

# Financial statements

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UK Export Finance 2018-19 at 31 March 2019

## Statement of Comprehensive Net Income

For the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
<b>Export Credit Guarantees and Insurance</b>			
<b>Income</b>			
Gross premium income		381,189	129,930
Less ceded to reinsurers		(48,757)	(26,757)
Net premium income	3(a)	332,432	103,173
Net investment return	3(b)	17,041	17,907
Net claims credit & provision for likely claims	5	13,818	11,288
Net foreign exchange gain	6	13,969	-
<b>Total income</b>		<b>377,260</b>	<b>132,368</b>
<b>Expenses</b>			
Changes in insurance liabilities (net of reinsurance)	18	(266,750)	(46,881)
Staff costs	7	(17,241)	(15,865)
Other administration and operating costs	8	(12,819)	(11,014)
Net foreign exchange loss	6	-	(26,794)
<b>Total expenses</b>		<b>(296,810)</b>	<b>(100,554)</b>
<b>Net income arising from Export Credit Guarantees and Insurance Activities</b>		<b>80,450</b>	<b>31,814</b>
<b>Export Finance Assistance</b>			
<b>Income</b>			
Net investment return	3(b)	22,611	18,402
Net foreign exchange gain	6	31,962	-
<b>Total income</b>		<b>54,573</b>	<b>18,402</b>
<b>Expenses</b>			
Staff costs	7	(4,197)	(4,011)
Other administration and operating costs	8	(3,121)	(2,785)
Net foreign exchange loss	6	-	(38,302)
<b>Total expenses</b>		<b>(7,318)</b>	<b>(45,098)</b>
<b>Net Income arising from Export Finance Assistance Activities</b>		<b>47,255</b>	<b>(26,696)</b>
<b>Net operating income for the year</b>		<b>127,705</b>	<b>5,118</b>

All income and expenditure is derived from continuing operations.

The Notes on pages 124 to 163 form part of these accounts.

## Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets:</b>			
Equipment and intangible assets		493	686
Financial assets			
Fair value through profit or loss	9(a)	414	912
Loans and receivables	9(b)	732,275	374,773
Insurance contracts			
Insurance assets	10	289,624	342,495
Reinsurers' share of insurance liabilities	11	379,046	371,715
Insurance and other receivables	12	9,875	4,935
<b>Total non-current assets</b>		<b>1,411,727</b>	<b>1,095,516</b>
<b>Current assets:</b>			
Financial assets			
Fair value through profit or loss	9(a)	693	1,005
Loans and receivables	9(b)	85,001	47,604
Insurance contracts			
Insurance assets	10	62,338	65,906
Insurance and other receivables	12	10,665	20,690
Cash and cash equivalents	13	187,649	81,660
<b>Total current assets</b>		<b>346,346</b>	<b>216,865</b>
<b>Total assets</b>		<b>1,758,073</b>	<b>1,312,381</b>
<b>Current liabilities:</b>			
Financial liabilities			
Fair value through profit or loss	15	(391)	(879)
Consolidated Fund Payable	16	(187,649)	(81,660)
Provisions	17(b) & (c)	(1,644)	(1,639)
Insurance and other payables	17(a)	(24,494)	(28,186)
<b>Total current liabilities</b>		<b>(214,178)</b>	<b>(112,364)</b>
<b>Non-current assets plus net current assets</b>		<b>1,543,895</b>	<b>1,200,017</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Fair value through profit or loss	15	(277)	(589)
Insurance contracts			
Insurance liabilities	18	(1,275,137)	(1,001,056)
Provisions	17(b) & (c)	-	(143)
<b>Total non-current liabilities</b>		<b>(1,275,414)</b>	<b>(1,001,788)</b>
<b>Assets less liabilities</b>		<b>268,481</b>	<b>198,229</b>
<b>Taxpayers' equity</b>			
Exchequer Financing		(3,230,474)	(3,287,351)
Cumulative Trading Surplus		3,648,241	3,567,791
General Fund		(149,286)	(82,211)
<b>Total taxpayers' equity</b>		<b>268,481</b>	<b>198,229</b>

The Notes on pages 124 to 163 form part of these accounts.



Louis Taylor  
Chief Executive and Accounting Officer

12 June 2019

## Statement of Cash Flows

### For the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
<b>Cash flows from operating activities</b>			
Net operating income		127,705	5,118
Adjustments for non-cash transactions:			
Depreciation & amortisation			
Depreciation of equipment	8	272	127
Other:			
Audit fees	8	196	196
Amortised loans & receivables income	9(b)	(30,576)	(17,781)
Net unrealised foreign exchange (gain) / loss on net assets other than cash	6	(44,247)	62,149
Provisions:			
Insurance liabilities net of reinsurance movement	18	266,750	46,881
Financial guarantees provision movement	17(c)	49	1,586
Claims provision movement	10(a)	(13,867)	(12,874)
Interest on claims provision movement	10(b)	22,083	19,586
Early retirement and dilapidation movement		(187)	52
Impairment of uninsured Capital Loans	9(b)	8,255	-
Movements in Working Capital other than cash:			
Claims assets before provisions	10(a)	68,270	73,076
Interest on claims assets before provisions	10(b)	(7,019)	(9,856)
Loans & receivables	9(b)	85,715	56,751
Insurance & other receivables		4,226	(15,387)
Insurance & other payables		(3,459)	15,615
Financial assets held at fair value	9(a)	810	2,257
Financial liabilities held at fair value	15	(800)	(2,429)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>484,176</b>	<b>225,067</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment and intangibles		(79)	(671)
Export Finance Assistance loans:			
Advances	9(b)	(485,615)	(213,178)
Recoveries	9(b)	59,167	45,442
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(426,527)</b>	<b>(168,407)</b>
<b>Net cash inflow from operating and investing activities</b>		<b>57,649</b>	<b>56,660</b>
<b>Cash flows from financing activities</b>			
Receipts from the Consolidated Fund (Supply):			
relating to the current year		130,000	25,000
<b>Net cash inflow/(outflow) from financing activities</b>		<b>130,000</b>	<b>25,000</b>
<b>Net increase in cash and cash equivalents in the year before adjusting payments to the Consolidated Fund</b>			
		<b>187,649</b>	<b>81,660</b>
Payments to the Consolidated Fund:			
relating to the prior year	13	(81,660)	(107,465)
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>105,989</b>	<b>(25,805)</b>
Cash and cash equivalents at the beginning of the year	13	81,660	107,465
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>187,649</b>	<b>81,660</b>

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 £1.7 million (refer to Note 6).

The Notes on pages 124 to 163 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2019

	Note	Exchequer financing £'000	Cumulative trading surplus £'000	General fund £'000	Total reserves £'000
Balance at 1 April 2017		(3,236,619)	3,535,977	(49,783)	249,575
<b>Changes in taxpayers' equity for 2017-18</b>					
<b>Non-Cash Adjustments:</b>					
Auditors' remuneration	8	196	-	-	196
<b>Movements in Reserves:</b>					
Transfers between reserves		5,732	-	(5,732)	-
Recognised in Statement of Comprehensive Net Income		-	31,814	(26,696)	5,118
<b>Total recognised income and expense for 2017-18</b>		<b>5,928</b>	<b>31,814</b>	<b>(32,428)</b>	<b>5,314</b>
Amounts arising in year payable to the consolidated fund		(56,660)	-	-	(56,660)
<b>Balance at 31 March 2018</b>		<b>(3,287,351)</b>	<b>3,567,791</b>	<b>(82,211)</b>	<b>198,229</b>
<b>Changes in taxpayers' equity for 2018-19</b>					
<b>Non-Cash Adjustments:</b>					
Auditors' remuneration	8	196	-	-	196
<b>Movements in Reserves:</b>					
Transfers between reserves		114,330	-	(114,330)	-
Recognised in Statement of Comprehensive Net Income		-	80,450	47,255	127,705
<b>Total recognised income and expense for 2018-19</b>		<b>114,526</b>	<b>80,450</b>	<b>(67,075)</b>	<b>127,901</b>
Amounts arising in year payable to the consolidated fund	13	(57,649)	-	-	(57,649)
<b>Balance at 31 March 2019</b>		<b>(3,230,474)</b>	<b>3,648,241</b>	<b>(149,286)</b>	<b>268,481</b>

The Notes on pages 124 to 163 form part of these accounts.

## Notes to the Departmental Accounts

### 1 Accounting policies

#### (A) Basis of preparation

The financial statements have been prepared in accordance with the 2018-19 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 policy Note 1(D) below.

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 2018-19 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.

The new Standards 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. The effective date of IFRS 9 was for annual periods beginning on or after 1 January 2018. UKEF has however utilised a temporary exemption from applying IFRS 9 as detailed below.

