute (TSI), a member of the TSI Executive Board, and does occasional consultancy work in the consumer and environmental fields.

Miss Zoe Simpson is Chief Executive of Elizabeth Gage Limited a small manufacturer of high quality jewellery. She also sits on the Board of STB Enterprises Limited, which runs the commercial part of the operations at the Courtauld Institute.

Mr Atkinson, Mr Evans and Miss Simpson all retired from Council at the end of 2006.

Assay Office Representatives (London):

Dr Dick Melly is the Clerk of the Goldsmiths Company.

Mr Richard Vanderpump was formerly head of the firm of C J Vander, manufacturing silversmiths in Sheffield and antique dealers in silver based in Hatton Garden, although has now retired and has no connection with the trade. He is former Prime Warden of the Goldsmiths Company, and is Chairman of its London Assay Office Management Committee.

Assay Office Representative (Sheffield):

Mr Simon Batiste is the Law Clerk of the Sheffield Office, and a barrister with Chambers in Leeds. He has a long family connection with hallmarking.

Assay Office Representatives (Birmingham):

Mr Roger Burman CBE is a former Chairman of Council. He is Chairman of the Wardens of the Birmingham Assay Office and was formerly a Director of the NEC. Mr Burman retired from Council in June 2006.

Ms Kay Alexander is Chairman of the Wardens of the Birmingham Assay Office, and a Broadcaster and Journalist with the BBC.

Assay Office Representative (Edinburgh):

Professor Dorothy Hogg is a Professor of the Edinburgh College of Art and Head of Jewellery and Silversmithing. Professor Hogg is also Chair of the Contemporary Committee of the Incorporation of Goldsmiths of the City of Edinburgh, and advisor to the Crafts Committee of the Scottish Arts Council. Professor Hogg retired in June 2006.

Mr Peter Nussey is a Management Consultant specialising in human resources issues and Managing director of Murrayfield Consultants Limited. He is a member of the Incorporation of Goldsmiths of the City of Edinburgh. Mr Nussey became a member in June 2006.

Co-Opted Members:

Mr Michael Frampton is a Guardian of the Sheffield Assay Office. He has served as a Council member for six years (until 2004) as an appointed representative of that Office. He is a Chartered Accountant, and a Director of retail jewellers H L Brown & Son Limited. He is a member of the NAG. Mr Frampton retired from Council at the end of 2006.

Mr Michael Laing OBE is Deacon of the Incorporation of Goldsmiths in Edinburgh. He is a Director of retail jewellers Laing the Jewellers and Parkhouse & Wyatt, and a member of the NAG. He has served on the Education Committee of the NAG for 20 years latterly as Chairman. His OBE was awarded in 2002 for services to hallmarking.

Assay Masters (entitled to attend):

Mr Robert Organ is Deputy Warden of the London Assay Office.

Mr Michael Allchin is Assay Master of the Birmingham Assay Office.

Mr Ashley Carson is Assay Master at the Sheffield Assay Office.

Mr Scott Walter is Assay Master at the Edinburgh Assay Office.

APPENDIX 1

THE BRITISH HALLMARKING COUNCIL

MAXIMUM CHARGES

The following charges are the maximum charges fixed by the Council for assaying and hallmarking articles of precious metal:

	Maxima p	Band p
GOLD		
Bracelets, Necklets, Chains under 5 grams	45p + 1.5 p/g	46.5 – 52.5
Bracelets, Necklets, Chains under 10 grams	“	52.5 – 60.0
Bracelets, Necklets, Chains under 30 grams	“	60.0 – 90.0
and for every further 20 grams	“	
Locketts, Brooches	“	
Earrings “		
Cuff Links “		
Rings “		
Other Articles: under 2 grams	“	46.5 – 48.0
under 10 grams	“	48.0 – 60.0
under 20 grams	“	60.0 – 75.0
under 50 grams	“	75.0 – 120.0
and for every further 10 grams	“	
Gold Articles (second-hand)	£6.00	
Minimum charge for any parcel	£20.00	
SILVER		
Articles 20 grams and under	45p + 1.5 p/g	57.0 – 75.0
Over 20 grams per 100 grams	“	
Articles less than 10 grams each submitted in identical batches of more than 50	“	57.0 – 60.0
Chain work: under 15 grams	“	57.0 – 67.5
under 30 grams	“	67.5 – 90.0
30 grams and over	“	
Handles (stamped)	“	
Clad Glasswear “		
Filled Electroforms, hollow articles less than 20 grams of silver	“	
All second-hand articles	£6.00	
Minimum charge for any parcel	£20.00	
PLATINUM		
Platinum articles will be charged at double the rate applicable to Gold articles		
Minimum charge for any parcel	£20.00	

