

Financial statements



UKEF 2021-22
at 31 March 2022

Statement of Comprehensive Net Income

For the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Export Credit Guarantees and Insurance			
Income			
Gross premium income		566,736	490,737
Less ceded to reinsurers		(125,493)	(160,932)
Net premium income	3(a)	441,243	329,805
Net investment return	3(b)	14,462	4,097
Net foreign exchange gain	6	9,159	–
Total income		464,864	333,902
Expenses			
Net claims charge for the year	5	(10,078)	(54,488)
Changes in insurance liabilities (net of reinsurance)	18	(151,284)	(324,389)
Staff costs	7	(27,142)	(22,001)
Other administration and operating costs	8	(24,603)	(15,744)
Net foreign exchange loss	6	–	(24,595)
Total expenses		(213,107)	(441,217)
Net income/(loss) arising from Export Credit Guarantees and Insurance activities		251,757	(107,315)
Export Finance Assistance			
Income			
Net investment return	3(b)	50,760	14,585
Net foreign exchange gain	6	35,965	–
Total income		86,725	14,585
Expenses			
Staff costs	7	(7,614)	(6,412)
Other administration and operating costs	8	(6,903)	(4,589)
Net foreign exchange loss	6	–	(113,489)
Total expenses		(14,517)	(124,490)
Net Income/(loss) arising from Export Finance Assistance activities		72,208	(109,905)
Net operating income/(loss) for the year		323,965	(217,220)

All income and expenditure is derived from continuing operations.

The notes on pages 173 to 226 form part of these accounts.

Statement of Financial Position

As at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Non-current assets:			
Equipment and intangible assets		1,808	893
Financial assets			
Fair value through profit or loss	9(a)	–	49
Loans and receivables	9(b)	2,227,715	1,845,501
Insurance contracts			
Insurance assets	10	229,305	224,552
Reinsurers' share of insurance liabilities	11	631,729	577,923
Insurance and other receivables	12	305,854	242,663
Total non-current assets		3,396,411	2,891,581
Current assets:			
Financial assets			
Fair value through profit or loss	9(a)	52	263
Loans and receivables	9(b)	183,110	132,041
Insurance contracts			
Insurance assets	10	41,618	52,516
Insurance and other receivables	12	146,166	132,649
Cash and cash equivalents	13	329,685	112,658
Total current assets		700,631	430,127
Total assets		4,097,042	3,321,708
Current liabilities:			
Financial liabilities			
Fair value through profit or loss	15	(2)	(19)
Consolidated Fund Payable	16	(329,685)	(112,658)
Provisions	17(b)	(11,574)	(12,413)
Insurance and other payables	17(a)	(171,872)	(63,059)
Total current liabilities		(513,133)	(188,149)
Non-current assets plus net current assets		3,583,909	3,133,559
Non-current liabilities			
Financial liabilities			
Fair value through profit or loss	15	–	(39)
Insurance contracts			
Insurance liabilities	18	(2,065,600)	(1,860,510)
Insurance and other payables	17(a)	(297,822)	(259,701)
Total non-current liabilities		(2,363,422)	(2,120,250)
Assets less liabilities		1,220,487	1,013,309
Taxpayers' equity			
Exchequer Financing		(2,134,315)	(2,155,673)
Cumulative Trading Surplus		3,936,213	3,684,456
General Fund		(581,411)	(515,474)
Total taxpayers' equity		1,220,487	1,013,309

The notes on pages 173 to 226 form part of these accounts.

Louis Taylor

Chief Executive and Accounting Officer



28 June 2022

Statement of Cash Flows

For the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Cash flows from operating activities			
Net operating income/(loss)		323,965	(217,220)
Adjustments for non-cash transactions:			
Depreciation & amortisation			
– Depreciation of equipment	8	498	209
Other:			
Audit fees	8	240	212
Amortised loans & receivables income	9(b)	(83,784)	(45,144)
Net unrealised foreign exchange (gain)/loss on net assets other than cash	6	(43,362)	132,050
Provisions:			
Insurance liabilities net of reinsurance movement	18	151,284	324,389
Financial guarantees provision movement	17(b)	(904)	8,683
Claims provision movement	10(a)	10,982	45,805
Interest on claims provision movement	10(b)	13,740	29,352
Impairment of uninsured Capital Loans	9(b)	38,376	30,586
Movements in Working Capital other than cash:			
Claims assets before provisions	10(a)	(11,006)	(37,095)
Interest on claims assets before provisions	10(b)	(935)	(13,690)
Loans & receivables	9(b)	105,186	147,507
Insurance & other receivables		(77,708)	(346,229)
Insurance & other payables		148,795	292,923
Financial assets held at fair value	9(a)	260	467
Financial liabilities held at fair value	15	(56)	(190)
Net cash inflow/(outflow) from operating activities		575,571	352,615
Cash flows from investing activities			
Purchase of equipment and intangibles		(1,413)	(784)
Export Finance Assistance loans:			
Advances	9(b)	(655,187)	(1,237,625)
Recoveries	9(b)	198,056	128,257
Net cash inflow/(outflow) from investing activities		(458,544)	(1,110,152)
Net cash inflow/(outflow) from operating and investing activities		117,027	(757,537)

	Note	2021-22 £'000	2020-21 £'000
Cash flows from financing activities			
Receipts from the Consolidated Fund (Supply):			
relating to the current year		100,000	870,195
Net cash inflow/(outflow) from financing activities		100,000	870,195
Net increase in cash and cash equivalents in the year before adjusting payments to the Consolidated Fund		217,027	112,658
Payments to the Consolidated Fund:			
relating to the prior year	13	–	(137,730)
Net increase/(decrease) in cash and cash equivalents in the year		217,027	(25,072)
Cash and cash equivalents at the beginning of the year	13	112,658	137,730
Cash and cash equivalents at the end of the year	13	329,685	112,658

The net increase in cash and cash equivalents in the year includes the effect of foreign exchange rate changes on cash held in foreign currency of £1.8 million (refer to note 6).

The notes on pages 173 to 226 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

	Note	Exchequer financing £'000	Cumulative trading surplus £'000	General fund £'000	Total reserves £'000
Balance at 1 April 2020		(3,106,838)	3,791,771	(212,153)	472,780
Changes in taxpayers' equity for 2020-21					
Non-Cash Adjustments:					
Auditors' remuneration	8	212	–	–	212
Movements in Reserves:					
Transfers between reserves		193,416	–	(193,416)	–
Recognised in Statement of Comprehensive Net Income		–	(107,315)	(109,905)	(217,220)
Total recognised income and expense for 2020-21		193,628	(107,315)	(303,321)	(217,008)
Amounts arising in year payable to the consolidated fund		757,537	–	–	757,537
Balance at 31 March 2021		(2,155,673)	3,684,456	(515,474)	1,013,309
Changes in taxpayers' equity for 2021-22					
Non-Cash Adjustments:					
Auditors' remuneration	8	240	–	–	240
Movements in Reserves:					
Transfers between reserves		138,145	–	(138,145)	–
Recognised in Statement of Comprehensive Net Income		–	251,757	72,208	323,965
Total recognised income and expense for 2021-22		138,385	251,757	(65,937)	324,205
Amounts arising in year payable to the consolidated fund	13	(117,027)	–	–	(117,027)
Balance at 31 March 2022		(2,134,315)	3,936,213	(581,411)	1,220,487

Notes to the Departmental Accounts

1. Accounting policies

(A) Basis of preparation

The financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

In accordance with IFRS 4: *Insurance contracts*, UKEF has applied existing accounting practices for insurance contracts. Additionally, UKEF has taken advantage of the option in IAS 39 – *Financial instruments: recognition and measurement* and has elected to continue to regard some financial guarantee contracts as insurance contracts. This relates to contracts for products that are both financial guarantee contracts and insurance contracts by definition but were historically accounted for as insurance contracts. An election was made for such contracts to continue being accounted for as insurance contracts under IFRS 4. Further details are given in note 1(D).

The primary economic environment within which UKEF operates is the United Kingdom and, therefore, its functional and presentational currency is pounds sterling. Items included in the UKEF financial statements are measured and presented in pounds sterling.

Future accounting developments

The 2021-22 FReM applies financial reporting standards that are effective for the financial year.

A number of standards have either been issued or revised but have yet to come into effect. UKEF will apply the new and revised standards and consider their impact in detail once they have been adopted by the FReM.

IFRS 16: *Leases*

Whilst IFRS 16 became effective for the period beginning on or after 1 January 2019 in the

public sector, UKEF, like other departments (with the exception of those that met the criteria and adopted it early) will be adopting this from 1 April 2022 as required by HM Treasury in the FReM. IFRS 16 replaces IAS 17: *Leases*, which made a distinction between finance and operating leases and did not require lessees to recognise assets and liabilities arising from operating leases.

The new standard introduces a single lessee accounting model which requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As such, a lessee will recognise depreciation on the right-of-use asset and interest expense on the lease liability, and classify cash repayments against the lease liability into a principal and an interest portion.

On transition to IFRS 16, UKEF will adopt the following practical expedients as mandated by FReM:

- ▶ not reassess whether a contract is, or contains, a lease at the date of initial application (IFRS 16 (C3))
- ▶ not make any adjustments for short term leases and continue to recognise the lease payments as an expense (IFRS 16 (6) (C10.c))
- ▶ not make any adjustments for leases for which the underlying asset is of a low value and continue to recognise the lease payments as an expense (IFRS 16 (6) (C9.a))
- ▶ apply a ‘cumulative catch-up’ approach, which involves making an adjustment to the opening balance of equity, rather than retrospectively applying IFRS 16 to each prior period presented (IFRS 16 (C5.b))
- ▶ recognise a right-of-use asset at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application (IFRS 16, (C8.b.ii))

UKEF does not expect there to be a material impact from the adoption of IFRS 16.

IFRS 9: *Financial Instruments* and IFRS 17: *Insurance Contracts*

The new standards (IFRS 9 and 17) set out below will have an impact on the financial statements when they become effective.

- ▶ IFRS 9: *Financial Instruments* – this standard is designed to replace IAS 39 – *Financial instruments: recognition and measurement* and amends some of the requirements of IFRS 7: *Financial instruments – disclosures*. UKEF has not determined the detailed impact; however, the changes to loan impairments particularly will require changes to UKEF systems and may lead to increased volatility in reported numbers. Whilst the effective date of IFRS 9 was for annual periods beginning on or after 1 January 2018, the standard will be effective for UKEF at the same time as IFRS 17 becomes effective. This is because UKEF has utilised a temporary exemption from applying IFRS 9 as detailed below. The International Accounting Standards Board (IASB) has decided to extend to 2023 the temporary exemption for insurers to apply IFRS 9 so that both IFRS 9 and IFRS 17 can be applied at the same time (however, see below for the implementation date in the public sector).

In September 2016, the IASB issued *Applying IFRS 9: Financial instruments with IFRS 4: Insurance contracts (amendments to IFRS 4)*, to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce a temporary exemption that enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial instruments. An entity may apply the temporary exemption from IFRS 9 if it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The department met the eligibility criteria of the temporary exemption from IFRS 9 and deferred the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023. The department performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 March 2016 when UKEF's insurance liabilities were significant compared to the total amount of liabilities and the percentage of liabilities connected with insurance was greater than 90%. The liabilities connected with insurance that are not liabilities arising from contracts within the scope of IFRS 4 mainly relate to UKEF's liability to the Consolidated Fund. The impact of the adoption of IFRS 9 on UKEF's financial statements will be largely dependent on the interaction with the new insurance contracts standard IFRS 17. As such it is not possible to fully assess the effect of the adoption of IFRS 9.

UKEF is required to retest its eligibility for the temporary exemption of IFRS 9, if and only if there is a significant change in its business activities. UKEF's activities have not changed and the department continues to apply the temporary exemption from IFRS 9. The increase in the carrying value of UKEF's loan book, in relation to its direct lending activity, is not considered a significant change in business activities for the purposes of the temporary exemption.

- ▶ IFRS 17: *Insurance contracts* – this standard is designed to replace IFRS 4: *Insurance contracts*. IFRS 4 allows entities to use different accounting policies to measure insurance contracts. IFRS 17 removes these inconsistencies and requires entities to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty. Entities will also be required to recognise profit as insurance services are delivered and to provide information about the insurance contract profits that are expected to be recognised in the future. These changes will necessitate a shift from UKEF's fund basis of accounting for insurance contracts. The application of IFRS 17 in the public sector

has been delayed by two years until 2025-26. There is therefore still some uncertainty about how it may affect UKEF. The effective date of IFRS 17 for central government departments including UKEF is for the annual period beginning on 1 April 2025.