In September 2016, the IASB issued amendments to IFRS 4, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, 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 2021 and continue to apply IAS 39 to financial instruments. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The department meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer 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 2021. 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 relates to UKEF's liability to consolidated fund. The Department has utilised

the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial instruments in the reporting period starting on or after 1 January 2018.

- **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 yet to be confirmed by the FReM. There is therefore still some uncertainty about how it may affect UKEF. The effective date of IFRS 17 is for annual periods beginning on or after 1 January 2021.

As at the date of issuing these financial statements, Management have undertaken an initial assessment of the impact of IFRS 9 and IFRS 17 on UKEF. 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. Management continues to assess the impact of these new standards as part of the ongoing programme to implement the changes.

### Major FReM changes for 2018-19

UKEF has reviewed the major FReM changes for 2018-19 and determined there are no changes that will have a significant impact on the Department's 2018-19 financial statements.

### (B) Use of significant judgement and estimates

The preparation of these financial statements includes the use of significant judgments 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) below for details) and the deferral of the application of IFRS 9 (refer to Note 1(A) above 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)

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; and
- **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 Credit Committee. Paris Club developments and related provision rates are also monitored and approved by the 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 three 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 nine 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; and
- **Buyer:** risks directly associated with buyers, borrowers or guarantors, e.g. insolvency.

### Premium income

Premium income for the underwriting year is recognised as detailed below:

- **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; and
- **Reinsurance provided under Co-operation 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 and 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, 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 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; and
- 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 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. Further information can be found in the *Our People: Staff and Remuneration Report* section of the Annual 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:

- i. Fair value through profit or loss and
- ii. 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 includes 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 which are hence 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.

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. Amongst the criteria that UKEF's 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** – 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 products issued for business since April 1991.
- **Account 3** – guarantees 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** – the provision of Fixed Rate Export Finance (FREF), together with arrangements for reducing the funding cost of FREF loans and for certain interest rate derivative arrangements.
- **Account 5** – Direct Lending activity for business since 2014.

### i. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2019

	Account 1 £’000	Account 2 £’000	Account 3 £’000	Account 4 £’000	Account 5 £’000	Total £’000
<b>Income</b>						
Gross premium income	-	269,817	111,372	-	-	381,189
Less ceded to reinsurers	-	(25,543)	(23,214)	-	-	(48,757)
Net premium income	-	244,274	88,158	-	-	332,432
Net investment return income	15,174	1,867	-	1,089	21,522	39,652
Claims credit	9,859	3,959	-	-	-	13,818
Net foreign exchange gain	11,272	2,697	-	-	31,962	45,931
<b>Total income</b>	<b>36,305</b>	<b>252,797</b>	<b>88,158</b>	<b>1,089</b>	<b>53,484</b>	<b>431,833</b>
<b>Expenses</b>						
Changes in insurance liabilities net of reinsurance	-	(181,549)	(85,201)	-	-	(266,750)
Staff costs	(343)	(15,206)	(1,692)	(278)	(3,919)	(21,438)
Other administration and operating costs	(255)	(11,306)	(1,258)	(207)	(2,914)	(15,940)
<b>Total expenses</b>	<b>(598)</b>	<b>(208,061)</b>	<b>(88,151)</b>	<b>(485)</b>	<b>(6,833)</b>	<b>(304,128)</b>
<b>Net income / (loss)</b>	<b>35,707</b>	<b>44,736</b>	<b>7</b>	<b>604</b>	<b>46,651</b>	<b>127,705</b>

**ii. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2018**

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
<b>Income</b>						
Gross premium income	-	129,930	-	-	-	129,930
Less ceded to reinsurers	-	(26,757)	-	-	-	(26,757)
Net premium income	-	103,173	-	-	-	103,173
Net investment return income	16,348	1,559	-	2,315	16,087	36,309
Claims credit	13,760	-	-	-	-	13,760
<b>Total income</b>	<b>30,108</b>	<b>104,732</b>	<b>-</b>	<b>2,315</b>	<b>16,087</b>	<b>153,242</b>
<b>Expenses</b>						
Net claims charge for the year	-	(2,472)	-	-	-	(2,472)
Changes in insurance liabilities net of reinsurance	-	(46,881)	-	-	-	(46,881)
Staff costs	(377)	(15,488)	-	(318)	(3,693)	(19,876)
Other administration and operating costs	(262)	(10,752)	-	(221)	(2,564)	(13,799)
Net foreign exchange loss	(19,778)	(7,016)	-	-	(38,302)	(65,096)
<b>Total expenses</b>	<b>(20,417)</b>	<b>(82,609)</b>	<b>-</b>	<b>(539)</b>	<b>(44,559)</b>	<b>(148,124)</b>
<b>Net income</b>	<b>9,691</b>	<b>22,123</b>	<b>-</b>	<b>1,776</b>	<b>(28,472)</b>	<b>5,118</b>

**iii. Additional segmental information**

For the year ended 31 March 2019, there were four customers (the parties paying the premium) who accounted for more than 10% of the total premium revenue, net of amounts ceded to reinsurers. These customers accounted for net premium income of £252.8 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 2019

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
<b>Non-current assets:</b>						
Equipment and intangible assets	-	493	-	-	-	493
Financial assets						
Fair value through income	-	-	-	414	-	414
Loans & receivables	-	-	-	4,682	727,593	732,275
Insurance contracts						
Insurance assets	233,877	55,747	-	-	-	289,624
Reinsurers' share of insurance liabilities	-	352,875	26,171	-	-	379,046
Insurance and other receivables	-	9,875	-	-	-	9,875
<b>Total non-current assets</b>	<b>233,877</b>	<b>418,990</b>	<b>26,171</b>	<b>5,096</b>	<b>727,593</b>	<b>1,411,727</b>
<b>Current assets:</b>						
Financial assets						
Fair value through income	-	-	-	693	-	693
Loans & receivables	-	-	-	5,345	79,656	85,001
Insurance contracts						
Insurance assets	38,633	23,705	-	-	-	62,338
Insurance and other receivables	-	10,665	-	-	-	10,665
Cash and cash equivalents	68,905	242,062	94,635	5,697	(223,650)	187,649
<b>Total current assets</b>	<b>107,538</b>	<b>276,432</b>	<b>94,635</b>	<b>11,735</b>	<b>(143,994)</b>	<b>346,346</b>
<b>Total assets</b>	<b>341,415</b>	<b>695,422</b>	<b>120,806</b>	<b>16,831</b>	<b>583,599</b>	<b>1,758,073</b>
<b>Current liabilities:</b>						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(391)	-	(391)
Consolidated Fund Payable	(68,905)	(242,062)	(94,635)	(5,697)	223,650	(187,649)
Provisions	-	(1,644)	-	-	-	(1,644)
Insurance and other payables	(554)	(14,512)	(9,427)	-	(1)	(24,494)
<b>Total current liabilities</b>	<b>(69,459)</b>	<b>(258,218)</b>	<b>(104,062)</b>	<b>(6,088)</b>	<b>223,649</b>	<b>(214,178)</b>
<b>Non-current assets plus net current assets</b>	<b>271,956</b>	<b>437,204</b>	<b>16,744</b>	<b>10,743</b>	<b>807,248</b>	<b>1,543,895</b>
<b>Non-current liabilities</b>						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(277)	-	(277)
Insurance liabilities	-	(1,163,765)	(111,372)	-	-	(1,275,137)
Provisions	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>(1,163,765)</b>	<b>(111,372)</b>	<b>(277)</b>	<b>-</b>	<b>(1,275,414)</b>
<b>Assets less liabilities</b>	<b>271,956</b>	<b>(726,561)</b>	<b>(94,628)</b>	<b>10,466</b>	<b>807,248</b>	<b>268,481</b>
<b>Taxpayers' equity</b>						
Exchequer Financing	(1,378,922)	(2,622,235)	(196,317)	9,824	957,176	(3,230,474)
Cumulative Trading Surplus	1,650,878	1,895,674	101,689	-	-	3,648,241
General Fund	-	-	-	642	(149,928)	(149,286)
<b>Total taxpayers' equity</b>	<b>271,956</b>	<b>(726,561)</b>	<b>(94,628)</b>	<b>10,466</b>	<b>807,248</b>	<b>268,481</b>

