Bank of England

Bank of England Asset Purchase Facility Fund Limited Annual Report and Accounts

1 March 2024–28 February 2025

HC 978

Bank of England

Asset Purchase Facility Fund Limited Annual Report and Accounts

1 March 2024 to 28 February 2025

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 26 June 2025.

HC 978

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 978-1-5286-5737-2

E03364749 06/25

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Directors' Report for the year ended 28 February 2025

The Directors present their report and the audited financial statements of Bank of England Asset Purchase Facility Fund Limited (the Company) for the year ended 28 February 2025.

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 on 29 January 2009. This remit set out that the Asset Purchase Facility (APF) was established in order to support the Bank of England's responsibilities for financial stability and monetary stability in the UK.[2]

While the Company's activities since its establishment in 2009 have typically focused on supporting the Bank's monetary policy remit, in autumn 2022 the APF was used to conduct temporary and targeted gilt purchases in line with the Bank's financial stability objective.[3]

The Company is fully indemnified by HM Treasury (the Indemnity): that is, any financial losses as a result of its activities are borne by HM Treasury, and any gains are owed to HM Treasury. When the Company was first established, 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[4] 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. A process was also established for quarterly cash transfers for cash accumulated from 1 April 2013 onwards, which applies to both transfers from the Company to HM Treasury, and from HM Treasury to the Company should cash shortfalls in the Company

1. The Chancellor's statement is available at **https://webarchive.nationalarchives.gov.uk/ukgwa/+/http://www.hm-treasury.gov.uk/press_05_09.htm**.
2. The exchange of letters is available at **www.bankofengland.co.uk/letter/2009/apf-letter-march-2009** and **https://webarchive.nationalarchives.gov.uk/ukgwa/20100408190827/http://www.hm-treasury.gov.uk/d/chxletter_boe050309.pdf**.
3. The gilts purchased in these operations were held within a segregated portfolio of the Asset Purchase Facility. This activity was authorised by HM Treasury raising the maximum authorised size of the APF under the Indemnity provided. **Written statements – Written questions, answers and statements – UK Parliament**, **https://assets.publishing.service.gov.uk/media/6364f87bd3bf7f388d8b9303/CX_Letter_Governor_041122.pdf**.
4. **www.gov.uk/government/publications/asset-purchase-facility-cash-management-operations**.

arise.[5] This arrangement has allowed the Government to manage its cash more efficiently in line with standard cash management processes. During the year, the Company's operational cash management arrangements were reviewed, and an operational change to how the level of cash held by the Company is determined was agreed. This change impacts the quarterly profile of cash transfers between the Company and HM Treasury, rather than representing a change to the net lifetime position of the Company.

On 13 February 2025, the Bank and HM Treasury updated the 2018 Memorandum of Understanding on their financial relationship. The updated Memorandum of Understanding maintains the capital and income framework for the Bank. The Memorandum of Understanding continues to reinforce the Bank's independence and resilience to deliver its statutory policy objectives of monetary and financial stability and provides transparency concerning the Bank's finances.[6]

A review of the current financial year is provided in the Strategic Report on page 11.

Information on likely future developments in the Company's business can be found in the Strategic Report on page 12.

There are no adjusting events after the reporting period affecting the Company which have occurred since the end of the financial year.

The Company has no branches outside the United Kingdom.

5. See Busetto et al (2022), **QE at the Bank of England: a perspective on its functioning and effectiveness**, Bank of England Quarterly Bulletin, 2022 Q1.
6. **www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship**.

Directors

The Chief Cashier and Executive Director of Banking, the Chief Financial Officer, the Chief Economist and Executive Director for Monetary Analysis and Research and the Executive Director for Markets were Directors of the Company during the year:

Sarah John
Afua Kyei
Huw Pill
Viktoria Saporta

On 1 April 2025, Sarah John was appointed as the Chief Operating Officer of the Bank. Effective from 10 April 2025, Sarah John was replaced as a Director of the Company by Clair Stevens (also known as Clair Mills), the Director of Banking, Change and Operations.

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.

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 of the Bank to its 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 2024/25.

The Company has authorised the Bank to carry out the day-to-day activities and transactions relating to the APF on its behalf within set investment guidelines and controls. The Board meets regularly to receive and discuss financial, legal, operational and risk updates on the Company and its operations and to make decisions on those matters that it has reserved to itself. Members of the Board attend relevant parts of the Bank's Audit and Risk Committee, and a financial and risk management framework has been agreed by the Company with HM Treasury which sets out the high-level risks and standards for the Company's investment strategy. An internal control framework, which is reviewed periodically by the Board, is also in place and addresses matters such as day-to-day governance of the APF and decision-making, the supporting processes and resources provided by the Bank, the implementation of APF operations and risk management and controls.

