Annual Report 2014/15

Bank of England Asset Purchase Facility Fund Limited

BANK OF ENGLAND

Directors' Report for the year ended 28 February 2015

The Directors present their report and the audited financial statements of the Bank of England Asset Purchase Facility Fund Limited ('the Company') for the year ended 28 February 2015.

Business review and principal activity

The Company was established as a wholly owned subsidiary of the Bank of England ('the Bank') on 30 January 2009 in order to fulfil the remit of the Chancellor of the Exchequer given to the Bank on 19 January 2009[(1)] and detailed in an exchange of letters with the Governor of the Bank of England on 29 January 2009. This remit was subsequently expanded to enable the Company's operations to be used as a monetary policy instrument, at the request of the Monetary Policy Committee (MPC) of the Bank, as detailed in the exchange of letters on 17 February 2009 and 3 March 2009. The exchange of letters can be found on the Bank and Her Majesty's Treasury (HM Treasury) websites.[(2)]

The Company is fully indemnified by the HM Treasury: that is, any financial losses as a result of the asset purchases are borne by HM Treasury, and any gains are owed to HM Treasury. Initially, it was envisaged that payments due under the Indemnity would be settled when the asset purchase scheme ended. But as the scale and likely duration of the scheme increased, on 9 November 2012 it was agreed that the Company would transfer the expected cash balance at 31 March 2013 as partial settlement of the Indemnity to HM Treasury over a nine-month period, commencing January 2013. The total amount transferred under this arrangement was £34.7 billion.

A process was also established for quarterly cash transfers for cash accumulated from 1 April 2013.[(3)] The first of these payments was made on 26 July 2013 and the total amount transferred under this arrangement was £18.4 billion as at 28 February 2015.

This arrangement has allowed the Government to manage its cash more efficiently in line with standard cash management processes, and is also in line with the practices of the US Federal Reserve and the Bank of Japan.[(4)]

Directors

The Bank's Chief Economist and Executive Director for Monetary Analysis and Statistics, and the Executive Director for Markets were Directors of the Company during the year:

Spencer Dale (Resigned 1 June 2014)
Paul Fisher (Resigned 1 June 2014)
Andy Haldane (Appointed 1 June 2014)
Chris Salmon (Appointed 1 June 2014)

The Directors have the benefit of an Indemnity against personal civil liability granted to the Company by HM Treasury in 2009, 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 year 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.

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 is in place for the Company's operations, relating to eligible asset classes, investment limits, credit risk, and counterparties.

Board meetings chaired by Chris Salmon are held quarterly.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

(1) The Chancellor's statement is available at http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/press_05_09.htm.
(2) The exchange of letters is available at http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/ck_letter_boe290109.pdf; www.bankofengland.co.uk/monetarypolicy/pdf/govletter090305.pdf; and http://webarchive.nationalarchives.gov.uk/20100408190827/http://www.hm-treasury.gov.uk/d/chxletter_boe050309.pdf.
(3) See 'The profile of cash transfers between the Asset Purchase Facility and Her Majesty's Treasury', *Bank of England Quarterly Bulletin*, Vol 53, No. 1, pages 29–37, available at www.bankofengland.co.uk/publications/Pages/quarterlybulletin/2013/f13.aspx
(4) The exchange of letters is available at www.bankofengland.co.uk/monetarypolicy/Documents/pdf/govletter121109.pdf and www.hm-treasury.gov.uk/d/chx_letter_091112.pdf.

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 in place.

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 he ought to have taken as a Director to make himself 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 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 year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU 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 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;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 corporate and financial information included on the Bank of England's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

A Haldane Director	C Salmon Director

3 June 2015

Strategic Report for the year ended 28 February 2015

Review of 2014/15

There has been no further increase to the current purchase programme, which has been maintained at £375 billion throughout the year.

During the year there were three gilt redemptions, all of which were reinvested at original purchase cost to maintain the current level of purchases at £375 billion.

The Company is authorised to purchase up to £10 billion of private sector assets. These purchases can be financed either by the creation of central bank reserves (but subject to the limit for asset purchases financed by the means set out in the previous paragraph), or by Treasury bills and the Debt Management Office's (DMO's) cash management operations.

The Bank publishes a quarterly report on the transactions of the Company, and information about the MPC's decisions can be found in the *Inflation Report*. Both reports can be found on the Bank's website.(1)

Since the inception of the Company, total purchases net of sales and redemptions amounted to £375 billion (2014: £375 billion), all of which were held in gilts at the year end.

At 28 February 2015 partial settlement of the indemnity totalling £53.1 billion had been paid over to HM Treasury.