APPENDIX 2

**WEIGHT IN KILOGRAMS OF ARTICLES DEALT WITH BY ALL THE ASSAY OFFICES FOR
2005 AND 2006**

(Platinum articles are shown in grams)

QUARTER	GOLD												SILVER		PLATINUM	
	999		990		916		750		585		375		2006	2005	2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
FIRST	3.2	5.3	0.0	0.0	915	1,580	2,340	2,568	271	201	11,249	13,483	31,336	33,739	800,713	719,380
SECOND	6.6	2.9	0.0	0.1	1,028	1,683	2,540	2,644	252	334	10,357	13,473	28,613	38,632	737,663	702,056
THIRD	0.4	0.8	0.2	0.0	1,258	1,618	2,659	2,690	214	372	12,410	15,438	34,360	54,737	692,802	735,534
FOURTH	1.9	1.7	0.0	0.3	1,265	1,109	3,300	3,269	326	360	18,810	21,942	47,234	52,957	602,197	762,294
Cumulative total to date	12.2	10.7	0.2	0.5	4,465	5,992	10,840	11,170	1,063	1,267	52,826	64,336	141,543	180,066	2,833,375	2,919,264

**NUMBERS OF ARTICLES DEALT WITH BY ALL THE ASSAY OFFICES FOR
2005 AND 2006**

QUARTER	ALL ARTICLES – 1000 units		GOLD ARTICLES – 1000 units		SILVER ARTICLES – 1000 units		PLATINUM ARTICLES – single units	
	2006	2005	2006	2005	2006	2005	2006	2005
FIRST	5,261	5,902	3,535	4,009	1,641	1,811	85,442	82,230
SECOND	4,914	6,154	3,263	3,994	1,569	2,081	82,244	78,724
THIRD	5,945	7,102	3,961	4,773	1,911	2,248	73,289	82,150
FOURTH	8,770	9,608	5,922	6,659	2,773	2,869	74,815	80,343
TOTAL	24,890	28,767	16,681	19,436	7,893	9,008	315,790	323,447

PERCENTAGE FIGURE FOR THE ABOVE TOTALS FOR EACH ASSAY OFFICE

OFFICE 2006	ALL ARTICLES 2006	GOLD ARTICLES 2006	SILVER ARTICLES 2006	PLATINUM ARTICLES
LONDON	23	24	19	46
BIRMINGHAM	41	42	41	41
SHEFFIELD	28	31	22	10
EDINBURGH	8	3	18	4

APPENDIX 3

**CONVENTION ON THE CONTROL & MARKING OF ARTICLES
OF PRECIOUS METAL
UNITED KINGDOM
YEAR TOTAL 2006**

	GOLD	SILVER	PLATINUM	TOTALS
London	2,395,057	441,743	34,646	2,871,446
Birmingham	4,071,737	1,775,562	76,665	5,923,964
Sheffield	4,487,930	1,071,569	14,216	5,573,715
Edinburgh	112,848	239,670	715	353,233
Total	11,067,572	3,528,544	126,242	14,722,358

BRITISH HALLMARKING COUNCIL

Accounts

31 December 2006

ACCOUNTS 2006

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ACCOUNTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

Chairman

Thomas K Murray

Secretary and Accounting Officer

David J Gwyther

Bankers

Lloyds TSB Bank Plc
125 Colmore Row
Birmingham
B3 3AD

Solicitors

Martineau Johnson
No. 1 Colmore Square
Birmingham
B4 6AA

Auditors

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

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2006

Preparation of accounts

The statement of accounts of the British Hallmarking Council has been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with the Hallmarking Act 1973 (as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003). The statement has also been prepared in accordance with an Accounts Direction letter dated 21 January 2004 from the Department of Trade and Industry which requires the annual accounts to show a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the year end and further requires the accounts to be prepared in accordance with Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance and other guidance which the Treasury may issue from time to time and any other specific disclosures required by the Secretary of State. The Annual Reports and Accounts guidance has been superseded by the Treasury's Financial Reporting Manual

So far as David Gwyther, the Accounting Officer, is aware, there is no relevant audit information of which the Council's auditors are unaware, and the Accounting Officer has taken all steps which he ought to have taken to make himself aware of all relevant audit information and to establish that the Council's auditors are aware of that information.

