

## The Bank's accounts

### Report of the Auditors

To the Governor and Company of the Bank of England

We have examined the accounts of the Banking Department on pages 49–55, which in our opinion give a true and fair view of the state of affairs of the Banking Department at 29th February 1972, and of the profit for the year ended on that date.

We have also examined the statements of account of the Issue Department on page 56, which in our opinion present fairly the outcome of the transactions of the Department for the year ended 29th February 1972, and its balances at that date.

DELOITTE & CO.  
*Chartered Accountants*

London  
21st June 1972

## Banking Department

### Profit and loss account

For the year ended 29th February 1972

		£000	1971
		£000	£000
Operating profit	Note 1	17,739	6,344
Payment to H.M. Treasury under Section 1 (4) of the Bank of England Act 1946	Note 2	5,500	1,746
		12,239	4,598
Taxation	Note 3	5,022	1,912
Profit after taxation		7,217	
Less additional provision for retirement benefits	Note 4	4,900	
Profit transferred to reserves	Note 5	2,317	2,686

The notes on pages 52–55 form part of these accounts.

## Banking Department

### Balance sheet: 29th February 1972

			1971
		£000	£000
<b>Capital</b>		14,553	14,553
<b>Reserves</b>	<i>Note 5</i>	104,383	101,152
<b>Provision for retirement benefits</b>	<i>Note 4</i>	20,135	16,461
<b>Current liabilities</b>			
Public deposits	<i>Note 6</i>	13,428	18,271
Special deposits		—	398,200
Bankers' deposits		197,043	195,343
Other accounts		163,451	113,475
Payable to H.M. Treasury	<i>Note 2</i>	4,500	873
		<u>378,422</u>	<u>873</u>
		<u>517,493</u>	<u>858,328</u>

The notes on pages 52–55 form part of these accounts.

		£000	£000
			1971
		£000	£000
<b>Liquid assets</b>			
Notes and coin	27,105		39,528
Treasury and other bills	Note 7 268,734	295,839	539,671
<b>Investments</b>	Note 8		
Securities of, or guaranteed by, the British Government	150,359		160,879
Other securities	11,486	161,845	12,274
<b>Advances and other accounts, less provisions</b>		27,189	74,370
<b>Premises and equipment</b>	Note 9	32,620	31,606
		<u>517,493</u>	<u>858,328</u>

L. K. O'BRIEN *Governor*

J. Q. HOLLOM *Deputy Governor*

W. J. KESWICK *Director*

P. A. S. TAYLOR *Secretary*

## Notes on the Banking Department accounts

### Accounting policies

(a) **Form of presentation of accounts.** Although the Bank's constitution is not governed by the Companies Acts 1948 and 1967, the accounts have been prepared so as to comply with the requirements of those Acts in so far as they are material and appropriate.

(b) **Investments.** Securities of, or guaranteed by, the British Government and other securities are stated in the balance sheet at cost less provision for losses; quoted securities are valued at mid-market prices, unquoted at Directors' valuation.

Profits and losses on realisation are taken to profit and loss account in the year in which they arise.

(c) **Premises and equipment.** These are stated at cost less accumulated depreciation. Equipment fully depreciated at 29th February 1972 has been eliminated.

Depreciation, on a straight line basis, is charged as follows:

Freehold land	nil
Freehold buildings	1%
Leasehold premises	1% or over the period of the lease whichever is the greater; Printing Works 2%
Equipment (other than computers)	over estimated useful life
Computers	20%

The Directors do not consider that a valuation of the interests in land would be appropriate in the circumstances of the Bank.

(d) **Doubtful debts.** Appropriate provision is made for doubtful debts when they arise.

(e) **Commitments on behalf of H.M. Treasury.** Commitments in foreign currencies and gold, or on a gold basis, undertaken in the name of the Bank for account of H.M. Treasury in the course of operating the Exchange Equalisation Account are not included in these accounts as the Bank are concerned in such transactions only as an agent.

### 1 Operating profit

The operating profit is arrived at after taking account of the following:

	£ thousands	1971 £ thousands
<b>Income</b>		
Interest:		
Treasury and other bills	12,178	11,972
Securities of, or guaranteed by, the British Government	11,698	10,421
Other securities:		
Quoted	486	493
Unquoted	612	658
Charges for services to H.M. Government	12,366	3,651
Rents	350	266
<b>Charges</b>		
Interest paid to depositors	5,137	5,053
Directors' emoluments (see Note 10)	229	216
Auditors' remuneration	10	10
Depreciation of premises and equipment	1,138	1,142

## 2 Payment to H.M. Treasury

	£ thousands		1971 £ thousands
Paid 5th October 1971	1,000	Paid 5th October 1970	873
Payable 5th April 1972	1,500	Paid 5th April 1971	873
Payable 5th October 1972	3,000		
	<u>5,500</u>		<u>1,746</u>

Three payments will have been made for the current year; in future years payments will be made on 5th April and 5th October in respect of the year ended the previous February.

## 3 Taxation

Corporation tax has been charged on the profits of the year at 40%.

## 4 Retirement benefits

The profits of the year have borne the cost of providing pensions to staff in respect of current services. During the year an amount of £1,226,000 for past services has been charged to the provision for retirement benefits (the corresponding amount for the previous year, £1,789,000, was charged against operating profit); and a sum of £4,900,000 has been transferred to the provision from taxed profits to provide a balance of £20,135,000, the full amount estimated to be required, after taking account of anticipated tax relief, to cover unfunded retirement benefits relating to past services.