Financial results

The Company's financial statements for the year ended 28 February 2015 are provided on pages 5–13. Debt securities showed a marked-to-market gain, attributable to an increase in the market value of the Company's gilt holdings. This was offset by an increase in the amount due to HM Treasury under the indemnity. Because of the Indemnity, the Company will never show an overall profit or a loss.

The balance sheet of the Company totalled £404.4 billion at 28 February 2015 (2014: £375.6 billion). The Company's principal liability was the loan from the Bank of England of £375.3 billion (2014: £375.3 billion), the remaining liability representing the net amount payable to HM Treasury under the Indemnity of £29.1 billion (2014: £0.3 billion). The fair value of the Company's holdings of securities was £403.2 billion (2014: £374.5 billion), of which the full amount represented gilts (2014: £374.5 billion). The Company's cash holdings at the balance sheet date were £1.2 billion (2014: £1 billion), primarily representing coupon income received, net of transfers to HM Treasury.

The Company's accounts do not provide a meaningful guide to the overall impact of its purchases on the public finances. The amount due to or from HM Treasury under the Indemnity does not indicate whether the public sector as a whole made a profit or loss from the Company's asset purchases. All the Company's holdings of securities are gilts, which are liabilities of the broader public sector. The impact on the public sector as a whole of any change in the market value of the gilts held by the Company is matched by changes in the market value of those gilts on the liability side of the public sector balance sheet.(2) At some stage in the future the monetary stimulus provided by the asset purchases may be wholly or partially unwound. The process of selling gilts may increase gilt yields to where they would have been in the absence of the quantitative easing programme.

Further information on the broader impact of asset purchases on the economy and the public finances can be found in a speech made by Charlie Bean, the Bank's former Deputy Governor for Monetary Policy, in October 2009.(3)

By order of the board

A Haldane Director	C Salmon Director

3 June 2015

(1) See www.bankofengland.co.uk/publications/other/markets/apf/quarterlyreport.htm for the *Asset Purchase Facility Quarterly Report* and www.bankofengland.co.uk/publications/Pages/inflationreport/2015/feb.aspx for the *Inflation Report*.
(2) The corresponding debt liabilities in the public accounts have not been marked to market.
(3) See 'Quantitative easing: an interim report', available at www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2009/speech405.pdf.

Independent Auditor's Report to the members of Bank of England Asset Purchase Facility Fund Limited

We have audited the financial statements of Bank of England Asset Purchase Facility Fund Limited ('the Company') for the year ended 28 February 2015 set out on pages 5–13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website, available at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2015 and of its results attributable to equity holders for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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 we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
3 June 2015

Statement of comprehensive income for the year to 28 February 2015

	Note	2015 £m	2014 £m
Interest received and similar income	4	17	47
Net loss from financial instruments at fair value	5	(15)	(45)
Total Income		**2**	**2**
Administrative expenses	6	(2)	(2)
Profit before tax		–	–
Tax		–	–
Profit after tax and total comprehensive income attributable to equity shareholders		**–**	**–**

Statement of changes in equity for the year to 28 February 2015

There were no changes in equity during the year. The entire capital comprising 100 ordinary shares of £1 was issued, and fully paid to the Governor and Company of the Bank of England on 30 January 2009.

The notes on pages 8–13 are an integral part of these financial statements.

Balance sheet as at 28 February 2015

	Note	**2015 £m**	2014 £m
Current Assets			
Cash	7	1,185	1,040
Debt securities	8	403,182	374,549
Other assets	9	–	–
Total assets		**404,367**	**375,589**
Current Liabilities			
Due to HM Treasury under Indemnity	10	29,051	277
Loans and other borrowings	11	375,316	375,311
Other liabilities	12	–	1
Total liabilities		**404,367**	**375,589**
Equity			
Capital	13	–	–
Retained Earnings		–	–
Total equity attributable to shareholders		–	–
Total liabilities and equity attributable to shareholders		**404,367**	**375,589**

The financial statements were approved by the board on 3 June 2015 and signed on its behalf by:

A Haldane
Director

C Salmon
Director

Company number: 06806063

The notes on pages 8–13 are an integral part of these financial statements.

