Bank of England

Covid Corporate Financing Facility Limited Annual Report and Accounts

1 March 2021–31 March 2022

HC 342

Covid Corporate Financing Facility Limited
8 Lothbury
London EC2R 8AH

Incorporated in England and Wales with limited liability under the UK Companies Act
Company Number: 12000142

Bank of England
Covid Corporate Financing Facility Limited Annual Report and Accounts

1 March 2021 to 31 March 2022

Presented to Parliament pursuant to section 7C(7) of the Bank of England Act 1998 by the Chief Secretary to the Treasury.

Ordered by the House of Commons to be printed on 23 June 2022.

HC 342

Any enquiries related to this publication should be sent to us at enquiries@bankofengland.co.uk.

This publication is available at **www.gov.uk/official-documents**.

ISBN 978-1-5286-3419-9

E02755593

Printed on paper containing 75% recycled fibre content minimum

Printed in the United Kingdom on behalf of the Controller of Her Majesty's Stationery Office

Contents

Directors' Report for the 13-month period ended 31 March 2022

The Directors present their report and the audited financial statements of the Covid Corporate Financing Facility Limited ('the Company') for the 13-month period ended 31 March 2022.

Business review and principal activity

The Company was incorporated on 16 May 2019 by solicitors acting for the Bank of England (the Bank). It became a wholly-owned subsidiary of the Bank on 19 March 2020 and the name of the Company was changed from Freshfields 01 Limited to its present name on the same day.

The Covid Corporate Financing Facility (CCFF) is operated by the Bank on behalf of HM Treasury. The CCFF was designed by HM Treasury and the Bank to support liquidity among larger firms, helping them to bridge Covid-related disruption to their cash flows through the purchase of short-term debt in the form of commercial paper. The Company was intended to operate for a limited period of time to provide temporary liquidity to the UK economy.

The CCFF closed for new purchases on 23 March 2021 and the final commercial paper balances owed to the Company were repaid on 18 March 2022. Now that the CCFF is closed, the Board of Directors is focused on dissolving the Company in an orderly and solvent manner.

The Company is fully indemnified (the Indemnity) against any losses it may incur in connection with its operations: that is, any financial losses as a result of the commercial paper purchases are borne by HM Treasury, and any gains are owed to HM Treasury.

The Bank acted as the agent of the Company for all commercial paper purchases, following eligibility guidelines as agreed with HM Treasury. HM Treasury, as the ultimate risk-owner of the CCFF, held the final decision on whether an issuer was eligible to use the facility. Detailed information on the CCFF was provided through Market Notices and other communications made available on the Bank's website.

The Company has no branches outside the United Kingdom.

Events after the reporting period end

No events have occurred since the financial reporting date which would materially affect the contents of these financial statements.

Directors

The Bank's Executive Director for Financial Stability, the Executive Director for Banking, Payments and Innovation, the Executive Director for Markets, the Chief Cashier and Executive Director of Banking, and the Chief Financial Officer were Directors of the Company:

Sarah John (Appointed 15 July 2021)
Andrew Hauser (Appointed 19 March 2020)
Afua Kyei (Appointed 19 March 2020)
Victoria Cleland (Appointed 19 March 2020. Resigned 23 September 2021)
Alex Brazier (Appointed 19 March 2020. Resigned 31 March 2021)

The Directors have the benefit of an indemnity against personal civil liability granted to the Company covering activity related to the CCFF scheme. This was granted to the Company by HM Treasury on 22 March 2020, provided that the Company is not in wilful default or reckless disregard of its obligations.

None of the Directors had a beneficial interest at any time during the financial reporting period in the shares of the Company. As determined by the Directors, the Annual Report and Accounts have been reviewed by the Audit and Risk Committee of the Bank.

Statement of Corporate Governance Arrangements

The Company applies corporate governance arrangements judged by the Board to be appropriate to its policy objectives and also, as applicable, those used by the Bank for its own operations. In drawing up and operating these arrangements the Board has drawn on inputs from a range of specific codes of practice on corporate governance, but has decided not to apply any single code in its entirety, given the many provisions of such codes that are not applicable to the Company, in light of its unique purpose and its subsidiary status. Further information on the Bank's corporate governance arrangements including those relating to its people, risk management and internal control systems, corporate sustainability and responsibility initiatives can be found in the Bank's Annual Report and Accounts for 2021/22.

