

National Loans Fund Account 2024-25

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Presented to Parliament pursuant to Section 21 of the
National Loans Act 1968

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Performance Report

The performance report includes:

- **Performance overview** which outlines the purpose, activities of the National Loans Fund (NLF).
- **Performance Analysis** which provides a more detailed look at the expenditure, assets and liabilities of the NLF during 2024-25.

Overview

Purpose and activities of the National Loans Fund

The National Loans Fund (NLF) was established on 1 April 1968 by the National Loans Act 1968 to account for government borrowing and lending which were until then, included within in the Consolidated Fund (CF).

The CF was first established in 1787 as a single fund for all government income and spending: 'One fund into which shall flow every stream of public revenue, and from which shall come the supply for every service'. Since the creation of the NLF, the CF accounts only include government revenue and expenditure while the NLF reflects lending and borrowing. The accounts for the CF and NLF are published separately.

Both the CF and NLF are administered by HM Treasury with the bank accounts maintained at the Bank of England.



The NLF's main role is to meet the financing needs of the CF to the extent that taxation and other government receipts are insufficient to support the CF's outgoings. To this end the NLF undertakes borrowing and uses the proceeds to meet any deficits in the CF; conversely, any net surpluses in the CF are passed to the NLF to reduce the latter's need to borrow or to increase the amount that it can lend. The NLF finishes every day with a nil balance in its bank account because any cash surpluses or deficits are offset by transfers to or from the Debt Management Account (DMA) at the Bank of England, administered by the Debt Management Office (DMO), and closely connected to the NLF.

Most of the NLF's borrowing needs are met indirectly through borrowing on its behalf by the DMO and National Savings and Investments (NS&I).

The DMO's remit is to carry out the government's debt management policy with the aim of keeping long term financing costs as low as possible, while considering risk. It also works to minimise the cost of balancing the government's cash flows over time, all within a risk appetite set by ministers. The DMO carries out these activities through the DMA.

As the government's debt manager, the DMO has a key role in the issue of gilt-edged securities on behalf of HM Treasury. Gilt-edged securities, or gilts, are UK government sterling-denominated listed bonds. There are two main types issued from the NLF and sold to the market:

- conventional gilts (bonds that pay a fixed rate of interest at regular intervals and returns the principal amount at maturity)
- index-linked gilts (bonds where both the interest payments and the principal are adjusted in line with movements in the General Index of Retail Prices, known as RPI).

In addition, the DMO issues Treasury Bills from the DMA and undertakes other money market operations to meet the government's daily cash requirements. Treasury Bills are short-term government securities, issued at a discount and repaid at face value on maturity, typically with a term of up to one year and no regular interest payments. Further details on these operations can be found in the Debt Management Report 2025-26¹.

The NLF also sometimes borrows temporarily from other government bank accounts that have surplus funds. This helps reduce how much the NLF needs to borrow from elsewhere. No interest is paid on money already classed as Exchequer funds, but the NLF usually pays interest on other borrowing. If the NLF pays more interest than it earns, the difference is covered by a transfer from the CF.

The Exchange Equalisation Account (EEA) was established in 1932 to provide a fund that could be used when necessary to regulate the exchange value of sterling. It holds the UK's reserves of gold, foreign currency assets and International Monetary Fund (IMF) Special Drawing Rights (SDR). Combined with the UK's Reserve Tranche Position (RTP) with the IMF, these assets comprise the UK's official holdings of international reserves. The RTP is an asset of the NLF. The Bank of England acts as HM Treasury's agent in the day-to-day management of the EEA.

The NLF provides finance for both the DMA and EEA, so surpluses and deficits of the DMA and EEA are income and expenditure of the NLF, and their net assets are assets of the NLF. It also makes loans to various statutory public sector bodies and provides the finance needed by the Public Works Loan Board (PWLB) for its loans to prescribed bodies, mainly local authorities. The profits of the Issue Department of the Bank of England are also paid to the NLF under section 9(1) of the National Loans

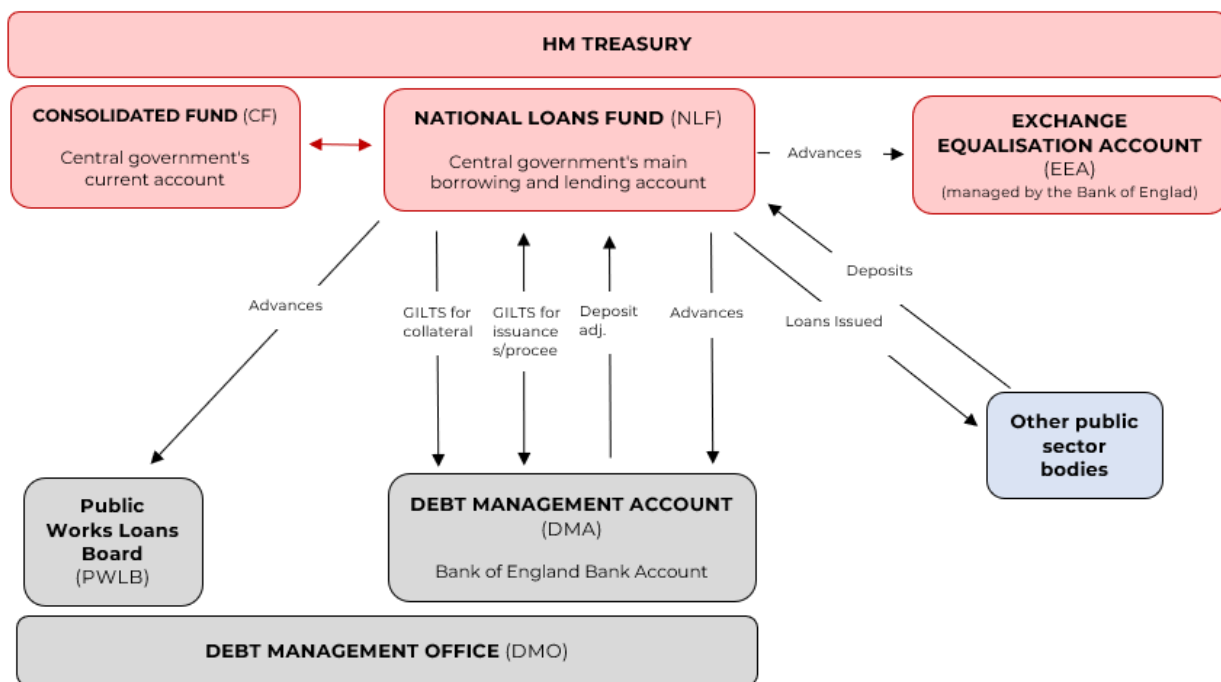
¹ <https://www.gov.uk/government/publications/debt-management-report-2025-26>

Act 1968. The Issue Department is solely concerned with the issue of banknotes and the assets backing them. NS&I's savings products are liabilities of the NLF.

As the vast majority of the assets of the NLF comprise the advances to and net assets of the DMA and EEA and advances to the PWLB, the NLF is not exposed to significant credit risk. Further detail on how credit risk is managed is included in Note 16, Financial risks related to the NLF. By virtue of section 19(1) of the National Loans Act 1968, the net liabilities of the NLF are a liability of the CF. The servicing and redemption of the NLF's liabilities are expected to be met over the long term mainly through future tax revenue receipts. Whilst the level of receipts in any year is subject to tax policy changes and, relatedly the UK's economic position, the level of debt required to meet government expenditure, including the servicing of debt, can be maintained by the issuance or reissuance of further debt, the demand for which remains robust.

Key relationships of the NLF

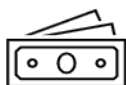
This diagram sets out the principal relationships of the NLF with other organisations and funds. It is intended for illustrative purposes only



Key issues and risks

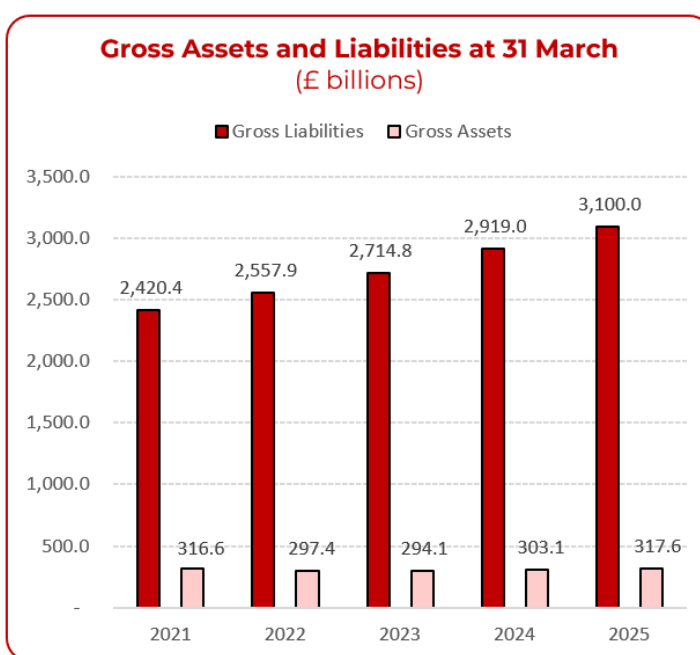
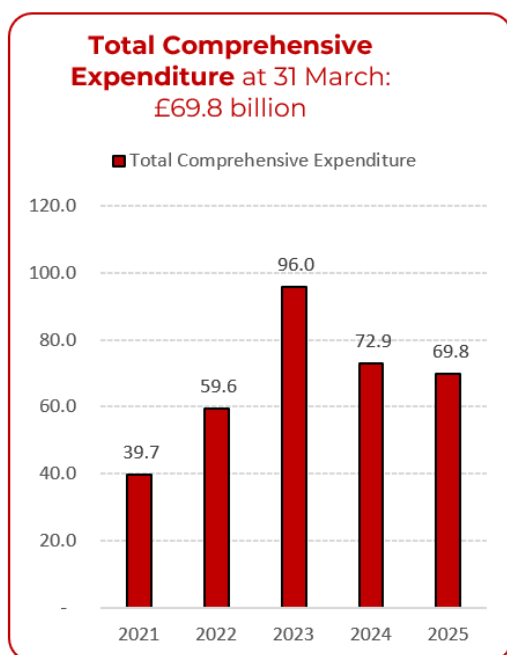
The key issues and risks facing the NLF are considered in the [Governance Statement](#). In addition, the financial risks related to the NLF are separately disclosed in [Note 16, Financial risks related to the NLF](#).

Performance analysis



2024-25 Total Comprehensive Expenditure as at 31 March 2025
£69.8 billion (2023-24: 72.9 billion) a decrease of £3.1 billion primarily due to reduced financing costs of borrowing.

Gross Assets and Gross Liabilities increased compared to 31 March 2025 as reflected visually below more detail can be found in the Notes to the accounts.



