

The Bank's accounts

The *Banking Department* accounts for the year ended 29 February 1988 show an operating profit, before exceptional items, of £66.5 million, compared with £76.2 million in 1986/87.

After a payment in lieu of dividend of £26.1 million (compared with £30.0 million) and a tax charge of £14.3 million, the profit transferred to reserves amounts to £26.1 million, compared with £34.2 million last year.

The current cost profit before tax and dividend was £58.6 million (some £7.9 million less than in the

historical cost accounts). After tax and dividend payments the current cost profit was £18.2 million.

The *Issue Department* accounts are shown on page 25. In accordance with the Currency and Bank Notes Act 1928, the assets of the Issue Department comprise securities of an amount in value sufficient to cover the fiduciary note issue. The profits of the note issue are payable to the Treasury and amounted to £1,390.8 million compared with £1,362.9 million in 1986/87.

Report of the Auditors

To the Governor and Company of the Bank of England

We have audited the accounts of the Banking Department on pages 11 to 24, and the statements of account of the Issue Department on page 25, in accordance with approved Auditing Standards.

In our opinion

- 1 The accounts on pages 11 to 22 give a true and fair view of the state of affairs of the Banking Department at 29 February 1988 and of the profit and source and application of funds for the year then ended.
- 2 The statements of account on page 25 present fairly the outcome of the transactions of the
- 3 The abridged supplementary current cost accounts of the Banking Department on pages 23 and 24 have been properly prepared in accordance with the policies and methods described in notes 1 to 3.

Issue Department for the year ended 29 February 1988 and its balances at that date.

DELOITTE HASKINS & SELLS

Chartered Accountants

London

12 May 1988

Banking Department

Profit and loss account for the year ended 29 February 1988

1987 £000			1988 £000
76,202	Operating profit before exceptional item	(Note 2)	66,472
	Exceptional item:		
6,276	Movement in provision for payment under indemnity		—
<u>82,478</u>			<u>66,472</u>
	Payment to the Treasury under Section 1(4) of the Bank of England Act 1946	(Note 4)	
30,000			26,121
<u>52,478</u>	Profit before taxation		<u>40,351</u>
18,321	Taxation	(Note 5)	14,230
<u>34,157</u>	Profit transferred to reserves	(Note 7)	<u>26,121</u>

The notes on pages 14 to 21 form part of these accounts.

Banking Department

Balance sheet: 29 February 1988

1987 £000			1988 £000	1988 £000
14,553	Capital	(Note 6)	14,553	
581,611	Reserves	(Note 7)	607,732	
<u>596,164</u>				622,285
	Current liabilities			
1,923,560	Public deposits	(Note 8)	359,839	
954,061	Bankers' deposits	(Note 9)	1,176,546	
1,063,387	Other deposits		1,358,978	
48,453	Taxation and other creditors		43,783	
30,000	Payable to the Treasury	(Note 4)	26,121	
<u>4,019,461</u>				2,965,267
<u>4,615,625</u>				<u>3,587,552</u>

The notes on pages 14 to 21 form part of these accounts.

Banking Department

1987 £000			1988 £000	£000
	Liquid assets			
4,242	Notes and coin		8,909	
173,664	Cheques in course of collection		319,878	
2,393,458	Treasury and other bills	(Note 10)	1,416,896	
<u>2,571,364</u>				1,745,683
	Investments	(Note 11)		458,422
692,849	Advances to customers, less provisions			281,608
505,679	Other accounts receivable			681,219
100,123	Subsidiary companies	(Note 12)		62,056
343,504	Premises and equipment	(Note 13)		358,564
<u>4,615,625</u>				<u>3,587,552</u>

R LEIGH-PEMBERTON *Governor*

GEORGE BLUNDEN *Deputy Governor*

ADRIAN CADBURY *Director*

H C E HARRIS *Associate Director*

Notes on the Banking Department accounts

1 Accounting policies

a Form of presentation of accounts

Although the Bank's constitution is not governed by the Companies Act 1985, the accounts have been prepared so as to comply with the requirements of that Act and the Statements of Standard Accounting Practice issued by the accountancy bodies in so far as they are appropriate.

The accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain fixed assets and in accordance with Sections 257 to 260 of, and Schedule 9 to, the Companies Act 1985.

b Treasury, Local Authority and other bills

Treasury, Local Authority and other bills are stated at cost plus accrued interest.

c Investments

Securities of, or guaranteed by, the British Government, and Other securities are stated in the balance sheet at cost less provisions.