History, statutory background and principal activities

The British Hallmarking Council was constituted by and is governed by the Hallmarking Act 1973.

The British Hallmarking Council is charged with the duty of ensuring that adequate facilities for the assaying and hallmarking of articles of precious metal are available as from time to time required in the United Kingdom, of supervising the activities of assay offices in that behalf, of taking all steps appearing to be open to it for ensuring the enforcement of the law with respect to hallmarking and of advising the Secretary of State with respect to all matters concerning the due execution of this Act including any matter which may be referred to the Council by the Secretary of State.

Financial Reporting Manual disclosure requirements

The Directors report and Operating and Financial Review information required to be disclosed by the Treasury's Financial Reporting Manual is contained in the Foreword to the Accounts and the Report of the Chairman. A Remuneration Report is also required by the Financial Reporting Manual. All relevant disclosures required are included in note 4 to the accounts – "Employees and Officers" – therefore no separate Remuneration report has been produced.

Results for the year

The results for the year are set out on page 27. The costs of the British Hallmarking Council are funded by contributions from the Assay Offices in London, Birmingham, Sheffield and Edinburgh in accordance with the Hallmarking Act 1973. Any additional income collected by the Council reduces the Assay Offices' contributions.

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2006

(Continued)

Council Members

The Council members who have served at any time during the year are as follows:

Mr Tom Murray	
Peter Clapham	Chairman of sub Office Applications Committee
John Evans	retired at end December
Fod Barnes	
Peter Atkinson	retired at end December
Zoe Simpson	retired at end December
Adam Green	
Linda Campbell	
Mike Drewry	
Martyn Pugh	
Stephan Waclawski	
Richard Vanderpump	
Roger Burman	retired in June
Kay Alexander	
Simon Batiste	
Michael Frampton	retired at end December
Michael Laing	
Dorothy Hogg	retired in June
Dick Melly	
Peter Nussey	appointed in June

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2006

(Continued)

Statement of Council and Accounting Officer's responsibilities

Under the Hallmarking Act (as amended), the Secretary of State with the approval of Treasury has directed the British Hallmarking Council to prepare a statement of accounts each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the period end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Council and the Accounting Officer are required to:

- observe the Accounts Direction issued by the Secretary of State, including relevant accounting and disclosure requirements, and apply accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departure in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.
- The Accounting Officer for the Department of Trade and Industry has appointed the Secretary of the Council as Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Duties of Council members

The function of the British Hallmarking Council is set out in the Hallmarking Act 1973. Individually Council members contribute to the fulfilment of that function through their participation at meetings – usually three times a year. In addition, Council members may serve on working parties to consider various topics from time to time, and there is also a standing sub-Committee, made up of Council members, to deal with individual applications by Assay Offices for permission to open a sub Office.

Disclosure of Council members' interests

The register of Council members interests, maintained by the Secretary, is open to inspection by the public by prior appointment with the Secretary at Martineau Johnson's offices.

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2006

(Continued)

Payment policy

The British Hallmarking Council adheres to the principles of the Better Payment Practice Code ('BPPC') as set out below:

- Agree payment terms at the outset of a deal and stick to them;
- explain payment procedures to suppliers;
- pay bills in accordance with any contract agreed with the supplier or as required by law; and
- tell suppliers without delay when an invoice is contested, and settle disputes quickly.

The BPPC target is to pay all undisputed supplier invoices within 30 days, unless other payment terms have been agreed. This target was achieved in relation to 33% of invoices by value during 2006 because of delays in settling invoices from Martineau Johnson in relation to one off projects.

Employees

The British Hallmarking Council does not have any employees.

Auditors

The statement of accounts has been audited by the Comptroller and Auditor General. The auditors are appointed under statute and report to Parliament. The audit fee for the year ended 31 December 2006 is £2,400. No other services were provided.

Future developments

For the 2007 calendar year the specific objectives of the British Hallmarking Council are described in the Chairman's Report – pages 3 to 7.

FOREWORD TO THE ACCOUNTS
Year ended 31 December 2006
(Continued)

Post balance sheet events

There are no post balance sheet events which might affect the understanding of the statement of accounts.

David J Gwyther
Secretary and Accounting Officer
Date: 16 April 2007

Thomas K Murray
Chairman
Date: 16 April 2007

STATEMENT ON SYSTEM OF INTERNAL CONTROL

Year ended 31 December 2006

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the British Hallmarking Council's policies, aims and objectives, whilst safeguarding the public funds and Council assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

My appointment as Accounting Officer was confirmed by the Department of Trade and Industry, the Council's sponsoring Department ('the Department'), on 16 January 2004. The appointment letter sets out the specific responsibilities of the Accounting Officer in respect of internal control matters.