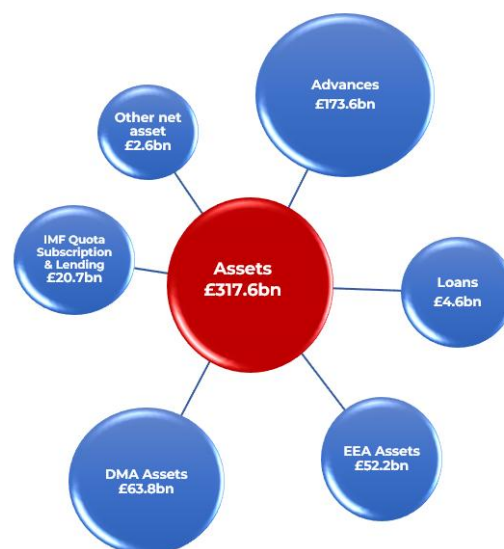
Outturn for 2024-25

	Note	2024-25 £m	2023-24 £m
Total comprehensive net expenditure		69,763	72,884
EEA total comprehensive net (income)/expenditure	5	8,353	3,445
DMA total comprehensive net (income)/expenditure	5	443	348
Profits of the Bank of England Issue Department	5	4,792	4,274
		83,351	80,951

Assets

The NLF's total gross assets increased by £14.5 billion from £303.1 billion in 2023-24 to **£317.6 billion in 2024-25**.

This was primarily due to an increase in advances of £5.9 billion (driven by a £7.5 billion increase in the advance to the PWLB, partly offset by a £1.6 billion decrease in the advance to the EEA) and an increase in other assets of £9.1 billion, primarily relating to an increase in the net assets of the EEA of £8.4 billion. (See [Note 6 Advances](#) and [Note 8 Other Assets](#))



Liabilities

Total gross liabilities increased by £181.0 billion from £2,919.0 billion in 2023-24 to **£3,100.0 billion in 2024-25**.

This is largely a result of gilt-edged stock increasing by £160.8 billion and other debt increasing by £10.6 billion. The latter is driven by £6.2 billion increase in the deposit from the DMA along with a £4.7 billion increase in Balances from government accounts held at Government Banking. This transaction is internal to government and does not constitute part of overall government borrowing. (See [Note 10 Gilt-edged Stock](#) and [Note 12 Other debt payable](#))



Public Sector Net Debt

As a result of these changes, the net liabilities of the Fund increased by £166.5 billion from £2,616.0 billion in 2023-24 to £2,782.5 billion in 2024-25. This is matched by a corresponding claim on the CF.

The NLF lends to and borrows from other parts of the public sector. For example, it makes advances to the PWLB and borrows directly from a range of public sector bodies (as described in [Note 12 Other debt payable](#)). In addition, some of the gilts it has issued are held in the public sector, including by the DMA which retains a portfolio of gilts for use as collateral for its money market activities and by the Bank of England under the Asset Purchase Facility.

The DMA also has large advances to and from the NLF. Therefore, the NLF's net liabilities do not equate to the Public Sector Net Debt ("PSND"), which is a calculation of the net debt of the whole of the public sector after eliminating intra-public sector balances. Figures for PSND are published jointly by HM Treasury and

the Office for National Statistics (ONS) in the monthly Public Sector Finances Statistical Bulletin which can be found on the ONS and GOV.UK websites.

International Support

The UK has continued to support the International Monetary Fund (IMF) through the NLF in 2024-25 in line with our commitments as an IMF member. The UK has provided support through its quota subscription and other lending to the Fund. The UK's quota commitment to the IMF is currently fixed at SDR 20.2 billion (£20.7 billion at the 31 March 2025 exchange rate²).

The UK also supports the Fund's New Arrangements to Borrow (NAB) and Bilateral Borrowing Agreements (BBAs), which are resources that the IMF can call upon to supplement permanent IMF quota resources, and which serve as the second and third lines of defence respectively should quota resources be exhausted. The UK's NAB and BBA commitment is respectively SDR 19.0 billion (£19.5 billion) and SDR 3.9 billion (£4.1 billion).

Overall, the UK's commitment to the IMF's general resources (quota, NAB and BBAs) stands at SDR 43.1 billion (£44.2 billion), which has been static since 1 January 2021.

Discussions on the future of the IMF's general resources, through the 16th General Review of Quotas (GRQ), have since concluded, and once effective will increase the UK's quota subscription by SDR 10.1 billion to a total of SDR 30.2 billion (£31.0 billion). This will be accompanied by a commensurate rollback of the BBAs, and partial rollback of the NAB from SDR 19 billion to SDR 15.9 billion. Once the quota increase, partial rollback of NAB, and full rollback of BBAs becomes effective, the UK's commitment to the IMF's general resources will increase to SDR 46.1 billion (£47.3 billion), a net increase of SDR 3.0 billion (£3.1 billion).

The NLF's net exposure to the IMF of £5.2 billion at 31 March 2025 (2023-24: £5.6 billion) is described in Note 9, IMF Quote subscription and lending. The IMF maintains precautionary balances of retained earnings to absorb any losses it may incur. As at 31 March 2025, any losses that may be incurred by the IMF on loans to its member countries are not expected to result in losses to the NLF.

Bank of England Asset Purchase Facility Fund

The Bank of England Asset Purchase Facility Fund (BEAPFF) is a wholly owned subsidiary of the Bank of England that was set up in 2009. The BEAPFF is authorised to purchase assets financed by the issuance of central bank reserves (a process known as 'quantitative easing').

As at 31 March 2025 £548.7 billion (2023-24: £645.4 billion) of gilts (on an amortised cost basis) from the NLF were held by the Bank of England for quantitative easing. Under an indemnity agreement between HM Treasury and the Bank of England, any excess funds held in the facility, are transferred to HM Treasury to be paid to the CF as Extra Receipts.

Since 2012 the BEAPFF has made net transfers of £38.0 billion to HM Treasury (2023-24: £74.3 billion) from interest payments on purchased gilts net of interest and other

² The GBP/SDR exchange rate at 31 March 2025 was 0.97385 (31 March 2024: 0.953017)

costs. These cash flows now transfer from HM Treasury to the BEAPFF, expected as quantitative easing unwinds, and gilts are sold back into the market. More information on the scheme can be found on the Bank of England's website³ and in HM Treasury's Annual Report and Accounts⁴.

Long-term expenditure trends

Since the function of the NLF is to account for government borrowing and lending, it has no long-term expenditure trends. Historical total comprehensive expenditure is shown in the [Performance Analysis, Page 9](#).

Sustainability reporting

Operationally, the NLF is part of HM Treasury and does not have its own staff or buildings. The Fund's impact on the environment is the same as that of the department. Further detail on environmental impact and climate change adaptation, including how it is embedded within overall decision making and assurance processes is provided within HM Treasury's Annual Report and Accounts⁵, Performance Report.

James Bowler
Accounting Officer
HM Treasury

04 December 2025

³ <https://www.bankofengland.co.uk/markets>

⁴ <https://www.gov.uk/government/collections/hmt-annual-report>

⁵ <https://www.gov.uk/government/collections/hmt-annual-report>

Accountability Report

The Accountability Report demonstrates how key accountability obligations to Parliament are fulfilled. It comprises the following sections:

- **Corporate governance report** which explains the composition and organisation of the National Loans Fund's governance structures and how they support the achievement of the National Loans Fund's objectives. It includes the Statement of Accounting Officer's responsibilities and the Governance statement.
- **Parliamentary accountability and audit report** which includes key Parliamentary accountability information on regularity of expenditure and remote contingent liabilities as well as the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

Corporate governance report

Directors' report

Operational management of the NLF is carried out by HM Treasury, with oversight provided by Treasury staff. As a result, the NLF does not employ any staff directly.

Directors' Conflicts of interest

In 2024-25, no material conflicts of interest have been noted by the senior management overseeing the NLF.

Personal data related incidents

The NLF does not hold any protected personal data.

Statement of Accounting Officer's responsibilities

Under section 21(1) of the National Loans Act 1968, HM Treasury is required to prepare an account relating to the National Loans Fund for each financial year in the form and on the basis considered appropriate by HM Treasury. The Account is prepared on an accruals basis and should give a true and fair view of the state of affairs of the Fund and of its Comprehensive Net Expenditure and cash flows for the financial year.

In preparing the Account the Accounting Officer should:

- observe the relevant accounting and disclosure requirements of the Government Financial Reporting Manual (FReM) in so far as they are relevant to the Account and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- prepare the accounts on a going concern basis as defined in the Government Financial Reporting Manual

- confirm that the annual report and accounts as a whole, are fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

HM Treasury has appointed me, James Bowler, as Accounting Officer of the NLF. I am the Permanent Secretary to HM Treasury and serve as Accounting Officer for the HM Treasury Group. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records, are set out in Managing Public Money published by HM Treasury.

Statement regarding the disclosure of information to auditors

As Accounting Officer, I have taken all the steps that I ought to have taken as Accounting Officer to make myself aware of any relevant audit information and to establish that the NLF's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that the annual report and accounts are fair, balanced, and understandable and I take personal responsibility for judgements required for determining that they are fair, balanced and understandable.

Audit arrangements

The NLF accounts are audited by the Comptroller and Auditor General (C&AG) under the requirements of the National Loans Act 1968. The National Audit Office (NAO) performs the external audit on behalf of the C&AG and bears the cost of all external audit work performed on the NLF. No non-audit work was undertaken by the NAO in relation to the NLF in 2024-25.

Governance Statement

Governance Framework

The National Loans Fund (NLF) is managed within HM Treasury's overall risk and governance framework as set out in HM Treasury's Annual Report and Accounts 2024-25⁶. This includes HM Treasury Board's assessment of its compliance with the Corporate Governance Code for Central Government Departments⁷.

The Chancellor of the Exchequer, as Minister in charge of HM Treasury, is responsible and answerable to Parliament on all the policies, decisions and actions of HM Treasury, and ultimately of the NLF.

As Accounting Officer for the NLF, I am personally responsible and accountable to Parliament for the organisation and quality of management of the NLF, including its use of public money and the stewardship of its assets, in line with those responsibilities assigned to me in Managing Public Money⁸.

⁶ <https://www.gov.uk/government/collections/hmt-annual-report>

⁷ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

⁸ <https://www.gov.uk/government/publications/managing-public-money>

Audit and Risk Committee (ARC)

The ARC supports me and HM Treasury's additional Accounting Officers in their oversight responsibilities on financial reporting, systems of internal control as well as managing risk and governance in relation to:

- HM Treasury Group's Annual Report and Accounts
- Consolidated Fund
- National Loans Fund
- Contingencies Fund
- Exchange Equalisation Account
- Whole of Government Accounts

In accordance with the ARC Handbook⁹, the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and Departmental Accounting Officers.

ARC provides oversight of activity performed by the Government Internal Audit Agency (GIAA) and approves the Internal Audit Plan for the year which is developed to assure key risks and controls. The Group Chief Internal Auditor attends every ARC meeting, updating on the plan and reporting on key controls. The ARC also receives reports on the work of the Fund's external auditors, the National Audit Office (NAO).

Members of the Committee are appointed by the Chair along with the Principal Accounting Officer. The Chair of the Committee reports directly to me and is also a Non-Executive member of HM Treasury Board.

The membership of the ARC at the 31 March 2025 was:

Committee member	Role	Expertise
Zarin Patel ¹⁰	Chair of the Audit and Risk Committee	Qualified Chartered Accountant, Managing Transformation, Finance, Investment, Procurement, audit and corporate finance
Edward Braham	Member of the Audit and Risk Committee	Law, Mergers, Acquisition, Savings and Investments.
Jane Hanson CBE	Member of the Audit and Risk Committee	Fellow of the Institute for Chartered Accountants, Commercial, Not-for-profit, Risk, Governance.