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

d Premises and equipment

Freehold and leasehold premises are stated at a professional valuation on an open-market value for existing use basis as at 28 February 1987 plus the cost of subsequent additions and less depreciation. No account is taken of the liability to taxation which could arise if the premises were disposed of at their revalued amounts.

Equipment is stated at cost less accumulated depreciation. Fully depreciated items have been written out of the accounts. With effect from 1st March 1987 the lives of all premises have been reassessed and freehold land is no longer depreciated. Depreciation, on a straight line basis, is now charged as follows:

Freehold buildings	over the estimated future life
Leasehold premises	over the period of lease or estimated future life
Computers	over periods ranging from three to five years
Other equipment	over periods ranging from three to twenty years

e Bad and doubtful debts

Appropriate provision is made for bad and doubtful debts.

f Foreign currency translation

Assets and corresponding liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

g Commitments on behalf of the Treasury

Commitments in foreign currencies and gold, or on a gold basis, undertaken in the name of the Bank for account of the Treasury, principally in the course of operating the Exchange Equalisation Account, are not included in these accounts as the Bank is concerned in such transactions only as agent.

h Deferred tax

Deferred tax is provided on the liability method in respect of all material timing differences except where it is expected that the relevant timing difference will not reverse in the foreseeable future.

j Retirement benefits

The profit of the year bears the cost of providing pensions in respect of current service. Any unfunded liability in respect of past service disclosed by an actuarial valuation is met either by a special contribution to, or by an increase in the current contribution rate of, the relevant pension fund.

The Bank operates Pension Schemes providing benefits based on final pay for employees of the Bank and its subsidiary BE Services Ltd. The assets of the schemes are held in Trustee-administered funds. The pension cost in respect of the main scheme, the Bank of England Pension Fund, is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment was at 28 February 1987 and at that date the assets of the Fund were sufficient to cover the benefits, allowing for future increases in earnings, which had accrued to members. The contribution rate to the Fund will, therefore, continue unchanged. A full actuarial valuation is obtained annually in respect of the Court Pension Scheme.

There is no unfunded liability in respect of past service that is not covered by the current contribution rates.

2 Operating profit

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

1987 £ thousands		1988 £ thousands
	Income	
	Interest:	
186,465	Treasury and other bills	119,724
48,067	Securities of, or guaranteed by, the British Government	48,499
22,843	Advances	27,424
	Interest and dividends:	
1,912	Listed securities	2,095
5,389	Unlisted securities	5,566
2,036	Profit on sale of investments	13,009
50,080	Charges for services to the Government	50,360
2,798	Rents	2,825
	Charges	
123,160	Interest paid to depositors	58,373
627	Directors' emoluments (Note 3)	774
85	Auditors' remuneration	107
49	Hire of computers and other equipment	74
9,631	Depreciation of premises and equipment	12,191
44	Loss on disposal of fixed assets	158

The effect of the changes referred to in Note 1d has been to reduce the depreciation charge for the year by £975,000.

3 Directors' and employees' emoluments

The aggregate emoluments of the Governors and Directors for the year ended 29 February were:

1987		1988
£11,392	Fees	£19,000
	Other emoluments, including remuneration of Governors and Executive Directors and contributions to Court Pension Scheme	
£615,763		£754,803

The Governor's emoluments, excluding pension contributions, totalled £122,348 (1987 £99,550).

In the year ended 29 February 1988 no Director's emoluments exceeded those of the Governor. In the year ended 28 February 1987 the emoluments of the highest paid Director, for whom the Bank made no pension contributions, totalled £106,307.

The following table shows for the year ended 29 February the number of other Directors and of employees of the Bank receiving remuneration in excess of £30,000 (excluding pension contributions), within the bands stated.

1987			1988	
Directors	Employees		Directors	Employees
12		£ 0-£ 5,000	11	
—		£ 5,001-£ 10,000	1	
—	122	£ 30,001-£ 35,000	—	165
—	58	£ 35,001-£ 40,000	—	76
—	28	£ 40,001-£ 45,000	—	53
—	27	£ 45,001-£ 50,000	—	24
—	17	£ 50,001-£ 55,000	—	18
—	7	£ 55,001-£ 60,000	—	12
—	2	£ 60,001-£ 65,000	—	12
3	3	£ 65,001-£ 70,000	—	3
—	—	£ 70,001-£ 75,000	—	2
1	—	£ 75,001-£ 80,000	—	1
—	—	£ 80,001-£ 85,000	4	—
—	—	£120,001-£125,000	1	—

The emoluments of a Director in respect of his services on the Board of Banking Supervision are incorporated in the above. The Bank made no pension contribution in respect of the Director whose emoluments were within the range £120,001-£125,000.