**v. Segmental Statement of Financial Position at 31 March 2018**

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
<b>Non-current assets:</b>						
Equipment and intangible assets	-	686	-	-	-	686
Financial assets						
Fair value through income	-	-	-	912	-	912
Loans & receivables	-	-	-	9,824	364,949	374,773
Insurance contracts						
Insurance assets	261,152	81,343	-	-	-	342,495
Reinsurers' share of insurance liabilities	-	371,715	-	-	-	371,715
Insurance and other receivables	-	4,935	-	-	-	4,935
<b>Total non-current assets</b>	<b>261,152</b>	<b>458,679</b>	<b>-</b>	<b>10,736</b>	<b>364,949</b>	<b>1,095,516</b>
<b>Current assets:</b>						
Financial assets						
Fair value through income	-	-	-	1,005	-	1,005
Loans & receivables	-	-	-	5,286	42,318	47,604
Insurance contracts						
Insurance assets	44,555	21,351	-	-	-	65,906
Insurance and other receivables	-	20,690	-	-	-	20,690
Cash and cash equivalents	59,927	114,240	-	19,037	(111,544)	81,660
<b>Total current assets</b>	<b>104,482</b>	<b>156,281</b>	<b>-</b>	<b>25,328</b>	<b>(69,226)</b>	<b>216,865</b>
<b>Total assets</b>	<b>365,634</b>	<b>614,960</b>	<b>-</b>	<b>36,064</b>	<b>295,723</b>	<b>1,312,381</b>
<b>Current liabilities:</b>						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(879)	-	(879)
Consolidated Fund Payable	(59,927)	(114,240)	-	(19,037)	111,544	(81,660)
Provisions	-	(1,639)	-	-	-	(1,639)
Insurance and other payables	(553)	(27,314)	-	-	(319)	(28,186)
<b>Total current liabilities</b>	<b>(60,480)</b>	<b>(143,193)</b>	<b>-</b>	<b>(19,916)</b>	<b>111,225</b>	<b>(112,364)</b>
<b>Non-current assets plus net current assets</b>	<b>305,154</b>	<b>471,767</b>	<b>-</b>	<b>16,148</b>	<b>406,948</b>	<b>1,200,017</b>
<b>Non-current liabilities</b>						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(589)	-	(589)
Insurance contracts						
Insurance liabilities	-	(1,001,056)	-	-	-	(1,001,056)
Provisions	-	(143)	-	-	-	(143)
<b>Total non-current liabilities</b>	<b>-</b>	<b>(1,001,199)</b>	<b>-</b>	<b>(589)</b>	<b>-</b>	<b>(1,001,788)</b>
<b>Assets less liabilities</b>	<b>305,154</b>	<b>(529,432)</b>	<b>-</b>	<b>15,559</b>	<b>406,948</b>	<b>198,229</b>
<b>Taxpayers' equity</b>						
Exchequer Financing	(1,310,017)	(2,380,370)	(101,682)	14,819	489,899	(3,287,351)
Cumulative Trading Surplus	1,615,171	1,850,938	101,682	-	-	3,567,791
General Fund	-	-	-	740	(82,951)	(82,211)
<b>Total taxpayers' equity</b>	<b>305,154</b>	<b>(529,432)</b>	<b>-</b>	<b>15,559</b>	<b>406,948</b>	<b>198,229</b>



### 3 Premium Income & Net investment return

#### 3(a) Premium Income

	2018-19 £'000	2017-18 £'000
<b>Underwriting Premium Income:</b>		
<b>Insurance contracts premium receivable (IFRS4)</b>		
<b>Current Underwriting Year:</b>		
Gross Premium	378,029	127,039
Less ceded to reinsurers	(38,571)	(26,757)
<b>Net Premium income</b>	<b>339,458</b>	<b>100,282</b>
<b>Previous Underwriting Years:</b>		
Gross Premium	129	40
Less ceded to reinsurers	(10,186)	-
<b>Net Premium income</b>	<b>(10,057)</b>	<b>40</b>
<b>Summary</b>		
Gross Premium	378,158	127,079
Less ceded to reinsurers	(48,757)	(26,757)
<b>Net Premium income</b>	<b>329,401</b>	<b>100,322</b>
<b>Financial guarantees premium amortised (IAS 39)</b>		
<b>Summary</b>		
Gross Premium	3,031	2,851
Less ceded to reinsurers	-	-
<b>Net Premium income</b>	<b>3,031</b>	<b>2,851</b>
<b>Total Net premium income</b>	<b>332,432</b>	<b>103,173</b>

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

		Account 1 £'000	Account 2 £'000	2018-19 Total £'000	2017-18 Total £'000
<b>Export Credit Guarantees and Insurance</b>	<b>Note</b>				
Interest income	4	15,174	1,608	16,782	17,907
Other income		-	259	259	-
<b>Total Income</b>		<b>15,174</b>	<b>1,867</b>	<b>17,041</b>	<b>17,907</b>
<b>Net Income</b>		<b>15,174</b>	<b>1,867</b>	<b>17,041</b>	<b>17,907</b>
<b>Export Finance Assistance</b>	<b>Note</b>	<b>Account 4 £'000</b>	<b>Account 5 £'000</b>	<b>2018-19 Total £'000</b>	<b>2017-18 Total £'000</b>
Amortised loans & receivables income	9(b)	799	29,777	30,576	17,781
Gain in fair value of derivatives		1,189	-	1,189	2,699
<b>Total Income</b>		<b>1,988</b>	<b>29,777</b>	<b>31,765</b>	<b>20,480</b>
Impairment of loans & receivables	9(b)	-	(8,255)	(8,255)	-
Loss in fair value of derivatives		(899)	-	(899)	(2,078)
<b>Total Costs</b>		<b>(899)</b>	<b>(8,255)</b>	<b>(9,154)</b>	<b>(2,078)</b>
<b>Net Income</b>		<b>1,089</b>	<b>21,522</b>	<b>22,611</b>	<b>18,402</b>

## 4 Interest receivable

	Note	Account 1 £'000	Account 2 £'000	2018-19 Total £'000	2017-18 Total £'000
Interest arising from claims					
- interest charged in the year	10(b)	27,581	10,859	38,440	37,310
- net increase in provisions for unrecovered interest	10(b)	(12,829)	(9,254)	(22,083)	(19,586)
Interest arising from claims net of provisions		14,752	1,605	16,357	17,724
Other Interest		422	3	425	183
<b>Interest credit for the year</b>		<b>15,174</b>	<b>1,608</b>	<b>16,782</b>	<b>17,907</b>

Other Interest includes bank interest on balances with commercial banks.

## 5 Net claims credit and provision for likely claims

	Note	Account 1 £'000	Account 2 £'000	2018-19 Total £'000	2017-18 Total £'000
Amounts authorised and paid in the year	10(a)	-	(310)	(310)	(2,432)
Expected recoveries on claims authorised and paid in the year		-	91	91	2,035
Provision on claims authorised and paid in the year		-	(219)	(219)	(397)
Net change in provisions for claims authorised and paid in previous years		9,859	4,227	14,086	13,271
<b>Claims credit/(charge) for the year</b>	10(a)	<b>9,859</b>	<b>4,008</b>	<b>13,867</b>	<b>12,874</b>
Change in provision for claims on financial guarantees	17(c)	-	(49)	(49)	(1,586)
<b>Net claims credit &amp; provision for likely claims</b>		<b>9,859</b>	<b>3,959</b>	<b>13,818</b>	<b>11,288</b>

There is no reinsurance element included within the figures above.

## 6 Net foreign exchange gain / (loss)

	Note	Account 1 £'000	Account 2 £'000	2018-19 Total £'000	2017-18 Total £'000
<b>Export Credit Guarantees and Insurance</b>					
Net foreign exchange gain/(loss) arising on:					
- recoverable claims after provisions	10(a)	6,971	1,789	8,760	(16,125)
- recoverable interest on claims after provisions	10(b)	4,243	25	4,268	(7,626)
- insurance premium receivables		-	(859)	(859)	(424)
- insurance payables		58	58	116	328
- cash		-	1,684	1,684	(2,947)
<b>Net foreign exchange gain/(loss) for year</b>		<b>11,272</b>	<b>2,697</b>	<b>13,969</b>	<b>(26,794)</b>
<b>Export Finance Assistance</b>					
Net foreign exchange gain/(loss) arising on:					
- loans & receivables	9(b)		31,845	31,845	(37,823)
- payables			117	117	(479)
<b>Net foreign exchange gain/(loss) for year</b>			<b>31,962</b>	<b>31,962</b>	<b>(38,302)</b>
				<b>Total £'000</b>	<b>Total £'000</b>
<b>Summary:</b>					
Net foreign exchange gain/(loss) for year on cash assets				1,684	(2,947)
Net foreign exchange gain/(loss) for year on net assets other than cash				44,247	(62,149)
<b>Net foreign exchange gain / (loss) for year</b>				<b>45,931</b>	<b>(65,096)</b>

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 2019	31 March 2018
Euro	1.16	1.14
Japanese Yen	144.26	149.07
US Dollars	1.30	1.40

## 7 Staff costs

	2018-19 £'000	2017-18 £'000
Salaries and Wages	16,360	14,968
Social Security Costs	1,909	1,697
Early Retirement Payments	188	320
Other Pension Costs	3,168	2,839
<b>Total Costs before provision movements</b>	<b>21,625</b>	<b>19,824</b>
Early Retirement Provision utilisation & adjustment	(187)	52
<b>Total Staff Costs</b>	<b>21,438</b>	<b>19,876</b>

### Of which:

Export Credit Guarantees and Insurance	17,241	15,865
Export Finance Assistance	4,197	4,011

Details of staff numbers, exit packages and UKEF's remuneration policy can be found in the *Our People: Staff and Remuneration Report* section of the Annual Report.