An initial impact assessment of IFRS 9 and IFRS 17 was completed in 2019. Both these standards are expected to have a major impact on UKEF's accounting policies, data, systems and processes, as the vast majority of the department's portfolio is in scope of one of them. As a result, UKEF started a multi-year Financial Reporting Changes Programme, involving cross-departmental functions, to implement the 2 standards. Management continues to assess the impact of these new standards as part of the ongoing programme to implement the changes. Management has considered a number of the IFRS 9 and IFRS 17 technical decisions, options and accounting judgements that will shape the department's future accounting policies and their impact. These decisions, options and judgements will form the basis of the working assumptions to be used in the implementation of the 2 standards.

Major FReM changes for 2021-22

UKEF has reviewed the major FReM changes for 2021-22 and determined there are no changes that will have a significant impact on the department's 2021-22 financial statements.

(B) Use of significant judgement and estimates

The preparation of these financial statements includes the use of significant judgements and estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses, and related disclosure of contingent assets and liabilities in the financial statements.

The critical judgements (apart from those involving estimations that are dealt with below) that management have made in preparing the financial statements, that have had a significant effect on the amounts recognised in the

financial statements, are the applications of the fund basis of accounting for insurance contracts (refer to note 1(D) for details) and the deferral of the application of IFRS 9 (refer to note 1(A) for details).

All estimates are based on management's knowledge of current facts and circumstances, assumptions based upon that knowledge, and management's predictions of future events and actions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, possibly significantly. There have been no major changes in these assumptions in the current year.

Significant uncertainty arising from the nature of UKEF's underwriting activity (accounts 1-3 and 6)

Due to the long-term nature of the risk underwritten, the outcome of UKEF's activities is subject to considerable uncertainty, primarily as a result of:

- ▶ unpredictability of claims payments and recoveries including interest on unrecovered claims – losses that might arise are very difficult to assess and calculate with any degree of confidence, particularly over the longer term; the protracted underwriting cycle, which can be several decades if a Paris Club recovery is involved, means that the actual outturn may not be known for many years
- ▶ the narrow base of risk – UKEF has a far narrower risk base than would normally apply in commercial insurance, which makes the underwriting outcome more vulnerable to changes in risk conditions. As the UK's export credit agency (ECA), UKEF's role and mandate result in the department's portfolio following where UK companies win business and where there are gaps in private sector provision of finance. This demand-led approach, and the small number of more significant large transactions underwritten per year, can result in risk concentrations

Although the financial results cannot be established with certainty, UKEF sets provisions for unrecovered claims based upon current perceptions of risk and employing a substantial degree of experience and judgement. The level

of such provisions has been set on the basis of information which is currently available. The provision rates are made on a case-by-case basis and are approved by UKEF's Enterprise Risk and Credit Committee. Paris Club developments and related provision rates are also monitored and approved by the Enterprise Risk and Credit Committee. Whilst UKEF considers that claims provisions and related recoveries are fairly stated, the ultimate liability will vary as a result of subsequent information and events. This may result in significant adjustments to the amounts provided. These estimates and methods of estimation are reviewed annually and, if adjustments prove necessary, they will be reflected in future accounts.

(C) Summary of significant accounting policies

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of UKEF for the purpose of giving a true and fair view has been selected. These have been applied consistently in dealing with items considered material to the accounts.

UKEF has agreed with HM Treasury that it is necessary to make disclosures in the Statement of Comprehensive Net Income and Statement of Financial Position which vary from the standard disclosures in the FReM. The disclosures reflect the specialised and long-term nature of indemnity activity, and a requirement that UKEF should measure performance over more than one financial year, particularly where deficits are funded by the Exchequer.

Details of the particular accounting policies adopted by UKEF are described below.

(D) Insurance contracts

Product classification

Insurance contracts are those contracts written by UKEF that transfer significant insurance risk at the inception of the contract, including some financial guarantee contracts. Insurance risk is transferred when UKEF agrees to compensate a policyholder if a specified uncertain future

event adversely affects the policyholder. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Fund basis of accounting for insurance contracts

The fund basis of accounting has been applied rather than the annual basis (whereby the profit/loss is determined at the end of each accounting period for cover provided during that period). Insufficient information is available on expected future claims and recoveries for reliable estimates to be made at the end of each financial year. The use of the fund basis of accounting is not recommended practice under the Association of British Insurers' Statement of Recommended Practice (which has now been withdrawn and replaced with FRS 103). However, UKEF considers it to be the most appropriate method to account for its insurance contracts.

Under the fund basis of accounting, premium arising from policies allocated to each underwriting year, net of provisions for any unrecovered claims and expenses, is deferred until 3 years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until 9 years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year).

Liability adequacy test

At the date of each Statement of Financial Position, UKEF performs liability adequacy tests to ensure that the carrying amount of insurance liabilities, net of any reinsurance, is sufficient to cover the current best estimate of future cash outflows under its insurance contracts. If, as a result of these tests, a deficiency is identified and the fund for any underwriting year is considered insufficient to meet estimated future net claims or losses, the deficiency is charged to the Statement of Comprehensive Net Income to cover the potential shortfall. In years subsequent to a shortfall, should the deficiency in the fund reverse, then any excess can be released

back to the Statement of Comprehensive Net Income. However, the release is limited to the amount of the original charge. Where the fund for any underwriting year is in excess of the total amounts at risk, the excess is credited to the Statement of Comprehensive Net Income to reduce the fund value to the level of the maximum exposure.

In assessing the adequacy of a fund, account is taken of future investment income and, based on information available at the Statement of Financial Position date, provisions are estimated according to the categories of risk, as follows:

- ▶ **Political:** risks associated with a sovereign country which could potentially affect every supported transaction in that country due to both political risks and economic risks
- ▶ **Buyer:** risks directly associated with buyers, borrowers or guarantors, e.g. insolvency

Premium income

Premium income for the underwriting year is recognised as follows:

- ▶ **Project business:** the income on all guarantees and insurance contracts, excluding overseas investment insurance, that becomes effective during the year (including income for which deferred payment terms have been agreed)
- ▶ **Overseas investment insurance:** the amount due in the financial year in which the annual cover commences
- ▶ **Reinsurance provided under cooperation agreements with other export credit agencies:** premiums due based on notifications received in the year from the lead export credit agency

Interest receivable – underwriting activities

UKEF determines that, based on its experience over recent years, interest on unrecovered claims is as likely to be recovered as the outstanding claims to which it relates. As a result, interest is provisioned at the same rate as the claim to which it applies.

Insurance assets

Claims: these are recognised when authorised.

Recoveries: where a realistic prospect of full or partial recovery exists, the estimated recovery proceeds, net of estimated expenses in achieving the recovery, are included as assets in the Statement of Financial Position, as “recoverable claims”. When UKEF considers that it is no longer practicable or cost effective to pursue recovery, recoverable claims are formally abandoned; the amounts are deducted from recoverable assets and written off to the Statement of Comprehensive Net Income for the year, if and to the extent that existing provisions are not adequate to cover such amounts.

Reinsurance assets

UKEF cedes reinsurance to the private sector and to other national export credit agencies. Reinsurance premiums ceded and movements in the reinsurers’ share of insurance liabilities are included within the relevant expense and income accounts in the Statement of Comprehensive Net Income.

Reinsurance assets represent insurance premiums ceded to reinsurers, less any claims made by UKEF on reinsurance contracts. Reinsurance assets include the reinsurers’ share of insurance liabilities and are recognised on the same basis as the underlying insurance liabilities recognised in the Statement of Financial Position. UKEF’s reinsurance assets are reviewed for impairment. Any impairment losses identified are recognised through the Statement of Comprehensive Net Income.

(E) Net investment return

Investment return comprises interest income receivable for the year, impairment charge for loans measured at amortised cost, movement in provisions for amortised cost on loans and receivables, residual margin payments to counterparty lenders, and changes in unrealised gains and losses on financial assets classified as ‘fair value through profit or loss’.

Interest income (where appropriate) is recognised as it accrues. UKEF receives the following types of interest:

- ▶ moratorium interest: interest on Paris Club sovereign country rescheduled balances. This includes interest on both original debt and capitalised interest
- ▶ late (penalty) interest: interest on arrears of the above
- ▶ interest on direct funded loans
- ▶ default interest: interest on non-Paris Club balances
- ▶ bank interest: interest on balances held with commercial banks. The majority of UKEF funds are deposited with the Government Banking Service and do not earn interest

UKEF pays the following type of interest:

- ▶ delay interest: interest on claims paid up to 90 days following borrower repayment default

(F) Foreign exchange

Transactions denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the subsequent settlement of these transactions, together with those arising from the retranslation of foreign currency denominated monetary assets and liabilities at year-end exchange rates, are recognised in the Statement of Comprehensive Net Income. Non-monetary items are translated in the Statement of Financial Position at the rates prevailing at the original transaction dates.

(G) Consolidated Fund Payable

The amount payable is equivalent to UKEF's bank balances at the Statement of Financial Position date. The amount due within one year to the Consolidated Fund is the net cash requirement (the net cash inflow from operating activities and investing activities during the year) after adjusting for any amounts already paid or received from the Consolidated Fund relating to the current year.

(H) Exchequer financing

To reflect the long-term nature of UKEF's activities, and recognising that cash flows from operating and investing activities in a particular year may not always be sufficient to service operating commitments, a cumulative balance with the Exchequer is maintained and disclosed on the face of the Statement of Financial Position. The balance moves from year to year in response to the cash flows and accrued income arising from UKEF's operating and investing activities.

(I) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. UKEF recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Employees can opt to open a partnership pension account (Group Personal Pension), which is similar to a stakeholder pension with an employer contribution. UKEF makes age-related contributions, as a percentage of pensionable earnings.

Further information can be found in the Staff and Remuneration report.

(J) Financial assets

Recognition and measurement

Financial assets are recognised and derecognised on the relevant trade date and are classified into the following specified categories:

- ▶ fair value through profit or loss
- ▶ loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets classified as 'fair value through profit or loss' are carried at fair value, with any change in the fair value recognised in the Statement of Comprehensive Net Income. 'Fair value through profit or loss' financial assets include derivative instruments that are not designated as effective hedging instruments. Fair value is determined in the manner described in note 9. All derivatives are carried as assets when the fair values are positive (or as liabilities when the fair values are negative). The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the Statement of Financial Position, as they do not represent the potential gain or loss associated with such transactions.

'Loans and receivables' include insurance receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial and are therefore carried at their estimated net recoverable amount. Amortised cost is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation (using the effective interest method) of any difference between the initial amount and the maturity amount minus any reduction for impairment. For loans, in accordance with IAS 39.AG8, at any point in time the amortised cost is the net present value of the updated future expected cash flows, discounted by the original effective interest rate. Re-estimation of the future cash flows arising from a financial instrument carried at amortised cost normally results in a change in carrying amount, since the revised estimated cash flows are discounted at the original effective interest rate. The necessary adjustment is recognised in profit and loss.

The effective interest rate method allocates interest income or expense over the relevant period by applying the effective interest rate to the carrying amount of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying

amount of the financial asset or liability on initial recognition.

Impairment of financial assets

Financial assets other than those at fair value through profit or loss, are regularly assessed for indicators of impairment on an incurred loss basis. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows from the financial asset have been affected. The criteria that UKEF's Enterprise Risk and Credit Committee will use to assess if there is objective evidence of an impairment loss include:

- ▶ overdue payments of interest and principal
- ▶ breach of material loan covenants or conditions
- ▶ significant deterioration in credit quality

If the carrying value of a financial asset is greater than the recoverable amount, the carrying value is reduced through a charge to the Statement of Comprehensive Net Income in the period of impairment. For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. In the case of any loans, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Net income. The carrying amount of the asset is reduced directly only upon write-off. Interest income on impaired loans is recognised based on the estimated recoverable amount. Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down.

(K) Financial liabilities

Financial liabilities at fair value through profit or loss are recognised both initially and subsequently at their fair value, with any resultant gains or loss recognised in the Statement of Comprehensive Net Income. The

net gain or loss recognised in the Statement of Comprehensive Net Income incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 15.