The Company has authorised the Bank to carry out the day-to-day activities and transactions relating to the CCFF on its behalf within set eligibility criteria, guidelines and controls. The Board meets to receive and discuss financial, legal, operational and risk updates on the Company and its operations. HM Treasury, as the ultimate risk-owner, sets the risk tolerance for the CCFF and the Bank has put in place a Financial Risk Management Framework for the Company's investment strategy which reflects HM Treasury's high-level risk standards. An Internal Control Framework, which is reviewed by the Board, is also in place and addresses matters such as day-to-day governance of the CCFF and decision-making, the supporting processes provided by the Bank, the implementation of CCFF operations, and risk management and controls.

Given the closure of the CCFF, the Board's focus in the last reporting period has been on the orderly closure of the scheme.

Risk management

The Company's operations are fully indemnified by HM Treasury and in return any surplus from these operations after the deduction of fees, operating costs and any tax payable are due to HM Treasury. As such, the Company is not exposed to financial risk, but manages the relevant risks on the underlying portfolio on HM Treasury's behalf.

The Company operates within a control framework agreed with HM Treasury. Subject to the policy objectives, the aim is to minimise overall risk through the appropriate choice of portfolio and risk management practices. A set of high-level financial risk parameters, as set by HM Treasury, is in place for the Company's operations, relating to eligible asset classes, investment limits, credit risk, and counterparties. More detail is included in note 13 to the accounts.

The Financial Risk Management Framework for the CCFF states that the Bank will operate the CCFF as a remunerated function, subject to 'full and fair' cost recovery. The costs of the provision of the CCFF are recoverable from the Company in the form of a management fee.

Engagement with suppliers, customers and others

All of the infrastructure and support required to carry out CCFF operations is either provided by the Bank, or procured by the Bank from third parties. Consequently, it is the Bank rather than the Company that enters into arrangements with, and is responsible for, the day-to-day management of any relevant supplier relationships. The Bank depends on its suppliers to help fulfil its mission and is committed to developing its supplier relationships and building trust. It is a signatory to the Prompt Payment Code and has published a Supplier Code of Practice on its website, to which all of its suppliers are expected to adhere.

Given the purpose of the Company is to support larger businesses through the period of disruption caused by Covid, the Board considers the UK business sector to be a key stakeholder for the Company. Other key stakeholders include CCFF market counterparties and its ultimate parent company HM Treasury. The Bank keeps the public informed on its policy operations, including the operations of the CCFF, through digital communications distributed on its website and social media platforms, as well as public speeches by senior officials.

The Company's ultimate parent company is HM Treasury. Officials from both the Bank and HM Treasury meet regularly to monitor the Bank's operation of the CCFF on behalf of the Company, to consider any risks to the public sector balance sheet, and to discuss the potential impacts of those schemes on specific sectors and markets.

Energy and carbon reporting

The Company is a wholly-owned subsidiary of the Bank and uses the Bank's premises, processes, staff and systems to perform its activities. It is therefore not practical for it to obtain and disclose the energy and carbon reporting information required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the Regulations). The Bank has however disclosed the information required in the Regulations in its Bank's Climate Change Disclosure 2022 and those disclosures include the activities of its subsidiaries including the Company. The Bank's disclosures cover the 12-month period to 28 February 2022, which is one month less than the Company's 13-month reporting period.

Political contributions

The Company made no political donations and incurred no political expenditure during the 13-month period.

Dividend policy

As a result of the Indemnity agreement, all profits and losses are passed onto HM Treasury. As a result there is no specific dividend policy required.

Director's remuneration

The Directors have not received any emoluments in respect of their services to the Company during the 13 months ended 31 March 2022 (2021: £nil).

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information.

Statement of Directors' responsibilities in respect of the Directors' Report, Strategic Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial reporting period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company at that reporting date and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure internal controls are in place as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- state whether they have been prepared in accordance with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring proper accounting records are kept, which disclose at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the requirements set out in notes 1 and 2 of the accounts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the relevant corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that the Annual Report and Accounts as a whole, is fair, balanced and understandable and provides the necessary information to users to assess the company's position, performance, purpose and strategy. The Company's financial statements for the 13-month period to 31 March 2022 are presented on pages 19–37.

Assessment of going concern

The CCFF closed for purchases of commercial paper from 23 March 2021. The final commercial paper balances owed to the Company were repaid on 18 March 2022. The Company is expected to be wound up later in 2022. Due to the planned liquidation of the CCFF, the Company is not a going concern and the financial statements are not prepared on a going concern basis. This assessment is made purely as a result of the closure of the CCFF.

Auditors

The National Audit Office are the Company's statutory auditors as directed by HM Treasury under Section 7C of the Bank of England Act 1998.

