

## The Bank's accounts

The financial accounts which follow for the year ended 28th February 1974 include comparative figures for the previous period and meet fully the requirements of the Companies Acts 1948 and 1967 in so far as they are material and appropriate. Figures showing the effects of inflation on the operating profit are included in the notes to the accounts.

The Bank's operating profit for 1973/74 of £24.7 million was £4.9 million larger than in the previous year. Increased income as a result of higher interest rates was offset to some extent by realised losses arising from changes in the Bank's portfolio of British government stocks. After a reduced payment in lieu of dividend of £6.0 million and an increased tax charge of £9.9 million, the surplus remaining amounted to £8.8 million.

From this surplus an additional provision for retirement benefits of £5.9 million has been made. This arises mainly in connection with the introduction of the new pension scheme (mentioned on page 28). Retained profits (after dividend, tax, and the additional provision for pension benefits) of £2.9 million have been transferred to reserves.

An amount of £11.1 million has been transferred from reserves to provisions for losses mainly in respect of the fall in market value of the Bank's holdings of securities of, or guaranteed by, the British Government. After this transfer, total capital and reserves in the balance sheet are shown to have declined during the year by £7.4 million to £114.7 million.

Note 9 to the accounts shows that capital expenditure during the year amounted to £7.0 million. This was mainly in respect of computers (referred to on page 29), note printing machinery for the Printing Works, and some expenditure on premises. The Bank, in line with other public sector bodies, have reduced their capital expenditure programme for 1974/75.

## 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 33 to 39, which in our opinion give a true and fair view of the state of affairs of the Banking Department at 28th February 1974 and of the profit for the year ended on that date.

We have also examined the statements of account of the Issuing Department on page 40, which in our opinion present fairly the outcome of the transactions of the Department for the year ended 28th February 1974 and its balances at that date.

DELOITTE & CO.  
*Chartered Accountants*

London  
5th July 1974

## Banking Department

### Profit and loss account

For the year ended 28th February 1974

		1973	
		£000	£000
Operating profit	<i>Note 1</i>	24,747	19,847
Payment to HM Treasury under Section 1 (4) of the Bank of England Act 1946	<i>Note 2</i>	<u>6,000</u>	<u>7,000</u>
		18,747	12,847
Taxation	<i>Note 3</i>	<u>9,947</u>	<u>4,967</u>
Profit after taxation		8,800	7,880
Less additional provision for retirement benefits	<i>Note 4</i>	<u>5,855</u>	<u>4,810</u>
Profit transferred to reserves	<i>Note 5</i>	<u>2,945</u>	<u>3,070</u>

The notes on pages 36 to 39 form part of these accounts.



## Banking Department

### Balance sheet: 28th February 1974

			£000	1973
				£000
<b>Capital</b>		14,553		14,553
<b>Reserves</b>	<i>Note 5</i>	<u>100,137</u>	114,690	107,552
<b>Provision for retirement benefits</b>	<i>Note 4</i>		24,138	23,561
<b>Current liabilities</b>				
Public deposits	<i>Note 6</i>	81,681		59,661
Special deposits		1,367,765		714,200
Bankers' deposits		249,895		176,581
Other accounts		170,941		131,471
Payable to HM Treasury	<i>Note 2</i>	<u>6,000</u>	<u>1,876,282</u>	<u>7,000</u>
			<u>2,015,110</u>	<u>1,234,594</u>

The notes on pages 36 to 39 form part of these accounts.

		1973		1973
		£000		£000
<b>Liquid assets</b>				
Notes and coin	26,845			13,687
Cheques in course of collection	66,004			43,094
Treasury and other bills	<i>Note 7</i> <u>1,520,228</u>	1,613,077		946,728
<b>Investments</b> <i>Note 8</i>				
Securities of, or guaranteed by, the British Government	124,995			149,446
Local authority bonds	57,180			—
Other securities	<u>26,952</u>	209,127		11,796
Advances and other accounts, less provisions		154,972		36,739
Premises and equipment	<i>Note 9</i> <u>37,934</u>			<u>33,104</u>
		<u>2,015,110</u>		<u>1,234,594</u>

GORDON RICHARDSON *Governor*

J. Q. HOLLOM *Deputy Governor*

NELSON OF STAFFORD *Director*

P. A. S. TAYLOR *Secretary*



**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.

For the year ended 28th February 1974 provision for unrealised losses on investments has been made by transfer from reserves (see *Note 5*).

**c Premises and equipment**

These are stated at cost less accumulated depreciation. Equipment fully depreciated at 28th February 1974 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.

**e Commitments on behalf of HM Treasury**

Commitments in foreign currencies and gold, or on a gold basis, undertaken in the name of the Bank for account of HM 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.

**f Deferred tax**

Deferred tax calculated under the deferral method has been accounted for on material timing differences.