Risk management

The Company's operations are fully indemnified for loss 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 and recognising the exclusive responsibility of the Bank's policy committees to take policy decisions in their respective areas of responsibility, the aim of the Company's control framework is to maximise value for money by minimising overall cost and risk through the appropriate choice of portfolio and risk management practices over the lifetime of the APF. 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; more detail is included in note 12 to the financial statements.

In addition, the Company monitors market conditions closely. Although the MPC set a high bar for amending its annual target for the reduction in the stock of APF gilts outside of the scheduled annual review, MPC granted discretion to Bank Executive to adjust the operational delivery of quantitative tightening if market conditions warrant it.

Engagement with suppliers, customers and others

All of the infrastructure and support required to carry out APF 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. The Bank has published a Supplier Code of Practice on its website, to which all of its suppliers are expected to adhere.

Given its role in assisting the Bank to implement the monetary policy decisions of the MPC the Board considers the UK public to be a key stakeholder for the Company. The Bank uses a variety of communication tools including public speeches by senior officials, social media and its website to provide tailored information to the public on the Bank's monetary policy decisions including the operations of the APF.

The Bank acts as the agent of the Company for all transactions in both gilts and corporate bonds pursuant to its APF operations. Counterparties to these transactions must be participants in the Bank's Sterling Monetary Framework who are gilt-edged market makers. Alongside the routine day-to-day engagement with representatives of such entities by members of the Bank's Markets Directorate, detailed information on how to participate in the Company's APF schemes is provided through Market Notices and other communications made available on the Bank's website.

The Company's ultimate parent undertaking is HM Treasury. Officials from both the Bank and HM Treasury meet regularly to monitor the operation of the APF schemes operated by the Bank 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.

Political contributions

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

Dividend policy

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

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 year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK 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 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'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, are fair, balanced and understandable and provide the necessary information to users to assess the Company's position, performance, purpose and strategy. The Company's financial statements for the period to 28 February 2025 are presented on pages 22–40.

Assessment of going concern

In making their going concern assessment, the Directors have considered information relating to present and potential conditions, including cash flows and the ability of the Company to meet its liabilities as they fall due. Since the Company is fully indemnified for loss by HM Treasury, it is able to meet its obligations.

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 Sub-Paragraphs (1)–(4) of Paragraph 20D and Paragraphs 20F and 20G of Part 7A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations). The Bank has however disclosed information required by the Regulations in its climate-related financial disclosure 2025 report, and those disclosures include the activities of its subsidiaries including the Company.

By order of the Board

C Stevens
Director
20 June 2025

A Kyei
Director
20 June 2025

H Pill
Director
20 June 2025

V Saporta
Director
20 June 2025

Strategic Report for the year ended 28 February 2025

Review of 2024/25

The APF holds a stock of assets purchased for monetary policy purposes as part of quantitative easing (QE), which is currently being unwound via quantitative tightening (QT). During the course of the year, the APF portfolio included assets in the form of UK government bonds (known as gilts) and sterling non-financial investment-grade corporate bonds.

Gilt maturities and sales

At its meeting on 20 September 2023, the MPC decided to reduce the stock of gilts held by the APF by £100 billion over the period October 2023 to September 2024, to a total of £658 billion, via gilt maturities and sales. At its September 2024 meeting, the MPC decided to reduce the stock of gilts held by the APF by a further £100 billion over the period October 2024 to September 2025, comprising both maturing gilts and sales. The MPC's APF stock reduction target is expressed in terms of the proceeds first paid to purchase APF holdings, so-called 'initial purchase proceeds'.

Over the course of the reporting period, and in line with relevant MPC decisions, the Bank conducted regular multi-stock gilt auctions, designed and operated to meet the stock reduction targets, accounting for maturing APF gilt holdings over that period. As at 28 February 2025, the total amount of gilts held by the Company, valued at initial purchase price and net of redemptions and sales, was £645.7 billion (2024: £732.8 billion).