## 8 Other administration and operating costs

	2018-19 £'000	2017-18 £'000
Agency Staff	2,102	2,775
Training	318	312
Recruitment	139	238
Travel & Subsistence	833	820
Accommodation	2,464	2,381
IT Other	3,406	2,945
Project Costs	881	985
Legal	439	154
Marketing & Business Promotion	1,926	519
Depreciation	272	127
Irrecoverable VAT	1,570	1,375
Other Administration	1,590	1,168
<b>Total Other Administrative Costs</b>	<b>15,940</b>	<b>13,799</b>

### Of which:

Export Credit Guarantees and Insurance	12,819	11,014
Export Finance Assistance	3,121	2,785

### Included in the above figures:

Audit Fees	196	196
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## 9 Financial assets

### 9(a) Fair value through profit or loss

	31 March 2019 £'000	31 March 2018 £'000
Interest rate derivatives in relation to Export Finance Loan		
Guarantees	1,107	1,917
<b>Total</b>	<b>1,107</b>	<b>1,917</b>

Falling due:

- within one year	693	1,005
- after more than one year	414	912

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.

### 9(b) Loans & receivables

	31 March 2019 £'000	31 March 2018 £'000
Loans & receivables	817,276	422,377
<b>Total</b>	<b>817,276</b>	<b>422,377</b>

Falling due:

- within one year	85,001	47,604
- after more than one year	732,275	374,773

	Note	Account 4 £'000	Account 5 £'000	Total £'000
<b>Movements:</b>				
<b>Balance at 1 April 2017</b>		<b>32,542</b>	<b>298,892</b>	<b>331,434</b>
Loans advanced	21	-	213,178	213,178
Loans recovered		(17,334)	(28,108)	(45,442)
Net foreign exchange gain/(loss)		-	(37,823)	(37,823)
Amortised income		1,694	16,087	17,781
Other movement in working capital		(1,792)	(54,959)	(56,751)
<b>Balance at 31 March 2018</b>		<b>15,110</b>	<b>407,267</b>	<b>422,377</b>
Loans advanced	21	-	485,615	485,615
Loans recovered		(4,995)	(54,172)	(59,167)
Net foreign exchange gain/(loss)		-	31,845	31,845
Amortised income		799	29,777	30,576
Other movement in working capital		(887)	(84,828)	(85,715)
Impairment provision		-	(8,255)	(8,255)
<b>Balance at 31 March 2019</b>		<b>10,027</b>	<b>807,249</b>	<b>817,276</b>

Of which:

Capital loans recoverable	9,824	957,176	967,000
Net interest receivable	203	4,324	4,527
Unamortised income	-	(145,996)	(145,996)
Impairment Provisions	-	(8,255)	(8,255)

Falling due:

- within one year	5,345	79,656	85,001
- after more than one year	4,682	727,593	732,275

Loans are calculated on the amortised cost basis (refer to accounting policy Note 1(J)).

The fair value of Export Finance Loans for Account 4 was £10,841,000 (2017-18: £16,617,000) and Account 5 £1,012,297,000 (2017-18: £494,977,000).

## 10 Insurance assets

	31 March 2019 £'000	31 March 2018 £'000
Recoverable claims	246,480	292,123
Interest on unrecovered claims	105,482	116,278
<b>Total</b>	<b>351,962</b>	<b>408,401</b>
Falling due:		
- within one year	62,338	65,906
- after more than one year	289,624	342,495

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
<b>Recoverable claims - gross</b>			
Balance at 1 April 2017	514,419	285,098	799,517
Claims & recoverable expenditure approved in the year	-	2,432	2,432
Recoveries made in the year	(34,449)	(41,059)	(75,508)
Recoveries abandoned in the year	(1)	(1,102)	(1,103)
Net foreign exchange movements	(17,428)	(6,588)	(24,016)
<b>Balance at 31 March 2018</b>	<b>462,541</b>	<b>238,781</b>	<b>701,322</b>
Claims & recoverable expenditure approved in the year	-	310	310
Recoveries made in the year	(39,196)	(29,384)	(68,580)
Recoveries abandoned in the year	(33)	1	(32)
Net foreign exchange movements	10,065	3,665	13,730
<b>Balance at 31 March 2019</b>	<b>433,377</b>	<b>213,373</b>	<b>646,750</b>
<b>Recoverable claims - provisions</b>			
Balance at 1 April 2017	291,120	139,947	431,067
Release of provisions in the year	(13,760)	886	(12,874)
Recoveries abandoned in the year	(1)	(1,102)	(1,103)
Net foreign exchange movements	(5,077)	(2,814)	(7,891)
<b>Balance at 31 March 2018</b>	<b>272,282</b>	<b>136,917</b>	<b>409,199</b>
(Release)/increase of provisions in the year	(9,859)	(4,008)	(13,867)
Recoveries abandoned in the year	(33)	1	(32)
Net foreign exchange movements	3,094	1,876	4,970
<b>Balance at 31 March 2019</b>	<b>265,484</b>	<b>134,786</b>	<b>400,270</b>
<b>Net recoverable claims as at:</b>			
- 31 March 2019	<b>167,893</b>	<b>78,587</b>	<b>246,480</b>
- 31 March 2018	190,259	101,864	292,123
- 31 March 2017	223,299	145,151	368,450

There are no recoverable claims on Accounts 3 and 4.

**10(b) Interest on unrecovered claims**

	Account 1 £'000	Account 2 £'000	Total £'000
<b>Interest on unrecovered claims - gross</b>			
Balance at 1 April 2017	1,022,329	129,349	1,151,678
Interest charged in the year	26,495	10,815	37,310
Interest received in the year	(25,822)	(1,632)	(27,454)
Recoveries abandoned in the year	(2,792)	(27)	(2,819)
Net foreign exchange movements	(26,310)	(401)	(26,711)
<b>Balance at 31 March 2018</b>	<b>993,900</b>	<b>138,104</b>	<b>1,132,004</b>
Interest charged in the year	27,581	10,859	38,440
Interest received in the year	(29,826)	(1,595)	(31,421)
Recoveries abandoned in the year	(3,369)	-	(3,369)
Net foreign exchange movements	16,034	271	16,305
<b>Balance at 31 March 2019</b>	<b>1,004,320</b>	<b>147,639</b>	<b>1,151,959</b>
<b>Interest on unrecovered claims - provisions</b>			
Balance at 1 April 2017	889,634	128,410	1,018,044
Increase in provisions in the year	10,329	9,257	19,586
Recoveries abandoned in the year	(2,792)	(27)	(2,819)
Net foreign exchange movements	(18,719)	(366)	(19,085)
<b>Balance at 31 March 2018</b>	<b>878,452</b>	<b>137,274</b>	<b>1,015,726</b>
Increase in provisions in the year	12,829	9,254	22,083
Recoveries abandoned in the year	(3,369)	-	(3,369)
Net foreign exchange movements	11,791	246	12,037
<b>Balance at 31 March 2019</b>	<b>899,703</b>	<b>146,774</b>	<b>1,046,477</b>
<b>Net interest on unrecovered claims as at:</b>			
- 31 March 2019	104,617	865	105,482
- 31 March 2018	115,448	830	116,278
- 31 March 2017	132,695	939	133,634

**11 Reinsurers' share of insurance liabilities**

	£'000
Balance at 1 April 2017	348,216
Movements summary:	
Addition to the underwriting funds in the year	26,758
Net decrease in open credit funds	(2,688)
Other fund movements	2
Net decrease in insurance liabilities on closed funds	(573)
<i>Total Movements</i>	23,499
<b>Balance at 31 March 2018</b>	<b>371,715</b>
Movements summary:	
Addition to the underwriting funds in the year	126,730
Net decrease in open credit funds	(44,004)
Other fund movements	(74,312)
Net decrease in insurance liabilities on closed funds	(1,083)
<i>Total Movements</i>	7,331
<b>Balance at 31 March 2019</b>	<b>379,046</b>

Movements are summarised within Note 18.