**1 Operating profit**

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

	£ thousands	1973 £ thousands
<b>Income</b>		
Interest:		
Treasury and other bills	26,434	16,552
Securities of, or guaranteed by, the British Government	13,275	12,732
Local authority bonds	3,412	—
Other securities:		
Quoted	498	483
Unquoted	619	768
Charges for services to HM Government	15,865	13,651
Rents	490	615
<b>Charges</b>		
Interest paid to depositors	12,382	6,977
Directors' emoluments (see <i>Note 10</i> )	262	227
Auditors' remuneration	12	10
Depreciation of premises and equipment (see <i>Note 9</i> )	2,031	1,084

## 2 Payment to HM Treasury

	£ thousands		1973 £ thousands
Payable 5th April 1974	3,000	Paid 5th April 1973	3,000
Payable 4th October 1974	3,000	Paid 5th October 1973	4,000
	<u>6,000</u>		<u>7,000</u>

## 3 Taxation

The charge for taxation, which is based on the profits of the year, comprises:

	£ thousands	1973 £ thousands
UK corporation tax (at 40% for one month and at 52% for eleven months)	6,916	4,967
Deferred tax	3,031	—
	<u>9,947</u>	<u>4,967</u>

## 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 £5,284,038 for past services has been charged to the provision for retirement benefits and £5,855,000 has been transferred to the provision from taxed profits to provide a balance of £24,137,962, 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 1st March 1973	107,552
Profit of the year retained	2,945
Net profit on disposal of fixed assets	732
	<u>111,229</u>
less provision for losses	11,092
	<u>100,137</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	1973 £ thousands
British government Treasury bills	1,492,527	857,225
Other bills	27,701	89,503
	<u>1,520,228</u>	<u>946,728</u>

## 8 Investments (at cost less provisions)

£ thousands				1973
	Book value	Market value	Book value	Market value
Securities of, or guaranteed by, the British Government	124,995	131,582	149,446	157,350
Local authority bonds	57,180	57,845	—	—
Other securities:				
Quoted	6,044	6,370	6,721	9,749
		Directors' valuation		Directors' valuation
Unquoted	20,908	20,908	5,075	5,075
	<u>209,127</u>	<u>216,705</u>	<u>161,242</u>	<u>172,174</u>



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

	Percentage held	1973 Percentage held
Agricultural Mortgage Corporation Ltd shares of £1	27	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 (£1.50 paid)	nil	30
Finance for Industry Ltd shares of £1	15	nil
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.

b In addition, on 26th February 1974 the Bank acquired for a nominal consideration 50% of the equity share capital of:

London and County Securities Ltd  
Overseas Financial Trust (Holdings) Ltd

c 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

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 1973	13,976	16,713	10,279	40,968
Acquisitions	265	698	6,007	6,970
Disposals	58	67	845	970
Cost at 28th February 1974	14,183	17,344	15,441	46,968
Accumulated depreciation	2,337	2,394	4,303	9,034
Net book value	11,846	14,950	11,138	37,934
Net book value 1973	11,707	14,509	6,888	33,104

During the year certain plant previously included in 'freehold premises' and 'leasehold premises' has been reclassified as 'equipment'; the appropriate adjustments have been made to the opening balances. Accumulated depreciation has been adjusted accordingly, the resultant increase in the depreciation provision of £967,000 being charged to the profit and loss account.

Contracts for capital expenditure authorised by the Directors and outstanding at 28th February 1974 totalled £3,681,000. Further capital expenditure authorised at that date, but not contracted for, is estimated at £1,019,000.

## 10 Directors' remuneration

The aggregate emoluments of the Governors and Directors were:

Fees	£11,250	£11,500
Other emoluments including remuneration of Governors and Executive Directors and payments to Directors' Pension Funds	£250,515	£215,440
The emoluments of the Governor were:		£32,480
Lord O'Brien	£10,901	
Mr Gordon Richardson	£21,333	



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

			1973
Up to £2,500	12	(all at £500)	12
£10,001 to £12,500	—		1
£15,001 to £17,500	3		3
£17,501 to £20,000	1		—
£20,001 to £22,500	—		1
£22,501 to £25,000	1		—

#### 11 Employees' remuneration

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

		1973
£10,001 to £12,500	29	20
£12,501 to £15,000	9	6
£15,001 to £17,500	4	3
£17,501 to £20,000	1	1
£20,001 to £22,500	1	1

#### 12 Charitable donations

Charitable donations during the year amounted to £63,300 (£63,276); no political contributions were made.

#### 13 Contingent liabilities

Outstanding exchange contracts for customers, together with irrevocable credits, amounted to £25,713,000 (£8,821,000): these were covered by compensating contracts for corresponding amounts.

There were further contingent liabilities, including uncalled capital on investments, of £31,801,000 (£21,468,000).

#### 14 Accounting for inflation

The Bank have prepared inflation adjusted accounts on the basis generally recommended by the provisional standard issued by the Accounting Standards Steering Committee. These show an operating profit of £15.3 million (£13.5 million) compared with £24.7 million (£19.8 million) in the conventional accounts. This decrease arises principally from the reduction in purchasing power of the Bank's net holding of monetary assets.

## Issue Department

### Account for the year ended 28th February 1974

		1973
	£000	£000
Income and profits:		
Securities of, or guaranteed by, the British Government	314,666	179,662
Other securities	<u>67,689</u>	<u>34,113</u>
	382,355	
Expenses:		
Cost of production of Bank notes	7,265	6,059
Cost of issue, custody and payment of Bank notes	3,789	3,336
Other expenses	<u>172</u>	<u>131</u>
	11,226	
Payable to HM Treasury	<u>371,129</u>	<u>204,249</u>

### Statement of balances: 28th February 1974

		1973		1973
	£000	£000	£000	£000
Notes issued:			Government debt	11,015
In circulation	4,573,444	4,186,586	Other securities of, or guaranteed by, the British Government	3,512,587
In Banking Department	26,556	13,414	Other securities	<u>1,076,398</u>
	<u>4,600,000</u>	<u>4,200,000</u>		<u>4,600,000</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 27th February 1974.

GORDON RICHARDSON *Governor*

J. Q. HOLLOM *Deputy Governor*

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