Corporate Bond Purchase Scheme (CBPS)

At its peak, the stock of corporate bonds held by the APF was £20 billion. On 6 June 2023, the Bank announced that it had completed all planned sales of sterling non-financial investment-grade corporate bonds, and intended to hold a small portfolio of very short maturity corporate bonds to maturity. This remaining stock of corporate bond holdings fully matured in April 2024. As at 28 February 2025, the stock of corporate bonds held by the Company under the CBPS, valued at initial purchase price and net of redemptions and sales, was £nil (2024: £0.2 billion).

Introduction of Bank of England Levy

On 1 March 2024, the Bank of England Levy (the Levy) replaced the Cash Ratio Deposit (CRD) scheme as a means of funding the costs of the Bank of England monetary policy and financial stability operations. The Company will continue to recover up to £5 million per annum under the Levy.

Forward outlook

In terms of forward outlook, the programme set out by the MPC most recently in September 2024 to reduce the stock of assets held for monetary policy purposes remains ongoing, subject to any future MPC decisions. The MPC has committed to review the reduction in the APF annually, and as part of that will set out an amount for the reduction in the stock of gilts over the subsequent 12-month period.

Financial results

The Company's financial statements for the year ended 28 February 2025 are provided on pages 22–40. Debt securities showed a mark-to-market loss, attributable to a decrease in the market value of the Company's gilt and corporate bond holdings. This loss principally reflects the Company's substantial exposure to sterling interest rates. Profit and loss for 2024/25 also reflects the crystallisation of some mark-to-market losses as a result of asset sales. These changes resulted, in aggregate, in a change in fair value of the Indemnity of £23.3 billion (note 8). Because of the Indemnity, the Company will never show an overall profit or loss.

The balance sheet of the Company totalled £656.4 billion as at 28 February 2025 (2024: £747.4 billion). The Company's principal liability was the loan from the Bank of £654.5 billion (2024: £744.3 billion). The fair value of the Company's holdings of securities was £477.4 billion (2024: £553.0 billion), of which £477.4 billion represented gilts (2024: £552.8 billion) and £nil represented corporate bonds (2024: £0.2 billion). The Company's cash holdings at the balance sheet date were £13.3 billion (2024: £15.7 billion), primarily representing coupon income received, net of transfers from HM Treasury. The remaining assets comprise the net amount receivable from HM Treasury under the Indemnity of £165.6 billion (2024: £178.6 billion). This amount is a balancing item representing the theoretical amount due from HM Treasury under the Indemnity if all assets were sold at current prices, and therefore fluctuates with market prices. Owing to the impact of these unrealised mark-to-market effects, this amount does not represent an outstanding or near-term cash transfer requirement which would require settlement between the Company and HM Treasury.[7]

Since the creation of the Company in 2009 until July 2022, transfers had only been in one direction, from the Company to HM Treasury, for a total amount of £123.8 billion. Cash flows started to reverse in 2022 Q3. All transfers during 2024/25 were made from HM Treasury to the Company for a total amount of £36.3 billion (2024: £44.5 billion). The total net amount

7. For further details of the Indemnity and cash flows between the Company and HM Treasury please see Dolan et al (2022), Box D: Cash flow arrangements between the APF and HM Treasury in **QE at the Bank of England: a perspective on its functioning and effectiveness**, Bank of England Quarterly Bulletin, 2022 Q1.

transferred to HM Treasury under these arrangements since the creation of the Company in 2009 was £38.0 billion as at 28 February 2025 (2024: £74.3 billion).

Section 172(1) Statement

The Board acts in good faith to promote the success of the Company. It does so by ensuring that the Company achieves its primary purpose of assisting the Bank with its central banking functions, in particular its monetary policy objective, through the implementation and operation of the APF schemes. 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 public, APF market counterparties, suppliers and its ultimate parent undertaking HM Treasury) can be found in the Directors' Report. The Bank's Annual Report for 2024/25 also contains information on its community initiatives and its climate-related financial disclosure 2025 report contains information on how financial risks from climate change are managed across its entire operations including those of the Company.

Principal risks and uncertainties

The Company's operations are fully indemnified for loss by HM Treasury and in return any surplus from these operations (after the deduction of fees, operating costs and any tax payable) is 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's activities should maximise value for money by minimising cost and risk over the lifetime of the APF, subject to implementing the MPC's monetary policy decisions concerning the portfolio accumulated owing to QE and in line with the MPC's key principles.

