



GOLD CORE

A COMPREHENSIVE GUIDE TO

British Gold Sovereigns



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Introduction

The Sovereign is a British gold coin containing nearly one quarter of an ounce of gold. Importantly, Sovereigns are CGT (capital gains tax) free in the UK.

The Sovereign gold coin contains nearly one quarter of an ounce of gold.

It is perhaps the most recognised gold coin in the world having been produced in its modern form since 1817 and having circulated widely as currency during the nineteenth and early twentieth century. Remarkably, the modern sovereign has a nearly 200 year history, but is still being produced each year by the Royal Mint in Wales, in both bullion and proof form.

Although the size and weight of all sovereigns are standard, there are a large variety of coin designs circulating on the market. This is understandable given that the coin has a long history and the coin design changed with each monarch, sometimes being updated a few times within a monarch's reign. One-off sovereign coin designs have also appeared at various times to celebrate royal occasions and anniversaries.

Sovereigns are finding favour with UK investors and savers today as unlike other forms of gold investment, they are exempt from CGT.



2013 Gold Sovereign Obverse



2013 Gold Sovereign Reverse

Dimensions and Physical Specifications

The Sovereign is made of 22 carat gold, consisting of 11/12 gold and 1/12 copper, giving a gold content or millesimal fineness of 0.9167. The coin has a standard weight of 7.98805 grams and given that the fineness or purity is 0.9167, the gold content is 7.323 grams, or 0.2354 (troy) ounces. The coin has a diameter of 22.05mm. The sovereign is a legal tender coin with a face value of one pound sterling; however the face value is not specified on the coin.



Description and Design

The design of the sovereign is universally admired and of high craftsmanship. The current design of the sovereign features a portrait of Elizabeth II on the obverse (front) with the words “ELIZABETH II” and “DEI GRA REGINA FID DEF”, which is an abbreviation for “Dei Gratia Regina Fidei Defensor” the Latin for “By the Grace of God, Queen, Defender of the Faith”. The Elizabeth II portrait is based on a design by sculptor Ian Rank-Broadley and appears on all sovereigns minted since 1998. Rank-Broadley’s initials ‘IRB’ can be seen on the coin in tiny letters below the Queen’s effigy.



2013 Gold Sovereign



2013 Gold Sovereign

The reverse of the coin features a classic design of St George slaying a dragon. This famous design was created by Benedetto Pistrucci, the Italian engraver, and was first used on the first modern sovereigns in 1817.

On each coin the year of issue is specified underneath the St George illustration, with Pistrucci's initials BP in tiny letters to the right of the date.



2013 Gold Sovereign With Pistrucci's Initials

Elizabeth II sovereigns have undergone a number of different portrait designs since they were first minted in 1957. These portrait changes are consistent across all circulating British coinage. The first portrait of Elizabeth II, designed by



sculptor Mary Gillick, was used on sovereigns from 1957 to 1968. These are known as pre-decimal sovereigns. There was no sovereign production between 1968 and 1974. The second portrait of Elizabeth II, first appearing on the 1974 sovereigns, is based on a design by artist and sculptor Arnold Machin. From 1985 onwards, sovereigns depict a third portrait of Elizabeth II, by sculptor Raphael Maclouf. This design lasted until 1998, when the fourth portrait by Ian Rank-Broadley was introduced.



George V Gold Sovereign

Historical Sovereigns



King Henry VII

A gold coin called a sovereign was first produced in England in 1489 under King Henry VII, bearing the King's effigy, hence the name sovereigns. Sovereign production continued under subsequent monarchs until 1604.

A widely used term 'modern gold sovereign' covers sovereigns produced since 1817. These coins were launched as part of the Great Recoinage of 1816. The re-coinage was an exercise in re-stabilising the British currency following periods of currency instability brought about by the Napoleonic and French Revolutionary Wars over the 1792 to 1815 period.

The Coinage Act legislation of 1816 defined the amount of gold in a sovereign and specified the face value as one pound sterling. These specifications persist right up to present day sovereigns. The weight of gold was determined as follows:

The Coinage Act set the value of a troy pound of 22 carat gold to be equal to £46 14s 6d, or £46.725. A 24 carat troy pound (12 troy ounces) contains 5760 grains of gold, with a 22 carat troy pound containing 5280 grains (a grain is the smallest unit

of troy weight measurement). With the sovereign having a face value of one pound (£) sterling, £1 contains 113.0016 grains of gold ($5280/46.725$), which is 0.2354 ounces of fine gold. And with a troy ounce equal to 31.1034768 grams, the sovereign thus weighs 7.987 grams. $[(31.1034768 * 0.2354) * 12/11]$.