(L) Financial guarantee contracts

Liabilities under financial guarantee contracts not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or receivable. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

(M) Provisions

UKEF makes provisions for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive liability exists (i.e. a present obligation from past events exists) where the outflow of economic benefits is probable and where a reasonable estimate can be made. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the Statement of Financial Position date or to transfer it to a third party at that time. If the effect is material, expected future cash flows are discounted using the appropriate rate set by HM Treasury.

(N) Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37: *Provisions, contingent liabilities and contingent assets*, UKEF discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Managing Public Money. These contingent liabilities are disclosed as the amounts reported to Parliament.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament separately noted.

2. Segmental information

UKEF applies IFRS 8: *Operating segments* considering UKEF's legal and regulatory reporting requirements. These form the basis of the operating results that are regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Accounting Officer who is responsible for allocating resources and assessing performance of the operating segments.

UKEF's operations are categorised into one of the following accounts:

- ▶ **Account 1** relates to guarantees and insurance issued for business prior to April 1991, and insurance issued by the Insurance Services Group of UKEF (which was privatised on 1 December 1991) for which UKEF retains all contingent liabilities ('Insurance Services Business')
- ▶ **Account 2** relates to the credit risk arising from guarantees and insurance issued for business since April 1991
- ▶ **Account 3** relates to guarantees and loans issued for business since April 1991 on the written instruction of ministers, which UKEF's Accounting Officer had advised did not meet normal underwriting criteria
- ▶ **Account 4** relates to the provision of Fixed Rate Export Finance (FREF) to banks (now closed to new business), together with arrangements for reducing the funding cost of FREF loans and for certain interest rate derivative arrangements
- ▶ **Account 5** relates to the provision of direct lending (in the normal course of business) (since 2014)
- ▶ **Account 6** relates to all business underwritten and booked under the Temporary COVID-19 Risk Framework (TCRF) – approved by HM Treasury since 2 April 2020

The TCRF supplementary risk framework was put in place to support the UK economy. For further details about TCRF, refer to the Chief Risk Officer's report on page 45.

i. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2022

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Income							
Gross premium income	–	465,192	–	–	–	101,544	566,736
Less ceded to reinsurers	–	(122,582)	–	–	–	(2,911)	(125,493)
Net premium income	–	342,610	–	–	–	98,633	441,243
Net investment return income	11,039	1,294	13,684	146	36,930	2,129	65,222
Claims credit	4,163	–	–	–	–	–	4,163
Changes in insurance liabilities net of reinsurance	–	–	–	–	–	–	–
Net foreign exchange gain	3,775	5,412	–	–	35,965	–	45,152
Total income	18,977	349,316	13,684	146	72,895	100,762	555,780
Expenses							
Claims charge & provision for likely claims	–	(14,241)	–	–	–	–	(14,241)
Changes in insurance liabilities net of reinsurance	–	(135,933)	–	–	–	(15,351)	(151,284)
Staff costs	(243)	(22,348)	(973)	(139)	(7,125)	(3,928)	(34,756)
Other administration and operating costs	(221)	(20,258)	(882)	(126)	(6,459)	(3,560)	(31,506)
Net foreign exchange loss	–	–	–	–	–	(28)	(28)
Total expenses	(464)	(192,780)	(1,855)	(265)	(13,584)	(22,867)	(231,815)
Net income/(loss)	18,513	156,536	11,829	(119)	59,311	77,895	323,965

ii. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2021

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Income							
Gross premium income	–	433,444	–	–	–	57,293	490,737
Less ceded to reinsurers	–	(128,962)	–	–	–	(31,970)	(160,932)
Net premium income	–	304,482	–	–	–	25,323	329,805
Net investment return income	3,409	688	5,028	267	9,290	–	18,682
Claims credit	3,503	–	–	–	–	–	3,503
Changes in insurance liabilities net of reinsurance	–	–	–	–	–	–	–
Net foreign exchange gain	–	–	–	–	–	–	–
Total income	6,912	305,170	5,028	267	9,290	25,323	351,990
Expenses							
Net claims charge for the year	–	(57,991)	–	–	–	–	(57,991)
Changes in insurance liabilities net of reinsurance	–	(308,729)	–	–	–	(15,660)	(324,389)
Staff costs	(284)	(16,735)	(796)	(170)	(5,484)	(4,944)	(28,413)
Other administration and operating costs	(203)	(11,976)	(570)	(122)	(3,924)	(3,538)	(20,333)
Net foreign exchange loss	(11,015)	(13,472)	–	–	(113,489)	(108)	(138,084)
Total expenses	(11,502)	(408,903)	(1,366)	(292)	(122,897)	(24,250)	(569,210)
Net income	(4,590)	(103,733)	3,662	(25)	(113,607)	1,073	(217,220)

iii. Additional segmental information

For the year ended 31 March 2022, there was one customer (the parties paying the premium) who accounted for more than 10% of the total premium revenue, net of amounts ceded to reinsurers. This customer accounted for net premium income of £147.3 million.

All premium income arose from exports by companies resident in the United Kingdom and therefore no geographical analysis of premium income is presented.

iv. Segmental Statement of Financial Position at 31 March 2022

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Non-current assets:							
Equipment and intangible assets	–	1,808	–	–	–	–	1,808
Financial assets							
– Loans & receivables	–	–	967,422	–	1,260,293	–	2,227,715
Insurance contracts							
– Insurance assets	132,672	96,633	–	–	–	–	229,305
– Reinsurers' share of insurance liabilities	–	573,617	23,232	–	–	34,880	631,729
Insurance and other receivables	–	67,077	–	–	–	238,777	305,854
Total non-current assets	132,672	739,135	990,654	–	1,260,293	273,657	3,396,411
Current assets:							
Financial assets							
– Fair value through income	–	–	–	52	–	–	52
– Loans & receivables	–	–	39	1,047	182,024	–	183,110
Insurance contracts							
– Insurance assets	41,127	491	–	–	–	–	41,618
Insurance and other receivables	10	56,146	–	3	1	90,006	146,166
Cash and cash equivalents	102,516	495,064	(371,774)	4,092	2,800	96,987	329,685
Total current assets	143,653	551,701	(371,735)	5,194	184,825	186,993	700,631
Total assets	276,325	1,290,836	618,919	5,194	1,445,118	460,650	4,097,042

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Current liabilities:							
Financial liabilities							
– Financial liabilities held at fair value	–	–	–	(2)	–	–	(2)
Consolidated Fund (Payable)/ Receivable	(102,516)	(495,064)	371,774	(4,092)	(2,800)	(96,987)	(329,685)
Provisions	–	(11,574)	–	–	–	–	(11,574)
Insurance and other payables	(403)	(94,946)	(1)	(3)	(30)	(76,489)	(171,872)
Total current liabilities	(102,919)	(601,584)	371,773	(4,097)	(2,830)	(173,476)	(513,133)
Non-current assets plus net current assets	173,406	689,252	990,692	1,097	1,442,288	287,174	3,583,909
Non-current liabilities							
Financial liabilities							
– Financial liabilities held at fair value	–	–	–	–	–	–	–
– Insurance liabilities	–	(1,891,294)	(108,415)	–	–	(65,891)	(2,065,600)
Insurance and other payables	–	(58,520)	–	–	–	(239,302)	(297,822)
Total non-current liabilities	–	(1,949,814)	(108,415)	–	–	(305,193)	(2,363,422)
Assets less liabilities	173,406	(1,260,562)	882,277	1,097	1,442,288	(18,019)	1,220,487
Taxpayers' equity							
Exchequer Financing	(1,548,686)	(3,296,557)	1,000,000	1,019	1,806,896	(96,987)	(2,134,315)
Cumulative Trading Surplus	1,722,092	2,035,995	99,073	–	–	79,053	3,936,213
General Fund	–	–	(216,796)	78	(364,608)	(85)	(581,411)
Total taxpayers' equity	173,406	(1,260,562)	882,277	1,097	1,442,288	(18,019)	1,220,487

v. Segmental Statement of Financial Position at 31 March 2021

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Non-current assets:							
Equipment and intangible assets	–	893	–	–	–	–	893
Financial assets							
Fair value through income	–	–	–	49	–	–	49
Loans & receivables	–	–	668,420	1,019	1,176,062	–	1,845,501
Insurance contracts							
– Insurance assets	170,059	54,493	–	–	–	–	224,552
– Reinsurers' share of insurance liabilities	–	522,721	23,232	–	–	31,970	577,923
Insurance and other receivables	–	53,961	–	–	–	188,702	242,663
Total non-current assets	170,059	632,068	691,652	1,068	1,176,062	220,672	2,891,581
Current assets:							
Financial assets							
Fair value through income	–	–	–	263	–	–	263
Loans & receivables	–	–	69	1,156	130,816	–	132,041
Insurance contracts							
– Insurance assets	38,428	14,088	–	–	–	–	52,516
Insurance and other receivables	10	80,334	–	3	1	52,301	132,649
Cash and cash equivalents	49,296	143,146	(84,632)	2,876	(21,078)	23,050	112,658
Total current assets	87,734	237,568	(84,563)	4,298	109,739	75,351	430,127
Total assets	257,793	869,636	607,089	5,366	1,285,801	296,023	3,321,708

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Current liabilities:							
Financial liabilities							
– Financial liabilities held at fair value	–	–	–	(19)	–	–	(19)
Consolidated Fund (Payable)/Receivable	(49,296)	(143,146)	84,632	(2,876)	21,078	(23,050)	(112,658)
Provisions	–	(12,413)	–	–	–	–	(12,413)
Insurance and other payables	(384)	(36,821)	–	–	(24)	(25,831)	(63,060)
Total current liabilities	(49,680)	(192,380)	84,632	(2,895)	21,054	(48,881)	(188,150)
Non-current assets plus net current assets	208,113	677,256	691,721	2,471	1,306,855	247,142	3,133,558
Non-current liabilities							
Financial liabilities							
– Financial liabilities held at fair value	–	–	–	(39)	–	–	(39)
– Insurance liabilities	–	(1,704,465)	(108,415)	–	–	(47,630)	(1,860,510)
Insurance and other payables	–	(38,211)	–	–	–	(221,489)	(259,700)
Total non-current liabilities	–	(1,742,676)	(108,415)	(39)	–	(269,119)	(2,120,249)
Assets less liabilities	208,113	(1,065,420)	583,306	2,432	1,306,855	(21,977)	1,013,309
Taxpayers' equity							
Exchequer Financing	(1,495,466)	(2,944,879)	702,564	2,118	1,603,040	(23,050)	(2,155,673)
Cumulative Trading Surplus	1,703,579	1,879,459	100,260	–	–	1,158	3,684,456
General Fund	–	–	(219,518)	314	(296,185)	(85)	(515,474)
Total taxpayers' equity	208,113	(1,065,420)	583,306	2,432	1,306,855	(21,977)	1,013,309

3. Premium income and net investment return

3(a) Premium income

	2021-22 £'000	2020-21 £'000
Underwriting premium income:		
Insurance contracts premium receivable		
Current underwriting year:		
Gross premium	463,720	453,981
Less ceded to reinsurers	(121,824)	(158,577)
Net premium income	341,896	295,404
Previous underwriting years:		
Gross premium	1,753	14,930
Less ceded to reinsurers	(3,669)	(2,355)
Net premium income	(1,916)	12,575
Summary		
Gross premium	465,473	468,911
Less ceded to reinsurers	(125,493)	(160,932)
Net premium income	339,980	307,979
Financial guarantees premium amortised (IAS 39)		
Summary		
Gross premium	101,263	21,826
Less ceded to reinsurers	–	–
Net premium income	101,263	21,826
Total net premium income	441,243	329,805

Insurance contracts premium receivable (IFRS 4) includes premium income from financial guarantee contracts that UKEF has elected to account for as insurance contracts (refer to note 1(A) for more detail).

Financial guarantees premium amortised (IAS 39) is the premium in relation to UKEF's Trade Finance products classified as financial guarantee contracts under IAS 39.