The aggregate remuneration of the employees of the Bank including those at the Printing Works was £80.5 million (1987 £72.5 million). Costs of £10.9 million have been charged in these accounts in respect of staff severance schemes. The pension cost charged in the accounts of the Banking Department was £12,744,000 (1987 £10,995,000). Pension costs of £3,592,000 (1987 £3,390,000) in respect of Bank of England employees at the Printing Works have been charged in the accounts of the Issue Department.

4 Payment to the Treasury

1987		1988
£ thousands		£ thousands
14,650	Payable 5 April	12,550
15,350	Payable 5 October	13,571
30,000		26,121

5 Taxation

The charge for taxation comprises:

1987 £ thousands		1988 £ thousands
14,721	UK corporation tax at a rate of 35% (1987 35.416%) based on the profits of the year	15,404
517	Tax on franked investment income	549
(534)	Prior year adjustment	(653)
3,617	Deferred tax	(1,070)
<u>18,321</u>		<u>14,230</u>

The deferred tax liability of £9,209,000 is comprised as follows:

1987 £ thousands		1988 £ thousands
376	Short-term timing differences	(17)
10,000	Accelerated capital allowances	9,226
<u>10,376</u>		<u>9,209</u>

Tax of £3,400,000 (1987 £2,600,000) has not been provided in respect of further accelerated capital allowances as the provision at 29 February 1988 is considered adequate.

The potential liability for deferred taxation in respect of capital gains on unrealised revaluation surpluses less deficits, which is not provided in the accounts, is £42,600,000. If the provisions contained in the Finance Bill 1988 are enacted the potential liability would be reduced to £5,000,000.

6 Capital

The entire capital comprising £14,553,000 of Bank Stock is held by the Treasury Solicitor on behalf of Her Majesty's Treasury.

7 Reserves

	General reserve	Revaluation surplus	Total £ thousands
Balance at 1 March 1987	320,174	261,437	581,611
Retained profit for the year	26,121	—	26,121
Balance at 29 February 1988	<u>346,295</u>	<u>261,437</u>	<u>607,732</u>

8 Public deposits

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

9 Bankers' deposits

1987 £ thousands		1988 £ thousands
740,281	Cash ratio deposits	913,344
213,780	Other deposits	263,202
<u>954,061</u>		<u>1,176,546</u>

10 Treasury, Local Authority and other bills

1987		1988
£ thousands		£ thousands
94,115	British Government Treasury bills	256,577
36,337	Local Authority bills	90,309
2,263,006	Other bills	1,070,010
<u>2,393,458</u>		<u>1,416,896</u>

11 Investments

1987			1988	
£ thousands			£ thousands	
Book value	Valuation		Book value	Valuation
379,593	473,677	Securities of, or guaranteed by, the British Government	435,964	527,901
7,487	53,617	Other securities:	7,487	49,640
15,026	54,026	Listed in Great Britain	14,971	57,291
		Unlisted		
<u>402,106</u>	<u>581,320</u>		<u>458,422</u>	<u>634,832</u>

Valuation represents middle-market values except for unlisted investments which are at Directors' valuation.

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

1987		1988
Percentage held		Percentage held
	Over 20%	
27	Agricultural Mortgage Corporation p.l.c. shares of £1	27
	Share capital and reserves as at 31 March 1987	
	£39,876,000	
	Profit for the year ended 31 March 1987	
	£5,175,000	
28	Portals Holdings p.l.c. ordinary stock	27
	Share capital and reserves as at	
	31 December 1987 £100,605,000	
	Profit for the year ended 31 December 1987	
	£9,571,000	

As a matter of policy, the Bank does not seek to influence the above companies' commercial or financial decisions.

Both the above companies are incorporated in Great Britain.

	Under 20%	
15	Investors in Industry p.l.c. shares of £1 (Incorporated in Great Britain)	15
10	Bank for International Settlements shares of 2,500 Swiss gold francs (25% paid) (Incorporated in Switzerland)	10

12 Subsidiary companies

This comprises:

1987		1988
£ thousands		£ thousands
92,082	Investments in subsidiary companies	54,582
8,041	Amounts owing by subsidiary companies	7,474
<u>100,123</u>		<u>62,056</u>

(a) Minorities Finance Ltd

At 28 February 1987, the Bank's holding of the entire issued share capital of Minorities Finance Ltd (MFL), which is registered in England, comprised 50 million £1 ordinary

shares and 25 million redeemable £1 shares. With the permission of the High Court a capital reduction was effected on 15 June 1987 whereby the whole £25 million redeemable share capital and £12.5 million of the ordinary shares was repaid to the Bank. As a condition of this capital reduction the Bank has given an indemnity whereby any future deficit in shareholders' funds will be made good by the Bank up to a maximum of £37.5 million.