By order of the Board

S John
Director
20 June 2022

A Hauser
Director
20 June 2022

A Kyei
Director
20 June 2022

Strategic Report for the 13-month period ended 31 March 2022

Review of 2021/22

On 17 March 2020, HM Treasury announced a number of measures designed to support public services, people and businesses through the period of disruption caused by Covid. Within that overall package, the CCFF was designed to support liquidity among larger firms that provide a material contribution to the UK, helping them to bridge Covid-related disruption to their cash flows through the purchase of short-term debt in the form of commercial paper.

The CCFF closed for new purchases on 23 March 2021. All commercial paper assets were held to maturity, unless purchased by the original issuer at an earlier date. Over the life of the scheme, the CCFF lent over £37 billion to 107 different companies between March 2020 and March 2021, with a peak issuance in the scheme of over £20 billion in May 2020. All companies fully repaid their liabilities by 18 March 2022.

Financial results

The Company's financial statements for the 13-month period ended 31 March 2022 are provided on pages 19–37.

The balance sheet of the Company totalled £93 million at 31 March 2022 (28 February 2021: £12 billion). As at the reporting date the only outstanding liabilities were the accrued interest on the loan from the Bank of £19 million and £6 million of accrued management fees also due to the Bank. Both liabilities were fully repaid subsequent to the reporting date. The amount payable to HM Treasury under the indemnity was £68 million at 31 March 2022 (2021: £32 million). There is no outstanding commercial paper at the reporting date, as such the fair value of the CCFF's commercial paper holding is £nil (2021: £11.7 billion). The Company's cash holdings at the reporting date were £93 million (2021: £39 million).

Section 172(1) Statement

The Board acts in a way that it considers in good faith promotes the success of the Company. It does so by ensuring that the Company achieves its primary purpose of carrying out the operations of the CCFF on behalf of HM Treasury. The Board is conscientious about its responsibilities and duties to its stakeholders under Section 172 of the Companies Act 2006. Information about engagement with the Company's key stakeholders – which include the

UK business sector, the CCFF market counterparties and its ultimate parent company HM Treasury – can be found in the Directors' Report.

The Company is a wholly-owned subsidiary of the Bank. The Bank's Annual Report for 2021/22 includes a section on sustainability and inclusion which contains information on the Bank's community initiatives. It also contains a section on climate change which details how the Bank has sought to reduce the environmental impact of its physical operations including those of the Company.

Principal risks and uncertainties

The Company manages the financial risk on the underlying portfolio according to the guidelines set by HM Treasury. The Company's operations are fully indemnified by HM Treasury and in return any surplus from these operations after the deduction of fees, operating costs and any tax payable are due to HM Treasury. As at 31 March 2022 the only outstanding liabilities were the accrued interest on the loan from the Bank of £19 million and £6 million of accrued management fees also due to the Bank. Both liabilities were fully repaid subsequent to the reporting date. The Company is fully indemnified against any losses it may incur in connection with its operations. As such, the Company is not exposed to financial risk, but manages the relevant risks on the underlying portfolio on HM Treasury's behalf. An Internal Control Framework is in place and addresses risk management and controls in respect of other risks including operational risk.

By order of the Board

S John	**A Hauser**	**A Kyei**
Director	Director	Director
20 June 2022	20 June 2022	20 June 2022

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Covid Corporate Financing Facility Limited for the 13-month period ended 31 March 2022 under the Bank of England Act 1998. The financial statements comprise Covid Corporate Financing Facility Limited's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the period then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the Covid Corporate Financing Facility Limited's affairs as at 31 March 2022 and its profit for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Covid Corporate Financing Facility Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Modified conclusions relating to going concern

In auditing the financial statements, I have concluded that the Covid Corporate Financing Facility Limited's use of a basis other than going concern in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on this assessment. Note 1 to this account contains sufficient information to understand the use of an alternative basis of account.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Covid Corporate Financing Facility Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; the financial statements to be audited are not in agreement with the accounting records and returns;

- certain disclosures of director's remuneration specified by law are not made; or

- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the ‘Statement of Directors’ responsibilities in respect of the Directors’ Report, Strategic Report and the financial statements’, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- internal controls as the directors determine are necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error; and

- assessing the Covid Corporate Financing Facility Limited’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we:

- consider the nature of the sector, control environment and operational performance including the design of the Covid Corporate Financing Facility Limited's accounting policies and performance incentives;
- inquire of management, Covid Corporate Financing Facility Limited's internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Covid Corporate Financing Facility Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Covid Corporate Financing Facility Limited's controls relating to the Covid Corporate Financing Facility Limited's compliance with the Companies Act 2006, the Bank of England Act 1998 and the risk framework agreed between HM Treasury and the Covid Corporate Financing Facility Limited; and
- discuss among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Covid Corporate Financing Facility Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Covid Corporate Financing Facility Limited's framework of authority as well as other legal and regulatory frameworks in which the Covid Corporate Financing Facility Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Covid Corporate Financing Facility Limited. The key laws and regulations I considered in this context included the Companies Act 2006, the Bank of England Act 1998 and the risk framework agreed between HM Treasury and the Covid Corporate Financing Facility Limited.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing transaction and balances to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;

- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;

- we rebutted the risk of inappropriate revenue recognition due to the straightforward nature of the income and the lack of incentives for management to manipulate this income;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- undertaking analysis of the Covid Corporate Financing Facility Limited's trading data and performing statistical sample testing of trades to test compliance of the Covid Corporate Financing Facility Limited's activities with its framework of authorities.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General (Statutory Auditor)
June 2022

National Audit Office
157–197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Statement of comprehensive income for the 13-month period ended 31 March 2022

	Note	13 months ended 31 Mar 2022 (£mn)	Year ended 28 Feb 2021 (£mn)
Interest received		–	–
Net gains on financial instruments		44	49
Total Income		**44**	**49**
Interest payable on the loan from the Bank of England	7	(5)	(14)
Administrative expenses	4	(3)	(3)
Net indemnity for the reporting period due to HM Treasury	8	(36)	(32)
Total Expenses		**(44)**	**(49)**
Profit before taxation		**–**	**–**
Taxation		–	–
Profit after tax		**–**	**–**

Statement of other comprehensive income for the 13-month period ended 31 March 2022

There were no items of other comprehensive income during the 13-month period ended 31 March 2022 (2021: £nil).

The notes on pages 24–37 are an integral part of these financial statements.

Statement of financial position as at 31 March 2022

	Note	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
Assets			
Cash	11	93	39
Debt securities	5	–	11,682
Other assets	6	–	300
Total assets		**93**	**12,021**
Liabilities			
Other liabilities	9	6	152
Loans and other borrowings	7	19	11,837
Due to HM Treasury under Indemnity	8	68	32
Total liabilities		**93**	**12,021**
Equity			
Capital	10	–	–
Retained earnings		–	–
Total equity attributable to shareholders		**–**	**–**
Total liabilities and equity attributable to shareholders		**93**	**12,021**

All positions at 31 March 2022 are expected to be settled within 12 months of the reporting period end date.

In accordance with section 7C(4) of the Bank of England Act 1998, the Company is exempt from the requirements of Part 16 (Audit) of the Companies Act 2006.

Company number: 12000142

The notes on pages 24–37 are an integral part of these financial statements.

Statement of financial position as at 31 March 2022 continued:

The financial statements were approved by the Board on 20 June 2022 and signed on its behalf by:

S John	**A Hauser**	**A Kyei**
Director	Director	Director
20 June 2022	20 June 2022	20 June 2022

The notes on pages 24–37 are an integral part of these financial statements.

Statement of changes in equity for the 13-month period ended 31 March 2022

There were no changes in equity during the reporting period. The entire capital comprising of one authorised and issued ordinary share of £1 is held by the Governor and Company of the Bank of England.

The notes on pages 24–37 are an integral part of these financial statements.

Statement of cash flows for the 13-month period ended 31 March 2022

	Note	13 months ended 31 Mar 2022 (£mn)	12 months ended 28 Feb 2021 (£mn)
Cash flows from operating activities			
Profit after tax and indemnity		–	–
Changes in operating assets and liabilities:			
Increase in amount due to HM Treasury	8	36	32
Decrease/(Increase) in value of debt securities	5	11,682	(11,682)
Decrease/(Increase) in other assets	6	300	(300)
(Decrease)/Increase in other liabilities	9	(146)	152
Cash generated from operations		11,872	(11,798)
Net cash from operating activities		**11,872**	**(11,798)**
Cash flows from financing activities			
Loans and other borrowings	7	(11,818)	11,837
Net cash from financing activities		**(11,818)**	**11,837**
Net increase in cash and cash equivalents	**11**	**54**	**39**
Cash and cash equivalents at the beginning of the period	11	39	–
Cash and cash equivalents at the end of the period	**11**	**93**	**39**

The notes on pages 24–37 are an integral part of these financial statements.

Notes to the financial statements

1: Basis of preparation

Form of presentation of the financial statements

The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Equity and related notes.

The Company's financial statements have been prepared and approved by the Directors in accordance with the requirements of Companies Act 2006 as applicable to companies using IFRS.

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of financial assets and liabilities that are held at fair value through profit or loss, and in accordance with the Companies Act 2006 and applicable accounting standards.