3(b) Net investment return

					2021-22	2020-21
	Note	Account 1 £'000	Account 2 £'000	Account 6 £'000	Total £'000	Total £'000
Export Credit Guarantees and Insurance						
Interest income	4	11,039	1,106	–	12,145	3,766
Other income		–	188	2,129	2,317	331
Total income		11,039	1,294	2,129	14,462	4,097
Net income		11,039	1,294	2,129	14,462	4,097

					2021-22	2020-21
	Note	Account 1 £'000	Account 2 £'000	Account 6 £'000	Total £'000	Total £'000
Export Finance Assistance						
Amortised loans & receivables income	9(b)	13,684	107	69,993	83,784	45,144
Gain in fair value of derivatives		–	298	–	298	489
Other income		–	–	5,313	5,313	–
Total income		13,684	405	75,306	89,395	45,633
Impairment of loans & receivables	9(b)	–	–	(38,376)	(38,376)	(30,586)
Loss in fair value of derivatives		–	(259)	–	(259)	(462)
Total costs		–	(259)	(38,376)	(38,635)	(31,048)
Net income		13,684	146	36,930	50,760	14,585

4. Interest income

				2021-22	2020-21
	Note	Account 1 £'000	Account 2 £'000	Total £'000	Total £'000
Interest arising from claims					
Interest charged in the year	10(b)	15,315	10,517	25,832	33,103
Net (increase)/decrease in provisions for unrecovered interest	10(b)	(4,329)	(9,411)	(13,740)	(29,352)
Interest arising from claims net of provisions		10,986	1,106	12,092	3,751
Other interest		53	–	53	15
Interest credit for the year		11,039	1,106	12,145	3,766

Other interest includes bank interest on balances with commercial banks.

5. Net claims credit and provision for likely claims

				2021-22	2020-21
	Note	Account 1 £'000	Account 2 £'000	Total £'000	Total £'000
Amounts authorised and paid in the year	10(a)	–	(103,139)	(103,139)	(106,894)
Expected recoveries on claims authorised and paid in the year		–	65,752	65,752	52,909
Provision on claims authorised and paid in the year		–	(37,387)	(37,387)	(53,985)
Net change in provisions for claims authorised and paid in previous years		4,163	22,242	26,405	8,180
Claims credit/(charge) for the year	10(a)	4,163	(15,145)	(10,982)	(45,805)
Change in provision for claims on financial guarantees	17(b)	–	904	904	(8,683)
Net claims credit & provision for likely claims		4,163	(14,241)	(10,078)	(54,488)

There is no reinsurance element included within the figures above.

6. Net foreign exchange gain/(loss)

					2021-22	2020-21
	Note	Account 1 £'000	Account 2 £'000	Account 6 £'000	Total £'000	Total £'000
Export Credit Guarantees and Insurance						
Net foreign exchange gain/(loss) arising on:						
recoverable claims after provisions	10(a)	2,186	3,032	–	5,218	(9,838)
recoverable interest on claims after provisions	10(b)	1,409	9	–	1,418	(4,297)
insurance premium receivables		–	(769)	(231)	(1,000)	(4,602)
financial guarantees provisions		–	(65)	–	(65)	40
insurance payables		109	1,944	123	2,176	(2,845)
cash		71	1,261	80	1,412	(3,053)
Net foreign exchange gain/(loss) for year		3,775	5,412	(28)	9,159	(24,595)

	Note	Account 5 £'000	Account 6 £'000	Total £'000	Total £'000
Export Finance Assistance					
Net foreign exchange gain/(loss) arising on:					
loans & receivables	9(b)	35,930	–	35,930	(113,096)
payables		(315)	–	(315)	2,588
cash		350	–	350	(2,981)
Net foreign exchange gain/(loss) for year		35,965	–	35,965	(113,489)

	Total £'000	Total £'000
Summary:		
Net foreign exchange gain/(loss) for year on cash assets	1,762	(6,034)
Net foreign exchange gain/(loss) for year on net assets other than cash	43,362	(132,050)
Net foreign exchange gain/(loss) for year	45,124	(138,084)

Day-to-day transactions are converted at the rates prevailing on the original transaction date. Assets and liabilities are re-valued at the year-end rates. The table below shows the exchange rates applicable on the principal currencies.

Currency	Currency equivalent to £1	
	31 March 2022	31 March 2021
Euro	1.18	1.17
Japanese yen	159.78	152.42
US dollar	1.32	1.38

7. Staff costs

	2021-22 £'000	2020-21 £'000
Salaries and wages	25,683	21,067
Social security costs	2,949	2,394
Other pension costs	6,124	4,952
Total staff costs	34,756	28,413
Of which:		
Export Credit Guarantees and Insurance	27,142	22,001
Export Finance Assistance	7,614	6,412

Details of staff numbers, exit packages and UKEF's remuneration policy can be found in the Staff and Remuneration report.

8. Other administration and operating costs

	2021-22 £'000	2020-21 £'000
Agency staff	2,522	1,812
Training	591	244
Recruitment	242	126
Travel & subsistence	301	(3)
Accommodation	2,620	2,484
Other IT	5,465	5,263
Project costs	7,141	2,513
Legal	714	790
Marketing & business promotion	4,509	2,198
Depreciation	498	209
Irrecoverable VAT	4,019	2,310
Other administration	2,884	2,387
Total other administrative costs	31,506	20,333
Of which:		
Export Credit Guarantees and Insurance	24,603	15,744
Export Finance Assistance	6,903	4,589
Included in the above figures:		
Audit fees	240	212

The 2021-22 audit fee figure includes an additional £30,000 for the auditors' engagement on the Financial Reporting Changes (FRC) Programme. Refer to note 1(A) for further details.

9. Financial assets

9(a) Fair value through profit or loss

	31 March 2022 £'000	31 March 2021 £'000
Fair value through profit or loss		
Interest rate derivatives in relation to Export Finance Loan Guarantees	52	312
Total	52	312
Falling due:		
within one year	52	263
after more than one year	–	49

All interest rate derivatives are categorised as level 2 instruments, with their fair values determined using valuation techniques and pricing models commonly employed by market participants, and market-observable inputs. All Fixed Rate Export Finance exposure will run off in 2022-23.

9(b) Loans and receivables

	31 March 2022 £'000	31 March 2021 £'000
Loans and receivables	2,410,825	1,977,542
Total	2,410,825	1,977,542
Falling due:		
within one year	183,110	132,041
after more than one year	2,227,715	1,845,501

	Note	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
Movements:					
Balance at 1 April 2020		–	4,798	1,109,421	1,114,219
Loans advanced	21	702,562	–	535,063	1,237,625
Loans recovered		–	(2,564)	(125,693)	(128,257)
Net foreign exchange gain/ (loss)		–	–	(113,096)	(113,096)
Amortised income		9,179	240	54,458	63,877
Other movement in working capital		(39,101)	(299)	(108,107)	(147,507)
Revision to cash flows		(4,151)	–	(14,582)	(18,733)
Impairment provision		–	–	(30,586)	(30,586)
Balance at 31 March 2021		668,489	2,175	1,306,878	1,977,542
Loans advanced	21	297,438	–	357,749	655,187
Loans recovered		–	(1,099)	(196,957)	(198,056)
Net foreign exchange gain/ (loss)		–	–	35,930	35,930
Amortised income		15,665	107	58,798	74,570
Other movement in working capital		(12,150)	(136)	(92,900)	(105,186)
Revision to cash flows		(1,981)	–	11,195	9,214
Impairment provision		–	–	(38,376)	(38,376)
Balance at 31 March 2022		967,461	1,047	1,442,317	2,410,825
Of which:					
Capital loans recoverable		1,000,000	1,019	1,806,896	2,807,915
Net interest receivable		39	28	5,743	5,810
Recoverable expenses incurred		–	–	–	–
Unamortised income		(26,446)	–	(282,459)	(308,905)
Revision to cash flows		(6,132)	–	(3,971)	(10,103)
Impairment provisions		–	–	(83,892)	(83,892)
Falling due:					
within one year		39	1,047	182,024	183,110
after more than one year		967,422	–	1,260,293	2,227,715

Loans are calculated on the amortised cost basis (refer to note 1(J)).

The fair value of Export Finance Loans for account 3 was £978,500,000 (2020-21: £736,040,000), for account 4 was £1,075,000 (2020-21: £2,317,000) and for account 5 £1,678,705,000 (2020-21: £1,665,547,000).

10. Insurance assets

	31 March 2022 £'000	31 March 2021 £'000
Recoverable claims	183,922	178,680
Interest on unrecovered claims	87,001	98,388
Total	270,923	277,068
Falling due:		
within one year	41,618	52,516
after more than one year	229,305	224,552

Insurance assets are shown at their expected recoverable amount. The majority of the balances are subject to market rates of interest.

10(a) Recoverable claims

	Account 1 £'000	Account 2 £'000	Total £'000
Recoverable claims – gross			
Balance at 1 April 2020	401,693	188,972	590,665
Claims & recoverable expenditure approved in the year	–	106,894	106,894
Recoveries made in the year	(30,879)	(38,920)	(69,799)
Recoveries abandoned in the year	(9,890)	(125)	(10,015)
Net foreign exchange movements	(10,697)	(7,287)	(17,984)
Balance at 31 March 2021	350,227	249,534	599,761
Reclassifications & transfers from interest on unrecovered claims	–	(27)	(27)
Claims & recoverable expenditure approved in the year	–	103,139	103,139
Recoveries made in the year	(29,738)	(62,368)	(92,106)
Recoveries abandoned in the year	(83,462)	5	(83,457)
Net foreign exchange movements	3,124	4,037	7,161
Balance at 31 March 2022	240,151	294,320	534,471
Recoverable claims – provisions			
Balance at 1 April 2020	257,078	136,359	393,437
(Release)/increase of provisions in the year	(3,503)	49,308	45,805
Recoveries abandoned in the year	(9,890)	(125)	(10,015)
Net foreign exchange movements	(3,957)	(4,189)	(8,146)
Balance at 31 March 2021	239,728	181,353	421,081
(Release)/increase of provisions in the year	(4,163)	15,145	10,982
Recoveries abandoned in the year	(83,462)	5	(83,457)
Net foreign exchange movements	938	1,005	1,943
Balance at 31 March 2022	153,041	197,508	350,549
Net recoverable claims as at:			
31 March 2022	87,110	96,812	183,922
31 March 2021	110,499	68,181	178,680
31 March 2020	144,615	52,613	197,228

For further details about claims and recoveries, refer to the Chief Risk Officer's report. There are no recoverable claims on accounts 3, 4 or 6.

10(b) Interest on unrecovered claims

	Account 1 £'000	Account 2 £'000	Total £'000
Interest on unrecovered claims – gross			
Balance at 1 April 2020	1,015,016	156,614	1,171,630
Interest charged in the year	23,461	9,642	33,103
Interest received in the year	(18,968)	(445)	(19,413)
Recoveries abandoned in the year	(33,845)	1	(33,844)
Net foreign exchange movements	(21,328)	(476)	(21,804)
Balance at 31 March 2021	964,336	165,336	1,129,672
Interest charged in the year	15,315	10,517	25,832
Interest received in the year	(23,694)	(1,203)	(24,897)
Recoveries abandoned in the year	(476,202)	–	(476,202)
Net foreign exchange movements	5,282	222	5,504
Balance at 31 March 2022	485,037	174,872	659,909
Interest on unrecovered claims – provisions			
Balance at 1 April 2020	897,183	156,100	1,053,283
Increase in provisions in the year	20,067	9,285	29,352
Recoveries abandoned in the year	(33,845)	1	(33,844)
Net foreign exchange movements	(17,057)	(450)	(17,507)
Balance at 31 March 2021	866,348	164,936	1,031,284
Increase in provisions in the year	4,329	9,411	13,740
Recoveries abandoned in the year	(476,202)	–	(476,202)
Net foreign exchange movements	3,873	213	4,086
Balance at 31 March 2022	398,348	174,560	572,908
Net interest on unrecovered claims as at:			
31 March 2022	86,689	312	87,001
31 March 2021	97,988	400	98,388
31 March 2020	117,833	514	118,347

11. Reinsurers' share of insurance liabilities

	£'000
Balance at 1 April 2020	359,302
Movements summary:	
Addition to the underwriting funds in the year	158,924
Net decrease in open cash funds	–
Net decrease in open credit funds	(10,077)
Other fund movements	44,747
Net increase in insurance liabilities on closed funds	25,027
Total movements	218,621
Balance at 31 March 2021	577,923
Movements summary:	
Addition to the underwriting funds in the year	121,823
Net decrease in open cash funds	(1,273)
Net decrease in open credit funds	(9,718)
Other fund movements	(5,942)
Net decrease in insurance liabilities on closed funds	(51,084)
Total movements	53,806
Balance at 31 March 2022	631,729

Movements are summarised in note 18.

