

To be inserted after page 90 in the HM Treasury Departmental Report 2006

SR2002 AND SR2000 CROSS-CUTTING SDA TARGET

SDA	SR2002 SDA C1.1 and SR2000 SDA C1.5 Bank of England: Minimise the cost of holding the Government's foreign currency reserves, while managing risks within the limits agreed between the Bank and the Treasury – performance will be assessed against a target of average annual cost over the preceding three years no greater than zero.															
Performance Indicator	Average annual cost over preceding 3 years no greater than zero.															
Commentary	<p>Met</p> <p>Return on the foreign currency reserves is measured on a "mark-to-market" basis (including changes in the capital value of assets and liabilities as well as net interest receipts and borrowing costs). Mark-to-market values are based on market prices rather than book values.</p> <p>Over the period 1st of April 2003 to 31st March 2006 the total return on the Government's foreign currency and gold reserves was £50 million. This equates to an average annual return of £17 million.</p> <table border="1"> <thead> <tr> <th>(£ million)</th> <th>2003-04</th> <th>2004-05</th> <th>2005-06</th> <th>Total Return</th> </tr> </thead> <tbody> <tr> <td>Total Cost (-)/Return (+)</td> <td>-512</td> <td>-468</td> <td>1,030</td> <td>50</td> </tr> <tr> <td>of which due to exchange rate and gold price movements</td> <td>-418</td> <td>-142</td> <td>1,357</td> <td>797</td> </tr> </tbody> </table> <p>The most significant factor in the 2005-06 returns was the rise in the value of the gold reserves. This more than offset losses associated with the depreciation of the dollar in 2003-04 and low interest returns on foreign currency and gold compared to sterling in 2004-05.</p>	(£ million)	2003-04	2004-05	2005-06	Total Return	Total Cost (-)/Return (+)	-512	-468	1,030	50	of which due to exchange rate and gold price movements	-418	-142	1,357	797
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