The CCFF closed to purchases of commercial paper from 23 March 2021. All commercial paper assets were held to maturity, unless purchased by the original issuer at an earlier date. The final commercial paper balances owed to the company were repaid on 18 March 2022. Due to the closure of the CCFF, the Company will not be a going concern and the financial statements are not prepared on a going concern basis. This assessment is made purely as a result of the closure of the CCFF. This assessment has no impact on the commercial paper valuation nor any other balance.

The Company extended its accounting period to the 13 months ended 31 March 2022 to allow for the final maturities of Commercial Paper which occurred in March 2022. As a result the amounts presented in the financial statements for the current period are not entirely comparable with those of the previous reporting period.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

2: Accounting policies

The following principal accounting policies have been applied consistently in the preparation of the financial statements.

a: Functional and presentational currency

The financial statements are presented in sterling, which is the Company's functional and presentational currency.

b: Financial instruments: financial assets and liabilities designated at fair value through profit or loss

i: Classification

The Company designates certain assets and liabilities at fair value through profit or loss to eliminate or significantly reduce the accounting mismatch that would otherwise arise from measuring financial assets and liabilities, or recognising gains or losses on them in the profit and loss account, on different bases. Departure from this treatment would create a mismatch in the measurement of the HM Treasury Indemnity financial asset (see 2(c)), the value of which equates to the difference between the fair value of the Company's assets and liabilities. Such assets and liabilities are the commercial paper, the Indemnity, loan from the Bank, and securities in the course of settlement.

ii: Initial recognition of financial instruments

Financial instruments are initially recognised at fair value. Financial securities are recognised/derecognised on the date the Company commits to purchase/sell the instrument (trade date accounting). The loan from the Bank is recognised on a settlement date basis.

Fair value is deemed to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The transaction price for commercial paper purchases is based on HM Treasury's mandated pricing methodology and differs from fair value. This difference is subsequently recognised in the accounts only to the extent that it arises from factors (including time) that market participants would take into account when pricing the asset or liability.

iii: Subsequent measurement

Fair valuation of commercial paper

As observable market prices are not available for the commercial paper held by the Company, the fair value is calculated using a discounted cash-flow model. The model uses market-based spreads so that valuations are reflective of actual market conditions. The market-based credit spreads are derived from iBoxx indices which act as a proxy for the credit spreads of the commercial papers held by the CCFF. Credit spreads are assigned to the commercial paper in accordance with its credit rating. As mentioned in note 13(a), credit ratings are assigned either on the basis of public ratings from external rating agencies whenever they are available, or otherwise using confidential credit rating information. The discount factor in the model is calculated by using a relevant curve, as well as the iBoxx indices' credit spread. The model assumes no early repayment. Management judgement has been applied in determining that the selected indices are appropriate for the purpose of the model. The model was subject to internal review and challenge under the Bank's own governance for such methodologies, and was also reviewed in the Company board meetings.

Gains and losses arising from changes in the fair value of commercial paper are included in the statement of comprehensive income in the period in which they arise.

c: HM Treasury Indemnity

The Company is fully indemnified against any losses it may incur in connection with its operations and in return any surplus from these operations, after deduction of fees, operating costs and any tax payable is due to HM Treasury. This arrangement is accounted for as a financial instrument under IFRS 9 as it contains contractual obligations and rights as regards to the transfer of cash at a future date, so meets the definition of a financial instrument per IAS 32, and the value changes in respect of the underlying assets and liabilities of the Company. As such, the Indemnity is valued on the basis of the difference between the fair value of the Company's assets and liabilities. This is deemed to be the most appropriate accounting treatment as it provides the most accurate value of the Company as at the reporting date.

d: Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash equivalents with less than three months' maturity from the date of acquisition.

e: Equity capital

The entire equity capital comprising one £1 ordinary share is held by the Governor and Company of the Bank.

3: Significant accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets within the financial statements. Estimates and judgements are continually evaluated and will continue to be based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The fair valuation of commercial paper is a significant accounting judgement (see 2(b)).

4: Administrative expenses

	13 months ended 31 Mar 2022 (£mn)	12 months ended 28 Feb 2021 (£mn)
Management fee payable to Bank of England	**3**	**3**

The Bank operates the CCFF and meets all of the costs of the Company, including staff costs, and recharges them in full to the Company.

The Directors have not received any emoluments in respect of their services to the Company during the 13-month period ended 31 March 2022 (2021: £nil).