The future value of the APF is uncertain and affected by various factors, including changes in the Bank Rate. The Bank Rate affects the size of interest payments the APF must make on its loan from the Bank. A rising Bank Rate reduces APF income once interest on the loan is paid. Bank Rate also affects the level of the UK yield curve, which will impact on the mark-to-market value of the APF portfolio, and the income received when gilts are sold.

The Company's accounts do not provide a meaningful guide to the overall impact of its purchases or sales on the public finances. It is important to note that the fiscal implications of QE and QT are not simply captured by cash flows between the APF and HM Treasury, but also through the wider impact of the policy on financial conditions of the economy.

A range of information has been published on the broader impact of QE and QT on the economy and the public finances.[8] The MPC views the impact of QE and QT on the economy and inflation as working largely through their effects on asset prices. The MPC regularly reports discussion and analysis of market and asset price developments in the Monetary Policy Report and in the minutes of its meetings. In doing so, the MPC offers an assessment of how QE and QT are influencing the outlook for the economy and inflation, embedded within an overall analysis of the evolution of monetary and financial conditions. The MPC also regularly sets out its assessment of QT, most recently in the August 2024 Monetary Policy Report.[9]

The Company makes use of the Bank's processes, staff and systems as a wholly owned subsidiary. For further Information on risk management please see the Bank's Annual Report and Accounts for 2024/25.

By order of the Board

C Stevens	**A Kyei**	**H Pill**	**V Saporta**
Director	Director	Director	Director
20 June 2025	20 June 2025	20 June 2025	20 June 2025

8. **www.bankofengland.co.uk/independent-evaluation-office/ieo-report-january-2021/ieo-evaluation-of-the-bank-of-englands-approach-to-quantitative-easing**, Response of the Bank to the Treasury Select Committee: **http://committees.parliament.uk/writtenevidence/23385/html/** and **https://committees.parliament.uk/publications/44294/documents/220158/default/**.
9. **www.bankofengland.co.uk/monetary-policy-report/2024/august-2024**.

The Certificate and Report of the Comptroller and Auditor General to the members of the Bank of England Asset Purchase Facility Fund Limited and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Bank of England Asset Purchase Facility Fund Limited (the Company) for the year ended 28 February 2025 under the Bank of England Act 1998.

The financial statements comprise the Company's:

- statement of financial position as at 28 February 2025;
- statement of comprehensive income, statement of cash flows and statement of changes in equity for the year 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 UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2025 and its profit for the year then ended;
- have been properly prepared in accordance with the 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 (UK) (ISAs (UK)), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of the Company 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.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Company's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included confirming that the company continues to be indemnified by HM Treasury for any potential losses along with consideration of Parliament's intentions in relation to the Asset Purchase Facility.

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 the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises information included in the Annual Report and Accounts but does not include the financial statements and my auditor's certificate and 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 certificate, I do not express any form of assurance conclusion thereon.

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

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Company 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 which I 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; or
- the financial statements are not in agreement with the accounting records and returns; 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, the Directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Company from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as Directors determine are necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006; and
- assessing the Company'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 intends to liquidate the Company or to cease operations, or has 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 applicable law and the Bank of England Act 1998.

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 certificate 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Company's accounting policies;
- inquired of management, the Company's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Company's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Company's controls relating to directions in relation to the Company, Companies Act 2006 and the Bank of England Act 1998;
- inquired of management, the Company's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with 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 Company 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.

I obtained an understanding of the Company's framework of authorities and other legal and regulatory frameworks in which the Company 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 Company. The key laws and regulations I considered in this context included the directions in relation to the Company, the Bank of England Act 1998 and Companies Act 2006. I also considered the limits as set out in the letters between the Chancellor and Governor.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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.

I 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 certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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
24 June 2025
Comptroller and Auditor General

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

Statement of comprehensive income for the year ended 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Interest		1,071	1,092
Coupon income on financial instruments		13,939	15,543
Other income		–	–
Total income		**15,010**	**16,635**
Interest paid on the loan from the Bank of England		(35,027)	(39,226)
Net losses on financial instruments		(3,316)	(9,470)
Administrative expenses	4	(2)	(3)
Total expenses[(1)]		**(38,345)**	**(48,699)**
Net Indemnity movement for the year due from HM Treasury	8	23,335	32,064
Profit before taxation		**–**	**–**
Taxation		–	–
Profit after tax and total comprehensive income attributable to equity shareholder		**–**	**–**

(1) To improve the presentation of information, the line item 'Net Indemnity movement for the year due from HM Treasury' has been reclassified from expenses and is now a separate line item before profit before tax. Accordingly, prior year comparatives have been adjusted.