On 10 June 2003, the Council approved its Code of Practice ('the Code'). The Code is based on Cabinet Office Guidance on 'Codes of Practice for Board Members of Public Bodies' (February 2000) and was prepared in consultation with the Department. The Code incorporates my responsibilities as Accounting Officer towards the overall management of the Council, its procedures and financial matters.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the British Hallmarking Council for the year ended 31 December 2006 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

STATEMENT ON SYSTEM OF INTERNAL CONTROL

Year ended 31 December 2006

(Continued)

Capacity to handle risk and the risk and control framework

The Council is a small operation and internal control procedures have been designed with this in mind. The following arrangements are in place, which demonstrate the Council's capacity to handle the risks to its operations:

Council meetings, which I attend, are usually held three times a year to discuss the activities of the Council and to review or assess the impact of existing and proposed legislation on the Council. Representatives from the Assay Offices and the Department regularly attend Council meetings.

The annual budget is approved by the Council. Martineau Johnson prepare and maintain accounting records under my supervision and any payments made to this firm for all services provided are independently approved by the Chairman and disclosed separately in the financial statements.

Actual expenditure is reviewed in comparison with the annual budget by the Council and is approved by the Council when the statement of accounts is approved.

The Council does not have an internal audit function or audit committee but the Council will consider matters impacting on internal control and the financial statements. This arrangement is considered sufficient for the size and extent of the Council's operations.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Council members who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

A Corporate Statement was agreed between Council and DTI and signed in January 2005. A copy is available from me.

David J Gwyther

Secretary and Accounting Officer

Date: 16 April 2007

BRITISH HALLMARKING COUNCIL

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the British Hallmarking Council for the year ended 31 December 2006 under the Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Accounting Officer and auditor

The Council and Accounting Officer are responsible for preparing the Annual Report and the financial statements in accordance with the Hallmarking Act 1973 and the accounts direction given by the Secretary of State, with the approval of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the Hallmarking Act 1973 and the accounts direction given by the Secretary of State, with the approval of HM Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the British Hallmarking Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 23 and 24 reflects the British Hallmarking Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the British Hallmarking Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Chairman and the Foreword to the accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments

made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the British Hallmarking Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Hallmarking Act 1973 and the accounts direction given by the Secretary of State, with the approval of HM Treasury, of the state of the British Hallmarking Council's affairs as at 31 December 2006 and of its results for the year then ended; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP*

Date: 5 June 2007

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2006

	Notes	2006 £	2005 £
Contributions from Assay Offices	2	72,112	67,882
Income from sale of notices	6.1	3,343	2,000
Operating charges	5	75,455 (75,600)	69,882 (70,022)
Operating deficit		(145)	(140)
Interest receivable	3	145	140
Result for the year		NIL	NIL

All operations are continuing.

There are no recognised gains or losses for the current or previous financial year other than as stated in the income and expenditure account. Accordingly, no statement of total recognised gains and losses is required.

BALANCE SHEET
31 December 2006

	£	2006 £	£	2005 £
Current assets				
Amounts due from Assay Offices in respect of expenses for 2004		-		8,577
Amounts due from Assay Offices in respect of 2005		-		27,944
Amounts due from Assay Offices in respect of 2006		24,829		-
Cash at bank		2,317		2,015
		<hr/>		<hr/>
		27,146		38,536
Creditors: amounts falling due within one year				
Trade creditors and accruals	26,229		34,654	
Value Added Tax	917		3,882	
		<hr/>		<hr/>
		(27,146)		(38,536)
		<hr/>		<hr/>
Assets less liabilities		NIL		NIL
		<hr/> <hr/>		<hr/> <hr/>

These accounts were approved by the Council on

Signed on behalf of the Council

Thomas K Murray
Chairman
Date: 16 April 2007

David J Gwyther
Secretary and Accounting Officer
Date: 16 April 2007

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. **Accounting policies**

1.1 **Accounting convention**

The financial statements have been prepared on a historical cost basis. Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and best commercial practice including accounting and financial reporting standards issued or adopted by the Accounting Standards Board. They are in accordance with the Accounts Direction issued by the Secretary of State on 21 January 2004 with the approval of H M Treasury.