Statement of cash flows for the year to 28 February 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit after tax and Indemnity			
		–	–
Changes in operating assets & liabilities:			
Increase/(decrease) in amount due to HM Treasury		39,511	(6,128)
Cash transferred to HM Treasury		(10,737)	(34,860)
(Increase)/decrease in value of debt securities		(28,633)	17,963
Interest received		16	54
Other liabilities		–	1
		157	(22,970)
Net cash from operating activities		**157**	**(22,970)**
Cash flows from financing activities			
Loans and other borrowings		5	5
Net interest income		(17)	(47)
Net cash from financing activities		**(12)**	**(42)**
Net increase/(decrease) in cash and cash equivalents	**14**	**145**	**(23,012)**
Cash and cash equivalents at 1 March	14	1,040	24,052
Cash and cash equivalents at 28 February	**14**	**1,185**	**1,040**

The notes on pages 8–13 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, the Balance Sheet, 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 requirements of International Financial Reporting Standards (IFRS) and interpretations of International Financial Reporting Interpretations Committee, as adopted by the EU (together, 'adopted IFRS').

The financial accounts have been prepared on a going-concern basis 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 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.

In addition the Company has considered the potential effect of forthcoming EU-adopted standards which have not been adopted in the financial statements; none of these are expected to materially impact the Company.

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 the 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. Such assets and liabilities are debt securities, the Indemnity and loans and other borrowings. The fair value designation is made on initial recognition and is irrevocable.

ii) Initial recognition of financial instruments

Financial instruments are initially recognised at fair value, and transaction costs are immediately recognised in, profit or loss. Financial securities are recognised/derecognised on the date the Company commits to purchase/sell the instrument (trade date accounting), the loan from the Bank of England 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.

iii) Subsequent measurement

Gains and losses arising from changes in the fair value of assets classified at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Bank establishes fair value by using appropriate valuation techniques. The policy for establishing fair values of securities in non-active markets is described in note 3 'Significant accounting estimates and judgements in applying accounting policies' below.

c) HM Treasury Indemnity

The Company's operations are fully indemnified for loss by HM Treasury 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 derivative under IAS 39 as it contains contractual obligations and rights as regards to the transfer of cash at a future date and the value changes in respect of the underlying assets and liabilities of the Company. As such, the Indemnity is fair valued on the basis of the difference between the fair value of the Company's assets and liabilities.

Following the alteration to the Indemnity agreement during the prior year, a process for partial settlement of the Indemnity between the Company and HM Treasury was established. The Indemnity is presented net of cash transfers made.

d) Cash and cash equivalents

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

e) Equity capital

The entire equity capital comprising 100 £1 ordinary shares is held by the Governor and Company of the Bank of England.

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 are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value in non-active markets

Where possible, the Company uses a market price to value securities. In relation to the Indemnity, the instrument is valued on the basis of the difference between the fair value of the Company's assets and liabilities.

4 Interest receivable and similar income

	2015 £m	2014 £m
On cash held with related parties	17	47

5 Net loss from financial instruments at fair value

	2015 £m	2014 £m
Net loss on changes in fair value from financial instruments	(15)	(45)

Includes mark to market movements and interest on gilts, the loan from the Bank of England and the HM Treasury indemnity.

6 Administrative expenses

	2015	2014
	£m	£m
Management fee payable to Bank of England	(2)	(2)

All staff costs are contained within the management fee charged by the Bank of England. The Directors have not received any emoluments in respect of their services to the Company during the year ended 28 February 2015 (2014: £nil).

	2015 £000	2014 £000
Audit fees:		
Fees relating to current year	30	30
Fees payable for other services:		
Other fees	–	8

7 Cash

	2015 £m	2014 £m
Balance with the Bank of England	1,185	1,040

8 Debt securities

	2015 £m	2014 £m
Gilts	403,182	374,549

As at 28 February 2015 gilts with a fair value of £0.8 billion were lent to the Debt Management Office (2014: £0.1 billion) (see note 17).

9 Other assets

	2015 £m	2014 £m
Accrued interest	–	–

10 Due to HM Treasury under Indemnity

	2015 £m	2014 £m
Net due to HM Treasury under Indemnity 1 March	**277**	41,265
Change in fair value of Indemnity	39,511	(6,128)
Cash paid to HMT	(10,737)	(34,860)
Net due to HM Treasury under Indemnity 28 February	**29,051**	277

An Indemnity has been provided by HM Treasury against any loss incurred by the Company and any profit made by the Company will be passed to HM Treasury. The Indemnity is valued on a marked-to-market basis (see note 2(c)).

11 Loans and other borrowings

	2015 £m	2014 £m
Total loan from Bank of England	375,316	375,311

12 Other liabilities

	2015 £m	2014 £m
Accrued expense	–	1

13 Capital

The entire capital comprising of 100 authorised, issued and fully paid ordinary shares of £1 is held by the Governor and Company of the Bank of England.

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

14 Cash and cash equivalents

	Note	At 28 February 2014 £m	Cash flow £m	**At 28 February 2015 £m**
Cash	7	1,040	145	**1,185**

15 Contingent liabilities

There were no contingent liabilities as at 28 February 2015 (2014: £nil).