## 5 Reserves

	£ thousands
Balance at 28th February 1971	101,152
Profit of the year retained	2,317
Net profit on disposal of fixed assets	537
Provision for losses no longer required	235
Investment grants received	142
	<u>104,383</u>

## 6 Public deposits

Public deposits are the balances on government accounts, including Exchequer, National Loans Fund, National Debt Commissioners and dividend accounts.

## 7 Treasury and other bills

	£ thousands	1971 £ thousands
British government Treasury bills	229,747	523,412
Other bills	38,987	16,259
	<u>268,734</u>	<u>539,671</u>

## 8 Investments (at cost less provisions)

£ thousands	Book value	Market value	1971	
			Book value	Market value
Securities of, or guaranteed by, the British Government	150,359	179,437	160,879	171,841
Other securities:				
Quoted	6,236	11,484	7,024	8,467
Unquoted	5,250	5,250	5,250	5,250
	<u>161,845</u>	<u>196,171</u>	<u>173,153</u>	<u>185,558</u>

The principal holdings of equity share capital of other companies included in "Other securities" are as follows:

	Percentage held	Percentage held
Agricultural Mortgage Corporation Ltd. shares of £1	24	24
Commonwealth Development Finance Company Ltd. "B" ordinary shares of £1 (50p paid)	93	93
Commonwealth Development Finance Company Ltd. "A" ordinary shares of £1 (10p paid) (Percentage of total C.D.F.C. Ltd. equity held 41)	nil	nil
Finance Corporation for Industry Ltd. shares of £10 (£1 paid)	30	30
Portals Holdings Ltd. ordinary stock	32	32

All the above companies are incorporated in Great Britain. The Bank as a matter of policy do not seek to influence their commercial or financial decisions.

Also included in "Other securities" is a subsidiary company wholly owned by the Bank –

Securities Management Trust Ltd. 1,000 ordinary shares of £1 at cost	£1,000
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Consolidated accounts have not been prepared, as in the opinion of the Directors the amounts involved are not material.

### 9 Premises and equipment

£ thousands	Freehold premises	Leasehold premises (all over 50 years)	Equipment	Total
Cost at 1st March 1971	14,091	16,678	8,456	39,225
Acquisitions	733	728	742	2,203
Disposals	88	19	1,200	1,307
Cost at 29th February 1972	14,736	17,387	7,998	40,121
Accumulated depreciation	2,146	1,978	3,377	7,501
<b>Net book value</b>	<b>12,590</b>	<b>15,409</b>	<b>4,621</b>	<b>32,620</b>
<b>Net book value</b>	<b>12,011</b>	<b>14,902</b>	<b>4,693</b>	<b>31,606</b>

Contracts for capital expenditure authorised by the Directors and outstanding at 29th February 1972 totalled £2,139,000. Further capital expenditure authorised at that date, but not contracted for, is estimated at £7,366,000.

### 10 Directors' remuneration

The aggregate emoluments of the Governors and Directors were:

	1971	1971
Fees	£11,500	£11,500
Other emoluments including remuneration of Governors and Executive Directors and payments to Directors' Pension Funds	£217,941	£204,857
The emoluments of the Governor were	£30,723	£27,183

Remuneration amounting to £1,167 (£2,333) was waived by the Governor; in addition, two other Directors waived remuneration amounting in aggregate to £1,417 (£2,833).

The number of Directors other than the Governor receiving emoluments in each of the following ranges was:

	1971	1971
Up to £2,500	12	(all at £500) 12
£12,501 to £15,000	—	1
£15,001 to £17,500	3	3
£17,501 to £20,000	1	—
£20,001 to £22,500	1	1

### 11 Employees' remuneration

The number of employees receiving emoluments in each of the following ranges was:

		1971
£10,001 to £12,500	13	5
£12,501 to £15,000	6	6
£15,001 to £17,500	3	—
£17,501 to £20,000	1	1

### 12 Charitable donations

Charitable donations during the year amounted to £68,797; no political contributions were made.

### 13 Contingent liabilities

Outstanding exchange contracts for customers, together with irrevocable credits, amounted to £61,244,000 (£19,915,000): these were covered by compensating contracts for corresponding amounts.

There were further contingent liabilities, mainly on account of uncalled capital on investments, of £19,941,000 (£19,580,000).

## Issue Department

### Account for the year ended 29th February 1972

		£000	1971 £000
Income and profits:			
Securities of, or guaranteed by, the British Government	160,413		147,889
Other securities	17,601	178,014	4,559
Expenses:			
Cost of production of Bank notes	4,759		4,171
Cost of issue, custody and payment of Bank notes	3,372		2,707
Other expenses	167	8,298	230
Payable to H.M. Treasury		169,716	145,340

### Statement of balances: 29th February 1972

	£000	1971 £000		£000	1971 £000
Notes issued:			Government debt	11,015	11,015
In circulation	3,698,477	3,662,154	Other securities of, or guaranteed by, the British Government	3,217,281	3,449,673
In Banking Department	26,523	37,846	Other securities	496,704	239,052
			Coin	—	260
	<u>3,725,000</u>	<u>3,700,000</u>		<u>3,725,000</u>	<u>3,700,000</u>

*Note* The income and profits and value of securities shown above include the effects of the quarterly revaluation of marketable securities in accordance with the requirements of the National Loans Act 1968. The last such valuation was made at 28th February 1972.

L. K. O'BRIEN *Governor*

J. Q. HOLLLOM *Deputy Governor*

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