MFL has continued its principal activity which is the realisation of its assets; it sold its remaining trading subsidiary on 31 March 1987. The company's assets are now principally loans and advances awaiting recovery, and income generating monetary assets.

MFL's Accounts for the year ended 30 June 1987 state 'the company is currently, or may become party to, claims against or by third parties which may involve substantial amounts'. The directors report that 'having consulted the company's legal advisers, the directors consider that the claims against it are without merit'. The position in relation to these claims is unchanged.

Third party proceedings, involving claims in substantial amounts, have been instituted against the Bank in connection with the affairs of MFL. In the opinion of the Directors, based on legal advice, the Bank has a good defence against these claims. Accordingly no provision has been made.

The accounts of MFL have not been consolidated with those of the Banking Department because, in the opinion of the Directors, it would be misleading to include its assets and liabilities with those of the Banking Department in view of the circumstances of the acquisition of the company by the Bank and the company's realisation policy.

Profit for the year to 30 June 1987 £8,669,000.

Accumulated reserves at 30 June 1987 £8,746,000.

(b) Other subsidiaries

Investments in subsidiary companies, all of which are wholly-owned and registered in England, are stated in the Bank's balance sheet at cost (which is not in excess of the net tangible assets of the subsidiaries) and include:

BE Services Ltd	5,000 shares of £1
EBS Investments Ltd	100 shares of £1
The Securities Management Trust Ltd	1,000 ordinary shares of £1
Slater, Walker Ltd	100,000 ordinary shares of £1
	10,000,000 deferred shares of £1
Debden Security Printing Ltd	100,000 ordinary shares of £1

The accounts of EBS Investments Ltd and Slater, Walker Ltd have not been consolidated with those of the Bank because, in the opinion of the Directors, it would be misleading to consolidate their assets and liabilities with those of the Banking Department in view of the circumstances of the acquisition of these companies by the Bank through involvement in the support operations. The accounts of BE Services Ltd, The Securities Management Trust Ltd and Debden Security Printing Ltd have not been consolidated with those of the Bank as the amounts are considered to be not material.

The net aggregate profits of these subsidiary companies attributable to the Bank, which have not been dealt with in the accounts of the Banking Department, and which are stated by reference to audited accounts are as follows:

1987		1988
£ thousands		£ thousands
2,768	For the year ended 29 February 1988	6,126
23,331	Since acquisition	29,457

Included within Current liabilities is a total of £1,670,000 (1987 £3,001,000) due, in the normal course of business, to subsidiary companies.

13 Premises and equipment

£ thousands

		Leasehold premises			
	Freehold premises	(50 years and over unexpired)	(under 50 years unexpired)	Equipment	Total
Cost or valuation					
At 1 March 1987	187,725	125,100	55	45,779	358,659
Additions	5,344	6,596	—	15,708	27,648
Disposals	—	—	—	(1,675)	(1,675)
Adjustment in respect of fully depreciated assets	—	—	—	(2,987)	(2,987)
At 29 February 1988	193,069	131,696	55	56,825	381,645
Accumulated depreciation					
At 1 March 1987	—	—	—	15,155	15,155
Charge for the year	2,011	2,876	28	7,276	12,191
On disposals	—	—	—	(1,278)	(1,278)
Adjustment in respect of fully depreciated assets	—	—	—	(2,987)	(2,987)
At 29 February 1988	2,011	2,876	28	18,166	23,081
Net book value at 29 February 1988	191,058	128,820	27	38,659	358,564
Net book value at 28 February 1987	187,725	125,100	55	30,624	343,504
Cost or valuation at 29 February 1988 comprised:					
At 1987 valuation	187,725	125,100	55	—	312,880
At cost	5,344	6,596	—	56,825	68,765
	193,069	131,696	55	56,825	381,645

Contracts for capital expenditure authorised by the Directors and outstanding at 29 February 1988 totalled £19,126,000 (1987 £27,167,000). Further capital expenditure authorised at that date, but not contracted for, is estimated at £7 million (1987 £6 million).

14 Transactions with Directors and Officers

The following particulars are given relating to loans by the Bank of England with Directors and Officers of the Bank and persons connected with them:

	Number	Total amount £ thousands
Directors	4	135
Officers	20	900

There were no quasi loans or other credit transactions that would be required to be shown under the Companies Act 1985. None of the Directors or Officers had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with the Bank or any of its subsidiaries.