The ARC met six times during 2024-25. Pre-meeting discussions with the National Audit Office and Internal Auditors were held where needed. Attendance is outlined in the table below:

Committee member	Attended
Zarin Patel	6/6
Edward Braham	5/6
Jane Hanson	6/6

⁹<https://www.gov.uk/government/publications/audit-committee-handbook>.

¹⁰ Zarin Patel stepped down as Chair of the Audit and Risk Committee in July 2025. The process to appoint a new Chair is underway.

The ARC has a robust Conflicts of Interest Policy, which requires members to excuse themselves from discussions where potential conflicts may occur. Members are required to inform me about any potential conflicts and highlight these at the start of each meeting as appropriate.

Internal Audit

During 2024-25, Internal Audit for the NLF was provided by GIAA as part of their wider work on the departmental group.

For the NLF, an annual risk-based internal audit programme is agreed and developed through consultation with HM Treasury's senior management team and discussed by directors and Executive Management Board. The work programme always includes a review of the receipts and payments process, due to the very high value of payments made by the NLF. The ARC approved the audit plan for 2024-25 in March 2024.

Chris Westwood, Director of Internal Audit provided his Annual Report and Opinion on the adequacy and effectiveness of the framework of governance, risk management and control operating over the NLF to the Accounting Officer and ARC. A substantial opinion was provided for the period 2024-25. This assessment is based on the work that GIAA have conducted during the year in relation to the NLF. It provides assurance on the adequacy and effectiveness of the risk management, control and governance framework relevant to the Annual Report and Accounts. There were no matters arising from the work of Internal Audit in the period that would give rise to separate comment in the Governance Statement.

Management of the National Loans Fund

The NLF is managed by the Treasury Accountant and the Exchequer Funds and Accounts (EFA) team of HM Treasury, overseen by the Group Finance Director. Any matters concerning the NLF are reported directly to me.

Reporting to HM Treasury's Boards

HM Treasury has a robust system in place to identify and assess risks, challenge underlying assumptions, and provide advice on appropriate mitigation measures. Specific accountabilities for risk management are assigned to key roles within this structure.

HM Treasury's approach to risk management is informed by principles set out in The Orange Book. In accordance with this guidance, risk management is embedded in the department's governance, leadership, and activities. HM Treasury's ARC supports the Accounting Officers in overseeing the Risk Management Framework.

HM Treasury's risk management framework supports the identification and management of risks to the department's strategic objectives. Directors', specialist Risk Groups and the Operating Committee are responsible for monitoring, challenging and reporting on performance against risks and HM Treasury's objectives.

Critical issues and risks that exceed the department's risk appetite are escalated to senior managers for appropriate action via quarterly risk reporting and, where necessary, urgent advice.

In 2024-25, the department undertook comprehensive work to review and strengthen its risks and crisis management frameworks. This resulted in streamlined reporting, clear lines of accountability and escalation, and refreshed Business Continuity arrangements. This will enable the department to respond more effectively to the crystallisation of acute risks in the future.

Following the publication of the updated 2023 National Risk Register in January 2025, the department continues to own four risks under the Lead Government Department Model. Updates on these four risks are included in the Quarterly risk note.

Throughout 2024-25, EMB has actively addressed specific risks and issues through its regular review and risk deep-dive meetings. These discussions have covered policy issues including economic, fiscal and financial stability risks, and HM Treasury's work to support the government's policy objectives on growth, climate and responding to geopolitical tensions.

Risk Management

EFA is managed within HM Treasury's risk management framework, as summarised above and set out in more detail in HM Treasury's Annual Report and Accounts¹¹.

The **Treasury Accountant** has overall responsibility on a day-to-day basis for risk management of those Funds managed by EFA, and for ensuring that my financial, regularity and propriety responsibilities as Accounting Officer are discharged appropriately. Key operational staff with responsibilities relating to the NLF are trained and equipped to manage risk in a way appropriate to their authority and duties.

Risk management is key to all processes within EFA, including business continuity resilience planning for those public funds for which EFA is responsible. **Business continuity resilience** is regularly tested locally and with business partners, and lessons learned feed into improved business continuity processes.

The Treasury Accountant is also chair of the **Public Finance Business Continuity Group**, a network that links relevant teams across HM Treasury, the Bank of England, DMO, the National Audit Office, HMRC and Government Banking to ensure business continuity risks are adequately and consistently addressed across all operational partners in the stewardship of Exchequer funds. Annual certificates of assurance are received from all member organisations.

The **risk management strategy** includes periodic horizon scanning to identify any changes in risk exposure, to evaluate the change and to identify appropriate mitigating actions. Significant risk issues are recorded in a risk register and are assessed by likelihood and impact. A risk owner, who is responsible for managing the risk, is assigned to each risk. The risk register is reviewed quarterly by EFA management, and as noted above circulated to me alongside the quarterly risks and controls report.

The system of internal control

¹¹ <https://www.gov.uk/government/collections/hmt-annual-report>

As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of the NLF's policies, aims and objectives, whilst safeguarding the public funds and assets, for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The system of internal control is designed to manage risk to an acceptable level, balancing the impact of potential risks with the resources required to manage them, rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the NLF's policies, aims, and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The system of internal control has been in place throughout the year ended 31 March 2025 and up to the date of approval of the financial statements and accords with Treasury guidance. During the year, there were no significant changes to the control environment.

Risk profile

The NLF is managed generally within the framework of HM Treasury's system of internal control. This framework includes resourcing the administration of the NLF, security and the management of risks across HM Treasury's business.

The key risks managed during the year are consistent with last year and are summarised below:

Risk Category	Risk Detail/mitigations
Irregularity of transactions (including fraudulent or erroneous payments)	Clear separation of duties is enforced by appropriate user permissions within the accounting system and payment approval panels. Payment instructions are computer-generated and are derived from underlying transaction records, minimising the risk of keying errors. Separately, in accordance with legislation the Comptroller and Auditor General, through the NAO Exchequer Section, approves the regularity of NLF payments in advance and reconciles NLF transactions on a daily basis. This is not part of the internal control environment but provides additional assurance to Parliament as to the legality of payments made.
Incorrect accounting	Application controls exist within the IT system used to manage financial transactions and account for receipts and payments in the NLF. Monthly management accounts for the NLF are produced and reviewed by HM Treasury Accountant and provided to the Accounting Officer. The accounting for any unusual transactions is suitably considered.
Failure of IT systems	The network infrastructure is provided by an outsourced supplier and has a high level of resilience. It is configured across two data centres which provides an availability of 99.99% due to the configuration allowing a near instant failover should an issue arise.

Risk Category	Risk Detail/mitigations
Failure to provide an effective service in adverse circumstances, including disaster situations	<p>To ensure operational resilience in key areas in the event of a threat to business continuity, staff within EFA are trained to provide cover for times when other staff members are absent.</p> <p>Measures are in place to facilitate the NAO Exchequer Section's normal payments approval process in the event of disruption to enable essential payments operations to continue.</p> <p>Business continuity arrangements are regularly reviewed and tested within the framework of HM Treasury's corporate Business Continuity Plan and facilities.</p>
Failure of principal counterparties to provide agreed services	<p>Well-developed Service Level Agreements (SLAs) for the provision of services from all principal counterparties are in place. They cover details of the monitoring and control arrangements that both parties are expected to observe.</p>
Information risk	<p>Data and information risk are managed in accordance with HM Treasury's policies, which involve a range of controls to prevent unauthorised disclosures. These include encryption and physical and IT security. HM Treasury adheres to Cabinet Office guidelines¹². EFA's own Data Handling Policy identifies risks specific to EFA.</p>
Financial risk	<p>Adverse results of the DMA and the Exchange Equalisation Account will affect the NLF's results; therefore, all financial risks inherent in these accounts are also inherent in the NLF. Responsibility for risk management and the system of internal control is clearly delegated to the Accounting Officers of those accounts, which have their own control frameworks in place.</p>

Review of effectiveness

In line with HM Government guidance, set out within the Corporate Governance Code for central government departments, I have reviewed the effectiveness of the system of internal control.

My review is informed by the work of GIAA who provided positive assurance as to the management and control of the NLF in 2024-25, and the EFA management who have responsibility for the development and maintenance of the internal control framework, as well as comments made by external auditors in their management letter and other reports.

I have been supported by HM Treasury Group ARC, and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. Information about the effectiveness of HM Treasury's overall system of governance including board effectiveness, attendance, compliance with the Corporate Governance Code for central government departments and quality of management information reviewed, is reported in HM Treasury's Annual Report and Accounts. The

¹² Available at <https://www.gov.uk/government/publications/security-policy-framework>

ARC considered the 2024-25 accounts in draft and provided me with its views before I formally signed the accounts.

No significant internal control issues, including data related incidents, have been identified in 2024-25, and no significant new risks specific to the operational management and performance of the NLF have been identified in the year. No ministerial directions relating to the NLF's operations have been given in 2024-25

In my opinion, the system of internal control was effective throughout the financial year and remains so on the date I sign this report.

Parliamentary accountability and audit report

Regularity of expenditure (audited)

The expenditure and income of the NLF were applied to the purposes intended by Parliament.

The borrowings, investments and lending of the NLF were applied to the purposes intended by Parliament.

Losses and special payments (audited)

Currency losses from transactions with the IMF are disclosed within the financial statements.

Fees and charges (audited)

The NLF does not have any fees or charges.

Gifts (audited)

The NLF did not make any gifts during the financial year.

Remote contingent liabilities (audited)

The NLF is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the disclosure requirements of IAS 37.

These disclosures are required by Managing Public Money and are related to parliamentary accountability. All contingent liabilities must be reported to Parliament by a departmental minute so that Parliament has the opportunity to debate the merits of the item and to bind the government to honour the obligation. To meet the relevant disclosure requirements the NLF is required to provide a brief description of the nature of each contingent liability and where practical, an estimate of its financial effect.

In many cases, entering into arrangements that create a contingent liability has a distinct policy advantage; as they allow the government to intervene where it deems necessary, whilst not requiring an injection of government funding. While the risk of settlement may be remote, if they did crystallise there is a possibility that the government may have to distribute funds.

A remote contingent liability represents the maximum potential exposure assuming trigger events occur, and the maximum exposure crystallises. If any of the

contingent liabilities detailed below were to crystallise and HM Treasury was required to settle an obligation this would be achieved through the normal Supply Estimates process. The NLF has two such liabilities outlined below.

Bank of England Issue Department

Under the National Loans Act 1968 section 9(3), the NLF has a contingent liability to the Bank of England Issue Department in respect of that part of the assets backing the note issue that is not represented by government securities. The note issue refers to the process by which the Bank of England Issue Department creates and distributes banknotes (physical currency) for use in the UK economy. The value of these banknotes in circulation is backed by assets which typically include government securities and other approved assets.

This liability would only crystallise if government securities were insufficient to meet demand from holders of notes to exchange them for another instrument. The contingent liability was £90.1 billion at 31 March 2025 (£86.7 billion at 31 March 2024). No obligations crystallised or expired in 2024-25 (2023-24: nil).