## 12 Insurance and other receivables

	31 March 2019 £'000	31 March 2018 £'000
<b>Export Credit Guarantees and Insurance:</b>		
Insurance premium receivables	18,689	24,016
Insurance prepayments and accrued income	1,657	1,609
Other receivables	194	-
<b>Total</b>	<b>20,540</b>	<b>25,625</b>
Falling due:		
- within one year	10,665	20,690
- after more than one year	9,875	4,935

Prepayments and accrued income are shown at historical cost and include maintenance contracts and subscriptions.

## 13 Cash and cash equivalents

	£'000
Balance at 1 April 2017	107,465
Net cash inflow to UKEF	56,660
Receipts from the Consolidated Fund:	
in respect of amounts received in the current year	25,000
Payments to the Consolidated Fund:	
in respect of amounts received in the previous year	(107,465)
<b>Balance at 31 March 2018</b>	<b>81,660</b>
Net cash inflow to UKEF	57,649
Receipts from the Consolidated Fund:	
in respect of amounts received in the current year	130,000
Payments to the Consolidated Fund:	
in respect of amounts received in the previous year	(81,660)
<b>Balance at 31 March 2019</b>	<b>187,649</b>

<b>Cash and cash equivalents comprise:</b>	31 March 2019 £'000	31 March 2018 £'000
Government Banking Service	35,875	16,697
Commercial banks and cash in hand	151,774	64,963
<b>Total</b>	<b>187,649</b>	<b>81,660</b>

## 14 Reconciliation of Net Cash Requirement to decrease in cash

	2018-19 £'000	2017-18 £'000
Net cash inflow from operating and investing activities	57,649	56,660
Receipts from the Consolidated Fund relating to the current year	130,000	25,000
Amounts due to the Consolidated Fund	187,649	81,660
Payments to the Consolidated Fund relating to the prior year	(81,660)	(107,465)
<b>Increase/(Decrease) in cash</b>	<b>105,989</b>	<b>(25,805)</b>



## 15 Financial liabilities at fair value

	31 March 2019	31 March 2018
	£'000	£'000
Interest rate derivatives in relation to Export Finance Loan Guarantees	202	381
Interest rate derivative contracts entered into for hedging purposes	466	1,087
<b>Total</b>	<b>668</b>	<b>1,468</b>
Falling due:		
- within one year	391	879
- after more than one year	277	589

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.

## 16 Consolidated Fund Payable

	31 March 2019	31 March 2018
	£'000	£'000
Amounts payable to the Consolidated Fund	187,649	81,660
<b>Total</b>	<b>187,649</b>	<b>81,660</b>
Falling due:		
- within one year	187,649	81,660

The balance due within one year represents UKEF's bank balance as at 31 March 2019.

## 17 Insurance and other payables

### 17(a) Insurance liabilities

	31 March 2019 £'000	31 March 2018 £'000
<b>Export Credit Guarantees and Insurance:</b>		
Insurance payables - amounts due to policyholders	9,399	7,806
Income Tax and National Insurance	532	467
Deferred income and other payables	14,562	19,594
<b>Total</b>	<b>24,493</b>	<b>27,867</b>
<b>Export Finance Assistance:</b>		
Other payables	1	319
<b>Total</b>	<b>1</b>	<b>319</b>
<b>Total</b>	<b>24,494</b>	<b>28,186</b>
Falling due:		
- within one year	24,494	28,186

### 17(b) Provisions for early retirement

	31 March 2019 £'000	31 March 2018 £'000
Early Departure Provision	9	196
<b>Total</b>	<b>9</b>	<b>196</b>
Falling due:		
- within one year	9	53
- after more than one year	-	143

### 17(c) Provisions for financial guarantees

	31 March 2019 £'000	31 March 2018 £'000
Provisions for likely claims on financial guarantees	1,635	1,586
<b>Total</b>	<b>1,635</b>	<b>1,586</b>
Falling due:		
- within one year	1,635	1,586
- after more than one 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 re-insurers 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 three 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 nine 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

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.

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

	Account 2 £'000	Account 3 £'000	Total £'000
<b>Insurance liabilities - Gross of reinsurance</b>			
Balance at 1 April 2017	930,676	-	930,676
Movements:			
Addition to the underwriting funds in the year	103,123	-	103,123
Release of excess funds - cash	(521)	-	(521)
Release of excess funds - credit	(28,324)	-	(28,324)
Other fund movements	(1,466)	-	(1,466)
Change in insurance liabilities on closed funds	(2,432)	-	(2,432)
<b>Total Movements</b>	<b>70,380</b>	<b>-</b>	<b>70,380</b>
<b>Balance at 31 March 2018</b>	<b>1,001,056</b>	<b>-</b>	<b>1,001,056</b>
Movements:			
Addition to the underwriting funds in the year	244,220	111,372	355,592
Release of excess funds - cash	-	-	-
Release of excess funds - credit	(78,954)	-	(78,954)
Other fund movements	730	-	730
Change in insurance liabilities on closed funds	(3,287)	-	(3,287)
<b>Total Movements</b>	<b>162,709</b>	<b>111,372</b>	<b>274,081</b>
<b>Balance at 31 March 2019</b>	<b>1,163,765</b>	<b>111,372</b>	<b>1,275,137</b>
<b>Insurance liabilities - Net of reinsurance</b>			
Balance at 1 April 2017	582,460	-	582,460
Movements:			
Addition to the underwriting funds in the year	76,365	-	76,365
Release of excess funds - cash	(521)	-	(521)
Release of excess funds - credit	(25,636)	-	(25,636)
Other fund movements	(1,468)	-	(1,468)
Change in insurance liabilities on closed funds	(1,859)	-	(1,859)
<b>Total Movements</b>	<b>46,881</b>	<b>-</b>	<b>46,881</b>
<b>Balance at 31 March 2018</b>	<b>629,341</b>	<b>-</b>	<b>629,341</b>
Movements:			
Addition to the underwriting funds in the year	228,862	85,201	314,063
Release of excess funds - cash	-	-	-
Release of excess funds - credit	(34,950)	-	(34,950)
Other fund movements	(10,159)	-	(10,159)
Change in insurance liabilities on closed funds	(2,204)	-	(2,204)
<b>Total Movements</b>	<b>181,549</b>	<b>85,201</b>	<b>266,750</b>
<b>Balance at 31 March 2019</b>	<b>810,890</b>	<b>85,201</b>	<b>896,091</b>
	Account 2 £'000	Account 3 £'000	Total £'000
<b>Summary of movements:</b>			
<b>2017-18</b>			
Gross changes in insurance liabilities	70,380	-	70,380
Reinsurers' share of changes in insurance liabilities	(23,499)	-	(23,499)
<b>Changes in insurance liabilities (net of reinsurance)</b>	<b>46,881</b>	<b>-</b>	<b>46,881</b>
<b>2018-19</b>			
Gross changes in insurance liabilities	162,709	111,372	274,081
Reinsurers' share of changes in insurance liabilities	18,840	(26,171)	(7,331)
<b>Changes in insurance liabilities (net of reinsurance)</b>	<b>181,549</b>	<b>85,201</b>	<b>266,750</b>

Movements in reinsurance are analysed within 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 2009-10 and cash fund years up to and including 2015-16 are closed years.

	2009-10 fund year £'000	2010-11 fund year £'000	2011-12 fund year £'000	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
<b>Accounts 2 &amp; 3</b>										
<b>Credit funds</b>										
At end of year	29,302	34,350	32,460	33,987	34,208	46,367	28,315	32,214	43,848	127,410
One year later	26,329	28,410	28,421	26,790	34,184	44,703	29,114	26,001	49,578	-
Two years later	20,725	24,153	20,398	26,204	35,429	48,413	21,070	24,134	-	-
Three years later	14,483	15,338	21,011	24,580	35,278	36,502	17,589	-	-	-
Four years later	10,479	13,602	17,117	22,511	20,860	44,479	-	-	-	-
Five years later	7,513	10,628	15,215	13,443	17,559	-	-	-	-	-
Six years later	4,584	8,044	8,331	8,158	-	-	-	-	-	-
Seven years later	4,036	3,714	3,727	-	-	-	-	-	-	-
Eight years later	1,561	1,678	-	-	-	-	-	-	-	-
Nine years later	572	-	-	-	-	-	-	-	-	-
<b>Cash funds</b>										
At end of year	544	311	71	8,860	69	261	480	689	383	6,365
One year later	109	1	12	7,314	14	291	-	16	100	-
Two years later	-	1	12	7,583	171	78	-	-	-	-
Three years later	-	1	-	9,438	27	40	-	-	-	-
Four years later	-	-	-	4,462	-	18	-	-	-	-
Five years later	-	-	-	3,928	-	-	-	-	-	-
Six years later	-	-	-	3,335	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
<b>Credit fund total</b>	<b>572</b>	<b>1,678</b>	<b>3,727</b>	<b>8,158</b>	<b>17,559</b>	<b>44,479</b>	<b>17,589</b>	<b>24,134</b>	<b>49,578</b>	<b>127,410</b>
<b>Cash fund total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,335</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>6,365</b>
<b>Expected Loss total</b>	<b>572</b>	<b>1,678</b>	<b>3,727</b>	<b>11,493</b>	<b>17,559</b>	<b>44,497</b>	<b>17,589</b>	<b>24,134</b>	<b>49,678</b>	<b>133,775</b>
<b>Summary</b>										<b>304,702</b>
						<b>funds</b>	<b>funds</b>	<b>funds</b>	<b>funds</b>	<b>funds</b>
						<b>2009-10</b>	<b>2009-10</b>	<b>2009-10</b>	<b>years</b>	<b>grand</b>
						<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>	<b>total</b>
						<b>2018-19</b>	<b>2018-19</b>	<b>2018-19</b>	<b>2008-9</b>	
						<b>open</b>	<b>closed</b>	<b>total</b>	<b>closed</b>	
<b>Expected Loss Summary:</b>						<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accounts 2 & 3:										
Credit fund total						294,312	572	294,884	1,533	296,417
Cash fund total						6,465	3,353	9,818	29	9,847
<b>Expected Loss total</b>						<b>300,777</b>	<b>3,925</b>	<b>304,702</b>	<b>1,562</b>	<b>306,264</b>