12. Insurance and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Export Credit Guarantees and Insurance:		
Insurance premium receivables	433,870	329,261
Insurance prepayments and accrued income	16,152	45,923
Other receivables	1,998	128
Total	452,020	375,312
Falling due:		
within one year	146,166	132,649
after more than one year	305,854	242,663

The insurance premium receivables include the premium amounts receivable for Export Development Guarantees written during the year. The EDG product, which is accounted for under IAS 39, was launched in July 2020. For further details about UKEF's Export Development Guarantee product, refer to the Performance section.

13. Cash and cash equivalents

	£'000	
Balance at 1 April 2020	137,730	
Net cash inflow/(outflow)	(757,537)	
Receipts from the Consolidated Fund:		
in respect of amounts received in the current year	870,195	
Payments to the Consolidated Fund:		
in respect of amounts received in the previous year	(137,730)	
Balance at 31 March 2021	112,658	
Net cash inflow/(outflow)	117,027	
Receipts from the Consolidated Fund:		
in respect of amounts received in the current year	100,000	
Payments to the Consolidated Fund:		
in respect of amounts received in the previous year	–	
Balance at 31 March 2022	329,685	
Cash and cash equivalents comprise:		
	31 March 2022	31 March 2021
	£'000	£'000
Government Banking Service	232,533	2,534
Commercial banks and cash in hand	97,152	110,124
Total	329,685	112,658

The 2020-21 closing cash balance represented the amount issued from the Consolidated Fund but not spent that year. Instead of being returned to the Consolidated Fund via the bank account, it was treated as a deemed supply for the 2021-22 financial year as agreed with HM Treasury.

14. Reconciliation of net cash requirement to decrease/increase in cash

	2021-22 £'000	2020-21 £'000
Net cash inflow/(outflow) from operating and investing activities	117,027	(757,537)
Receipts from the Consolidated Fund relating to the current year	100,000	870,195
Amounts due to the Consolidated Fund	217,027	112,658
Payments to the Consolidated Fund relating to the prior year	–	(137,730)
(Decrease)/Increase in cash	217,027	(25,072)

15. Financial liabilities at fair value

Fair value through profit or loss	31 March 2022 £'000	31 March 2021 £'000
Interest rate derivatives in relation to Export Finance Loan Guarantees	3	40
Interest rate derivative contracts entered into for hedging purposes	(1)	18
Total	2	58
Falling due:		
within one year	2	19
after more than one year	–	39

All interest rate derivatives are categorised as level 2 instruments, with their fair values determined using valuation techniques and pricing models commonly employed by market participants, and market-observable inputs. All Fixed Rate Export Finance exposure will run off in 2022-23.

16. Consolidated Fund Payable

	31 March 2022 £'000	31 March 2021 £'000
Amounts payable to the Consolidated Fund	329,685	112,658
Total	329,685	112,658
Falling due:		
within one year	329,685	112,658

The balance due within one year represents UKEF's bank balance as at 31 March 2022.

17. Insurance and other payables

17(a) Payables

	31 March 2022 £'000	31 March 2021 £'000
Export Credit Guarantees and Insurance:		
Insurance payables – amounts due to policyholders	115	116
Income Tax and National Insurance	816	656
Deferred income and other payables	65,679	21,417
Financial guarantee liabilities	403,051	300,547
Total	469,661	322,736
Export Finance Assistance:		
Other payables	33	24
Total	33	24
Total	469,694	322,760
Falling due:		
within one year	171,872	63,059
after more than one year	297,822	259,701

17(b) Provisions for financial guarantees

	31 March 2022 £'000	31 March 2021 £'000
Provisions for likely claims on financial guarantees	11,574	12,413
Total	11,574	12,413
Falling due:		
within one year	11,574	12,413
after more than one year	–	–

The movement in the provision for financial guarantees includes £904,000 (2020-21: £8,683,000) (see note 5) and (£65,000) (2020-21: (£40,000)) movement on foreign currencies.

guarantees or policies written in the relevant year is released to income. Underwriting funds for those and prior years will be equal to the expected loss on unexpired guarantees or insurance policies for the relevant underwriting year.

18. Insurance liabilities

Each underwriting fund for an underwriting year is set at the higher of (i) the current expected loss, as defined below, on amounts at risk on unexpired insurance contracts, or (ii) accumulated premiums plus interest earned, less administration costs and provisions made for the unrecoverable proportion of paid claims. Premium income credited to a provision is net of any reinsurance premium ceded to reinsurers where UKEF, as lead insurer, has reinsured a proportion of the total contract risk.

The expected loss is management's best estimate of the mean of possible future losses on UKEF's insurance contracts.

Under the fund basis of accounting, premium arising from policies allocated to each underwriting year, net of provisions for any unrecovered claims and expenses, is deferred until 3 years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until 9 years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year). After this period, any excess of the net underwriting fund over the current expected loss on amounts at risk on unexpired

The following movements in underwriting funds have occurred in the year:

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
Insurance liabilities – gross of reinsurance				
Balance at 1 April 2020	1,206,128	111,372	–	1,317,500
Movements:				
Addition to the underwriting funds in the year	379,788	–	47,630	427,418
Release of excess funds – cash	(846)	–	–	(846)
Release of excess funds – credit	(61,853)	–	–	(61,853)
Other fund movements	136,099	(2,957)	–	133,142
Change in insurance liabilities on closed funds	45,149	–	–	45,149
Total movements	498,337	(2,957)	47,630	543,010
Balance at 31 March 2021	1,704,465	108,415	47,630	1,860,510
Movements:				
Addition to the underwriting funds in the year	406,481	–	18,261	424,742
Release of excess funds – cash	(14,675)	–	–	(14,675)
Release of excess funds – credit	(36,739)	–	–	(36,739)
Other fund movements	(84,162)	–	–	(84,162)
Change in insurance liabilities on closed funds	(84,076)	–	–	(84,076)
Total movements	186,829	–	18,261	205,090
Balance at 31 March 2022	1,891,294	108,415	65,891	2,065,600
Insurance liabilities – net of reinsurance				
Balance at 1 April 2020	873,015	85,183	–	958,198
Movements:				
Addition to the underwriting funds in the year	252,834	–	15,660	268,494
Release of excess funds – cash	(846)	–	–	(846)
Release of excess funds – credit	(51,776)	–	–	(51,776)
Other fund movements	88,395	–	–	88,395
Change in insurance liabilities on closed funds	20,122	–	–	20,122
Total movements	308,729	–	15,660	324,389
Balance at 31 March 2021	1,181,744	85,183	15,660	1,282,587
Movements:				
Addition to the underwriting funds in the year	287,464	–	15,455	302,919
Release of excess funds – cash	(13,402)	–	–	(13,402)
Release of excess funds – credit	(27,021)	–	–	(27,021)
Other fund movements	(78,116)	–	(104)	(78,220)
Change in insurance liabilities on closed funds	(32,992)	–	–	(32,992)
Total movements	135,933	–	15,351	151,284
Balance at 31 March 2022	1,317,677	85,183	31,011	1,433,871

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
2020-21				
Gross changes in insurance liabilities	498,337	(2,957)	47,630	543,010
Reinsurers' share of changes in insurance liabilities	(189,608)	2,957	(31,970)	(218,621)
Changes in insurance liabilities (net of reinsurance)	308,729	–	15,660	324,389
2021-22				
Gross changes in insurance liabilities	186,829	–	18,261	205,090
Reinsurers' share of changes in insurance liabilities	(50,896)	–	(2,910)	(53,806)
Changes in insurance liabilities (net of reinsurance)	135,933	–	15,351	151,284

Movements in reinsurance are analysed in note 11.

Schedule of expected loss

As part of its liability adequacy testing process, UKEF assesses the carrying value of its insurance liabilities against a schedule of expected loss. The expected loss does not take into account any additional margins that are required to compensate UKEF for the inherent risk that actual losses may significantly exceed the expected loss. The derived expected loss is not therefore regarded by UKEF to be a reliable estimate of the likely eventual outturn (with insufficient information available for open fund years to determine definitively and with a high degree of confidence the level of claims that will be ultimately experienced) and is presented for indicative purposes. Credit funds up to and including 2012-13 and cash fund years up to and including 2018-19 are closed years.

	2012-13 fund year £'000	2013-14 fund year £'000	2014-15 fund year £'000	2015-16 fund year £'000	2016-17 fund year £'000	2017-18 fund year £'000	2018-19 fund year £'000	2019-20 fund year £'000	2020-21 fund year £'000	2021-22 fund year £'000
Accounts 2, 3 & 6										
Credit funds										
At end of year	33,987	34,208	46,367	28,315	32,214	43,848	127,410	72,685	77,729	103,526
One year later	26,790	34,184	44,703	29,114	26,001	49,578	110,027	76,790	69,060	–
2 years later	26,204	35,429	48,413	21,070	24,134	42,298	183,377	147,227	–	–
3 years later	24,580	35,278	36,502	17,589	26,603	166,991	142,601	–	–	–
4 years later	22,511	20,860	44,479	17,535	35,966	101,218	–	–	–	–
5 years later	13,443	17,559	30,047	16,516	32,696	–	–	–	–	–
6 years later	8,158	21,376	65,202	13,008	–	–	–	–	–	–
7 years later	10,272	56,497	54,012	–	–	–	–	–	–	–
8 years later	56,951	32,230	–	–	–	–	–	–	–	–
9 years later	37,756	–	–	–	–	–	–	–	–	–
Cash funds										
At end of year	8,860	69	261	480	689	383	6,365	91	668	461
One year later	7,314	14	291	–	16	100	2,575	20	118	–
2 years later	7,583	171	78	–	–	62	1,833	14	–	–
3 years later	9,438	27	40	–	–	43	1,140	–	–	–
4 years later	4,462	–	18	–	–	4	–	–	–	–
5 years later	3,928	–	20	–	–	–	–	–	–	–
6 years later	3,335	–	–	–	–	–	–	–	–	–
7 years later	2,354	–	–	–	–	–	–	–	–	–
8 years later	5,940	–	–	–	–	–	–	–	–	–
9 years later	1,183	–	–	–	–	–	–	–	–	–
Credit fund total	37,756	32,230	54,012	13,008	32,696	101,218	142,601	147,227	69,060	103,526
Cash fund total	1,183	–	–	–	–	4	1,140	14	118	461
Expected loss total	38,939	32,230	54,012	13,008	32,696	101,222	143,741	147,241	69,178	103,987
Summary										736,254
Expected loss summary:						funds 2012-13 to 2021-22 open £'000	funds 2012-13 to 2021-22 closed £'000	funds 2012-13 to 2021-22 total £'000	funds years to 2011-12 closed £'000	funds total £'000
Accounts 2, 3 & 6										
Credit fund total						695,578	37,756	733,334	4,379	737,713
Cash fund total						593	2,327	2,920	–	2,920
Expected loss total						696,171	40,083	736,254	4,379	740,633

19. Exchequer financing

The resources consumed by UKEF in respect of its export finance activities and trading operations are supplied annually by Parliament through the Supply Procedure of the House of Commons. The Estimate voted on in the Supply Procedure also sets an annual ceiling on UKEF's voted net cash requirement. By the provisions of Section 14(2) of the Export and Investment Guarantees Act 1991, UKEF is able to pay claims direct from the Consolidated Fund in the event that sufficient funds have not been voted for the purpose by Parliament.

20. Risk management: financial instruments and insurance contracts

This note describes the nature and extent of the risks for UKEF arising from financial instruments and insurance contracts and how UKEF manages them. UKEF has established a risk management framework that seeks to identify, consider and manage the risks it faces in line with its risk appetite, minimising its exposure to unexpected financial loss and facilitating the achievement of its business objectives.

Full details of UKEF's approach to managing financial risk can be found in the Chief Risk Officer's report.

Operational risk is described in the Governance Statement.