Commissioners for the Reduction of the National Debt

The NLF has a contingent liability to the Commissioners for the Reduction of the National Debt (CRND) in respect of unclaimed dividends received in previous years. This represents historic unclaimed amounts surrendered by the gilts registrar to CRND and then onto the NLF and stood at £32.0 million at 31 March 2025 (£28.5 million at 31 March 2024). This contingent liability would crystallise if holders of gilts requested amounts owed to them in excess of an amount for settlement retained by CRND. No obligations crystallised or expired in 2024-25 (2023-24: nil).

Functional Standards

Operationally, the NLF is part of HM Treasury. Further information on the Department's application of the Government Functional Standards is provided within the Parliamentary accountability and audit report included in HM Treasury Annual Report and Accounts.

James Bowler
Accounting Officer
HM Treasury

04 December 2025

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the National Loans Fund for the year ended 31 March 2025 under the National Loans Act 1968.

The financial statements comprise the National Loans Fund's

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in the Liability of the Consolidated Fund to the National Loans Fund 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 the UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the National Loans Fund's affairs as at 31 March 2025 and its total comprehensive net expenditure for the year then ended; and
- have been properly prepared in accordance with the National Loans Act 1968 and HM Treasury directions issued thereunder.

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 (2024)*. 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 National Loans Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. In applying the Ethical Standards, I have considered the potential implications for my audit arising from extending a loan

staff arrangement with the Office of Value for Money within HM Treasury, to October 2025. The National Loans Fund is administered by HM Treasury. The loan staff arrangement concerns one of my directors and was for an initial period of 12 months from September 2024. The arrangement was extended by a further two months so that the secondee was able to support the completion of the Office for Value for Money's work. I am satisfied that appropriate safeguards have been implemented to protect my and the NAO team's independence and objectivity throughout the audit. 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 National Loans Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Loans Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The going concern basis of accounting for the National Loans Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report and Accountability Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the National Loans Act 1968.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the National Loans Act 1968; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Loans Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability 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 by the National Loans Fund or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is 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 National Loans Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the National Loans Act 1968;
- preparing the annual report, which includes the Remuneration and Staff Report , in accordance with HM Treasury directions under the National Loans Act 1968; ; and
- assessing the National Loans Fund'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 Accounting Officer anticipates that the services provided by the National Loans Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Loans Act 1968.

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 National Loans Fund's accounting policies;
- inquired of management, the National Loans Fund's head of internal audit, and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Loans Fund'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 National Loans Fund's controls relating to the National Loans Fund's compliance with the National Loans Act 1968 and Managing Public Money.
- inquired of management, the National Loans Fund'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 National Loans Fund 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the National Loans Fund's framework of authority and other legal and regulatory frameworks in which the National Loans Fund operates. I focused 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 National Loans Fund. The key laws and regulations I considered in this context included the National Loans Act 1968 and Managing Public Money.

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, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board 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 risks of fraud 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 sufficient appropriate audit evidence 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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
National Audit Office
Comptroller and Auditor General
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

09 December 2025

Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2025

	Note	2024-25 £m	2023-24 £m
Financing costs of borrowing	2	86,949	84,167
Income from lending operations	3	(3,716)	(3,452)
Losses / (gains) on foreign exchange transactions	4	121	205
Other expenditure	5	22	50
Other income	5	(13,613)	(8,086)
Total comprehensive net expenditure		69,763	72,884

The notes on pages 32 to 57 form part of this Account.

Statement of Financial Position

As at 31 March 2025

	Note	At 31 March 2025 £m	At 31 March 2024 £m
Assets			
Advances	6	173,636	167,746
Other assets:	8		
EEA net assets		52,172	43,819
DMA net assets		63,800	63,357
Other assets		2,625	2,369
IMF Quota Subscription & Lending	9	20,696	21,149
Loans	7	4,635	4,621
Total assets		317,564	303,061
Liabilities			
Gilt-edged stock	10	2,699,047	2,538,252
National Savings and Investments products	11	240,146	230,543
Other debt:	12		
DMA deposit		78,386	72,139
Balances from government accounts in Government Banking:		49,178	44,495
Deposits from public sector bodies		17,343	17,637
Other debt payable		385	414
Liabilities to the IMF	9	15,545	15,531
Total liabilities		3,100,030	2,919,011
Net liabilities		2,782,466	2,615,950
Liability of the Consolidated Fund to the National Loans Fund		2,782,466	2,615,950

The notes on pages 32 to 57 form part of this Account.

James Bowler
Accounting Officer
HM Treasury

04 December 2025

Statement of Cash Flows

For the year ended 31 March 2025

	2024-25 £m	2023-24 £m
Cash flows from operating activities		
Interest received	3,641	2,946
Other receipts	4,785	4,244
Interest paid	(63,307)	(52,147)
Other outflows	449	(179)
Transfer from the Consolidated Fund for the cost of debt servicing	54,432	45,136
Net cash flow from operating activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Net advance to the Public Works Loans Board (issued)/repaid	(7,384)	(7,510)
Net loans (issued)/repaid	(11)	(195)
Net advance to the Exchange Equalisation Account (issued)/repaid	1,566	1,800
Net cash (outflow) / inflow from investing activities	<u>(5,829)</u>	<u>(5,905)</u>
Cash flows from financing activities		
Net issuance of government stock	141,079	109,460
Net receipt of cash from National Savings	5,425	9,186
Net increase / (decrease) in other sterling borrowing	10,604	54,604
Net transfers of IMF non-interest bearing securities	(94)	228
Net transfers to the Consolidated Fund	(151,185)	(167,573)
Net cash inflow / (outflow) from financing activities	<u>5,829</u>	<u>5,905</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning and end of year	<u>-</u>	<u>-</u>

The notes on pages 32 to 56 form part of this Account.

Statement of Changes in the Liability of the Consolidated Fund to the National Loans Fund

For the year ended 31 March 2025

	2024-25 £m	2023-24 £m
Liability of the Consolidated Fund to the National Loans Fund at 1 April	2,615,950	2,420,629
Net cash paid to the Consolidated Fund	151,185	167,573
Payment from the Consolidated Fund for the cost of debt servicing during the year	(54,432)	(45,136)
Total comprehensive net expenditure	69,763	72,884
Liability of the Consolidated Fund to the National Loans Fund at 31 March	2,782,466	2,615,950

The notes on pages 32 to 56 form part of this Account.

Notes to the Account

1. Accounting Policies

Basis of presentation

These accounts are prepared under the historical cost convention and in accordance with the issued Accounts Direction, see [Appendix B](#).

The account presents the results and transactions of the NLF. The Statement of Financial Position is presented in order of liquidity.

The NLF is the government's main borrowing and lending account. By the nature of government financing, it is expected that the NLF will show a net liability. By virtue of section 19(1) of the National Loans Act 1968, the net liabilities of the NLF are a liability of the CF.

The servicing and redemption of the NLF's liabilities are expected to be met over the long term mainly through future tax revenue receipts. Whilst the level of receipts in any year is subject to tax policy changes and, relatedly the UK's economic position, the level of debt required to meet government expenditure, including the servicing of debt, can be maintained by the issuance or reissuance of further debt, the demand for which remains robust.

Therefore, in accordance with the FReM, it has been concluded as appropriate to adopt the going concern basis of preparation for the NLF Accounts.

IFRS in issue but not yet effective The NLF has not early adopted any new or amended standards in preparing these financial statements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance contracts was issued in May 2017 and supersedes IFRS 4 Insurance contracts. The standard was effective for financial periods on or after 1 January 2023, however, adoption by the public sector is delayed to financial periods beginning on or after 1 January 2025.

This standard is not expected to have a material impact on the NLF financial statements because the NLF does not have, nor plan to sign any insurance contracts in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure of Financial Statements was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (Subject to UK and Financial Reporting Advisory Board (FRAB) endorsement). *IFRS 18 sets out general and specific requirements* for the presentation and disclosure of information in general purpose financial statements.

The objective of *IFRS 18 Presentation and Disclosure of Financial Statements* is to improve comparability of financial performance between organisations applying IFRS. Once effective, it will replace IAS 1 Presentation of Financial Statements. The impact of adopting this standard is still being assessed. The NLF does not intend to early adopt *IFRS 18 Presentation and Disclosure of Financial Statements*.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (subject to UK and Financial Reporting Advisory Board (FRAB) endorsement). The Standard permits certain eligible subsidiaries to apply reduced disclosure requirements when preparing their financial statements.

The NLF does not have subsidiaries and therefore this standard is not expected to impact the financial statements.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the NLF.

Significant judgements and estimates

The NLF's accounting policy for impairment losses arising on financial assets is described below. No impairment losses have been recognised in the year. There are no other areas of the financial statements which are reliant on management's judgement in the process of applying the Fund's accounting policies.

Fair values are included for disclosure purposes only and their calculation is described in Note 14, Fair Values. The majority of the NLF's financial assets have a fixed return. For those products that have a variable return, the current rate applicable to that product is used in the calculation of the finance income or cost. Note 16 applies various assumptions to demonstrate the sensitivity of NLF's assets and liabilities to changes in interest rates, inflation and foreign currency exchange rates.

1.2 Recognition of finance income and costs

Premium Bond prizes are recognised in the period to which they relate. Other interest income and costs of financing are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. The calculation takes into account premiums or discounts on acquisition or issue of financial assets and liabilities and all the contractual terms of the financial instrument.

The majority of the NLF's financial assets and liabilities have a fixed return. For those products that have a variable return, the current rate applicable to that product is used in the calculation of the finance income or cost. Gilts with the same maturity and coupon rate are sometimes issued in separate tranches. Each tranche may be issued with a different premium or discount because of market conditions and therefore with a different effective interest rate. However, once issued, gilts with the same maturity and coupon rate are indistinguishable from each other and so are accounted for as one issue using a weighted average effective interest rate.

1.3 Recognition of finance income – Special Drawing Rights (SDR)

The IMF remunerates the UK in SDRs on its Reserve Tranche Position (RTP) for balances in excess of SDR 0.7 billion and on its bilateral loans. Under section 3(2) of the Exchange Equalisation Act 1979 any SDRs received by the Government must be

treated as assets of the EEA, therefore all SDR income is accounted for in the EEA and not the NLF.

1.4 Financial assets and liabilities

The assets and liabilities of the NLF are all accounted for as financial assets and liabilities except for those arising from the net assets of the EEA and the DMA which are accounted for as explained below. In accordance with IFRS 9, *Financial Instruments* all financial assets and liabilities are initially recognised at fair value.

Assets

The NLF's financial assets are all designated as debt instruments at amortised cost as defined in IFRS 9, *Financial Instruments*. The classification is based on both the entity's business model for managing the financial assets (determined as held to collect contractual cashflows) and the contractual cash flow characteristics of the financial assets (being solely payment of principal and interest). Subsequent measurement is therefore at amortised cost using the effective interest rate method.