The 2018-19 credit fund year includes £9,340,000 Expected Loss relating to Account 3.

## 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 (the "Act"), 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* in the Performance section of the Annual Report.

Operational risk is described in the *Governance Statement* which can be found in the Accountability section of the Annual Report.

For the purpose 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**; and
- 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 insurance assets in the form of net unrecovered claims. UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk (refer Note 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 (CIRR).

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 LIBOR 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.

Sensitivities to movements in interest rates were:

	1% increase in interest rates £'000	1% decrease in interest rates £'000
<b>As at 31 March 2019</b>		
Interest rate swap arrangements on Export Finance Loan Guarantees	(26)	29
Interest rate derivative contracts entered into for hedging purposes	74	(75)
<b>Net impact on profit or loss</b>	<b>48</b>	<b>(46)</b>
<b>As at 31 March 2018</b>		
Interest rate swap arrangements on Export Finance Loan Guarantees	(46)	25
Interest rate derivative contracts entered into for hedging purposes	280	(286)
<b>Net impact on profit or loss</b>	<b>234</b>	<b>(261)</b>

Sensitivities to movements at 5% increase and decrease in interest rate volatility were nil (2017-18: nil) for interest rate swap arrangements.

The maturity profile of UKEF's interest rate derivatives, expressed at their notional value, is as follows:

	One year or less £'000	Between one and five years £'000	After five years £'000	Total £'000
<b>As at 31 March 2019</b>				
Interest rate swap arrangements on Export Finance Loan Guarantees	4,599	8,818	-	13,417
Interest rate derivative contracts entered into for hedging purposes	18,394	3,513	-	21,907
<b>As at 31 March 2018</b>				
Interest rate swap arrangements on Export Finance Loan Guarantees	9,723	12,602	-	22,325
Interest rate derivative contracts entered into for hedging purposes	8,896	16,519	-	25,415

## 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 Note 20(c)(iii) below).

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

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

	Pound Sterling £'000	US dollar £'000	Other £'000	Total £'000
<b>As at 31 March 2019</b>				
Financial assets:				
Fair value through profit or loss	54	990	63	1,107
Account 4 loans at amortised cost	10,027	-	-	10,027
Account 5 loans at amortised cost	-	737,702	69,547	807,249
Insurance and other receivables	6,938	910	12,692	20,540
Financial liabilities:				
Fair value through profit or loss	(322)	(244)	(102)	(668)
Insurance and other payables	(24,494)	-	-	(24,494)
Financial Commitments:				
Account 5 amounts available	-	233,232	414,340	647,572
<b>As at 31 March 2018</b>				
Financial assets:				
Fair value through profit or loss	198	1,487	232	1,917
Account 4 loans at amortised cost	15,110	-	-	15,110
Account 5 loans at amortised cost	-	380,547	26,720	407,267
Insurance and other receivables	4,014	11,416	10,195	25,625
Financial liabilities:				
Fair value through profit or loss	(644)	(640)	(184)	(1,468)
Insurance and other payables	(28,186)	-	-	(28,186)
Financial Commitments:				
Account 5 amounts available	-	393,370	197,167	590,537

Net currency exposure for financial instruments is low so any volatility would not have a significant impact.

## 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 under Insurance Risk (Note 20(c)(i) below)

UKEF has implemented policies and procedures that seek to minimise credit risk. Full details can be found in the *Chief Risk Officer's Report* in the Performance section of the Annual Report.

### 20(b)(i) Credit risk

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

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>As at 31 March 2019</b>			
<b>Account 5: Direct Lending</b>			
Loans at amortised cost	306,014	501,235	807,249
Commitments	111,506	536,066	647,572
<b>As at 31 March 2018</b>			
<b>Account 5: Direct Lending</b>			
Loans at amortised cost	187,681	219,586	407,267
Commitments	164,311	426,226	590,537

### 20(b)(ii) Credit concentration risk

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

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>As at 31 March 2019</b>					
<b>Account 5: Direct Lending</b>					
Loans at amortised cost	10,446	54,401	742,402	-	807,249
Commitments	-	-	647,572	-	647,572
<b>As at 31 March 2018</b>					
<b>Account 5: Direct Lending</b>					
Loans at amortised cost	18,861	53,830	334,576	-	407,267
Commitments	293	3,518	586,726	-	590,537



## 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 three 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 nine 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* in the Performance section of the Annual Report.

The following table provides information regarding the credit exposure of Amounts at Risk and Expected Loss within the UKEF Account 2 and Account 3 portfolio as at 31 March 2019:

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	4,896,763	3,258,226	8,154,989
Other	3,845,162	5,927,603	9,772,765
<b>Total</b>	<b>8,741,925</b>	<b>9,185,829</b>	<b>17,927,754</b>
<b>Account 3: Insurance Contracts</b>			
Other	3,396,643	-	3,396,643
<b>Total</b>	<b>3,396,643</b>	<b>-</b>	<b>3,396,643</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	<b>-</b>	<b>213,514</b>	<b>213,514</b>
<b>Amounts at Risk, net of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	1,585,893	3,258,226	4,844,119
Other	2,409,454	5,927,604	8,337,058
<b>Total</b>	<b>3,995,347</b>	<b>9,185,830</b>	<b>13,181,177</b>
<b>Account 3: Insurance Contracts</b>			
Other	2,284,993	-	2,284,993
<b>Total</b>	<b>2,284,993</b>	<b>-</b>	<b>2,284,993</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	<b>-</b>	<b>213,514</b>	<b>213,514</b>
<b>Expected Loss, gross of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	33,128	74,828	107,956
Other	40,823	202,179	243,002
<b>Total</b>	<b>73,951</b>	<b>277,007</b>	<b>350,958</b>
<b>Account 3: Insurance Contracts</b>			
Other	13,787	-	13,787
<b>Total</b>	<b>13,787</b>	<b>-</b>	<b>13,787</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	<b>-</b>	<b>14,590</b>	<b>14,590</b>
<b>Expected Loss, net of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	4,242	74,828	79,070
Other	15,674	202,179	217,853
<b>Total</b>	<b>19,916</b>	<b>277,007</b>	<b>296,923</b>
<b>Account 3: Insurance Contracts</b>			
Other	9,340	-	9,340
<b>Total</b>	<b>9,340</b>	<b>-</b>	<b>9,340</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	<b>-</b>	<b>14,590</b>	<b>14,590</b>

The following table provides information regarding the credit exposure of Amounts at Risk and Expected Loss within the UKEF Account 2 portfolio as at 31 March 2018 (Account 3 had nil exposure as at 31 March 2018):

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	5,728,879	3,726,292	9,455,171
Other	3,328,412	4,017,778	7,346,190
<b>Total</b>	<b>9,057,291</b>	<b>7,744,070</b>	<b>16,801,361</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	-	<b>186,336</b>	<b>186,336</b>
<b>Amounts at Risk, net of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	1,575,238	3,726,292	5,301,530
Other	2,392,411	4,017,778	6,410,189
<b>Total</b>	<b>3,967,649</b>	<b>7,744,070</b>	<b>11,711,719</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	-	<b>186,336</b>	<b>186,336</b>
<b>Expected Loss, gross of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	43,176	71,975	115,151
Other	26,099	94,777	120,876
<b>Total</b>	<b>69,275</b>	<b>166,752</b>	<b>236,027</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	-	<b>15,265</b>	<b>15,265</b>
<b>Expected Loss, net of reinsurance</b>			
<b>Account 2: Insurance Contracts</b>			
Asset-backed	3,499	71,975	75,474
Other	12,599	94,777	107,376
<b>Total</b>	<b>16,098</b>	<b>166,752</b>	<b>182,850</b>
<b>Account 2: Financial Guarantees</b>			
<b>Total</b>	-	<b>15,265</b>	<b>15,265</b>

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

There are no Amounts at Risk and Expected Loss on Accounts 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 2019.