For the purposes of this note, risks are considered under the following headings:

- a. Market risk (including interest rate risk and foreign currency risk)
- b. Credit risk;
- c. Insurance risk (including related foreign currency risk)
- d. Liquidity risk
- e. Risk measurement

20(a) Market risk

Market risk is the risk of adverse financial impact due to changes in the fair value or future cash flows of financial instruments from fluctuations in interest rates, foreign exchange

rates and other prices. UKEF is exposed to market risk through its holdings of interest rate derivatives held in support of its Fixed Rate Export Finance (FREF) scheme. In addition, UKEF has a significant exposure to foreign currency risk, primarily due to holding US dollar denominated assets in the form of loans and receivables and net unrecovered claims. UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk (refer to notes 20(a)(ii) and 20(c)(iii)). In addition, there is some foreign exchange market risk which is explained in note 20(a)(ii).

UKEF has established principles and policies to be followed in respect of management of the key market risks to which it is exposed.

20(a)(i) Interest rate risk

Interest rate risk arises primarily from the operation of the FREF scheme, under which UKEF supports the provision of fixed rate finance to overseas borrowers. Such official financing support is provided by a number of governments or export credit agencies pursuant to the OECD Arrangement on Officially Supported Export Credits (the OECD Arrangement). The minimum fixed interest rates which may be supported under the OECD Arrangement in this manner are called Commercial Interest Reference Rates.

Support is provided in the form of interest make-up (IMU) arrangements between UKEF and the lending bank under export finance loans. These IMU arrangements are effectively interest rate swaps between UKEF and the lending bank. The lending bank provides funding for the export loan at a floating rate (usually a reference rate plus a margin). UKEF makes up the difference when the lender's floating rate, inclusive of margin, is higher than the agreed fixed rate. Conversely, where the floating rate, inclusive of margin, is lower than the fixed rate, UKEF receives the difference from the lender.

UKEF seeks to limit its exposure to interest rate risk through the use of effective hedging instruments such as interest rate swaps.

UKEF's exposure to the FREF scheme and interest rate swaps is immaterial and expected to run off in the next financial year.

20(a)(ii) Foreign currency risk

Foreign currency risk arises from two main areas: transaction risk and translation risk. Transaction risk is the risk of movements in the sterling value of foreign currency receipts on conversion into sterling. Translation risk is the risk that UKEF's Statement of Financial Position and net operating income will be adversely impacted by changes in the sterling value of foreign currency denominated assets and liabilities from movements in foreign currency

exchange rates. UKEF is heavily exposed to translation risk due to the value of non-sterling assets and liabilities held. The most significant exposure relates to insurance assets (refer to note 20(c)(iii)).

UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk.

The currency profile of UKEF's financial instruments and capital loan commitments is set out below.

	Pound sterling £'000	US dollar £'000	Other £'000	Total £'000
As at 31 March 2022				
Financial assets:				
Fair value through profit or loss	–	52	–	52
Account 3 loans at amortised cost	967,461	–	–	967,461
Account 4 loans at amortised cost	1,047	–	–	1,047
Account 5 loans at amortised cost	24,660	901,453	516,204	1,442,317
Insurance and other receivables	376,457	59,277	16,286	452,020
Financial liabilities:				
Fair value through profit or loss	(2)	–	–	(2)
Insurance and other payables	(365,924)	(95,478)	(8,292)	(469,694)
Financial commitments:				
Account 3 amounts available	–	–	–	–
Account 4 amounts available	–	–	–	–
Account 5 amounts available	4,036	551,944	447,203	1,003,183
As at 31 March 2021				
Financial assets:				
Fair value through profit or loss	–	312	–	312
Account 3 loans at amortised cost	668,489	–	–	668,489
Account 4 loans at amortised cost	2,175	–	–	2,175
Account 5 loans at amortised cost	15,865	900,683	390,330	1,306,878
Insurance and other receivables	266,793	93,592	14,927	375,312
Financial liabilities:				
Fair value through profit or loss	(39)	–	(19)	(58)
Insurance and other payables	(231,101)	(88,992)	(2,667)	(322,760)
Financial commitments:				
Account 3 amounts available	297,438	–	–	297,438
Account 4 amounts available	–	–	–	–
Account 5 amounts available	9,693	473,665	295,250	778,608

The sensitivity to changes in foreign exchange of US dollar denominated loans held at amortised cost at 31 March 2022 is as follows:

- ▶ a 10% increase would increase the carrying value by £81,950,000 (31 March 2021: £81,880,000).

20(b) Credit risk

Credit risk is the risk of loss in value of financial assets due to lending counterparties failing to meet all or part of their obligations as they fall due. Credit risk related to UKEF's insurance

contracts, including financial guarantees, is discussed in note 20(c)(i).

UKEF has implemented policies and procedures that seek to minimise credit losses on the credit risk it takes. Full details can be found in the Chief Risk Officer's report.

20(b)(i) Credit risk

The following table summarises the credit exposure of loans at amortised cost and loan commitments. Investment grade is defined as a credit rating of BBB minus or above.

	Investment grade £'000	Non-investment grade £'000	Total £'000
As at 31 March 2022			
Account 3: Direct Lending			
Loans at amortised cost	967,461	–	967,461
Commitments	–	–	–
Account 4: Direct Lending			
Loans at amortised cost	1,047	–	1,047
Commitments	–	–	–
Account 5: Direct Lending			
Loans at amortised cost	–	1,442,317	1,442,317
Commitments	–	1,003,183	1,003,183
As at 31 March 2021			
Account 3: Direct Lending			
Loans at cost	668,489	–	668,489
Commitments	297,438	–	297,438
Account 4: Direct Lending			
Loans at cost	2,175	–	2,175
Commitments	–	–	–
Account 5: Direct Lending			
Loans at amortised cost	–	1,306,878	1,306,878
Commitments	–	778,608	778,608

20(b)(ii) Credit concentration risk

The following table provides information regarding the credit concentration of loans at amortised cost and loan commitments.

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
As at 31 March 2022					
Account 3: Direct Lending					
Loans at cost	–	–	967,461	–	967,461
Commitments	–	–	–	–	–
Account 4: Direct Lending					
Loans at cost	–	–	–	1,047	1,047
Commitments	–	–	–	–	–
Account 5: Direct Lending					
Loans at cost	4,945	27,785	1,409,587	–	1,442,317
Commitments	–	–	1,003,183	–	1,003,183
As at 31 March 2021					
Account 3: Direct Lending					
Loans at cost	–	–	668,489	–	668,489
Commitments	–	–	297,438	–	297,438
Account 4: Direct Lending					
Loans at cost	–	–	–	2,175	2,175
Commitments	–	–	–	–	–
Account 5: Direct Lending					
Loans at cost	4,837	32,750	1,269,291	–	1,306,878
Commitments	–	–	778,608	–	778,608

20(c) Insurance risk

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. The main insurance risk facing UKEF is credit risk accepted by it through the underwriting process. It is defined as the risk of financial loss resulting from the default of an obligor under a contingent liability or a legitimate claim under a policy of insurance or indemnity.

Underwriting funds

Under the fund basis of accounting, premium arising from policies allocated to each underwriting year, net of provisions for any unrecovered claims and expenses, is deferred until 3 years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until 9 years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year). Any excess of the net underwriting fund over the current expected loss on amounts at risk on unexpired guarantees or policies written in the relevant year is released to profit or loss. Underwriting funds for those and prior years will be equal to the expected loss on unexpired guarantees or policies for the relevant underwriting year.

The expected loss on UKEF's portfolio is calculated as the statistical mean of possible future losses, calculated based on the assessment of probability of default (PoD) and assumptions of the loss given default (LGD). The PoD is the statistical likelihood of default by an obligor over a given time horizon and is dependent upon the credit standing of the obligor. The LGD is the value of claims not expected to be recoverable in the event of default. The percentage derived is applied to the amount at risk in order to determine the expected loss on an insurance contract.

20(c)(i) Credit risk

UKEF has a significant exposure to credit risk which is measured in terms of expected loss and unexpected loss assessed at the time of underwriting the transaction, but both of which will vary over time.

Full details of the policies and procedures that have been implemented to seek to minimise credit risk can be found in the Chief Risk Officer's report.

The following table provides information regarding the credit exposure of amounts at risk and expected loss within the UKEF account 2, account 3 and account 6 portfolio as at 31 March 2022.

	Investment grade £'000	Non-investment grade £'000	Total £'000
Amounts at risk, gross of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	2,073,625	2,948,464	5,022,089
Other	1,674,447	12,768,904	14,443,351
Total	3,748,072	15,717,368	19,465,440
Account 3: Insurance Contracts			
Other	3,076,096	–	3,076,096
Total	3,076,096	–	3,076,096
Account 6: Insurance Contracts			
Asset-backed	362,566	618,553	981,119
Other	–	33,155	33,155
Total	362,566	651,708	1,014,274
Account 2: Financial Guarantees	862,734	2,509,127	3,371,861
Account 6: Financial Guarantees	–	7,465,730	7,465,730
Total	862,734	9,974,857	10,837,591
Amounts at risk, net of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	1,212,321	1,887,372	3,099,693
Other	1,652,897	9,828,357	11,481,254
Total	2,865,218	11,715,729	14,580,947
Account 3: Insurance Contracts			
Other	1,987,266	–	1,987,266
Total	1,987,266	–	1,987,266
Account 6: Insurance Contracts			
Asset-backed	362,566	202,488	565,054
Other	–	33,155	33,155
Total	362,566	235,643	598,209
Account 2: Financial Guarantees	862,734	2,509,127	3,371,861
Account 6: Financial Guarantees	–	7,465,730	7,465,730
Total	862,734	9,974,857	10,837,591

	Investment grade £'000	Non-investment grade £'000	Total £'000
Expected loss, gross of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	9,971	372,250	382,221
Other	4,602	626,516	631,118
Total	14,573	998,766	1,013,339
Account 3: Insurance Contracts			
Other	5,017	–	5,017
Total	5,017	–	5,017
Account 6: Insurance Contracts			
Asset-backed	4,921	16,238	21,159
Other	–	1,916	1,916
Total	4,921	18,154	23,075
Account 2: Financial Guarantees	5,299	72,826	78,125
Account 6: Financial Guarantees	–	209,284	209,284
Total	5,299	282,110	287,409
Expected loss, net of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	6,330	210,744	217,074
Other	4,486	504,253	508,739
Total	10,816	714,997	725,813
Account 3: Insurance Contracts			
Other	3,355	–	3,355
Total	3,355	–	3,355
Account 6: Insurance Contracts			
Asset-backed	4,921	4,629	9,550
Other	–	1,916	1,916
Total	4,921	6,545	11,466
Account 2: Financial Guarantees	5,299	72,826	78,125
Account 6: Financial Guarantees	–	209,284	209,284
Total	5,299	282,110	287,409

The following table provides information regarding the credit exposure of amounts at risk and expected loss within the UKEF account 2, account 3 and account 6 portfolio as at 31 March 2021.

	Investment grade £'000	Non-investment grade £'000	Total £'000
Amounts at risk, gross of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	2,340,204	3,368,452	5,708,656
Other	938,228	9,822,751	10,760,979
Total	3,278,432	13,191,203	16,469,635
Account 3: Insurance Contracts			
Other	3,206,766	–	3,206,766
Total	3,206,766	–	3,206,766
Account 6: Insurance Contracts			
Asset-backed	139,193	545,211	684,404
Other	–	5,869	5,869
Total	139,193	551,080	690,273
Account 2: Financial Guarantees	834,644	1,132,021	1,966,665
Account 6: Financial Guarantees	–	6,500,904	6,500,904
Total	834,644	7,632,925	8,467,569
Amounts at risk, net of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	1,457,562	2,101,550	3,559,112
Other	916,602	7,713,867	8,630,469
Total	2,374,164	9,815,417	12,189,581
Account 3: Insurance Contracts			
Other	2,081,564	–	2,081,564
Total	2,081,564	–	2,081,564
Account 6: Insurance Contracts			
Asset-backed	139,193	130,632	269,825
Other	–	5,869	5,869
Total	139,193	136,501	275,694
Account 2: Financial Guarantees	834,644	1,132,021	1,966,665
Account 6: Financial Guarantees	–	6,500,904	6,500,904
Total	834,644	7,632,925	8,467,569

	Investment grade £'000	Non-investment grade £'000	Total £'000
Expected loss, gross of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	11,820	638,946	650,766
Other	6,049	488,114	494,163
Total	17,869	1,127,060	1,144,929
Account 3: Insurance Contracts			
Other	6,404	–	6,404
Total	6,404	–	6,404
Account 6: Insurance Contracts			
Asset-backed	1,778	22,415	24,193
Other	–	394	394
Total	1,778	22,809	24,587
Account 2: Financial Guarantees	8,763	36,588	45,351
Account 6: Financial Guarantees	–	288,904	288,904
Total	8,763	325,492	334,255
Expected loss, net of reinsurance			
Account 2: Insurance Contracts			
Asset-backed	8,272	365,423	373,695
Other	5,862	385,393	391,255
Total	14,134	750,816	764,950
Account 3: Insurance Contracts			
Other	4,245	–	4,245
Total	4,245	–	4,245
Account 6: Insurance Contracts			
Asset-backed	1,778	5,730	7,508
Other	–	394	394
Total	1,778	6,124	7,902
Account 2: Financial Guarantees	8,763	36,588	45,351
Account 6: Financial Guarantees	–	288,904	288,904
Total	8,763	325,492	334,255

Information is presented based upon the grade of the ultimate obligor.