Liabilities

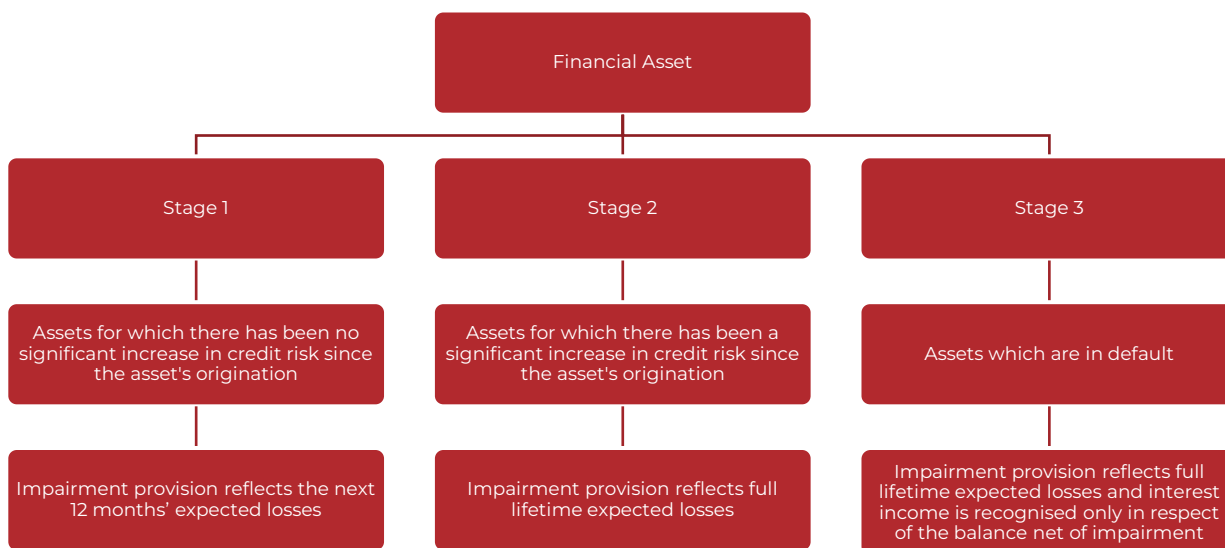
The NLF's financial liabilities are not held for trading and are therefore also subsequently measured at amortised cost using the effective interest rate method in accordance with IFRS 9, *Financial Instruments*. If gilts are issued by a syndication process, the syndication fees are borne by the NLF and are netted off from gross issuance proceeds as part of the calculation of amortised cost. Other directly related issue costs for assets and liabilities are negligible and are written off as incurred.

The distinction between loans and advances derives from the legislation that governs the operation of the NLF. On loans, interest must be charged at a rate that at least covers the cost that the Fund would have to bear if it were to borrow the same sum for the period of the loan, plus HM Treasury's own administration costs. There is no such requirement for advances, although interest is charged at Bank Rate on advances to the DMA. No interest is charged on advances to the EEA. The NLF does not charge interest on its advances to PWLB but interest on loans by the PWLB to local authorities financed by NLF advances is paid to the NLF under section 3(3) of the National Loans Act 1968.

As required by IFRS 7 *Financial Instruments: Disclosures*, the fair values of the financial assets and liabilities are disclosed in Note 14. They are calculated by reference to market prices where instruments are traded on an active quoted market or, where this is not the case, as the net present value of future cash flows.

i. Impairment of financial assets

Per IFRS 9, *Financial Instruments*, impairment of financial assets held at amortised cost is based on an expected credit loss (ECL) model. Each financial asset is categorised as 'stage 1', 'stage 2' or 'stage 3' depending on whether there has been a default event or a significant increase in credit risk since initial recognition. See the diagram below for further information:



The FReM includes an exemption from recognising stage 1 and stage 2 losses on balances with other government Exchequer funds or government departments and also on assets held by government Exchequer funds (which includes the NLF) where repayment is ensured by primary legislation.

For all assets not covered by the above exemptions, the Exchequer Funds and Accounts (EFA) team makes an assessment at the end of each reporting period whether there is any objective evidence of a deterioration of credit risk since initial recognition in accordance with IFRS 9, *Financial Instruments*. This will include consideration of any financial difficulties experienced by the borrower and breach of loan conditions such as a default or delinquency in interest or principal payments. No impairment losses have been recognised during the year.

ii. Foreign currencies

The financial statements of the NLF are presented in sterling, which is the Fund's functional currency, being the currency of the primary economic environment in which it operates. Transactions denominated in foreign currencies are recorded at the rate of exchange applicable to the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are reported at the rates of exchange prevailing at that date. Liabilities to the IMF are denominated in sterling but are subject to a revaluation adjustment reflecting movement in the SDR to sterling exchange rate.

iii. Administration expenditure

These financial statements reflect activity through, and the financial position of, the NLF. The costs of gilts registration, listing fees and foreign currency debt issuance are met by the NLF. Administration costs such as departmental staff costs and bank charges are borne by the appropriate body and accounted for through their respective accounts.

iv. EEA and DMA

Under section 11 of Schedule 5A to the National Loans Act 1968, any excess of the assets of the DMA over its liabilities shall be a liability of the DMA to the NLF.

Over time, the NLF has advanced sterling to the EEA in order to finance the UK's reserves of gold, foreign currency assets and IMF SDRs. As a result, having been derived from initial NLF financing, the EEA's net assets are ultimately due to the NLF. Annual financial statements are prepared for both the DMA and the EEA.

The net assets of the DMA and EEA are reported in Note 8, Other Assets and the total comprehensive net expenditure or income recognised in the Statement of Comprehensive Net Expenditure as Note 5, Other Expenditure or Other Income). These NLF assets and net income or expenditure are the result of activity in the EEA and DMA during the year and the various accounting policies applied by them to that activity.

2. Financing costs of borrowing

	2024-25 £m	2023-24 £m
Gilt-edged stock	71,595	71,220
National Savings and Investments products	9,316	8,694
Other finance costs	6,038	4,253
Total finance costs of borrowing	86,949	84,167

Costs include the payment of interest on Gilts, interest and prize payments related to Premium bonds administered by National Savings and Investments (NS&I).

3. Income from lending operations

	2024-25 £m	2023-24 £m
Interest on loans advanced by the NLF to:		
Public corporations	23	27
Central government bodies	114	93
	137	120
Interest on loans by the PWLB financed by NLF advances	3,579	3,332
Total income from lending operations	3,716	3,452

4. Gains and losses on foreign exchange transactions

		2024-25 £m	2023-24 £m
Loss / (gain) on Reserve Tranche Position at the IMF	Note 9	121	204
Loss / (gain) on lending to the IMF	9	-	1
Net loss / (gain) on foreign currency transactions		121	205

5. Other income and expenditure

	2024-25 £m	2023-24 £m
Other expenditure		
Expenditure in respect of depreciation of Issue Department Assets	18	46
Miscellaneous expenditure	4	4
Total: Other expenditure	22	50
Other income		
EEA total comprehensive net income ¹³	(8,353)	(3,445)
DMA total comprehensive net income ¹⁴	(443)	(348)
Profits of the Bank of England Issue Department	(4,792)	(4,274)
Income in respect of appreciation of Issue Department Assets	(11)	(16)
Miscellaneous receipts	(14)	(3)
Total: Other income	(13,613)	(8,086)
Net total	(13,591)	(8,036)

EEA total comprehensive net income

The EEA made a £8.4 billion gain (2023-24: £3.4 billion gain). Of the £8.4 billion net income from the EEA, £0.2 billion (2023-24: £0.2 billion) relates to interest income from the IMF Reserve Tranche Position and bilateral loans to the IMF.

Bank of England Issue Department profit and appreciation/depreciation of assets

Under section 9 of the National Loans Act 1968, the profits of the Issue Department are paid into the NLF. In addition, the Bank of England Issue Department is required by the Currency and Bank Notes Act 1928 to hold investments equal to the value of bank notes in issue. These investments are revalued to market value quarterly. If the market value is less than the value of notes in issue, legislation requires the NLF to pay an amount equal to the deficiency to the Issue Department to finance the purchase of additional investments. Conversely, if the market value of the assets exceeds the value of notes in issue, the Issue Department sells investments to the value of the surplus and pays the proceeds to the NLF.

¹³ EEA Annual Report & Accounts Account can be viewed at <https://www.gov.uk/government/collections/hmt-central-funds#exchange-equalisation-account>

¹⁴ DMA Annual Report & Accounts can be viewed at <https://www.dmo.gov.uk/publications/?offset=0&itemsPerPage=20&parentFilter=35305&childFilter=35305%7C35306&startMonth=1&startYear=1998>

6. Advances

	Public Works Loan Board		Exchange Equalisation Account		Total	
	£m	£m	£m	£m	£m	£m
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Principal outstanding at 1 April	103,243	95,733	63,347	65,147	166,590	160,880
Advances issued	14,642	11,202	5,461	1,300	20,103	12,502
Advances repaid	(7,258)	(3,692)	(7,027)	(3,100)	(14,285)	(6,792)
Principal outstanding at 31 March	110,627	103,243	61,781	63,347	172,408	166,590
Accrued interest	1,228	1,156	-	-	1,228	1,156
Total advances outstanding	111,855	104,399	61,781	63,347	173,636	167,746

7. Loans and commitments to lend

Loans	2024-25			2023-24		
	Public Corporations	Central Government	Total	Public Corporations	Central Government	Total
	£m	£m	£m	£m	£m	£m
Principal outstanding at 1 April	366	4,235	4,601	462	3,879	4,341
Loans advanced	240	439	679	295	679	974
Loans repaid	(309)	(359)	(668)	(391)	(323)	(714)
Principal outstanding at 31 March	297	4,315	4,612	366	4,235	4,601
Accrued interest	4	19	23	5	15	20
Total loans outstanding	301	4,334	4,635	371	4,250	4,621

Commitments to lend

	At 31 March 2025			At 31 March 2024		
	Public Corporations	Central Government	Total	Public Corporations	Central Government	Total
	£m	£m	£m	£m	£m	£m
Undrawn commitments to lend	25	250	275	26	250	276

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made either for a fixed period or have no specific maturity but are cancellable by the lender. In addition to the above, the NLF has loans and a loan commitment to the IMF which is explained in [Note 9, IMF Reserve Tranche Position and Lending to the IMF](#).

8. Other assets

	At 31 March 2025 £m	At 31 March 2024 £m
Exchange Equalisation Account net assets ¹⁵	52,172	43,819
DMA net assets ¹⁶	63,800	63,357
Cash held by National Savings and Investments	2,571	2,316
Sterling balances at Bank of England advanced to IMF	54	53
Total other assets	118,597	109,545

9. IMF Reserve Tranche Position and Lending to the IMF

The United Kingdom's financial relationship with the International Monetary Fund (IMF) is accounted for in the NLF and the EEA. The UK's quota subscription to the IMF, 20,155 million Special Drawing Rights (SDRs) - equivalent to £20.7 billion¹⁷ at 31 March 2025 (£21.1 billion at 31 March 2024) - was paid from the NLF and is recognised as an NLF asset.

Part of the subscription is deposited by the IMF in the NLF in return for sterling non-interest-bearing securities (NIBS) which totalled £15.8 billion at 31 March 2025 (£15.9 billion at 31 March 2024). NIBS represent a liability of the NLF to the IMF. There is a remaining small liability of £0.05 billion (£0.06 billion at 31 March 2024) against which an equal amount of sterling cash is made available in an account at the Bank of England for drawdown by the IMF.