The above information concerning Officers is presented only in respect of those employees of the Bank who would be considered as managers within the meaning of the Banking Act 1987.

15 Charitable donations

Charitable donations during the year amounted to £162,000; no political contributions were made.

16 Contingent liabilities

Contingent liabilities, offset by corresponding obligations of third parties, arise in the normal course of business. In addition there are forward contracts for the purchase and sale of foreign currencies. It is not envisaged that any irrecoverable liability will arise from these transactions.

Since 1930 there has also been a contingent liability, denominated in Swiss gold francs, in respect of uncalled capital on the Bank's investment in the Bank for International Settlements. The sterling equivalent of this liability based on the gold market price at the balance sheet date was £201 million (1987 £220 million). There are further contingent liabilities, excluding the matters referred to in Note 12, of £19 million (1987 £15 million).

17 Date of approval

The Court of Directors approved the accounts on pages 11 to 24 on 12 May 1988.

Banking Department

Statement of source and application of funds for the year ended 29 February 1988

1987 £000		1988 £000
	Source of funds	
76,202	Operating profit before exceptional items	66,472
	Adjustment for items not involving the movement of funds:	
9,675	Depreciation, including losses on disposal of fixed assets	12,349
(6,878)	Other	4,800
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78,999	Funds generated by operations	83,621
	Funds from other sources:	
8	Repayment of taxation	—
2,177	Disposal of premises and equipment	239
25,000	Repayment from subsidiary	37,500
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106,184		121,360
	Application of funds	
15,437	Payment of taxation	12,292
4,935	Payment under indemnity	—
39,400	Payment to the Treasury	30,000
2,544	Purchase of investments	56,316
22,248	Purchase of premises and equipment	27,648
21,620	Increase/(decrease) in working capital (see below)	(4,896)
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106,184		121,360
	Analysis of increase/(decrease) in working capital	
(2,403,824)	Liquid assets	(825,681)
480,293	Advances and other accounts	(235,701)
43	Advances to subsidiary companies	(567)
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(1,923,488)		(1,061,949)
	Less:	
1,945,108	Current liabilities, excluding taxation and payment to the Treasury	1,057,053
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21,620		(4,896)

Banking Department

Current cost profit and loss account for the year ended 29 February 1988

1987 £ millions			1988 £ millions
82.5	Operating profit as in historical cost accounts		66.5
	Current cost adjustments:		
3.3	Additional depreciation charge	(Note 2)	1.9
(0.3)	Fixed asset disposal		0.3
5.2	Monetary working capital	(Note 3)	5.7
			7.9
74.3	Current cost operating profit		58.6
30.0	Payment to the Treasury under Section 1(4) of the Bank of England Act 1946		26.1
44.3	Current cost profit before taxation		32.5
18.3	Taxation		14.3
26.0	Current cost profit for the year		18.2

Current cost balance sheet: 29 February 1988

1987 £ millions			1988 £ millions
14.6	Capital		14.6
667.6	Reserves	(Note 4)	766.0
682.2			780.6
4,019.4	Current liabilities		2,965.2
4,701.6			3,745.8
2,571.4	Liquid assets		1,745.7
487.3	Investments		542.9
1,198.5	Advances and other accounts receivable		962.8
100.1	Subsidiary companies		62.1
344.3	Premises and equipment	(Note 5)	432.3
4,701.6			3,745.8

The notes on page 24 form part of these accounts.

Notes on the current cost accounts

1 Basis

The current cost information has been prepared on the basis of current cost asset valuations and the operating capital maintenance concept. The current cost information should be read in conjunction with the notes to the historical cost accounts.

2 Accounting policies

(a) Except as indicated below, the accounting policies adopted have been the same as those described in note 1 on pages 14 and 15.

(b) Assets and liabilities are included in the current cost balance sheet on the following bases:

Premises—The figures relating to property interests reflect a professional valuation of Bank freehold and leasehold premises, as at 28 February 1987, on an open-market value for existing use basis, with revisions of value as at 29 February 1988, and having regard to appropriate professional advice.

Equipment—The majority of the figures for equipment were calculated by using *Price Index Numbers for Current Cost Accounting* produced by the Central Statistical Office.

Figures for the remainder (mainly computer assets) were calculated with reference to suppliers' current price lists.

Investments—British Government stocks are stated at cost less provision; other securities are at market or Directors' valuation.

Other assets and liabilities—These are stated at the amounts shown in the historical cost accounts.

(c) Additional depreciation has been charged on premises and equipment in respect of the difference between the depreciation based on the current replacement cost and the depreciation charge in the historical cost accounts.