	13 months ended 31 Mar 2022 (£000)	12 months ended 28 Feb 2021 (£000)
Audit fees:		
Fees relating to current reporting period	38	50
Fees payable for other services		
Other fees	–	–

Fees in relation to audit services fees are paid for by the Bank and recharged to the Company through the management fee.

5: Debt securities

	31 Mar 2022 £mn	28 Feb 2021 £mn
Commercial paper	–	11,682
Total debt securities	**–**	**11,682**

	2022 (£mn)	2021 (£mn)
At the beginning of the period	11,682	–
Purchases	2,847	34,972
Early repayments	(3,089)	(14,878)
Maturities	(11,485)	(8,461)
Realised fair value movements	45	43
Unrealised fair value movements	–	6
At the end of the period	**–**	**11,682**

The CCFF purchased sterling-denominated commercial paper issued by eligible companies (including their finance subsidiaries).

The Bank acted as the agent of the Company for all commercial paper purchases, following eligibility guidelines as agreed with HM Treasury. HM Treasury, as the ultimate risk owner of the CCFF, held the final decision on whether an issuer is eligible to use the facility.

The Company considered a number of factors in making its eligibility decisions. Companies with significant employment in the United Kingdom or with their headquarters in the United Kingdom would normally be regarded as meeting this requirement, but the Company also considered whether the company generated significant revenues in the United Kingdom, served a large number of customers in the United Kingdom or had a number of operating sites in the United Kingdom. Companies also had to demonstrate that they were in sound financial health prior to the Covid-19 economic shock. For more information refer to note 13 (a).

6: Other assets

	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
Other assets	–	–
Securities in the course of settlement	–	300
Total other assets	**–**	**300**

Other assets comprise the £1 due from the Bank in respect of the share capital at both period ends.

7: Loans and other borrowings

	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
Total loan from Bank of England	**19**	**11,837**

The Company repays the loan to the Bank when commercial paper matures or early repayment takes place. At 31 March 2022 the principal was fully repaid. The £19 million relates to accrued interest charges on the loan that were accrued over the life of the CCFF, which was paid to the Bank subsequent to the reporting date.

8: Due to HM Treasury under indemnity

	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
Net due to HM Treasury under indemnity at the beginning of the period	32	–
Change in fair value of indemnity	36	32
Cash paid to HM Treasury	–	–
Net due to HM Treasury under Indemnity at the end of the period	**68**	**32**

An indemnity has been provided by HM Treasury against any loss incurred by the Company in respect of operating the CCFF. Any profit made by the Company will be passed to HM Treasury. The Indemnity is measured at fair value as described in note 2(c).

9: Other liabilities

	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
Accrued expense	6	3
Security purchases in the course of settlement	–	149
Total other assets	**6**	**152**

Accrued expense comprises the management fee payable to Bank, payable at the end of the scheme. This was paid to the Bank subsequent to the reporting date.

10: Capital

The Company is a private company limited by shares.

The entire capital comprising of one authorised and issued ordinary share of £1 is held by the Governor and Company of the Bank.

In view of the Indemnity from HM Treasury, the Company requires only nominal capital.

11: Cash and cash equivalents

	At 28 Feb 2021 (£mn)	Cash flow (£mn)	At 31 Mar 2022 (£mn)
Cash	**39**	**54**	**93**

12: Contingent liabilities

There were no contingent liabilities as at 31 March 2022 (2021: £nil).

13: Financial risk management

The Company's operations are fully indemnified for any loss arising from operation of the CCFF by HM Treasury, and any surplus/deficit for these operations after deduction of fees, operating costs and any tax payable is due to/from HM Treasury. As such, the Company is not exposed to financial risk, but manages credit risk and monitors market risk on HM Treasury's behalf. HM Treasury, as the ultimate risk-owner, sets the risk tolerance for the CCFF and the Bank has put in place a Financial Risk Management Framework for the company's investment strategy which reflects HM Treasury's high-level risk standards. Financial risk management is carried out by the Bank on behalf of the Company.

The governance arrangements to manage and monitor these risks are described in a control framework document (which sets out the controls and procedures for undertaking transactions, monitoring risk, accounting and making payments), reviewed and approved periodically by the Directors.

The Directors seek to ensure that effective risk management processes exist for monitoring and managing risk, within clear risk policies. Specialist teams support senior management in ensuring that agreed standards and policies are followed.

The Bank's Financial Risk Management Division (FRMD) is responsible for analysing the financial risks faced by the facility in its operations in financial markets.