The difference between the gross quota subscription and the NLF's sterling liability to the IMF is the UK's reserve tranche position (RTP). Under the arrangements for membership of the Fund, valuation adjustments are made between the IMF and NLF annually to reflect any changes in value in SDR terms of the NLF's sterling liability to the IMF. An annual settlement payment is made between the NLF and the IMF, normally in May. The cumulative valuation adjustment at 31 March 2025 was

¹⁵ <https://www.gov.uk/government/collections/hmt-central-funds#exchange-equalisation-account>

¹⁶ <https://www.dmo.gov.uk/publications/?offset=0&itemsPerPage=20&parentFilter=35305&childFilter=35305%7C35306&startMonth=1&startYear=1998>

¹⁷ The GBP/SDR exchange rate at 31 March 2025 was 0.97385 (31 March 2024: 0.953017)

£0.4 billion gain (£0.5 billion loss at 31 March 2024). The table below sets out the composition of the RTP and the make-up of changes over the year.

NLF Assets and Liabilities: Composition of the Reserve Tranche Position and Lending¹⁸ to the IMF

	Asset		Liabilities			Reserve Tranche Position
	IMF Quota Subscription	Non-interest-bearing securities	Other quota liability	Valuation adjustment	Total liabilities	
	£m	£m	£m	£m	£m	
Balances at 31 March 2024	21,149	(15,941)	(53)	463	(15,531)	5,618
Exchange rate losses for the year on the Quota subscription	(453)				-	(453)
Change in year-end valuation adjustment				(107)	(107)	(107)
Change in loan notes as a result of the valuation settlement		440			440	440
Change in cash on No 1 account			(1)		(1)	(1)
Cash subscribed to the IMF	-				-	-
Net increase in loan notes		(346)			(346)	(346)
Balances at 31 March 2025	20,696	(15,847)	(54)	356	(15,545)	5,151

Lending to the IMF	£m
Lending as at 31 March 2024	-
Lending as at 31 March 2025	-
IMF Quota Subscription and Lending	20,696

The RTP is a net asset of the NLF. It represents an SDR asset that can be drawn on by the UK if needed and is considered part of the UK's foreign exchange reserves. Sterling transactions by the IMF impact on the level of non-interest-bearing securities (NIBS) and hence on the RTP.

Under current policy, changes in the RTP lead to adjustments in the composition of other reserve assets (held in the EEA) in order to keep the portfolio composition of the reserves in line with plan. Interest is payable by the IMF on the RTP balance in excess of SDR 0.7 billion. This interest is retained in the EEA.

Separately, the EEA also holds the UK's allocation of SDRs (SDR 29.5 billion at 31 March 2025) as a liability to the IMF and retains an asset in the form of the UK's holdings of SDRs (SDR 30.0 billion at 31 March 2025).

¹⁸ Lending includes both loans made under the New Arrangements to Borrow (NAB) and the bilateral loan facility

During 2024-25 the IMF deposited a net amount of £0.3 billion into the NLF in return for NIBs, representing a net repayment of amounts provided in support of IMF funding programmes (a net deposit by the IMF of £0.05 billion was made in 2023-24).

Aside from the UK's quota subscription to the IMF of 20.2 billion Special Drawing Rights (SDRs) - equivalent to £20.7 billion at 31 March 2025, the UK partakes in two IMF borrowing arrangements which increase the NLF's overall exposure to the IMF:

1. The **New Arrangements to Borrow (NAB)**: The NAB acts as a second line of defence to IMF resources should quotas be exhausted. It requires creditor consent to activate, by an 85% supermajority based on total NAB shareholdings. The UK's NAB commitment is SDR 19.0 billion (£19.5 billion as of 31 March 2025 exchange rate). This agreement is due to expire in December 2025.
2. **Bilateral Borrowing Agreements (BBAs)**: BBAs serve as a third line of defence after quotas and the NAB. The UK's bilateral borrowing agreement is SDR 3.9 billion (£4.1 billion at the 31 March 2025 exchange rate). The UK's BBA agreement was due to expire in December 2023. At the IMF's request, the UK agreed to extend its BBA agreement for a further 12 months until 31 December 2024. After this point, if the 16th GRQ has come into effect, the BBAs will expire. In the event the implementation of the 16th GRQ is delayed, a new round of BBAs will be agreed until the quota increase is made effective.

The UK's total commitments to borrowed resource (NAB and BBA) therefore stands at SDR 22.9 billion (£23.5 billion at the 31 March 2025 exchange rate). The UK also supports the IMF outside of the NLF, through the channelling of Special Drawing Right (SDR) assets held in the Exchange Equalisation Account (EEA) to IMF trusts, specifically the Poverty Reduction and Growth Trust (PRGT) and Resilience and Sustainability Trust (RST). Further detail is provided in the EEA Accounts.¹⁹

¹⁹ <https://www.gov.uk/government/collections/hmt-central-funds#exchange-equalisation-account>

UK's total commitment to the IMF's general resources

	At 31 March 2025			At 31 March 2024		
	Total commitment	Total drawn	Total undrawn	Total commitment	Total drawn	Total undrawn
Quota SDRm)	20,155	5,017	15,138	20,155	5,353	14,802
Loans SDRm)	22,912	-	22,912	22,912	-	22,912
Total (SDRm)	43,067	5,017	38,050	43,067	5,353	37,714
Quota (£m)	20,696	5,151	15,545	21,149	5,618	15,531
Loans (£m)	23,527	-	23,527	24,042	-	24,042
Total (£m)	44,223	5,151	39,072	45,191	5,618	39,573

Changes to the UK's quota subscription and loans to the IMF are subject to Parliamentary-approved limits.

10. Gilt-edged stock

	Conventional £m	Index-Linked £m	Total £m
At 31 March 2024	1,873,763	664,489	2,538,252
Receipts from gilt issuance	263,026	34,765	297,791
Payments for gilt redemption	(145,432)	(26,351)	(171,783)
Net issuance of DMA gilts	15,071	-	15,071
Amortisation of premiums and discounts	123	11,805	11,928
Change in accrued interest	1,938	5,850	7,788
At 31 March 2025	2,008,489	690,558	2,699,047

The NLF issues gilts directly to the DMA for use by the DMO in its money market activities managing the Exchequer's daily cash requirement. These gilts do not contribute directly to Exchequer financing. All other gilts are sold into the primary gilt market to meet government financing needs.

Syndication fees are borne by the NLF and are netted off from gross issuance proceeds as part of the calculation of amortised cost. Other directly related issue costs for assets and liabilities are negligible and are written-off as incurred. Total syndication fees for the year were £99.9 million (2023-24: £71.5 million). The analysis below shows two large holdings of the gilt liability by UK public sector entities, the DMA and Bank of England²⁰.

²⁰ This analysis is based on the proportion of the total nominal value of each gilt held by the respective entities. Figures will differ from the value shown in the accounts of the other entities if an alternative valuation method is applied by those entities.

	At 31 March 2025	At 31 March 2024
	£m	£m
Debt Management Account (DMA)	164,021	164,357
Bank of England (for quantitative easing)	548,695	645,428
Other investors	1,986,331	1,728,467
Total gilt-edged stock	2,699,047	2,538,252

11. National Savings and Investments products

	2024-25	2023-24
	£m	£m
Principal outstanding at 1 April	228,889	216,675
Cash repayments from the NLF	(50,380)	(55,808)
Principal cash received in the NLF	55,805	64,994
Capitalised interest and other returns to savers	3,948	3,589
Change in cash holdings for principal	234	(561)
Principal outstanding at 31 March	238,496	228,889
Accrued interest and other returns to savers	1,650	1,654
Total principal and accrued interest outstanding	240,146	230,543

NS&I provides more detail on this liability in a set of Product Accounts which are published with the NS&I resource accounts on the NS&I website²¹.

12. Other debt payable

	At 31 March 2025	At 31 March 2024
	£m	£m
Debt Management Account	78,386	72,139
Bank of England Issue Department	371	371
Balances from government accounts at Government Banking	49,178	44,495
Deposits from public sector bodies	17,343	17,637
Other	14	43
Total other debt payable	145,292	134,685

The third item reflects the transfer to the NLF of any temporary cash surpluses on other government accounts held at Government Banking. Deposits from public sector bodies represents deposits by public sector bodies which are directly held with the NLF. "Other" comprises mostly residual certificates of tax deposit held by the NLF and not yet reclaimed following the scheme closure.

At 31 March 2025, there was no foreign currency debt outstanding in the NLF.

²¹ <https://www.gov.uk/government/collections/national-savings-and-investments-annual-report-and-accounts>

13. Reconciliation of liabilities arising from financing activities

	Liability at 1 April 2024	Interest paid (cashflow from operating activities)	Cashflow from financing activities	Finance costs of borrowing (Note 2)	Exchange rate gains (Note 9)	Movement in cash held by third parties on behalf of the NLF	Liability at 31 March 2025
	£m	£m	£m	£m	£m	£m	£m
Gilt-edged stock	2,538,252	(51,879)	141,079	71,595	-	-	2,699,047
National Savings and Investments products	230,543	(5,393)	5,425	9,316	-	255	240,146
Other debt	134,685	(6,035)	10,604	6,038	-	-	145,292
Liabilities to the IMF	15,531	-	(94)	-	107	1	15,545
Total	2,919,011	(63,307)	157,014	86,949	107	256	3,100,030

14. Fair Values

Carrying Value and Fair Value of NLF assets and liabilities

	At 31 March 2025		At 31 March 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£m	£m	£m	£m
Assets				
Advances:				
PWLB	110,627	86,565	103,243	83,834
Debt Management Account	-	-	-	-
Exchange Equalisation Account	61,781	61,781	63,347	63,347
Accrued interest	1,228	1,228	1,156	1,156
Loans:				
Principal	4,612	4,160	4,601	4,208
Accrued interest	23	23	20	20
Other assets	118,597	118,597	109,545	109,545
IMF quota subscription & lending	20,696	20,696	21,149	21,149
Total assets	317,564	293,050	303,061	283,259

	At 31 March 2025		At 31 March 2024	
	Carrying Value £m	Fair Value £m	Carrying Value £m	Fair Value £m
Liabilities				
Gilts	2,699,047	2,204,901	2,538,252	2,180,177
National Savings & Investments				
Principal	238,496	238,483	228,889	228,826
Accrued interest	1,650	1,650	1,654	1,653
IMF liabilities	15,545	15,545	15,531	15,531
Other Debt				
Debt Management Account	78,386	78,386	72,139	72,139
Issue Department of Bank of England	371	371	371	371
Government balances	49,178	49,178	44,495	44,495
Deposits from public sector bodies	17,343	17,343	17,637	17,637
Foreign currency debt	-	-	-	-
Other	14	14	43	43
	3,100,030	2,605,871	2,919,011	2,560,872

The NLF's assets are classified as financial assets except for the net assets of the EEA £52.2 billion, (2023-24: £43.8 billion) and DMA £63.8 million (2023-24: £63.4 billion), reported in [Note 8, Other Assets](#). The carrying value of financial assets is £201.6 billion (2023-24: £195.9 billion) and their fair value is £177.1 billion (2023-24: £176.1 billion).