3 Monetary working capital adjustment

The adjustment has been calculated by applying the change in the UK retail price index during the year to the average of the opening and closing totals of net monetary assets. British Government stocks have been treated as monetary items and included at book value in this calculation.

4 Reserves

	1988 £ millions
Balance at 1 March 1987	667.6
Surplus on revaluation of premises, equipment and investments	74.5
Monetary working capital adjustment	5.7
Current cost profit for the year	18.2
Balance at 29 February 1988	766.0
Reserves comprise:	
Current cost reserve	252.8
Revenue reserve	251.8
Revaluation reserve	261.4
	766.0

5 Premises and equipment

1987 £ millions		1988 £ millions	
Net		Gross	Net
312.9	Premises	389.9	389.9
31.4	Equipment	84.2	42.4
344.3		474.1	432.3

Issue Department

Account for the year ended 29 February 1988

1987 £000		1988 £000	1988 £000
Income and profits:			
371,576	Securities of, or guaranteed by, the British Government	697,380	
1,039,747	Other securities	743,610	
18	Other receipts	4	1,440,994
Expenses:			
30,685	Cost of production of Bank notes	33,732	
14,623	Cost of issue, custody and payment of Bank notes	14,188	
3,162	Other expenses	2,314	50,234
1,362,871	Payable to the Treasury		1,390,760

Statement of balances: 29 February 1988

1987 £000	1988 £000	1987 £000	1988 £000
Notes issued:		11,015	Government debt
12,846,075	In circulation	13,301,466	Other securities of, or
3,925	In Banking Department	8,534	guaranteed by, the British
		1,252,867	Government
		11,586,118	Other securities
12,850,000		12,850,000	

Notes:

- 1 The income and profits, and value of securities, 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 26 February 1988.
- 2 The Court of Directors approved the above statements of account on 12 May 1988.

R LEIGH-PEMBERTON *Governor*

GEORGE BLUNDEN *Deputy Governor*

ADRIAN CADBURY *Director*

H C E HARRIS *Associate Director*

Report for the year

The Bank's operations and activities are reported on in the *Quarterly Bulletin* and in the Bank's Annual Report under the Banking Act. The *Quarterly Bulletin* regularly contains reports on the Operation of Monetary Policy and International Financial Developments. In addition the *Quarterly Bulletin* contains more detailed articles on the Bank's operations and research. Some of these articles published in the past year are listed below.

Major policy assessments are conveyed in the *Quarterly Bulletin* or in the published speeches of the Governors and Senior Officials.

The *Quarterly Bulletin* may be obtained from the Bulletin Group on payment of the appropriate fee (Tel 01-601 4030). Published speeches and the Report under the Banking Act are available from the Information Division (Tel 01-601 4878).

The report which follows covers activities of the Bank not otherwise reported on on a regular basis.

Some *Quarterly Bulletin* articles published in the past year:

May 1987

Measures of broad money

The financial behaviour of the UK personal sector, 1976-85

Developments in international banking and capital markets in 1986

Management of UK equity portfolios

August 1987

The instruments of monetary policy (The Governor's Mais Lecture)

The terms of trade

Company profitability and finance

November 1987

Japanese banks in London

The sterling commercial paper market

External balance sheet of the United Kingdom

Distribution of the national debt: end-March 1987

February 1988

The equity market crash

The financial behaviour of industrial and commercial companies

The corporate and bulldog sectors of the sterling bond market

The note issue

The note issue was £13,301 million at the end of February 1988, £455 million (3.54%) larger than a year earlier. A new seasonal peak of £15,278 million was reached in the period immediately before Christmas.

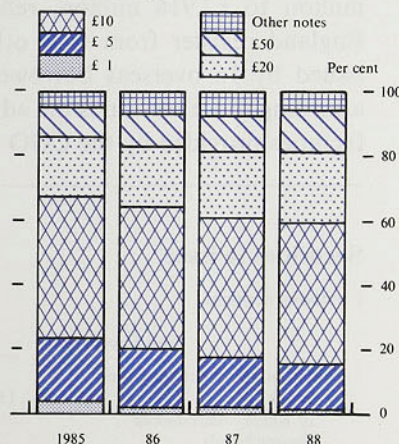
Value of notes in circulation

£ millions	End February	1985	1986	1987	1988
£1 ^(a)		528	142	117	108
£5		2,426	2,225	2,029	1,896
£10		5,232	5,459	5,633	5,810
£20		2,137	2,310	2,608	2,932
£50		1,089	1,233	1,475	1,755
Other notes ^(b)		618	941	984	800
Total		12,030	12,310	12,846	13,301

(a) In December 1987 the Bank announced that after 11 March 1988, Series D Bank of England £1 notes would cease to be legal tender.