For ease of identification, sovereigns are commonly referred to by the name of the monarch that they depict. The first modern sovereign in 1817, introduced in the reign of King George III, featured the effigy of the King on the obverse and Benedetto Pistrucci's design of St George and the Dragon on the reverse. Pistrucci's design was so well liked that it has been retained on many subsequent sovereign designs over the years, including very recent designs.



St George Slaying The Dragon

When George III died in 1820, his son George IV became King. When George IV died in 1830 his younger brother William IV became king. When William IV died in 1837, the next surviving heir was Victoria, a grand-daughter of George III. Victoria reigned from 1838 to 1901. Therefore the sequence of sovereigns and the naming convention from 1817 to 1901 is 1817 - 1820 George III, 1821 – 1830 George IV, 1831 – 1837 William IV, and 1838 – 1901 Victoria.

Given that Victoria reigned for so long, there were a number of design changes to the Victoria portrait on sovereigns over that period. Sovereigns in the period 1838 to 1887 depict her first portrait and are referred to as Victoria young head coins.



Queen Victoria

From 1887 to 1893, a second portrait was introduced and the coins are known as Victoria Jubilee head, celebrating the Golden Jubilee. Sovereigns from 1893 to 1901 have a third portrait and are known as Victoria old head.

When Victoria died in 1901, her son Edward VII reigned from 1902 to 1910. When Edward VII died his first son George V reigned from 1911 to 1932. Edward VII sovereigns were produced for all years from 1902 to 1910.

George V sovereigns were produced from 1911 to 1932, in the latter years mainly by the Royal Mint's branch mints (see below). Then sovereign production essentially stopped until 1957 when the first Elizabeth II sovereigns were minted.

Manufacturing

Although the Royal Mint was established in 1279 and resided in the Tower of London, the Mint moved to larger facilities on nearby Tower Hill in 1811. Thus, the first modern sovereigns minted in 1817 were produced at what was then, the new Tower Hill mint. Production continued exclusively at Tower Hill until the Royal Mint began to open branch mints in various locations within the British Empire, to support local economies as they grew and in locations where major gold fields were discovered.

The Royal Mint opened branch mints in Australia, India, South Africa and Canada to support local economies as they grew and in locations where major gold fields were discovered.

In the Australian colonies of New South Wales, Victoria and Western Australia, branch mints were established at Sydney (in 1855), Melbourne (1872) and Perth (1899), respectively. In British India, a mint was opened in Bombay (1918). In the dominion of the Union of South Africa, a mint was established in Pretoria (1923). While in Canada, a mint was opened in the Canadian dominion of Ottawa (1908). These mints were at various times involved in producing sovereigns.



The Bombay mint only operated briefly between 1918 and 1919 and was established specifically to mint sovereigns. The Sydney mint started sovereign production in 1855 with its own design, but switched to the London design in 1871 and produced sovereigns up until 1926. The Melbourne mint started sovereign production in 1872 and ran production up to 1932. Perth produced



sovereigns from 1899 to 1931, Ottawa from 1908 to 1919, and Pretoria from 1923 to 1932. The mint marks on the branch mint sovereigns are unique to each mint (S for Sydney, M for Melbourne, P for Perth, C for Canada, I for India and SA for Pretoria).

The Sovereign as a Circulating Currency

In total, 488 million sovereigns were struck by the six branch mints from 1855 to 1932 and over 517 million by the London Mint between 1817 and 1925, making a grand total between the seven mint locations of just over 1 billion sovereigns between 1817 and 1932 . The

Over 1 billion sovereigns were struck by the London Mint and six branch mints between 1817 and 1932.

practical reason for the production of such vast quantities of gold sovereigns in the 1800s and early 1900s was because Britain was on a gold standard, but also because the sovereign was a recognised currency in more than 20 countries during the nineteenth century.

Sovereigns circulated freely as money in the banking system and economies of Britain and its Empire, and legal tender notes could be redeemed into gold specie (including sovereigns) at issuing banks. World War I in 1914 disrupted the gold standard and affected sovereign production, but sovereigns continued to be made in large quantities into the 1920s especially at the branch mints. But when Britain revoked its gold standard in 1925, one of the main rationales for mass production of the coins was removed.