All the NLF's liabilities are financial liabilities. In instances where the fair value differs from the carrying value, the fair value has been calculated by reference to market prices where instruments are traded on an active quoted market or, where this is not the case, as the net present value of future cash flows.

The fair value of advances to the PWLB is calculated as the net present value of future cash flows. Loans by the PWLB are usually at a fixed rate of interest and so their fair value increases or decreases according to changes in the difference between the fixed rate of interest earned on the loan and current market values. Differences between the fair and book value will not be realised as the PWLB loans are not traded by the NLF.

The fair value of gilts is calculated by reference to their market prices. They will generally be redeemed at their book values so any difference between their fair value and book value will not normally be realised in the NLF accounts.

15. Maturity of assets and liabilities

The following table shows the split between current and non-current assets and liabilities based on contract date of maturity or expected maturity if there is no contract date.

	At 31 March 2025			At 31 March 2024		
	Current	Non-current	Total	Current	Non-current	Total
	£m	£m	£m	£m	£m	£m
Assets						
Advances	11,506	162,130	173,636	8,283	159,463	167,746
Loans	465	4,170	4,635	472	4,149	4,621
Other assets	2,625	115,972	118,597	2,369	107,176	109,545
IMF quota subscription (SDR) & lending	-	20,696	20,696	-	21,149	21,149
Total assets	14,596	302,968	317,564	11,124	291,937	303,061
Liabilities						
Gilts						
Conventional	174,836	1,833,653	2,008,489	156,419	1,717,344	1,873,763
Index-linked	21,536	669,022	690,558	27,061	637,428	664,489
Gilt-edged stock	196,372	2,502,675	2,699,047	183,480	2,354,772	2,538,252
National Savings and Investments	224,221	15,925	240,146	221,177	9,366	230,543
IMF liabilities	-	15,545	15,545	-	15,531	15,531
Other debt payable	144,792	500	145,292	134,185	500	134,685
Total liabilities	565,385	2,534,645	3,100,030	538,842	2,380,169	2,919,011

All National Savings and Investments products are payable on demand and therefore classified as current liabilities except for investments in Guaranteed Bonds made on or after 1 May 2019 and Green Savings Bonds, which repay at maturity.

The following table shows an analysis of current and non-current assets and liabilities by type of counterparty.

	At 31 March 2025			At 31 March 2024		
	Current	Non-current	Total	Current	Non-current	Total
	£m	£m	£m	£m	£m	£m
Assets						
Balances with:						
Other central government bodies	14,488	282,024	296,512	10,974	270,514	281,488
NHS Trusts	-	-	-	-	-	-
Public corporations and trading funds	108	248	356	150	274	424
Total intra government balances	14,596	282,272	296,868	11,124	270,788	281,912
Balances with bodies external to government	-	20,696	20,696	-	21,149	21,149
Total assets	14,596	302,968	317,564	11,124	291,937	303,061
Liabilities						
Balances with:						
Other central government bodies	142,742	156,040	298,782	141,882	145,625	287,507
NHS Trusts	9,901	-	9,901	10,767	-	10,767
Public corporations and trading funds	80,354	482,288	562,642	74,569	587,038	661,607
Total intra government balances	232,997	638,328	871,325	227,218	732,663	959,881
Balances with bodies external to government	332,389	1,896,316	2,228,705	311,624	1,647,506	1,959,130
Total liabilities	565,386	2,534,644	3,100,030	538,842	2,380,169	2,919,011

16. Financial risks related to the NLF

The Government's debt management objective is set out in the annual Debt and Reserves Management Report:

'To minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, whilst ensuring that debt management policy is consistent with the aims of monetary policy.'

This is achieved by:

- meeting the principles of openness, transparency and predictability
- developing a liquid and efficient gilt market
- issuing gilts that achieve a benchmark premium
- adjusting the maturity and nature of the government's debt portfolio, primarily by means of the maturity and composition of debt issuance and potentially by other market operations including switch auctions, conversion offers and buy-backs
- offering cost-effective savings instruments to the retail sector through National Savings & Investments.

For cash management, the aggregate balance on government accounts is swept daily to the NLF and then to the DMA. The DMO deals with the financial markets to manage the daily cash surplus or deficit on the DMA relative to its target overnight balance, lending when there is a surplus and borrowing when there is a deficit.

The NLF's liabilities include conventional and index-linked gilt-edged securities, NS&I product liabilities, certificates of tax deposit, deposits from other public sector accounts and liabilities to the IMF. There is a wide spread of maturities.

NLF assets include advances to the DMA, PWLB and EEA, loans to UK public bodies, net assets of the DMA and EEA, NS&I product-related cash holdings and the UK's gross Quota Subscription and lending to the IMF, denominated in SDRs.

Set out below are certain risk factors that could affect the NLF's operations.

Interest rate and inflation risk

The NLF is exposed to cash flow interest rate risk on its floating rate borrowing and lending due to the risk that future interest rates will fluctuate. It is not exposed to fair value interest rate risk as its financial assets and liabilities are measured at amortised cost and not fair value. Some of the NLF's assets and liabilities have no associated interest income or expense (are "zero-rated") and are therefore not exposed to changes in interest rates.

Inflation risk arises because interest and redemption amounts paid on index-linked gilts vary monthly in line with changes in the UK Retail Prices Index (RPI) since the initial issue of each stock.

The table below analyses the NLF's interest rate and inflation risk by indicating the timeframe in which the risk could crystallise. Assets and liabilities are included at

carrying amount and are shown at the earlier of contractual re-pricing or maturity dates.

Interest rate and inflation risk analysis as at 31 March 2025

	Up to 1 month/ repayable on demand £m	1-12 months £m	1-5 years £m	Over 5 years £m	Zero-rated £m	Total carrying value £m	Fixed rate £m	Floating rate £m
Assets								
Advances	602	8,771	20,582	79,766	63,915	173,636	109,721	-
Loans	10	432	1,447	2,723	23	4,635	4,612	-
Other assets	-	-	-	-	118,597	118,597	-	-
IMF quota subscription	-	-	-	-	20,696	20,696	-	-
IMF loans	-	-	-	-	-	-	-	-
Total	612	9,203	22,029	82,489	203,231	317,564	114,333	-
Liabilities								
Gilts								
Conventional	-	161,860	490,771	1,342,882	12,976	2,008,489	1,995,513	-
Index-linked	689,758	-	-	-	800	690,558	-	689,758
Gilt-edged stock	689,758	161,860	490,771	1,342,882	13,776	2,699,047	1,995,513	689,758
National Savings and Investments	208,758	19,695	9,998	-	1,695	240,146	30,603	207,848
IMF liabilities	-	-	-	-	15,545	15,545	-	-
Other debt payable	93,255	13,389	500	-	38,148	145,292	17,177	89,967
Total	991,771	194,944	501,269	1,342,882	69,164	3,100,030	2,043,293	987,573
Period gap	991,159	185,741	479,240	1,260,393	(134,067)	2,782,466		
Cumulative gap	991,159	1,176,900	1,656,140	2,916,533	2,782,466			

Interest rate and inflation risk analysis as at 31 March 2024

	Up to 1 month/ repayable on demand £m	1-12 months £m	1-5 years £m	Over 5 years £m	Zero- rated £m	Total carrying value £m	Fixed rate £m	Floating rate £m
Assets								
Advances	883	6,290	14,907	80,746	64,920	167,746	102,363	463
Loans	10	441	1,486	2,664	20	4,621	4,601	-
Other assets	-	-	-	-	109,545	109,545	-	-
IMF quota subscription	-	-	-	-	21,149	21,149	-	-
Total	893	6,731	16,393	83,410	195,634	303,061	106,964	463
Liabilities								
Gilts								
Conventional	35,641	109,737	505,300	1,212,044	11,041	1,873,763	1,862,722	-
Index-linked	663,665	-	-	-	824	664,489	-	663,665
Gilt-edged stock	699,306	109,737	505,300	1,212,044	11,865	2,538,252	1,862,722	663,665
National Savings and Investments	198,044	23,867	6,904	-	1,728	230,543	32,234	196,581
IMF liabilities	-	-	-	-	15,531	15,531	-	-
Other debt payable	87,600	13,748	500	-	32,837	134,685	17,442	84,406
Total	984,950	147,352	512,704	1,212,044	61,961	2,919,011	1,912,398	944,652
Period gap	984,057	140,621	496,311	1,128,634	(133,673)	2,615,950		
Cumulative gap	984,057	1,124,678	1,620,989	2,749,623	2,615,950			

Foreign currency risk

The NLF is exposed to foreign exchange risk through transactions with the IMF as the reserve tranche position (quota subscription less UK liability) and lending to the IMF are denominated in SDRs (Note 9, IMF Reserve Tranche Position and Lending to the IMF).

In addition to the risk of unrealised revaluations of the assets and liability, foreign exchange gains and losses are realised as the NLF transacts with the IMF on the UK liability and loans. As it is not possible to predict the size and timing of these transactions with any certainty it has not been deemed cost-effective to attempt to mitigate this risk through hedging arrangements.

Sensitivity analysis

The following analysis, required by IFRS 7 *Financial Instruments: Disclosures*, is intended to illustrate the sensitivity of the NLF's financial assets and liabilities to changes in UK interest rates, the UK Retail Prices Index (RPI) and the SDR to sterling exchange rates. The sensitivity analysis has been calculated on the basis that the components of financial assets and liabilities, the amount of instruments held at fixed, floating and zero interest rates and the amount of instruments held in SDRs are all constant and are as at the end of the reporting period.

The following assumptions have been made in calculating sensitivity:

- All sensitivities impact the Statement of Comprehensive Net Expenditure (SoCNE) and thereby the net liability of the CF to the NLF
- Finance income and costs and the net liability of the CF to the NLF will be affected by changes in interest rates on floating rate instruments
- to changes in fair value as a result of interest rate changes
- No sensitivity is provided for interest accruals where these are based on pre-agreed interest rates and are therefore not susceptible to further rate changes
- 100 basis points and 10 percent have been used as a basis for a reasonably possible change in interest, RPI and FX rates at the end of the reporting period. This is not a forecast.

Using the above assumptions, the following table shows the illustrative impact on the SoCNE that would result from an increase in UK interest rates and the UK Retail Prices Index and if the SDR to sterling exchange rate was to strengthen.

	2024-25	2023-24
	Statement of Comprehensive Net Expenditure £m	Statement of Comprehensive Net Expenditure £m
UK interest rates + 100bp expense	3,763	2,805
UK Retail Prices Index + 100bp expense	6,898	6,637
SDR exchange rate + 10% income	1,070	(562)

An equal, but opposite effect would result if there were a decrease in UK interest rates and the UK RPI, and if the SDR to sterling exchange rates was to weaken.

Liquidity risk

Liquidity risk is the risk that the NLF will encounter difficulty in meeting obligations associated with financial liabilities. Its exposure to liquidity risk arises because of its fundamental purpose of being the Government's main borrowing account.

NLF liabilities carry a wide range of maturities, spreading funding requirements for redemption payments, and thus liquidity risk, across a wide time period into the future. The longest stock in existence at 31 March 2025 matures in 2073.