There are no amounts at risk and expected loss on account 1.

Insurance assets – unrecovered claims

When a default event occurs, UKEF will seek to recover the amount of any claims paid under the insurance policy or guarantee. The total amount of the unrecovered claim is recorded within unrecovered claims, with a provision made for any amount estimated to be irrecoverable. Such provisions are determined on a case-by-case or, for sovereign risk, sometimes on a country by country basis and are derived from assessments of the likely recovery. Provisions are arrived at by using a variety of information including payment performance, expected Paris Club treatment, International Monetary Fund/World Bank debt sustainability analysis, and UKEF's own assessment of the economic risk.

Additionally, for certain unrecovered claims (e.g. related to guarantees for aerospace asset-backed financing), the amounts estimated as being recoverable will also be partly dependent upon the value of the underlying assets. These are determined on the basis of industry standard worst-case values provided by an independent valuer. Individual provisions on

unrecovered claims within the aerospace portfolio are assessed on a case-by-case basis. For cases where the aircraft remain with the airline during and following a debt restructuring, the calculation of provisions, using a portfolio risk model, aligns the calculation of provisions and expected loss as closely as possible with the calculation of expected loss for performing cases. For cases where aircraft are remarketed and sold or placed on an operating lease following repossession from the original airline, provisions are based upon the current value of the exposure, less expected recoveries net of estimated future costs.

For claims paid under insurance contracts written in underwriting years still open, provisions are charged against the balance of the underwriting fund for the relevant underwriting year. Any excess of provisions over the available underwriting fund for the year is charged to net income. Any provisions against paid claims on insurance contracts written in years where the underwriting funds have been released are charged directly to net income.

The following table provides information regarding the credit exposure of the recoverable claims and related interest as at 31 March 2022.

	Investment grade £'000	Non-investment grade £'000	Total £'000
31 March 2022			
Recoverable claims – gross			
Account 1	–	240,151	240,151
Account 2	–	294,320	294,320
Total	–	534,471	534,471
Recoverable claims – net of provisions			
Account 1	–	87,110	87,110
Account 2	–	96,812	96,812
Total	–	183,922	183,922
Interest on unrecovered claims – gross			
Account 1	–	485,037	485,037
Account 2	–	174,872	174,872
Total	–	659,909	659,909
Interest on unrecovered claims – net of provisions			
Account 1	–	86,689	86,689
Account 2	–	312	312
Total	–	87,001	87,001

The following table provides information regarding the credit exposure of recoverable claims and related interest as at 31 March 2021.

	Investment grade £'000	Non-investment grade £'000	Total £'000
31 March 2021			
Recoverable claims – gross			
Account 1	2,129	348,098	350,227
Account 2	13,852	235,682	249,534
Total	15,981	583,780	599,761
Recoverable claims – net of provisions			
Account 1	2,121	108,378	110,499
Account 2	13,798	54,383	68,181
Total	15,919	162,761	178,680
Interest on unrecovered claims – gross			
Account 1	4	964,332	964,336
Account 2	27	165,309	165,336
Total	31	1,129,641	1,129,672
Interest on unrecovered claims – net of provisions			
Account 1	4	97,984	97,988
Account 2	27	373	400
Total	31	98,357	98,388

20(c)(ii) Credit concentration risk

UKEF assesses its concentration risk, and its exposure to catastrophic loss, through controls which set limits for exposure to individual countries. Additionally, the Enterprise Risk and Credit Committee reviews large corporate risks on a case-by-case basis, taking into account UKEF's risk appetite for new business in a given country and the rating and financial profile of the corporate concerned.

Information is presented based upon the geographical location of the ultimate obligor.

The following table provides an indication of the concentration of credit risk within the UKEF account 2, account 3 and account 6 portfolios as at 31 March 2022.

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Amounts at risk, gross of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	3,008,075	196,795	900,239	916,980	5,022,089
Other	4,742,760	550,330	7,914,321	1,235,940	14,443,351
Total	7,750,835	747,125	8,814,560	2,152,920	19,465,440
Account 3: Insurance Contracts					
Other	1,088,831	–	1,987,265	–	3,076,096
Total	1,088,831	–	1,987,265	–	3,076,096
Account 6: Insurance Contracts					
Asset-backed	484,206	–	424,203	72,710	981,119
Other	33,155	–	–	–	33,155
Total	517,361	–	424,203	72,710	1,014,274
Account 2: Financial Guarantees	2,272,738	553,303	–	545,820	3,371,861
Account 6: Financial Guarantees	7,465,730	–	–	–	7,465,730
Total	9,738,468	553,303	–	545,820	10,837,591
Amounts at risk, net of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	1,330,984	160,872	900,239	707,598	3,099,693
Other	1,996,313	498,609	7,750,393	1,235,939	11,481,254
Total	3,327,297	659,481	8,650,632	1,943,537	14,580,947
Account 3: Insurance Contracts					
Other	–	–	1,987,266	–	1,987,266
Total	–	–	1,987,266	–	1,987,266
Account 6: Insurance Contracts					
Asset-backed	68,141	–	424,203	72,710	565,054
Other	33,155	–	–	–	33,155
Total	101,296	–	424,203	72,710	598,209
Account 2: Financial Guarantees	2,272,738	553,303	–	545,820	3,371,861
Account 6: Financial Guarantees	7,465,730	–	–	–	7,465,730
Total	9,738,468	553,303	–	545,820	10,837,591

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Expected loss, gross of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	222,934	31,182	32,028	96,077	382,221
Other	204,266	6,533	306,712	113,607	631,118
Total	427,200	37,715	338,740	209,684	1,013,339
Account 3: Insurance Contracts					
Other	1,662	–	3,355	–	5,017
Total	1,662	–	3,355	–	5,017
Account 6: Insurance Contracts					
Asset-backed	13,441	–	6,755	962	21,158
Other	1,917	–	–	–	1,917
Total	15,358	–	6,755	962	23,075
Account 2: Financial Guarantees	66,747	7,520	–	3,858	78,125
Account 6: Financial Guarantees	209,284	–	–	–	209,284
Total	276,031	7,520	–	3,858	287,409
Expected loss, net of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	99,137	26,278	32,028	59,631	217,074
Other	98,935	5,717	290,482	113,605	508,739
Total	198,072	31,995	322,510	173,236	725,813
Account 3: Insurance Contracts					
Other	–	–	3,355	–	3,355
Total	–	–	3,355	–	3,355
Account 6: Insurance Contracts					
Asset-backed	1,833	–	6,755	962	9,550
Other	1,916	–	–	–	1,916
Total	3,749	–	6,755	962	11,466
Account 2: Financial Guarantees	66,747	7,520	–	3,858	78,125
Account 6: Financial Guarantees	209,284	–	–	–	209,284
Total	276,031	7,520	–	3,858	287,409

The following table provides an indication of the concentration of credit risk within the UKEF account 2 and account 3 portfolio as at 31 March 2021.

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Amounts at risk, gross of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	3,193,739	332,796	1,023,967	1,158,154	5,708,656
Other	2,292,728	638,758	6,833,273	996,220	10,760,979
Total	5,486,467	971,554	7,857,240	2,154,374	16,469,635
Account 3: Insurance Contracts					
Other	1,125,202	–	2,081,564	–	3,206,766
Total	1,125,202	–	2,081,564	–	3,206,766
Account 6: Insurance Contracts					
Asset-backed	480,946	–	203,458	–	684,404
Other	5,869	–	–	–	5,869
Total	486,815	–	203,458	–	690,273
Account 2: Financial Guarantees	1,966,665	–	–	–	1,966,665
Account 6: Financial Guarantees	6,500,904	–	–	–	6,500,904
Total	8,467,569	–	–	–	8,467,569
Amounts at risk, net of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	1,324,434	291,247	1,023,967	919,464	3,559,112
Other	339,539	570,369	6,724,340	996,221	8,630,469
Total	1,663,973	861,616	7,748,307	1,915,685	12,189,581
Account 3: Insurance Contracts					
Other	–	–	2,081,564	–	2,081,564
Total	–	–	2,081,564	–	2,081,564
Account 6: Insurance Contracts					
Asset-backed	66,368	–	203,457	–	269,825
Other	5,869	–	–	–	5,869
Total	72,237	–	203,457	–	275,694
Account 2: Financial Guarantees	1,966,665	–	–	–	1,966,665
Account 6: Financial Guarantees	6,500,904	–	–	–	6,500,904
Total	8,467,569	–	–	–	8,467,569

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Expected loss, gross of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	388,689	130,903	23,112	108,062	650,766
Other	96,652	11,431	326,267	59,813	494,163
Total	485,341	142,334	349,379	167,875	1,144,929
Account 3: Insurance Contracts					
Other	2,158	–	4,246	–	6,404
Total	2,158	–	4,246	–	6,404
Account 6: Insurance Contracts					
Asset-backed	18,672	–	5,521	–	24,193
Other	394	–	–	–	394
Total	19,066	–	5,521	–	24,587
Account 2: Financial Guarantees	45,351	–	–	–	45,351
Account 6: Financial Guarantees	288,904	–	–	–	288,904
Total	334,255	–	–	–	334,255
Expected loss, net of reinsurance					
Account 2: Insurance Contracts					
Asset-backed	168,832	128,398	23,112	53,353	373,695
Other	11,905	10,183	309,354	59,813	391,255
Total	180,737	138,581	332,466	113,166	764,950
Account 3: Insurance Contracts					
Other	–	–	4,245	–	4,245
Total	–	–	4,245	–	4,245
Account 6: Insurance Contracts					
Asset-backed	1,988	–	5,521	–	7,509
Other	394	–	–	–	394
Total	2,382	–	5,521	–	7,903
Account 2: Financial Guarantees	45,351	–	–	–	45,351
Account 6: Financial Guarantees	288,904	–	–	–	288,904
Total	334,255	–	–	–	334,255

20(c)(iii) Foreign currency risk

A material proportion of UKEF's insurance guarantees and policies are written in US dollars, exposing UKEF to significant foreign currency risk. UKEF is not permitted to hedge its exposure to foreign currency.

The following table sets out the underlying currency of UKEF's insurance assets at 31 March 2022.

	Pounds sterling £'000	US dollar £'000	Other £'000	Total £'000
Recoverable claims				
Gross	305,972	137,724	90,775	534,471
Provisions	(255,114)	(51,759)	(43,676)	(350,549)
Interest on unrecovered claims				
Gross	560,308	93,894	5,707	659,909
Provisions	(498,994)	(68,204)	(5,710)	(572,908)
Net insurance assets at 31 March 2022	112,172	111,655	47,096	270,923

The sensitivity to changes in foreign exchange of US dollar denominated net insurance assets at 31 March 2022 is as follows:

- ▶ a 10% increase would increase the carrying value by £10,150,000 (31 March 2021: £10,455,000).

The sensitivity of insurance assets denominated in other currencies is not considered significant.

The following table sets out the underlying currency of UKEF's insurance assets at 31 March 2021.

	Pounds sterling £'000	US dollar £'000	Other £'000	Total £'000
Recoverable claims				
Gross	396,787	157,512	45,462	599,761
Provisions	(321,294)	(75,630)	(24,157)	(421,081)
Interest on unrecovered claims				
Gross	931,395	181,706	16,571	1,129,672
Provisions	(866,234)	(148,579)	(16,471)	(1,031,284)
Net insurance assets at 31 March 2021	140,654	115,009	21,405	277,068

20(d) Liquidity risk

Liquidity risk is the risk that a business, though solvent on a Statement of Financial Position basis, either does not have the financial resources to meet its obligations as they fall due or can secure those resources only at excessive cost. As a Department of HM Government, UKEF has access to funds required to meet its obligations as they fall due, drawing on funds from the Exchequer (see note 19) as required.