16 Financial risk management

The Company's operations are fully indemnified for loss by HM Treasury, and any surplus for these operations after 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 credit risk and monitors market risk on HM Treasury's behalf. The Company does not face liquidity risk.

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 annually by the Directors. There is also a set of high-level risk standards applying to the Company agreed between HM Treasury and the Bank.

The Company's management seek to ensure that effective risk management processes exist for monitoring and managing risk, within clear risk policies. The Bank of England's Risk Management Division within the Markets Directorate is responsible for the development of the appropriate framework and for the management and monitoring of financial risks. The Market Strategy and Risk Operations Division is responsible for the implementation of the agreed risk framework, including reporting on credit, market and liquidity risk.

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 arises as a result of purchasing debt security instruments issued by the UK Government and investment-grade companies.

The Company's credit risk polices are those defined by the Bank. The Bank defines high-level credit risk parameters under which credit risk is monitored and controlled. Credit exposures to companies are controlled by a system of limits.

The tables below represent an analysis of debt securities by credit risk groupings, based on external rating agency designation(1) at 28 February 2015 with prior year comparatives:

Credit risk groupings of debt securities

	2015 **£m**	2014 £m
AAA	–	–
AA	403,182	374,549
A	–	–
BBB	–	–
Total	**403,182**	374,549

Sector concentration of assets

	2015 **£m**	2014 £m
UK Government debt securities	403,182	**374,549**

b) Market risk

Market risk is defined as the risk of loss as a result of changes in market conditions, including changes in interest rates, foreign exchange rates, commodity prices and credit spreads. Market risk in the Company's asset portfolio arises as a natural consequence of its policy objectives, principally through the repricing of its assets as a result of changes in market interest rates.

The Company monitors interest rate risk in the form of 'delta', which is the decline in valuation from a 1 basis point increase in market interest rates. The delta at 28 February 2015 was £387.3 million (2014: £328.2 million).

(1) An analysis of external credit ratings as at 28 February 2015 of the company's debt securities by asset class, these ratings are based on the average of Moody's, Standard & Poor's and Fitch.

The Company also undertakes stress tests on the Company's operations, the results of which are reported to management alongside the delta measure.

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. The Company does not face liquidity risk. Upon receipt of notification of the Company's intention to draw down under the loan, the Bank of England is required to make the advance, provided that the request is within authorised limits. The Bank may only obtain repayment with the agreement of the Company. The loan is ultimately repayable on termination of the Company's operations.

d) Fair value

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

As at 28 February 2015

	Note	level 1 £m	level 2 £m	Total £m
Asset				
Debt securities	8	403,182	–	**403,182**
Liabilities				
Due to HM Treasury under Indemnity	10	–	29,051	**29,051**
Loans and borrowings	11	–	375,316	**375,316**

As at 28 February 2014

	Note	level 1 £m	level 2 £m	Total £m
Asset				
Debt securities	8	374,549	–	**374,549**
Liabilities				
Due to HM Treasury under Indemnity	10	–	277	**277**
Loans and borrowings	11	–	375,311	**375,311**

There have been no transfers between levels in the year.

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: The categories of instruments comprise: the Indemnity to/(from) HM Treasury, calculated as the difference between the fair value of the assets and liabilities of the Company; and the loan from the Bank of England to the Company.

In the balance sheet the carrying value of cash, other assets and other liabilities approximates to the fair value.

17 Collateral

At 28 February 2015 the Bank held securities with a fair value of £0.8 billion (2014: £0.1 billion) as collateral for gilts lent by the Company to the Debt Management Office through the Debt Management Account with a notional value of £0.8 billion (2014: £0.1 billion).

18 Related party transactions

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

The Bank of England

As at 28 February 2015 the Company had borrowed £375.3 billion (2014: £375.3 billion). Interest on this loan amounted to £1.9 billion (2014: £1.9 billion).

The Company was charged an administrative fee of £2 million (2014: £2 million) by the Bank of England.

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. During the year £10.7 billion (2014: £34.9 billion) was transferred to HM Treasury as partial settlement of the Indemnity in accordance with the altered Indemnity agreement (see note 2(c))

Debt Management Office (DMO) and Debt Management Account (DMA)

During the year the Company lent overnight a small proportion of its gilts portfolio to the DMO through the DMA. The position at 28 February 2015 is shown in note 17.

Other related parties

As part of the asset purchase scheme, the Company has purchased assets in a competitive process from commercial banks in their capacity as market makers. These transactions were conducted in the ordinary course of the Company's business on terms comparable to those with other entities that were not government-related.

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 year ended 28 February 2015 (2014: £nil).

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Company Number: 06806063

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