Deposits in the NLF have a shorter maturity profile since they can change on demand. However, in practice, balances change only slowly due to re-investment. By virtue of section 19(1) of the National Loans Act 1968, the net liabilities of the NLF are a liability of the Consolidated Fund. The servicing and redemption of the NLF's liabilities are expected to be met over the long term mainly through future tax revenue receipts. Whilst the level of receipts in any year is subject to tax policy changes and, relatedly the UK's economic position, the level of debt required to meet government expenditure, including the servicing of debt, can be maintained by the issuance or reissuance of further debt, the demand for which remains robust.

Therefore, in accordance with the FReM, it has been concluded as appropriate to adopt the going concern basis of preparation for the NLF Accounts. Most of the NLF's borrowing needs are met through borrowing on its behalf by the DMO and NS&I.

Contractual undiscounted cash flows of financial liabilities

The following table shows the contractual undiscounted cash flows of the NLF's liabilities. The amounts shown are the cash flows arising from the NLF's financial liabilities during the period up to and including maturity. This is in contrast to the basis on which the Statement of Financial Position amounts are calculated. As described in Note 1, Accounting Policies, items on the Statement of Financial Position (SoFP) are valued at fair value upon initial recognition and subsequently held at amortised cost. Therefore, totals in the following table will not agree to the SoFP.

The treatment of coupon payments is of particular significance. The table includes contractual coupon payments for the period to maturity based on coupon rates and, in the case of index-linked gilts, the Retail Prices Index at 31 March 2025.

Because of the many coupon payments to be made for longer dated gilts the table below reports coupon cash flows of £808.1 billion (£721.0 billion at 31 March 2024) whereas the gilts liability in the SoFP contains coupon accruals to the end of the reporting period of £13.9 billion (£12.0 billion at 31 March 2024).

The cash flows reported in the table will be funded by replacement debt issues, the proceeds of assets or by finance from the Consolidated Fund.

Contractual cash outflows as at 31 March 2025

	0-12 months	1-2 years	2-5 years	Over 5 years	Undated	Total
Liabilities	£m	£m	£m	£m	£m	£m
Conventional Gilt:						
Principal	162,160	146,800	343,104	1,352,824	-	2,004,888
Coupons	52,790	50,605	131,286	515,518	-	750,199
Index-Linked Gilt:						
Principal	20,409	-	79,269	536,584	-	636,262
Coupons	4,000	3,975	11,130	38,786	-	57,891
Total Gilt	239,359	201,380	564,789	2,443,712	-	3,449,240
National Savings and Investments	230,806	5,012	4,283	-	45	240,146
IMF	15,546	-	-	-	-	15,546
Temporary Deposits	17,045	-	-	-	-	17,045
Other debt payable	127,950	501	-	-	-	128,451
	630,706	206,893	569,072	2,443,712	45	3,850,428

The maturity of liabilities after five years is:

	5-10 years	10-20 years	20-30 years	30-40 years	Over 40 years	Total
	£m	£m	£m	£m	£m	£m
Conventional Gilt:						
Principal	419,828	407,026	321,401	127,452	77,117	1,352,824
Coupons	168,989	204,622	102,838	32,355	6,714	515,518
Index-Linked Gilt:						
Principal	119,586	173,516	135,879	68,790	38,813	536,584
Coupons	14,135	15,080	8,035	1,378	158	38,786
	722,538	800,244	568,153	229,975	122,802	2,443,712

Contractual cash outflows as at 31 March 2024

	0-12 months	1-2 years	2-5 years	Over 5 years	Undated	Total
	£m	£m	£m	£m	£m	£m
Liabilities						
Conventional Gilt:						
Principal	145,314	155,524	348,964	1,210,460	-	1,860,262
Coupons	44,674	41,507	110,472	472,247	-	668,900
Index-Linked Gilt:						
Principal	26,134	19,696	76,501	481,693	-	604,024
Coupons	3,840	3,513	10,106	34,682	-	52,141
Total Gilt	219,962	220,240	546,043	2,199,082	-	3,185,327
National Savings and Investments	224,829	1,064	4,576	-	74	230,543
IMF	15,530	-	-	-	-	15,530
Temporary Deposits	17,380	-	-	-	-	17,380
Other debt payable	117,049	2	503	-	-	117,554
	594,750	221,306	551,122	2,199,082	74	3,566,334

The maturity of liabilities after five years is:

	5-10 years	10-20 years	20-30 years	30-40 years	Over 40 years	Total
	£m	£m	£m	£m	£m	£m
Conventional Gilt:						
Principal	331,418	362,417	287,640	152,651	76,334	1,210,460
Coupons	144,745	187,686	96,976	34,439	8,401	472,247
Index-Linked Gilt:						
Principal	87,543	166,796	120,708	70,382	36,264	481,693
Coupons	13,111	13,139	6,523	1,723	186	34,682
	576,817	730,038	511,847	259,195	121,185	2,199,082

Credit risk

The NLF makes loans to UK public corporations and central government entities, advances to other UK central Exchequer Funds and subscribes to the IMF. The NLF also lends to the IMF. As a result, the NLF is not exposed to significant credit risk. Details of this can be found in Notes 6, 7 and 9. Total loans and advances stand at £178.3 billion (2023-24: £172.4 billion) and gross IMF exposure stands at £20.7 billion (2023-24: £21.1 billion).

In respect of loans financed by the NLF, the financial relationship with the borrower is managed by the department responsible for the relevant public corporation. The sponsoring department performs due diligence on the borrower and proposes the loan. HM Treasury reviews the proposal and, if the proposal is approved, the NLF will make the loan. The NLF is not allowed to accept losses on its loans. Any such losses can only be written off by primary legislation; however, in 1990 HM Treasury gave an undertaking to the Public Accounts Committee that it would not seek Parliament's

approval to such a course except as part of a reconstruction of the borrower's finances prior to privatisation. In other cases, HM Treasury would look to the borrower's sponsor department to cover any losses from its resource account.

In the case of advances to the PWLB for loans to Local Authorities, the PWLB manages the financial relationship with the borrower though the credit risk is ultimately borne by the NLF.

In the context of NLF loans issued to trading organisations at market rates, under HM Treasury's Commercial Lending policy, the terms and interest rates are designed to reflect the terms on which a private sector lender, such as a commercial bank would lend to the borrower if the borrower were a wholly private sector body rather than a government body.

Ceilings on total lending from the NLF to specific bodies are prescribed in the statutes governing each loan. The PWLB is allowed to lend up to an aggregate amount of £135 billion²². For short-term lending to public bodies, the maximum exposure of the NLF is determined by prescribed credit ceilings appropriate for the circumstances of the body.

The IMF maintains precautionary balances (comprising retained earnings) as prudential cover in order to ensure the continued security and liquidity of its members' claims. Other factors that help safeguard the Fund's resources include the conditionality associated with lending by the IMF and the IMF's status as a creditor with preferential right to receive payment.

None of the NLF's financial assets are past due or impaired.

Derivatives and hedging

The NLF itself does not use derivatives or undertake hedging. However, some of the risks on the NLF are offset by the activities of the EEA. The Exchange Equalisation Account Act 1979 constrains how the EEA may borrow from outside government. Where the EEA's foreign currency reserves are financed by foreign currency borrowing, the debt is issued by and is an obligation of the NLF. The foreign currency raised is sold by the NLF to the EEA for sterling. While the NLF remains exposed to the interest and exchange rate risks from the foreign currency debt it has issued, in practice these risks are offset through the EEA's programme of asset management and swaps. There was no foreign currency debt outstanding in the NLF at 31 March 2025.

17 Related Parties

HM Treasury is the ultimate controlling party of the NLF. There have been no direct transactions between HM Treasury and the NLF in 2024-25. As at 31 March 2025 £0.5 billion proceeds of debt issuance from Treasury Group are deposited with the NLF.

The main related parties of the NLF are the CF, DMA, EEA, PWLB, Bank of England and NS&I. The relationship between the NLF and CF is explained in the Overview

²² <https://www.legislation.gov.uk/ukxi/2024/1201/made>

within the Performance report. The NLF has provided finance in the year to the DMA, EEA, PWLB and to various statutory public sector bodies. The NLF has also transacted with the Bank of England and NS&I. Transactions with these bodies are all disclosed in these accounts. The NLF has also had a significant number of transactions with other government bodies via its temporary borrowing of balances in various Government Banking bank accounts.

During the year, there have been no transactions between key management personnel at HM Treasury and the NLF.

18 Events after the Reporting Period

There are no events after the reporting period to report.

19 Date of Authorisation for Issue of Account

These financial statements have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Certificate and Report.

Appendix A – Glossary

Consolidated Fund	A fund used by HM Treasury to collect certain receipts and make payments to government bodies.
Contingencies Fund	A fund used by HM Treasury to support emergency spending in advance of approval by Parliament.
Exchange Equalisation Account (EEA)	Holds the UK's reserves of gold, foreign currency assets and International Monetary Fund (IMF) Special Drawing Rights (SDR). The Bank of England acts as HM Treasury's agent in the day-to-day management of the EEA.
Financial Reporting Manual (FRM)	A technical guide for producing the accounts of public bodies.
Managing Public Money	A publication produced by HM Treasury which is concerned with regularity and propriety and sets out the main principles for dealing with resources used by public sector bodies.
National Audit Office (NAO)	Office of the Comptroller and Auditor General, which audits accounts of government bodies and carries out value for money inspections within the bodies it audits
Net Cash Requirement	The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. In the case of a negative net cash requirement, the department must generate a surplus of at least that amount.
Poverty Reduction and Growth Trust (PRGT)	IS the IMF's main vehicle for providing concessional financing (currently at zero interest rates) to low-income countries (LICs). https://www.imf.org/en/Topics/PRGT
Reserve Tranche Position (RTP)	The difference between the IMF's holdings of sterling and the UK's subscription (or quota) to the IMF. It is in effect, the amount of the UK's subscription the IMF has called. The RTP is a reserve asset as in the event of need, the UK could exchange sterling for useable foreign currencies up to the value of its RTP.
Resilience and Sustainability Trust (RST)	The IMF's Resilience and Sustainability Trust (RST) helps low-income and vulnerable middle-income countries build resilience to external shocks and ensure sustainable growth, contributing to their longer-term balance of payments stability. https://www.imf.org/en/Topics/Resilience-and-Sustainability-Trust
Special Drawing Rights (SDRs)	International reserve asset created by the IMF in 1969 as a supplement to the then existing reserve assets. It is currently valued in terms of a weighted basket of five currencies (US dollar, sterling, yen, euro and renminbi).

Appendix B – Accounts Direction

National Loans Fund - Accounts Direction given by the Treasury

1. The Treasury shall prepare accounts for the National Loans Fund for the year ending 31 March 2025 and each subsequent financial year, that give a true and fair view of the state of affairs of the National Loans Fund at the reporting date and of its cash flows for the year then ended.
2. The accounts shall be prepared in accordance with the requirements of the relevant version of the Government Financial Reporting Manual (FReM).
3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
4. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and the Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.
5. This accounts direction shall be reproduced as an appendix to the accounts.



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HM Treasury
25 November 2025

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This document can be downloaded from www.gov.uk

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