Universal Money

Since sovereigns are widely recognised, valuable, portable and accepted as money throughout the world, they are often issued to military personnel to be used in case of emergency. For example the British Ministry of Defence (MoD) issued gold sovereigns in batches of 20 to RAF aircrew and some SAS personnel during the first Gulf War in 1991. The coins were usually then carried taped to clothing and used if need be as part of escape and evasion manoeuvres. The MoD is known to have purchased 60,000 sovereigns from the Bank of England in early 1991, and then sold the coin supply back to the public in 1996.

Tax Exemptions on Sovereigns

Gold sovereign purchases are exempt from value added tax (VAT) across the European Union, and additionally, sales of sovereigns are exempt from capital gains tax (CGT) in the UK. Therefore UK based sovereign investors can avail of two tax benefits, the EU VAT exemption on a purchase transaction, and the UK CGT exemption on a future sale transaction.

EU-Wide VAT exemption

In 1998, a European Union Council approved and adopted a Directive that exempted investment gold from value added tax across the EU. This Directive was subsequently implemented by all Member States. The initiative was undertaken to promote the use of gold as a financial instrument.

The directive defined investment gold as both commonly accepted gold bars of .999 fineness or higher, and gold coins of .900 fineness or higher that were minted after 1800 and are, or were, legal tender in the country of origin. Coins with a price more than 80% above the intrinsic value of their gold content are excluded from the VAT exemption.

Gold sovereign purchases are exempt from value added tax (VAT) across the European Union, and sales of sovereigns are exempt from capital gains tax (CGT) in the UK

UK Capital Gains Tax (CGT) exemption

In the UK, HM Revenue and Customs (HMRC) allows a number of exemptions on Capital Gains Tax (CGT). The exemption rules state that currency in Sterling is not an asset for capital gains purposes. This is essentially because Sterling currency is the monetary reference unit by which capital gains are calculated.

Under the CGT legislation, coins can be regarded as currency if they were legal tender at the time of their acquisition or disposal.

Although some foreign gold coins such the Krugerrand



are legal tender in their country of origin, they are non-Sterling or foreign currency, and so are classified as a chargeable asset for UK CGT.









The Sovereign is both legal tender and Sterling currency in the UK and so is exempt from CGT.

The CGT exemption, however, only applies to sovereigns minted in 1837 or after since only these are legal tender. Sovereigns minted prior to Queen Victoria's reign ceased to be legal tender under the Coinage Act of 1891, when the Government of the day issued a proclamation in November 1890, calling in all pre-Victorian gold coins and made all prior monarch sovereigns non-current as of 28th February 1891. Although Victoria sovereigns were only minted from 1838, a small number with 1837 dates are known to exist.

The legal tender nature of sovereigns was again confirmed in the Coinage Act of 1971 where it stated that gold coins of five pound, two pound, sovereign (one pound sterling face value) and half sovereign were to be legal tender for payment of any amount.

Why Own Gold Sovereigns

-  Since it's a relatively small coin, the bullion sovereign is an affordable investment, while its light weight makes it portable and easy to store.
-  Owning sovereigns also offers the benefit of divisibility since individual coins can be traded or gifted. This is not always possible when one owns larger gold products.
-  Since modern sovereigns have been produced for nearly 200 years they have an excellent reputation internationally and can be traded in many countries.
-  Gold sovereign purchases are exempt from value added tax (VAT) across the European Union.
-  Sales of sovereigns are exempt from capital gains tax (CGT) in the UK.
-  The Treasury also check the accuracy of all newly minted Royal Mint coins, including sovereigns, in the annual Trial of the Pyx at Goldsmiths Hall, where each new coin is inspected by a panel of expert assayers.

Investors and savers wishing to take advantage of some of the collectable attributes of the coin should note that many of the older bullion sovereigns are still available to purchase in the secondary market and they trade at or near the prices of the newer coins, i.e. with similar premiums to the spot gold price. In general, premiums over the spot price of gold will move with supply and demand, and larger order sizes will have lower premiums than one off purchases.

Gold sovereigns have protected individuals and families in recent years and throughout history and will do so again in the coming years.

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ABOUT GOLD CORE

GoldCore are respected international bullion dealers who are experts in the execution and logistics of the highly specialised precious metals market. GoldCore have been providing precious metal investment solutions for an International client base since 2003. Today, our team of experts service all investor classes from private individuals to companies and institutional investors. Whether you are a small or large investor looking to take delivery or arrange for secure, trusted insured storage, GoldCore has a solution to suit your needs.

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