Statement of other comprehensive income for the year to 28 February 2025

There were no items of other comprehensive income during the year ended 28 February 2025 (2024: £nil).

The notes on pages 26–40 are an integral part of these financial statements.

Statement of financial position as at 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Assets:			
Cash	10	13,304	15,687
Debt securities	5	477,407	553,039
Due from HM Treasury under Indemnity	8	165,640	178,628
Other assets	6	38	58
Total assets		**656,389**	**747,412**
Liabilities:			
Loans and other borrowings	7	656,387	747,409
Other liabilities	4	2	3
Total liabilities		**656,389**	**747,412**
Equity:			
Capital	9	–	–
Retained earnings		–	–
Total equity attributable to shareholders		**–**	**–**
Total liabilities and equity attributable to shareholders		**656,389**	**747,412**

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

Company number: 06806063

The notes on pages 26–40 are an integral part of these financial statements.

Statement of financial position as at 28 February 2025 continued:

The financial statements were approved by the Board on 20 June 2025 and signed on its behalf by:

C Stevens	**A Kyei**	**H Pill**	**V Saporta**
Director	Director	Director	Director
20 June 2025	20 June 2025	20 June 2025	20 June 2025

Statement of changes in equity for the year to 28 February 2025

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

The notes on pages 26–40 are an integral part of these financial statements.

Statement of cash flows for the year ended 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Cash flows from operating activities:			
Profit after tax and Indemnity		–	–
Adjustments for:			
Interest income		(1,071)	(1,092)
Interest on Bank of England loan		35,027	39,226
		33,956	38,134
Changes in operating assets and liabilities:			
Decrease in amount due from HM Treasury	8	12,988	12,485
Decrease in value of debt securities	5	75,632	84,233
Decrease in other liabilities	4	(1)	–
Cash generated from operations		122,575	134,852
Interest received		1,092	1,078
Net cash from operating activities		**123,667**	**135,930**
Cash flows from financing activities:			
Loans and other borrowings	7	(89,774)	(99,431)
Interest paid		(36,276)	(38,618)
Net cash used in financing activities		**(126,050)**	**(138,049)**
Net decrease in cash and cash equivalents	**10**	**(2,383)**	**(2,119)**
Cash and cash equivalents at 1 March 2024	10	15,687	17,806
Cash and cash equivalents at 28 February 2025	**10**	**13,304**	**15,687**

The notes on pages 26–40 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 statement of financial position, the statement of cash flows, the statement of changes in equity and related notes.

The Company's financial statements have been prepared in accordance with the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRICs) as adopted by the UK in accordance with the requirements of the Companies Act 2006.

The financial statements 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.

In making their going concern assessments, the Directors have considered information relating to present and potential conditions, including cash flows and the ability of the Company to meet its liabilities as they fall due. Since the Company is fully indemnified for loss by HM Treasury, it is able to meet its obligations.

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. Such assets and liabilities are debt securities, the Indemnity and loans and other borrowings. 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.

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 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 Company 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 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 International Accounting Standard (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 balance sheet reporting date.

Following an amendment and restatement of the Indemnity in November 2012, a process for partial settlement of the Indemnity between the Company and HM Treasury was established. The Indemnity is presented after giving effect to payments made or received.

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 100 ordinary shares of £1 each is held by the Governor and Company of the Bank of England.

f: Standards issued not yet effective

On 9 April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements' and IFRS 19 'Subsidiaries without Public Accountability'.

IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and introduces new disclosure requirements such as new categories and subtotals in the statement of profit or loss, disclosure of management performance metrics and enhanced requirements for grouping information.

IFRS 19 gives eligible companies the opportunity to simplify their reporting processes and reduce the cost of preparing financial statements. A subsidiary electing to apply IFRS 19 can align its accounting policies with the parent company for group reporting purposes and reduce its disclosure burden.

The standards are effective from 1 January 2027 and accordingly do not impact the financial statements this year. The Company is currently assessing the impact of IFRS 18 on the financial reporting disclosures. IFRS 19 is not in scope for the Company.

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 and as at 28 February 2025 this applies to the Company's entire portfolio of debt securities (see note 5). In other cases, the Company establishes fair value by using appropriate valuation techniques (see note 12). Loans and other borrowings are held at fair value. 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, which is the amount due under the Indemnity.