(b) Includes higher value notes used internally in the Bank, eg as cover for the note issues of banks of issue in Scotland and Northern Ireland in excess of their permitted fiduciary issues.

Value of notes in circulation, by denomination, as a percentage of the note issue



Number of new notes issued each year, by denomination

Millions	End-February	1985	1986	1987	1988
£1		678	—	—	—
£5		515	522	457	449
£10		456	526	469	515
£20		86	122	78	113
£50		10	17	18	21
Total		1,745	1,187	1,022	1,098

The figures above reflect the increasing popularity of the £10 note for issue through cash dispensers and automated teller machines. There has also been a welcome move by a number of banks and building societies to dispense £20 notes through these outlets.

Management of the stock registers

Transfer activity rose by 25% during the year. The proportion of transfers effected through the Central Gilts Office rose from 35% to 48%.

Transfers registered

Thousands Year to end-February	1985	1986	1987	1988
Stock transfer forms	1,030	955 96%	792 65%	793 52%
Electronic transfers through CGO ^(a)	—	36 4%	427 35%	728 48%
	1,030	991	1,219	1,521

(a) This facility was introduced on 2 January 1986.

The nominal value of British government securities managed by the Bank rose again, by £8,875 million (7%) to £139,562 million. Other securities under management also rose, substantially, by £1,866 million to £2,916 million, reflecting the transfer to the Bank of England register from four other registrars of 28 'bulldog' stocks issued by 16 overseas borrowers, comprising 8,000 accounts, thus affording those securities the advantages of the automated settlement facilities provided by the CGO Service.

Securities in issue

£ millions nominal

End-February	1985	1986	1987	1988
British government securities:				
Stocks ^(a)	115,540	125,672	130,612	139,488
of which, index-linked	8,124	9,267	11,517	12,662
Bearer bonds	60	62	75	74
	115,600	125,734	130,687	139,562
Other securities:				
Government-guaranteed ^(b)	224	224	10	10
Commonwealth & Overseas ^(c)	215	240	320	2,442
Local authorities	187	145	143	117
Agricultural Mortgage Corporation p.l.c.	539	545	532	302
Other	45	45	45	45
	1,210	1,199	1,050	2,916
Total	116,810	126,933	131,737	142,478

(a) The figures do not include stock on the registers of the Bank of Ireland or the Department for National Savings.

(b) On 24 August 1986, by virtue of the Gas Act 1986, British Gas 3% Guaranteed Stock 1990/95 was renamed 3% Exchequer Gas Stock 1990/95 and is now included as a British government stock.

(c) Including stock and bearer bonds of the European Investment Bank and other 'bulldog' stocks (see above).

Number of accounts

For the sixth year running the number of accounts fell, by 6%, to 1,979,000.

Thousands

	End-February	1985	1986	1987	1988
British government securities ^(a)		2,241	2,169	2,068	1,938
Other securities:					
Government-guaranteed ^(b)		31	30	—	—
Commonwealth & Overseas ^(c)		15	14	10	17
Local authorities		23	20	19	14
Agricultural Mortgage Corporation p.l.c.		17	14	10	8
Other		3	3	2	2
		89	81	41	41
Total		2,330	2,250	2,109	1,979

(a) Excluding bearer bonds; the number of separate bonds in these years was—1985: 55,392; 1986: 55,134; 1987: 58,008; 1988: 56,236.

(b) Including British Gas 3% Guaranteed Stock 1990/95 in 1985 and 1986.