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Recoverable claims - gross</b>			
Account 1	9,775	423,602	433,377
Account 2	63,485	149,888	213,373
<b>Total</b>	<b>73,260</b>	<b>573,490</b>	<b>646,750</b>
<b>Recoverable claims - net of provisions</b>			
Account 1	9,702	158,191	167,893
Account 2	63,009	15,578	78,587
<b>Total</b>	<b>72,711</b>	<b>173,769</b>	<b>246,480</b>
<b>Interest on unrecovered claims - gross</b>			
Account 1	60	1,004,260	1,004,320
Account 2	379	147,260	147,639
<b>Total</b>	<b>439</b>	<b>1,151,520</b>	<b>1,151,959</b>
<b>Interest on unrecovered claims - net of provisions</b>			
Account 1	60	104,557	104,617
Account 2	376	489	865
<b>Total</b>	<b>436</b>	<b>105,046</b>	<b>105,482</b>

The following table provides information regarding the credit exposure of recoverable claims and related interest as at 31 March 2018:

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Recoverable claims - gross</b>			
Account 1	12,933	449,608	462,541
Account 2	84,200	154,581	238,781
<b>Total</b>	<b>97,133</b>	<b>604,189</b>	<b>701,322</b>
<b>Recoverable claims - net of provisions</b>			
Account 1	12,828	177,431	190,259
Account 2	83,510	18,354	101,864
<b>Total</b>	<b>96,338</b>	<b>195,785</b>	<b>292,123</b>
<b>Interest on unrecovered claims - gross</b>			
Account 1	55	993,845	993,900
Account 2	349	137,755	138,104
<b>Total</b>	<b>404</b>	<b>1,131,600</b>	<b>1,132,004</b>
<b>Interest on unrecovered claims - net of provisions</b>			
Account 1	55	115,393	115,448
Account 2	346	484	830
<b>Total</b>	<b>401</b>	<b>115,877</b>	<b>116,278</b>

**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 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 table below provides an indication of the concentration of credit risk within the UKEF Account 2 and Account 3 portfolios as at 31 March 2019.

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	4,677,866	584,056	985,707	1,907,360	8,154,989
Other	1,952,001	1,167,377	5,704,251	949,136	9,772,765
<b>Total</b>	<b>6,629,867</b>	<b>1,751,433</b>	<b>6,689,958</b>	<b>2,856,496</b>	<b>17,927,754</b>
<b>Account 3: Insurance Contracts</b>					
Other	1,111,650	-	2,284,993	-	3,396,643
<b>Total</b>	<b>1,111,650</b>	<b>-</b>	<b>2,284,993</b>	<b>-</b>	<b>3,396,643</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>213,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,514</b>
<b>Amounts at Risk, net of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	1,689,642	569,215	985,707	1,599,555	4,844,119
Other	569,624	1,114,046	5,704,251	949,137	8,337,058
<b>Total</b>	<b>2,259,266</b>	<b>1,683,261</b>	<b>6,689,958</b>	<b>2,548,692</b>	<b>13,181,177</b>
<b>Account 3: Insurance Contracts</b>					
Other	-	-	2,284,993	-	2,284,993
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,284,993</b>	<b>-</b>	<b>2,284,993</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>213,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,514</b>
<b>Expected Loss, gross of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	72,166	8,553	8,365	18,872	107,956
Other	35,055	23,577	161,180	23,190	243,002
<b>Total</b>	<b>107,221</b>	<b>32,130</b>	<b>169,545</b>	<b>42,062</b>	<b>350,958</b>
<b>Account 3: Insurance Contracts</b>					
Other	4,447	-	9,340	-	13,787
<b>Total</b>	<b>4,447</b>	<b>-</b>	<b>9,340</b>	<b>-</b>	<b>13,787</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>14,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,590</b>
<b>Expected Loss, net of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	43,280	8,553	8,365	18,872	79,070
Other	9,906	23,577	161,180	23,190	217,853
<b>Total</b>	<b>53,186</b>	<b>32,130</b>	<b>169,545</b>	<b>42,062</b>	<b>296,923</b>
<b>Account 3: Insurance Contracts</b>					
Other	-	-	9,340	-	9,340
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9,340</b>	<b>-</b>	<b>9,340</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>14,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,590</b>

The following table provides an indication of the concentration of credit risk within the UKEF Account 2 portfolio as at 31 March 2018 (Account 3 had nil exposure as at 31 March 2018):

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	5,841,726	622,272	820,452	2,170,721	9,455,171
Other	1,334,493	1,146,231	3,937,232	928,234	7,346,190
<b>Total</b>	<b>7,176,219</b>	<b>1,768,503</b>	<b>4,757,684</b>	<b>3,098,955</b>	<b>16,801,361</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>186,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,336</b>
<b>Amounts at Risk, net of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	1,974,798	614,390	820,453	1,891,889	5,301,530
Other	425,533	1,119,190	3,937,232	928,234	6,410,189
<b>Total</b>	<b>2,400,331</b>	<b>1,733,580</b>	<b>4,757,685</b>	<b>2,820,123</b>	<b>11,711,719</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>186,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,336</b>
<b>Expected Loss, gross of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	76,449	8,930	6,396	23,376	115,151
Other	20,276	26,402	53,793	20,405	120,876
<b>Total</b>	<b>96,725</b>	<b>35,332</b>	<b>60,189</b>	<b>43,781</b>	<b>236,027</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>15,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,265</b>
<b>Expected Loss, net of reinsurance</b>					
<b>Account 2: Insurance Contracts</b>					
Asset-backed	36,772	8,930	6,396	23,376	75,474
Other	6,776	26,402	53,793	20,405	107,376
<b>Total</b>	<b>43,548</b>	<b>35,332</b>	<b>60,189</b>	<b>43,781</b>	<b>182,850</b>
<b>Account 2: Financial Guarantees</b>					
<b>Total</b>	<b>15,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,265</b>

## 20(c)(iii) Foreign currency risk

### Insurance assets – unrecovered claims

A material proportion of UKEF's insurance guarantees and policies are written in US Dollars, exposing UKEF to significant foreign currency risk. As noted above, UKEF is not permitted to hedge its exposure to foreign currency, although it does have a degree of protection from movements in the US Dollar/Sterling exchange rate as its maximum exposure level and risk appetite limits are adjusted for movements in US Dollar/Sterling exchange rates.

The following table sets out the underlying currency of UKEF's insurance assets at 31 March 2019:

	Pounds Sterling £'000	US Dollar £'000	Other £'000	Total £'000
<b>Recoverable claims</b>				
- Gross	471,252	172,134	3,364	646,750
- Provisions	(332,219)	(64,917)	(3,134)	(400,270)
<b>Interest on unrecovered claims</b>				
- Gross	903,801	232,273	15,885	1,151,959
- Provisions	(852,359)	(178,316)	(15,802)	(1,046,477)
<b>Net insurance assets at 31 March 2019</b>	<b>190,475</b>	<b>161,174</b>	<b>313</b>	<b>351,962</b>

The sensitivity to changes in foreign exchange of US dollar denominated net insurance assets at 31 March 2019 is as follows:

- 10% increase would increase the carrying value by £14,652,000 (31 March 2018 by £16,064,000).
- 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 2018:

	Pounds Sterling £'000	US Dollar £'000	Other £'000	Total £'000
<b>Recoverable claims</b>				
- Gross	513,854	184,043	3,425	701,322
- Provisions	(340,751)	(65,256)	(3,192)	(409,199)
<b>Interest on unrecovered claims</b>				
- Gross	895,905	220,374	15,725	1,132,004
- Provisions	(837,617)	(162,459)	(15,650)	(1,015,726)
<b>Net insurance assets at 31 March 2018</b>	<b>231,391</b>	<b>176,702</b>	<b>308</b>	<b>408,401</b>