4: Administrative expenses

	2025 (£mn)	2024 (£mn)
Management fee payable to Bank of England	**2**	**3**

Administrative and other costs are incurred by the Bank on behalf of the Company. Under the terms of the Memorandum of Understanding between the Bank and HM Treasury, the Bank recovers the first £5 million of expenditure through the Bank of England Levy and any administrative costs in excess are recovered from the Company. The total administrative expenses for the year were £7 million (2024: £8 million), of which £2 million (2024: £3 million) was recovered from the Company.

The Directors have not received any emoluments in respect of their services to the Company during the year ended 28 February 2025 (2024: £nil).

	2025 (£000)	2024 (£000)
Audit fees:		
Fees relating to current year	60	53
Fees payable for other services:		
Other fees	–	–

Fees in relation to audit services are paid for by the Bank and recharged to the Company through the management fee except where they are recovered by the Bank through the Bank of England Levy.

5: Debt securities

	2025 (£mn)	2024 (£mn)
Gilts	477,407	552,856
Corporate bonds	–	183
Total debt securities	**477,407**	**553,039**

The decrease in value of debt securities in the year was £75.6 billion as presented in the statement of cash flows. The decrease was mainly due to sales and redemptions of debt securities during the year.

As at 28 February 2025, gilts with a fair value of £6.1 billion were lent to the Debt Management Office (2024: £9.4 billion) (see note 13).

The portfolio of corporate bonds fully matured in April 2024 and the holdings are £nil.

6: Other assets

	2025 (£mn)	2024 (£mn)
Accrued interest	38	58
Total other assets	**38**	**58**

Accrued interest represents interest receivable on a deposit held at the Bank which is shown in cash and cash equivalents (note 10). Interest on this deposit is earned at Bank Rate. The decrease in value of other assets in the year was £20 million as a result of the decreased Bank Rate earned on the Company's deposit balance during the year.

7: Loans and other borrowings

	2025 (£mn)	2024 (£mn)
Loan from Bank of England	**656,387**	**747,409**

The amount above reflects a principal of £654.5 billion (2024: £744.3 billion) and accrued interest of £1.9 billion (2024: £3.1 billion).

The MPC decided to begin the unwind of the stock of assets purchased for monetary policy purposes on 2 February 2022. Consequently, since March 2022 the Company has continued to repay the loan from the Bank. Interest charges on the loan are accrued and paid to the Bank on each scheduled MPC meeting date.

The timing and amount of repayments of the loan are determined by the unwinding of the stock of gilts held by the APF via gilt maturities and sales, and any payments under the Indemnity from HM Treasury. The pace of unwind of the APF is set by the MPC; at its September 2024 meeting, the MPC voted to reduce the stock of gilts held by the APF for monetary policy purposes by £100 billion over the period from October 2024 to September 2025, to a total of £558 billion. The operational arrangements governing the repayment of the loan are set out in agreements between the Company and HM Treasury.

8: Due from HM Treasury under Indemnity

	2025 (£mn)	2024 (£mn)
Net due from HM Treasury under Indemnity as at 1 March	(178,628)	(191,113)
Change in fair value of Indemnity	(23,335)	(32,064)
Cash received from HM Treasury	36,323	44,549
Net due from HM Treasury under Indemnity as at 28 February	**(165,640)**	**(178,628)**

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 as described in note 2(c).

9: Capital

The Company is a private company limited by shares.

The entire capital comprising 100 issued and fully paid ordinary shares of £1 each 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.

10: Cash and cash equivalents

	At 29 Feb 2024 (£mn)	Cash flow (£mn)	At 28 Feb 2025 (£mn)
Cash	**15,687**	**(2,383)**	**13,304**

11: Contingent liabilities

There were no contingent liabilities as at 28 February 2025 (2024: £nil).

12: Financial risk management

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. As such, the Company is not directly exposed to financial risk but manages financial risk on HM Treasury's behalf. 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) and periodically reviewed and approved 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 Directors seek to ensure that effective risk management processes exist for monitoring and managing risk, within clear risk policies. Specialist teams and committees support senior management in ensuring that agreed standards and policies are followed.

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

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

The Bank's Middle Office is responsible for the pricing, valuation and financial control of exposures arising from the Company's market operations.

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 companies that are investment-grade at the point of purchase. Debt securities are closely monitored to identify those at risk of rating downgrade, including those that may fall below investment-grade.

The Company's credit risk policies are those defined by the Bank within the arrangements agreed with HM Treasury. The Bank defines high-level credit risk parameters under which credit risk is monitored and managed.