The scheduled maturity profile of UKEF's insurance contracts and financial guarantees, expressed in terms of total amounts at risk and the dates at which those periods of risk expire, is set out in the following table.

	One year or less £'000	Between one and 5 years £'000	Between 5 and 10 years £'000	Between 10 and 15 years £'000	15 years or more £'000	Total £'000
As at 31 March 2022:						
Account 2: Insurance Contracts						
Gross amounts at risk	2,805,552	8,366,016	5,319,503	2,418,364	556,005	19,465,440
Less: amounts at risk ceded to reinsurers	(125,831)	(2,715,246)	(1,271,927)	(629,794)	(141,695)	(4,884,493)
Net amounts at risk	2,679,721	5,650,770	4,047,576	1,788,570	414,310	14,580,947
Account 3: Insurance Contracts						
Gross amounts at risk	93,394	2,065,965	916,737	–	–	3,076,096
Less: amounts at risk ceded to reinsurers	(35,133)	(755,861)	(297,836)	–	–	(1,088,830)
Net amounts at risk	58,261	1,310,104	618,901	–	–	1,987,266
Account 6: Insurance Contracts						
Gross amounts at risk	76,215	379,140	463,744	95,175	–	1,014,274
Less: amounts at risk ceded to reinsurers	(38,506)	(154,082)	(190,220)	(33,257)	–	(416,065)
Net amounts at risk	37,709	225,058	273,524	61,918	–	598,209
Account 2: Financial Guarantees						
Gross amounts at risk	686,176	2,617,452	68,233	–	–	3,371,861
Less: amounts at risk ceded to reinsurers	–	–	–	–	–	–
Net amounts at risk	686,176	2,617,452	68,233	–	–	3,371,861
Account 6: Financial Guarantees						
Gross amounts at risk	3,393,161	4,072,569	–	–	–	7,465,730
Less: amounts at risk ceded to reinsurers	–	–	–	–	–	–
Net amounts at risk	3,393,161	4,072,569	–	–	–	7,465,730

	One year or less £'000	Between one and 5 years £'000	Between 5 and 10 years £'000	Between 10 and 15 years £'000	15 years or more £'000	Total £'000
As at 31 March 2021:						
Account 2: Insurance Contracts						
Gross amounts at risk	2,169,432	8,612,985	4,377,650	1,182,117	127,451	16,469,635
Less: amounts at risk ceded to reinsurers	(286,789)	(2,707,039)	(898,812)	(331,172)	(56,242)	(4,280,054)
Net amounts at risk	1,882,643	5,905,946	3,478,838	850,945	71,209	12,189,581
Account 3: Insurance Contracts						
Gross amounts at risk	105,512	1,597,158	1,485,642	18,454	–	3,206,766
Less: amounts at risk ceded to reinsurers	(36,463)	(583,743)	(503,418)	(1,578)	–	(1,125,202)
Net amounts at risk	69,049	1,013,415	982,224	16,876	–	2,081,564
Account 6: Insurance Contracts						
Gross amounts at risk	59,599	237,778	290,123	102,773	–	690,273
Less: amounts at risk ceded to reinsurers	(36,074)	(141,713)	(174,745)	(62,047)	–	(414,579)
Net amounts at risk	23,525	96,065	115,378	40,726	–	275,694
Account 2: Financial Guarantees						
Gross amounts at risk	286,319	1,562,742	117,604	–	–	1,966,665
Less: amounts at risk ceded to reinsurers	–	–	–	–	–	–
Net amounts at risk	286,319	1,562,742	117,604	–	–	1,966,665
Account 6: Financial Guarantees						
Gross amounts at risk	1,108,642	5,392,262	–	–	–	6,500,904
Less: amounts at risk ceded to reinsurers	–	–	–	–	–	–
Net amounts at risk	1,108,642	5,392,262	–	–	–	6,500,904

By the nature of some of UKEF's products, significant payments could be required within a few days in the event of default. The necessary arrangements for this have been pre-agreed with HM Treasury.

20(e) Risk measurement

UKEF uses its own portfolio risk simulation model (PRISM) to undertake all portfolio-level credit risk modelling, and to monitor and report on its potential future exposure for its account 2, account 3 and account 6 insurance business. See the Chief Risk Officer's report for more details.

Scenario analysis and stress testing

We use PRISM to conduct regular scenario analysis and stress testing of the account 2, 3 and 6 portfolios as a central part of UKEF's risk management framework, using criteria endorsed by the Enterprise Risk and Credit Committee (ERiCC) and reviewed by the Board and Risk Committee. These simulate specific potential events, such as financial crises by geographical region or industry sector deterioration, and movements in the main factors that determine the insurance risk faced by the organisation. In addition to this, climate considerations and related scenarios are being considered as part of the portfolio risk management processes and

reporting (for more details, see the Chief Risk Officer's report).

The following table sets out the impact of stress tests on credit ratings, persistence of default and recovery rates on total expected loss and on the Statement of Comprehensive Net Income – which for insurance contracts takes account of the utilisation of the underwriting fund.

There is no remaining exposure on account 1.

Sensitivity analysis for account 6 Financial Guarantee Contracts is not considered to have any significant impact on net income for the year.

	Across the board ratings downgrade by		Increased persistence	Reduced recovery rates
	1 notch £'000	2 notches £'000	+ 2 years £'000	-20% £'000
As at 31 March 2022:				
Account 2: Insurance Contracts				
Increase in expected loss	151,732	421,299	42,414	240,735
Decrease in net income for the year	(22,367)	(123,690)	(538)	(48,892)
Account 3: Insurance Contracts				
Increase in expected loss	1,551	6,500	1,889	1,679
Decrease in net income for the year	–	–	–	–
Account 6: Insurance Contracts				
Increase in expected loss	5,075	14,802	–	639
Decrease in net income for the year	–	–	–	–
Account 2: Financial Guarantees				
Decrease in net income for the year	(509)	(1,848)	–	–
As at 31 March 2021:				
Account 2: Insurance Contracts				
Increase in expected loss	132,707	323,234	34,860	198,746
Decrease in net income for the year	(27,986)	(104,172)	(527)	(68,760)
Account 3: Insurance Contracts				
Increase in expected loss	2,020	7,750	2,550	2,126
Decrease in net income for the year	–	–	–	–
Account 6: Insurance Contracts				
Increase in expected loss	3,834	7,386	–	143
Decrease in net income for the year	–	–	–	–

21. Capital loan commitments

The following table summarises the movement in amounts authorised and available to be drawn on issued and effective lending products which are accounted for on an amortised cost basis under IAS 39.

	Account 3 £'000	Account 5 £'000	Account 6 £'000	Total £'000
Movements:				
Balance at 1 April 2020	–	896,822	–	896,822
Loans issued & effective	1,000,000	463,370	–	1,463,370
Amounts drawn	(702,562)	(535,063)	–	(1,237,625)
Net foreign exchange adjustments	–	(57,028)	–	(57,028)
Change in cover	–	10,507	–	10,507
Balance at 31 March 2021	297,438	778,608	–	1,076,046
Loans issued & effective	–	562,334	–	562,334
Amounts drawn	(297,438)	(357,749)	–	(655,187)
Net foreign exchange adjustments	–	19,425	–	19,425
Change in cover	–	565	–	565
Balance at 31 March 2022	–	1,003,183	–	1,003,183

22. Contingent liabilities

The following table summarises the total amount at risk on issued and effective products.

	31 March 2022 £'000	31 March 2021 £'000
Summary: Gross of reinsurance		
Account 2	22,837,301	18,436,300
Account 3	3,076,096	3,206,766
Account 6	8,480,004	7,191,177
Total	34,393,401	28,834,243
Summary: Net of reinsurance		
Account 2	17,952,808	14,156,246
Account 3	1,987,266	2,081,564
Account 6	8,063,939	6,776,598
Total	28,004,013	23,014,408

22(a) Products accounted as insurance contracts on a fund accounted basis

The following tables summarise movements in amounts at risk on issued and effective products which are accounted under IFRS 4.

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
Gross of reinsurance				
Balance at 1 April 2020	17,679,068	3,400,712	–	21,079,780
Guarantees and insurance policies issued and effective	3,163,109	–	726,653	3,889,762
Run-off	(3,083,971)	(65,172)	–	(3,149,143)
Net foreign exchange adjustments	(1,499,532)	(128,774)	–	(1,628,306)
Interest rate adjustments	31,274	–	–	31,274
Change in valuation	179,687	–	(36,380)	143,307
Balance at 31 March 2021	16,469,635	3,206,766	690,273	20,366,674
Guarantees and insurance policies issued and effective	5,233,103	–	386,150	5,619,253
Run-off	(2,753,811)	(104,657)	(61,158)	(2,919,626)
Net foreign exchange adjustments	511,644	(26,013)	14,497	500,128
Interest rate adjustments	208,497	–	2,209	210,706
Change in valuation	(203,628)	–	(17,697)	(221,325)
Balance at 31 March 2022	19,465,440	3,076,096	1,014,274	23,555,810

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
Net of reinsurance				
Balance at 1 April 2020	13,580,956	2,214,192	–	15,795,148
Guarantees and insurance policies issued and effective	2,277,081	–	285,815	2,562,896
Run-off	(2,416,493)	(48,784)	–	(2,465,277)
Net foreign exchange adjustments	(1,126,980)	(83,844)	–	(1,210,824)
Interest rate adjustments	70,104	–	–	70,104
Change in valuation	(195,087)	–	(10,121)	(205,208)
Balance at 31 March 2021	12,189,581	2,081,564	275,694	14,546,839
Guarantees and insurance policies issued and effective	3,797,583	–	348,204	4,145,787
Run-off	(1,864,331)	(77,413)	(24,933)	(1,966,677)
Net foreign exchange adjustments	390,872	(16,885)	9,472	383,459
Interest rate adjustments	197,895	–	2,861	200,756
Change in valuation	(130,653)	–	(13,089)	(143,742)
Balance at 31 March 2022	14,580,947	1,987,266	598,209	17,166,422

22(b) Products accounted for as financial guarantees

The following table summarises movements in amounts at risk on issued and effective products which are accounted for under IAS 39.

Gross & net of reinsurance	Account 2 £'000	Account 6 £'000	Total £'000
Balance at 1 April 2020	758,681	–	758,681
Guarantees and insurance policies issued and effective	1,540,729	6,540,257	8,080,986
Run-off	(256,604)	–	(256,604)
Net foreign exchange adjustments	(3,517)	–	(3,517)
Interest rate adjustments	(5,685)	–	(5,685)
Change in valuation	(66,939)	(39,353)	(106,292)
Balance at 31 March 2021	1,966,665	6,500,904	8,467,569
Guarantees and insurance policies issued and effective	1,660,444	1,046,964	2,707,408
Run-off	(249,473)	(259,540)	(509,013)
Net foreign exchange adjustments	16,129	76,783	92,912
Interest rate adjustments	56,079	115,456	171,535
Change in valuation	(77,983)	(14,837)	(92,820)
Balance at 31 March 2022	3,371,861	7,465,730	10,837,591

23. Entities within the departmental boundary

The Export Guarantees Advisory Council (the Council) is an advisory Expert Committee, which falls within the departmental boundary. For details, refer to the Council's annual report included in the Performance section of this Annual Report and Accounts.

24. Related party transactions

UKEF is a department of the Secretary of State for International Trade. As such, it has a number of transactions with other government departments and other central government bodies.

None of the members of UKEF's Board or their related parties has undertaken any material transactions with UKEF during the year.

25. Events after the reporting period

On 12 April 2022, Sri Lanka notified its creditors via a press release from its Ministry of Finance that it will suspend external debt service payments given the economic crisis impacting the country. UKEF therefore expects to receive and pay claims in relation to 5 buyer credit facilities. UKEF has exposure of £148 million with a gross first year exposure of £25 million. The Ministry of Finance advised creditors to calculate Sri Lanka's missed payments after 12 April 2022, and add interest, for eventual repayment. As such, UKEF will expect to recover claims paid in the future in line with the terms of any relevant Paris Club restructuring agreement.

The Accounting Officer authorised these financial statements for issue on the same date as the date of the Certificate and Report of the Comptroller and Auditor General.