1.2 **Funding**

The activities of the Council are funded by the Assay Offices. Charges are levied in proportion to the relevant sales of the Assay Offices in the previous financial year, net of any other income received, such as income from notices.

1.3 **VAT**

Expenditure is recognised net of recoverable Value Added Tax. Amounts due to, or from H M Revenue and Customs in respect of VAT are included in creditors, or debtors within the balance sheet.

2. **Income**

Contributions from Assay Offices are analysed as follows:

	2006	2005
	£	£
London	15,223	15,449
Birmingham	30,053	26,660
Sheffield	19,547	19,835
Edinburgh	7,289	5,938
	<u>72,112</u>	<u>67,882</u>

3. **Tax on interest receivable**

There was no taxation payable on interest receivable (2005 – £Nil) because the liability was offset by the operating deficit.

NOTES TO THE ACCOUNTS
Year ended 31 December 2006
(Continued)

4. **Employees and Officers**

	2006 £	2005 £
Emoluments of Chairman – Tom Murray	NIL	NIL
Emoluments of Secretary and Accounting Officer – David J Gwyther	<u>NIL</u>	<u>NIL</u>

There were no employees of the Council during 2006. The current Chairman, Mr Tom Murray, is a solicitor in private practice with Gillespie MacAndrew. At the Council meeting dated 11 November 2005, it was agreed the Gillespie MacAndrew's fee in respect of Mr Murray's services should be increased to £14,000 per annum with effect from the date of his appointment, 11 March 2004. The formal duties of the Chairman are set out in the Hallmarking Act 1973 and include conducting meetings of Council and liaising with the Secretary of State for Trade and Industry. The Chairman does not have set hours of work, nor a target for total hours of work. His remuneration is set by the Council on the basis of a recommendation by an informal committee of Council members. The Chairman is elected by the Council.

The Secretary of the Council during 2006 was Mr David Gwyther, a solicitor and partner in private practice with Martineau Johnson in Birmingham. Mr Gwyther received no remuneration from the Council for the work he carries out. His time is charged by Martineau Johnson at an agreed rate which was £245.00 per hour during 2006. The amount of Martineau Johnson's charges in respect of Mr Gwyther's time varies from year to year in accordance with the time spent. In 2006 the amount was £23,250. The Secretary is appointed by the Council for an undefined period by the Council.

Martineau Johnson have provided secretarial and accounting services to the Council since its formation on terms agreed from time to time. During the year, Martineau Johnson were engaged to provide book-keeping services for £1,050, to provide accounts preparation services for £1,550, and a fee for the preparation of the annual report of £350.

Save for the Chairman's remuneration, and an allowance of £75 per hour paid to the members of the sub-Offices' Application Committee, Dr Peter Clapham, Ms Linda Campbell and Mr Peter Atkinson (the amounts of which during the year amounted to £950, £262 and £575 respectively), no payments are made to Council members in respect of their time, although they are reimbursed for their travelling expenses.

NOTES TO THE ACCOUNTS
Year ended 31 December 2006
(Continued)

5. Expenses

Expenses are analysed as follows:

	2006	2005
	£	£
Chairman's remuneration	14,000	16,253
Council members' expenses	4,469	4,869
Less: recharged to sub-Offices	(2,240)	(1,365)
Audit fee	2,400	2,300
Secretarial costs and expenses	23,250	17,190
Other professional charges	31,983	29,187
Other expenses	1,738	1,588
	<u>75,600</u>	<u>70,022</u>

The Chairman's remuneration has fallen in 2006 because £2,253 of the remuneration in 2005 relates to 2004.

6. Related party transactions

6.1 With effect from 1 March 2000 the London Assay Office has taken over responsibility for distribution of Hallmarking notices. Included in 'sale of notices' is £3,343 (2005 – £2,000) received from the London Assay Office in respect of commission on sale of notices.

6.2 Amounts payable to Martineau Johnson in respect of the year were £55,233 (2005 – £46,377). David Gwyther, the Council's Secretary and Accounting Officer, is a partner in Martineau Johnson. All invoices submitted by Martineau Johnson are approved by the Chairman prior to payment.

6.3 As set out in note 4, the Chairman is a Solicitor in private practice with Gillespie MacAndrew and the Council pays Gillespie MacAndrew in respect of Mr Murray's remuneration. Gillespie MacAndrew's fee in respect of Mr Murray's remuneration for the year was £14,000 (2005 £16,253).

7 Events after the Balance Sheet

The financial statements were authorised for issue by the Accounting Officer, David Gwyther, on 18 June 2007.