The purpose of the CBPS while it was in active purchase mode was to impart monetary stimulus by lowering the yields on corporate bonds, thereby reducing the cost of borrowing for companies; by triggering portfolio rebalancing into riskier asset by sellers of assets; and by stimulating new issuance of corporate bonds.

As part of the changes to the Company's operational cash management arrangements agreed between HM Treasury and BEAPFF in 2024, the Company released an amount of cash that was held in case of credit defaults, as it was no longer required given the unwind of the corporate bonds portfolio in April 2024.

The table below represents an analysis of debt securities by credit risk groupings, based on external rating agency designations[10] at 28 February 2025 with prior year comparatives.

Credit risk groupings of debt securities

	2025 (£mn)	2024 (£mn)
AAA	–	–
AA	477,407	552,856
A	–	59
BBB	–	124
BB	–	–
Total	**477,407**	**553,039**

Location – Geographical concentration of assets

	2025 (£mn)	2024 (£mn)
United Kingdom	477,407	553,039
Total	**477,407**	**553,039**

The MPC decided, on 2 February 2022, to reduce the stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest the proceeds of maturing assets and to unwind fully the stock of corporate bonds by a programme of sales. All planned sales of corporate bonds held by the APF were completed in June 2023, with the remaining corporate bonds fully maturing in April 2024.

10. Analysis of external credit ratings as at 28 February 2025 of the Company's debt securities by credit risk groupings, these ratings are based on the average of several market providers.

The table below shows the sectoral concentration of these assets which has changed year-on-year due to the CBPS unwind.

Corporate bonds – Sectoral concentration of assets

	2025		2024	
	(£mn)	Per cent	(£mn)	Per cent
Consumer, non-cyclical	–	–	46	25
Electricity	–	–	59	32
Industrial and transport	–	–	78	43
Total	**–**	**–**	**183**	**100**

b: Market risk

Market risk refers to the potential for losses due to movements in market prices. 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 and as the quantum of holdings changes as a result of purchases, maturities or sales. The Company is also exposed to changes in Bank Rate due to interest payments that the Company must make on its loan from the Bank.

The MPC decided, on 20 September 2023, to reduce the stock of gilts by £100 billion to £658 billion over the period from October 2023 to September 2024. At its September 2024 meeting, the MPC decided to reduce the stock of gilts held by the Company by a further £100 billion over the period October 2024 to September 2025, comprising both maturing gilts and sales. Exposure to market risk is expected to diminish as the Company continues to unwind the portfolio.

The Company monitors interest rate risk using a 'Delta' risk measure, which represents the change in valuation of the portfolio for a one basis point increase in interest rates. The Delta at 28 February 2025 was a loss of £327.3 million (2024: £405.7 million). The portfolio's sensitivity to a 100 basis point increase in yields was a loss of £30.1 billion at 28 February 2025 (2024: £37.1 billion). The Company has a £656.4 billion (2024: £747.4 billion) loan from the Bank. A 100 basis point increase in Bank Rate would increase the funding cost of the Company by £6.6 billion (2024: £7.5 billion) per annum.

The Company also undertakes stress tests on the Company's operations, the results of which are reported to management alongside the Delta measure. These stress tests include simple yield shocks, and a set of more detailed cash-flow projections based on a range of hypothetical yield paths and portfolio holding assumptions. The projections are based on a set of scenarios for the MPC's approach to unwind, reflecting the MPC's annual review process, and the path for Bank Rate. These illustrative projections are highly sensitive to the assumptions used.[11]

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 is required to make the advance, provided that the request is within authorised limits. 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 2025

	Note	Level 1 (£mn)	Level 2 (£mn)	Total (£mn)
Assets:				
Debt securities	5	477,407	–	477,407
Due from HM Treasury under the Indemnity	8	–	165,640	165,640
Liabilities:				
Loans and borrowings	7	–	656,387	656,387

11. For more information, please see the Asset Purchase Facility Quarterly Report – 2025 Q1 published on 13 May 2025, **www.bankofengland.co.uk/asset-purchase-facility/2025/2025-q1**.

As at 29 February 2024

	Note	Level 1 (£mn)	Level 2 (£mn)	Total (£mn)
Assets:				
Debt securities	5	553,039	–	553,039
Due from HM Treasury under the Indemnity	8	–	178,628	178,628
Liabilities:				
Loans and borrowings	7	–	747,409	747,409

There have been no transfers between levels in the year.