## 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 (Account 3 had nil exposure as at 31 March 2018):

	One year or less £'000	Between one and five years £'000	Between five and ten years £'000	Between ten and fifteen years £'000	Total £'000
<b>As at 31 March 2019:</b>					
<b>Account 2: Insurance Contracts</b>					
Gross Amounts at Risk	2,056,600	10,327,581	4,912,606	630,967	17,927,754
Less: Amounts at Risk ceded to reinsurers	(255,864)	(3,439,109)	(1,028,686)	(22,918)	(4,746,577)
<b>Net amounts at risk</b>	<b>1,800,736</b>	<b>6,888,472</b>	<b>3,883,920</b>	<b>608,049</b>	<b>13,181,177</b>
<b>Account 3: Insurance Contracts</b>					
Gross Amounts at Risk	59,544	621,416	2,620,529	95,154	3,396,643
Less: Amounts at Risk ceded to reinsurers	(20,918)	(215,953)	(866,643)	(8,136)	(1,111,650)
<b>Net amounts at risk</b>	<b>38,626</b>	<b>405,463</b>	<b>1,753,886</b>	<b>87,018</b>	<b>2,284,993</b>
<b>Account 2: Financial Guarantees</b>					
Gross Amounts at Risk	105,996	105,598	1,920	-	213,514
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-
<b>Net amounts at risk</b>	<b>105,996</b>	<b>105,598</b>	<b>1,920</b>	<b>-</b>	<b>213,514</b>
<b>As at 31 March 2018:</b>					
<b>Account 2: Insurance Contracts</b>					
Gross Amounts at Risk	2,573,934	9,138,026	4,654,692	434,709	16,801,361
Less: Amounts at Risk ceded to reinsurers	(865,113)	(2,874,298)	(1,314,772)	(35,459)	(5,089,642)
<b>Net amounts at risk</b>	<b>1,708,821</b>	<b>6,263,728</b>	<b>3,339,920</b>	<b>399,250</b>	<b>11,711,719</b>
<b>Account 2: Financial Guarantees</b>					
Gross Amounts at Risk	82,397	86,465	17,474	-	186,336
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-
<b>Net amounts at risk</b>	<b>82,397</b>	<b>86,465</b>	<b>17,474</b>	<b>-</b>	<b>186,336</b>

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 maintains a credit risk portfolio modelling tool to monitor and report on its potential future exposure for its Account 2 and Account 3 insurance business. The model is a Monte Carlo simulation model based on ratings migration, generating a large number of possible outcomes from which a loss distribution is derived. The distribution derived represents the range of losses that could arise from current exposure, based on information currently available, and their likelihood. Calculations include contingent risk, and recovery risk on claims that have already been paid.

The model is used to calculate the Expected Loss and Unexpected Loss calculations at the 99.1 percentile of the loss distribution for both individual and portfolio risks.

### Sensitivity testing and scenario analysis

A central part of UKEF's risk management framework is the regular stress testing of the Account 2 portfolio and scenario analysis performed by the credit risk modelling tool. Specific potential events such as financial crises by geographical region or industry sector deterioration can be simulated on the current portfolio.

### Sensitivity test results

Sensitivity test analysis is conducted on UKEF's Account 2 and Account 3 portfolio twice a year, using criteria endorsed by the Credit Committee and reviewed by the Board and Risk Committee. The stress tests indicate the impact on the Expected Loss on UKEF's portfolio from movements in the main factors that determine the insurance risk faced by the organisation.

For full details see the *Chief Risk Officer's Report* in the Performance section of the Annual Report.

The following table sets out the impact of the movements indicated on issued and effective guarantees on: (i) total Expected Loss, and (ii) Statement of Comprehensive Net Income which for insurance contracts takes account of the utilisation of the underwriting fund (Account 3 had nil exposure as at 31 March 2018).

	Across the board ratings downgrade by		Increased persistence	Reduced recovery rates
	1 notch £'000	2 notches £'000	+ 2 years £'000	-20% £'000
<b>As at 31 March 2019:</b>				
<b>Account 2: Insurance Contracts</b>				
- Increase in Expected Loss	139,821	291,125	16,587	111,191
- Decrease in net income for the year	7,179	12,072	5,186	4,151
<b>Account 3: Insurance Contracts</b>				
- Increase in Expected Loss	6,290	10,824	4,682	3,650
- Decrease in net income for the year	-	-	-	-
<b>As at 31 March 2018:</b>				
<b>Account 2: Insurance Contracts</b>				
- Increase in Expected Loss	85,964	192,250	6,141	56,365
- Decrease in net income for the year	4,460	21,419	2	3,173

There is no remaining exposure on Accounts 1.

Sensitivity analysis for Account 2 Financial Guarantee Contracts is not considered to have any significant impact on 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 5 £'000	Total £'000
<b>Movements:</b>		
<b>Balance at 1 April 2017</b>	<b>257,790</b>	<b>257,790</b>
Loans issued & effective	593,380	593,380
Amounts drawn	(213,178)	(213,178)
Net foreign exchange adjustments	(46,387)	(46,387)
Change in Cover	(1,068)	(1,068)
<b>Balance at 31 March 2018</b>	<b>590,537</b>	<b>590,537</b>
Loans issued & effective	519,439	519,439
Amounts drawn	(485,615)	(485,615)
Net foreign exchange adjustments	26,199	26,199
Change in Cover	(2,988)	(2,988)
<b>Balance at 31 March 2019</b>	<b>647,572</b>	<b>647,572</b>

## 22 Contingent liabilities

The following table summarises the total Amount at Risk (AAR) on issued and effective products:

	31 March 2019 £'000	31 March 2018 £'000
<b>Summary: Gross of reinsurance</b>		
Account 2	18,141,268	16,987,697
Account 3	3,396,643	-
<b>Total</b>	<b>21,537,911</b>	<b>16,987,697</b>
<b>Summary: Net of reinsurance</b>		
Account 2	13,394,691	11,898,055
Account 3	2,284,993	-
<b>Total</b>	<b>15,679,684</b>	<b>11,898,055</b>

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

The following tables summarise movements in Amounts at Risk (AAR) on issued and effective products which are accounted under IFRS4:

Gross of reinsurance	Account 2 £'000	Account 3 £'000	Total £'000
Balance at 1 April 2017	18,645,781	-	18,645,781
Guarantees and insurance policies issued and effective	2,196,146	-	2,196,146
Run off	(2,603,650)	-	(2,603,650)
Net foreign exchange adjustments	(1,663,341)	-	(1,663,341)
Interest rate adjustments	292,158	-	292,158
Change in Valuation	(65,733)	-	(65,733)
<b>Balance at 31 March 2018</b>	<b>16,801,361</b>	<b>-</b>	<b>16,801,361</b>
Guarantees and insurance policies issued and effective	3,513,425	3,290,948	6,804,373
Run off	(3,473,360)	-	(3,473,360)
Net foreign exchange adjustments	910,064	-	910,064
Interest rate adjustments	287,956	-	287,956
Change in Valuation	(111,692)	105,695	(5,997)
<b>Balance at 31 March 2019</b>	<b>17,927,754</b>	<b>3,396,643</b>	<b>21,324,397</b>

Net of reinsurance	Account 2 £'000	Account 3 £'000	Total £'000
Balance at 1 April 2017	12,615,556	-	12,615,556
Guarantees and insurance policies issued and effective	1,795,566	-	1,795,566
Run off	(1,736,272)	-	(1,736,272)
Net foreign exchange adjustments	(1,126,039)	-	(1,126,039)
Interest rate adjustments	218,322	-	218,322
Change in Valuation	(55,414)	-	(55,414)
<b>Balance at 31 March 2018</b>	<b>11,711,719</b>	<b>-</b>	<b>11,711,719</b>
Guarantees and insurance policies issued and effective	3,271,768	2,138,958	5,410,726
Run off	(2,580,839)	-	(2,580,839)
Net foreign exchange adjustments	649,247	-	649,247
Interest rate adjustments	208,155	-	208,155
Change in Valuation	(78,873)	146,035	67,162
<b>Balance at 31 March 2019</b>	<b>13,181,177</b>	<b>2,284,993</b>	<b>15,466,170</b>

## 22(b) Products accounted for as financial guarantees

The following table summarises movements in Amounts at Risk (AAR) on issued and effective products which are accounted for under IAS 39:

Gross & Net of reinsurance	Account 2 £'000	Total £'000
Balance at 1 April 2017	212,755	212,755
Guarantees and insurance policies issued and effective	69,146	69,146
Run off	(88,754)	(88,754)
Net foreign exchange adjustments	(8,705)	(8,705)
Interest rate adjustments	1,822	1,822
Change in Valuation	72	72
<b>Balance at 31 March 2018</b>	<b>186,336</b>	<b>186,336</b>
Guarantees and insurance policies issued and effective	100,660	100,660
Run off	(78,567)	(78,567)
Net foreign exchange adjustments	3,684	3,684
Interest rate adjustments	20	20
Change in Valuation	1,381	1,381
<b>Balance at 31 March 2019</b>	<b>213,514</b>	<b>213,514</b>

## **23 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.

## **24 Events after the reporting period**

There are no reportable non-adjusting events after the reporting period.

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.



UK Export  
Finance

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Vomic Shah, Head of  
Origination, speaks to  
delegates at the second UK  
Trade and Export Finance  
Conference