The Bank's Financial Risk and Resilience Division (FRRD) is responsible for the challenge of risk decisions and risk management frameworks.

a: Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty or issuer to meet its financial obligations to the Company. Credit risk in the Company's asset portfolio arose from the purchase of commercial paper of up to one-year maturity issued by eligible firms. As the CCFF held no collateral, maximum exposure was the value of the commercial paper held. The Company is fully indemnified by HM Treasury and any financial losses as a result of the commercial paper purchases would have been borne by HM Treasury.

The Bank regularly monitored the credit risk profile of eligible firms in collaboration with HM Treasury and its agents. It reviewed all applications to determine whether applicants met the initial eligibility criteria and assigned limits based on individual issuer credit ratings. To be eligible for the scheme, firms were initially required to demonstrate that they made a material contribution to the UK economy and that they were in sound financial health prior to the Covid-19 economic shock, evidenced by being investment grade as at 1 March 2020. The criteria were updated by HM Treasury on 9 October 2020.

From 9 October 2020 until 23 March 2021, when the CCFF closed to new purchases, the Bank reviewed utilisation requests to determine whether there was sufficient evidence of current investment grade rating. Eligibility, limit and utilisation assessments against HM Treasury's guidelines were shared by the Bank with HM Treasury who, as the ultimate risk owner of the Company's assets, took the final decision.

The Company closed to new applications with effect from 31 December 2020 and to new purchases with effect from 23 March 2021. The final commercial paper balances owed to the Company were repaid prior to 31 March 2022.

The table below represents an analysis of commercial paper by credit risk groupings, based on public external rating agency designations at 31 March 2022 and 28 February 2021:

Credit risk groupings of commercial paper

	31 Mar 2022 (£mn)	28 Feb 2021 (£mn)
A	–	3,188
BBB	–	4,884
BB	–	894
B	–	299
Non-public	–	2,417
Total	**–**	**11,682**

Firms could issue to the CCFF if they met certain qualifying criteria which included being able to demonstrate they were of investment grade credit quality (ie that they were rated BBB-/Baa3 or better) as at 1 March 2020 and, for issuance after 9 October 2020, that they remained investment grade at that later date. Firms were able to evidence their investment grade status in a variety of ways, most commonly through public credit ratings from external rating agencies (whose values as at 28 February 2021 are reported in the 'A' to 'B' rows above). For names reported above as 'non-public', firms evidenced their credit status by means of private ratings derived from confidential third-party sources such as credit rating agencies and banks. The majority of firms that issued to the CCFF remained investment grade throughout the scheme but there was selective deterioration in some firms' credit quality over the life of the scheme due to Covid-related and idiosyncratic issues. Any firm that was not able to evidence a current investment grade for issuance after 9 October 2020 had the option to request a review by HM Treasury that determined whether the firm would remain eligible. All exposure, including non-investment grade exposure, was repaid in full prior to 31 March 2022.

The table below shows the sector concentration of these assets:

Commercial paper – sectoral concentration of assets

	31 Mar 2022		28 Feb 2021	
	£mn	Per cent	£mn	Per cent
Consumer, cyclical	–	–	3,474	30
Consumer, non-cyclical	–	–	917	8
Electricity	–	–	100	1
Energy	–	–	1,049	9
Industrial and transport	–	–	4,369	37
Property and finance	–	–	1,773	15
Total	**–**	**–**	**11,682**	**100**

b: Market risk

Market risk is defined as the risk of losses arising from movements in market prices. Market risk in the Company's asset portfolio arose as a natural consequence of its policy objectives, principally through the repricing of its assets because of changes in market interest rates and implied credit spreads. All debt security assets were held to maturity, unless purchased by the original issuer at an earlier date. The final such assets matured or were purchased prior to 31 March 2022, so the Company is no longer exposed to market risk.

c: Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Upon receipt of notification of the Company's intention to draw down the loan, the Bank was formally required to make the advance, provided the request was within authorised limits. The loan was repayable on termination of the Company's operations. As all debt security assets issued to the Company were repaid prior to 31 March 2022 and the Company also repaid the principal on its loan from the Bank prior to that date, the Company is no longer exposed to liquidity risk.

d: Other financial risk

The Company had a £11.8 billion loan including £13.9 million of accrued interest from the Bank as at 28 February 2021. As at 31 March 2022 the only outstanding liability in respect of the loan was £19 million of accrued interest, this was fully repaid subsequent to the reporting date. The Company's operations are fully indemnified from loss arising from operation of the CCFF by HM Treasury. As such, the Company is not exposed to financial risk.

e: Fair value

The table below shows financial instruments carried at fair value by valuation method.