Level 1: Valuation techniques using quoted market prices: debt securities are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valuation techniques using observable inputs: financial instruments with quoted prices and models where inputs are observable. The categories of instruments comprise: the Indemnity 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 to the Company.

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

e: Maturity analysis

Maturities of debt securities at their carrying amount as at 28 February 2025

	Note	Up to 1 year (£mn)	1–5 years (£mn)	5–10 years (£mn)	Over 10 years (£mn)	Total (£mn)
Assets:						
Gilts	5	93,414	133,231	88,009	162,753	477,407
Corporate bonds	5	–	–	–	–	–
Total assets		**93,414**	**133,231**	**88,009**	**162,753**	**477,407**

Maturities of debt securities at their carrying amount as at 29 February 2024

	Note	Up to 1 year (£mn)	1–5 years (£mn)	5–10 years (£mn)	Over 10 years (£mn)	Total (£mn)
Assets:						
Gilts	5	48,894	204,368	91,841	207,753	552,856
Corporate bonds	5	183	–	–	–	183
Total assets		**49,077**	**204,368**	**91,841**	**207,753**	**553,039**

13: Collateral

As at 28 February 2025, the Company held securities with a fair value of £6.1 billion (2024: £9.4 billion) as collateral for gilts lent by the Company to the Debt Management Office. The notional value of the collateral was £5.7 billion (2024: £10.5 billion). This lending is performed as part of the normal course of business of the Company and within the agreed scheme framework.

The Company has not sold any of these assets to third parties but, subject to applicable law and regulations, is entitled to do so.

14: Related party transactions

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

The Bank of England

As at 28 February 2025, the principal loan value to the Company from the Bank was £654.5 billion (2024: £744.3 billion) with accrued interest of £1.9 billion (2024: £3.1 billion). Interest on this loan is payable at Bank Rate and amounted to £35.0 billion (2024: £39.2 billion). The interest paid on this loan has decreased as a result of the decreasing loan value and the decreasing Bank Rate during the year.

At year end the Company held a deposit at the Bank of £13.3 billion (2024: £15.7 billion). Interest on this deposit is receivable at Bank Rate and totalled £1.1 billion for the year ended 28 February 2025 (2024: £1.1 billion).

The Company was charged an administrative fee of £2 million (2024: £3 million) by the Bank. Following the implementation of the Bank of England Levy in March 2024 costs of up to £5 million per annum are recovered from the Levy. Under the terms of the Memorandum of Understanding between the Bank and HM Treasury the Bank recovered £5 million. The total administrative expense for the year was £7 million (2024: £8 million).

HM Treasury

HM Treasury has indemnified the Company against any loss it may incur in connection with its operations. Any surplus from these operations after the deduction of fees, operating costs and any tax payable is due to HM Treasury. During the year £36.3 billion was transferred from HM Treasury (2024: £44.5 billion) as partial settlement of the Indemnity in accordance with the amended and restated Indemnity (see note 2(c) and note 8).

Debt Management Office

During the year the Company lent overnight a small proportion of its gilt portfolio to the Debt Management Office under the gilt lending agreement. The position at 28 February 2025 is shown in note 5.

Other related parties

As part of the asset purchase scheme, the Company has purchased and sold assets in a competitive process from commercial banks in their capacity as market makers. At the point of these transactions some of those commercial banks may have been under the ownership/part-ownership of the UK Government. 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

As defined by IAS 24, the Directors of the Company are considered to be the only key management personnel of the Company. The Directors have not received any emoluments in respect of their services to the Company during the year ended 28 February 2025 (2024: £nil) or entered into any other transactions with the Company.

15: Ultimate controlling party

The ultimate controlling party of the Company is HM Treasury.

16: Events after the reporting period

The Chancellor of the Exchequer and the Governor of the Bank of England jointly agreed to reduce the maximum authorised size of the APF. This was confirmed via an exchange of letters on 13 May 2025. This does not affect the contents of these financial statements.

There are no adjusting events after the reporting period.

17: Preparation of accounts

The accounts were approved by the Board on 20 June 2025 and authorised for issue on 24 June 2025, the date of the Comptroller and Auditor General's signature.

Bank of England Asset Purchase Facility Fund Limited
8 Lothbury
London EC2R 7HH

Incorporated in England and Wales with limited liability under the Companies Act 1985
Company Number: 06806063

978-1-5286-5737-2
E03364749

Photography

Front cover – © Lee Funnell