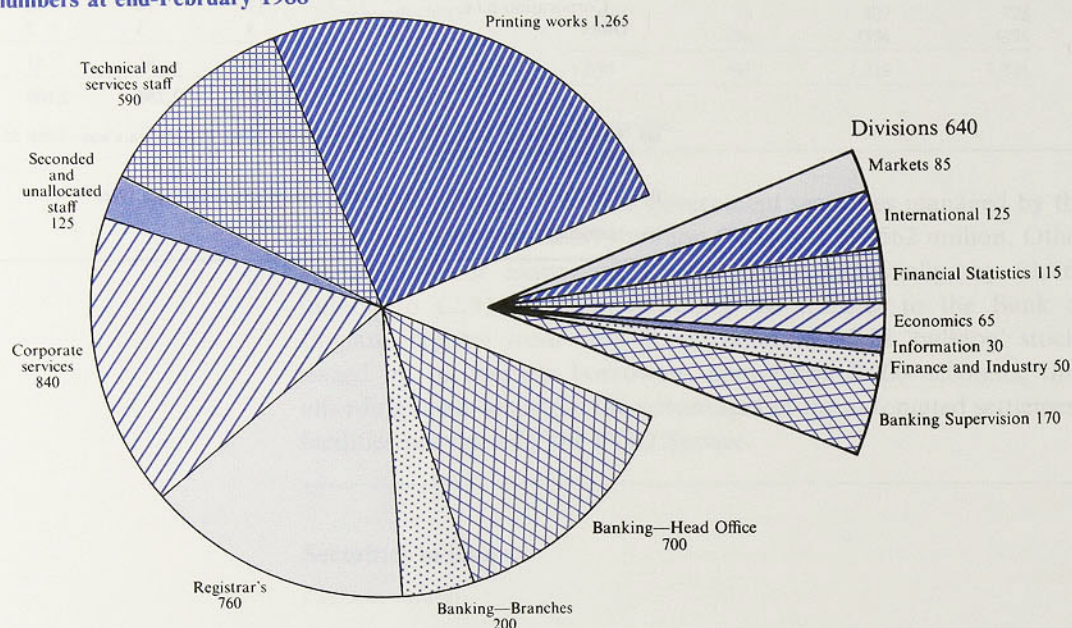
(c) Excluding bearer bonds.

Internal administration

Numbers of staff

At 29 February 1988, the Bank employed 5,015 full-time and 230 part-time staff; of the total, 220 full-time and 65 part-time staff were engaged on fixed-term contracts. The distribution of staff is shown in the following chart.

Staff numbers at end-February 1988



Staff wastage and recruitment

Changes in staff numbers:

	1984/85	1985/86	1986/87	1987/88
Staff numbers at 1 March	5,695	5,470	5,320	5,370
Departures in year	480	505	520	730
Recruitment in year	250	350	555	595
Inward secondees in year	5	5	15	10
Staff numbers at end-February	5,470	5,320	5,370	5,245

During the year a total of 730 staff left the Bank. Of these, banking staff resignations accounted for 238, continuing the upward trend experienced in the previous year. The Bank undertook a major restructuring of its staffing arrangements during the year to clarify

lines of management responsibility. Primarily as a result of this restructuring, a further 281 staff left under severance schemes, with replacements where necessary being made at junior levels. The net reduction of 125 in overall staff numbers reflects a continuing fall in numbers employed in the Bank's traditional activities, offset by increases for supervision and information systems.

Employment policies

The Bank pays particular attention to the use of good employment practice. There is a clear statement of the Bank's equal opportunities policy which covers men, women and ethnic minorities and the implementation of this policy is monitored continuously.

The disabled are considered for employment alongside all other applicants and once in employment special assistance is offered where necessary.

The Bank has had effective machinery for consulting and negotiating with employee representatives and union officials for many years. These arrangements have been of particular value this year which has seen the restructuring of the Bank's staffing arrangements and the initial phase of planning for the relocation of the Registrar's Department.

Community involvement

In addition to the charitable donations mentioned in note 15 of the Accounts, the Bank has a number of links with the wider community through secondments, involvement with the Youth Training Scheme, and the offering of work experience and work-shadowing opportunities. The Bank also makes financial contributions to academic institutions.

Addresses and telephone numbers

London	Head Office	Threadneedle Street London EC2R 8AH	01-601 4444 ⁽¹⁾
	Registrar's Department	New Change London EC4M 9AA	01-601 4444
	Clearing Centre	161 City Road London EC1V 1PA	01-601 4444
	Printing Works	Langston Road Loughton Essex IG10 3TN	01-508 6221
Branches	Birmingham	PO Box 3 55 Temple Row Birmingham B2 5EY	021-643 8571
	Bristol	PO Box 10 Wine Street Bristol BS99 7AH	0272 277251
	Leeds	King Street Leeds LS1 1HT	0532 441711
	Manchester	PO Box 301 Faulkner Street Manchester M60 2HP	061-228 1771
	Newcastle	PO Box 2BE Pilgrim Street Newcastle upon Tyne NE99 2BE	091-261 1411
Agencies	Glasgow	25 St Vincent Place Glasgow G1 2EB	041-221 7972
	Liverpool	Lancaster House Mercury Court Tithebarn Street Liverpool L2 2QP	051-227 2553
	Southampton Area	PO Box 15 Canister House 27 Jewry Street Winchester Hampshire SO23 8LP	0962-840161

(1) Enquiries relating to this *Report* or to the *Quarterly Bulletin* may be made on 01-601 4030.