As at 31 March 2022

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
Assets					
Debt securities	5	–	–	–	–
Securities in the course of settlement	6	–	–	–	–
Liabilities					
Loans and borrowings	7	–	19	–	19
Due to HM Treasury under indemnity	8	–	68	–	68
Security purchases in the course of settlement	9	–	–	–	–

As at 28 February 2021

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
Assets					
Debt securities	5	–	–	11,682	11,682
Securities in the course of settlement	6	–	300	–	300
Liabilities					
Loans and borrowings	7	–	11,837	–	11,837
Due to HM Treasury under indemnity	8	–	–	32	32
Security purchases in the course of settlement	9	–	149	–	149

The £68 million due to HM Treasury under the indemnity was moved from level 3 to level 2 during the reporting period, as the valuation inputs in determining this balance have become more observable and are no longer dependent on the fair valuation of commercial paper held by the Company driven by internal credit ratings.

Level 1: Valuation techniques using quoted market prices.

Level 2: Valuation techniques using observable inputs. Values are based on agreed payments or derived from underlying contractual terms.

Level 3: As observable market prices were not available for the commercial paper held by the Company, the fair value was calculated using a discounted cash flow model. The model used market-based spreads so that valuations were reflective of actual market conditions. The market-based credit spreads were derived from iBoxx indices which acted as a proxy for the credit spreads of the commercial paper held in the CCFF. Credit spreads were assigned to the commercial paper in accordance with its credit rating. As mentioned in note 13(a), credit ratings were assigned either on the basis of public ratings from external rating agencies whenever they were available, or otherwise using confidential credit rating information. The discount factor in the model was calculated by using a relevant curve, as well as the iBoxx indices' credit spread. Management judgement was applied in determining that the selected indices were appropriate for the purpose of the model. The model was subject to internal review and challenge under the Bank's own governance for such methodologies, and was reviewed at Company board meetings.

The amortised cost of the loan from the Bank approximated to the fair value.

The Statement of Financial Position carrying value of cash, other assets and other liabilities approximated to the fair value.

f: Maturity analysis

Maturities of debt securities at their carrying amount as at 31 March 2022

	Note	Up to 1 year (£mn)	Total (£mn)
Assets			
Commercial paper	5	–	–
Total assets		**–**	**–**

Maturities of debt securities at their carrying amount as at 28 February 2021

	Note	Up to 1 year (£mn)	1–5 years[1] (£mn)	5–10 years (£mn)	Over 10 years (£mn)	Total (£mn)
Assets						
Commercial paper	5	11,632	50	–	–	11,682
Total assets		**11,632**	**50**	**–**	**–**	**11,682**

(1) The £50 million reported in the 1–5 years maturity category relates to a one year commercial paper with a settle date of 2 March 2021 and a maturity date of 1 March 2022. Due to a trade date of 26 February 2021 it has been included in the financial statements in line with the accounting policies (note 2). No commercial paper longer than one year were purchased.

No commercial paper longer than one year was purchased.

The weighted average maturity of the commercial paper as at 31 March 2022 was 0 days (2021: 94 days).

14: Related party transactions

The Company has related party transactions with its shareholder, the Bank, and other related parties.

The Bank of England

As at 31 March 2022 the Company had repaid the principal loan balance from the Bank (28 February 2021: £11.8 billion). Interest on this loan for the 13-month period ending 31 March 2022 amounted to £5.3 million (2021: £13.9 million).

The Company was charged an administrative fee of £3 million (2021: £3 million) by the Bank.

At the reporting date the CCFF held a deposit at the Bank of £93 million (2021: £39 million). Interest on this deposit is payable at Bank Rate and totalled £0.1mn for the 13-month period ending 31 March 2022 (28 February 2021: £0.1 million).

HM Treasury

HM Treasury has indemnified the Company against any losses it may incur in connection with its operations. Any surplus from these operations after the deduction of fees and any tax payable is due to HM Treasury. The amount payable to HM Treasury under the indemnity was £68 million at 31 March 2022 (2021: £32 million).

Key management

The Directors of the Company are considered to be the only key personnel as defined by IAS 24. The Directors have not received any emoluments in respect of their services to the Company during the 13-month period ended 31 March 2022 (2021: £nil).

15: Ultimate parent company

The ultimate parent company of the Company is HM Treasury.

16: Events after the reporting period end

No events have occurred since the end of the financial reporting period which would materially affect the contents of these financial statements.

17: Preparation of accounts

The accounts were approved by the Board on 20 June 2022, for distribution from the date of the Certificate and Report of the Comptroller and Auditor General.

Covid Corporate Financing Facility Limited
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Incorporated in England and Wales with limited liability under the UK Companies Act
Company Number: 12000142

E02755593
978-1-5286-3419-9

Photography
Front cover – © Lee Funnell