UK Export Finance

Export Credits Guarantee Department

Annual Report and Accounts

2014–15

EXPORTING IS GREAT BRITAIN

gov.uk/uk-export-finance

Export Credits Guarantee Department (UK Export Finance) Annual Report and Accounts 2014–15

Annual Report presented to Parliament pursuant to section 7(5) of the Export and Investment Guarantees Act 1991.

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000.

Accounts presented to the House of Lords by Command of Her Majesty.

Ordered by the House of Commons to be printed on 17 June 2015.

HC15

This is part of a series of departmental publications which, along with the Main Estimates 2015–16, the document Public Expenditure: Statistical Analyses 2015, and the Supply Estimates 2014–15: Supplementary Budgetary Information, present the government's outturn for 2014–15 and planned expenditure for 2015–16.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at enquiries@ukef.gsi.gov.uk

Print ISBN 9781474121491
Web ISBN 9781474121507

ID 09061501 06/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

UK Export Finance
1 Horse Guards Road
London
SW1A 2HQ

Telephone +44 (0)20 271 8000
Fax +44 (0)20 271 8001
www.gov.uk/uk-export-finance

INVESTOR IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

UK Export Finance's name

UK Export Finance

UK Export Finance (UKEF) is the operating name of the Export Credits Guarantee Department. The Export Credits Guarantee Department (ECGD) is the statutory name of the department.

Minister's foreword

I am pleased to present UK Export Finance's Annual Report and Accounts for 2014–15.

In the first year of an ambitious three-year business plan, UKEF has made clear progress in expanding its range of products and services, and in raising awareness among those businesses most likely to require its support. Building on its core role of guaranteeing bank loans to overseas buyers of UK capital goods and services it has innovated by introducing support for Islamic financing, capital market offerings and direct loans. It continued to increase its support for smaller or medium-sized companies, both through its advisory service and through its expanded product range.

I welcome these developments, as do the exporters and banks that benefit from its support and the trade associations that take a close interest in UKEF. That UKEF was named Best Export Credit Agency by readers of Global Trade Review was an acknowledgement of its progress. When talking to these groups the general message is 'well done – now keep on'. I will be considering how best to achieve this. My immediate aim is to see UKEF continue to increase the number and type of exports and exporters supported, making use of more flexible statutory powers it has been granted by Parliament.

Calls are regularly made for a more joined-up service for business, whether across government bodies or partnerships across the government, corporate and financial sectors. This is particularly important for UKEF, which needs strong partnerships: if all business-facing representatives of chambers of commerce, banks and insurance brokers are familiar with UKEF products and are confident in promoting them, more businesses will know about its products and services and take advantage of its support when it is not available from the private market. Alignment with other government bodies, particularly UK Trade & Investment (UKTI), will also be further developed during 2015.

The role that successive governments have set for UKEF – of filling gaps in private market support – is one of keen judgement. It supports exports which might not otherwise happen by assuming financial risks that the private market cannot take, at the same time operating at no net cost to the taxpayer over time. That UKEF in 2014–15 has continued to exercise this judgement, while at the same time increasing its capability to be more agile and responsive to the changing needs of UK businesses, is of credit to its board and the staff. I thank them for their efforts in support of UK exports during the year.

Lord Maude of Horsham
Minister for Trade and Investment

Chief executive's foreword

The past twelve months have been a landmark year for UKEF, culminating in an expansion of our statutory powers. This and other significant developments during the year, provide confidence that our mission – to be an agile, competitive and responsive export credit agency that can support the changing demands of UK trade through the economic cycle – is firmly on track.

At the close of the first year of our three-year business plan, I can report on strong continued support for UK exports. We increased business supported to £2.7 billion, up from £2.3 billion in 2013–14, with both civil and defence business showing year-on-year increases, although the number of Airbus aircraft supported reduced, due to a strong global recovery in bank appetites for this business. We comfortably met the financial objectives set for us by HM Treasury and continued the year-on-year increase seen in the past five years in the total number of companies that directly benefitted from our support, up from 130 last year to 160.

Behind these headlines, we achieved several firsts in 2014–15. We provided the first direct lending in our history, by helping the construction services firm Carillion to secure a significant contract to construct the Dubai World Trade Centre. We achieved a triple first in one transaction when we supported the sales of four Airbus A380s to Emirates: it was UKEF's first support for any kind of Islamic financing, it was the first sukuk bond used to raise finance for aircraft prior to their delivery and it was the largest capital markets financing for an aviation transaction to carry an export credit agency guarantee. We agreed to add offshore renminbi to the list of currencies we can support. And we introduced the first re-financing back-stop scheme – the Export Refinancing Facility – specifically designed to anticipate future market conditions that could put the financing of large capital projects at risk.

A comparison of our product range showed we compared favourably with other export credit agencies. This was independently echoed by the British Exporters Association which awarded UKEF a 9 out of 10 rating for our product range, against an EU average of 7.9. The increase in business supported also bucked general export credit agency trends, as we developed innovative ways to find and bridge market gaps in commercial trade finance.

Ultimately, however, annual results alone are not the only way to assess the role we play in our export economy. Our role is to complement the private market, so the restoration of funding capacity among banks, for example, can mean that demand for our services among exporters may lessen. Our business plan has a "through-the-cycle" focus, which is concerned less with annual business outturn than with our ability to respond rapidly to market disruption. This is seen in the level of our support for Airbus deliveries, which has now returned to under 10% of all deliveries, closer to the historic position before the 2007–08 economic downturn, having peaked at 34% in 2010–11.

We can reflect on another powerful example of our response to market disruption that came to a close in 2014–15 when the last of the aircraft recovered following airline bankruptcies resulting from the US terrorist attacks of 9/11 was sold. This chapter in our history saw us take possession of 44 aircraft – unexpectedly making UKEF for some years a significant operating lessor in the airline market. Our decision to seek long-term leasing arrangements with some of the aircraft ensured losses to the UK taxpayer were minimised during this difficult period.

Civil business remained strong despite challenges in the global economy. UKEF support for exports of capital/semi-capital goods and services under its buyer and supplier credit guarantees remained the most significant product by value. In 2014–15 such support involved countries in Africa, the Americas, Europe, India, the Far East and the Middle East. As noted earlier, there was an increase in the amount of support for civil, non-aerospace exports including the oil and gas, infrastructure and construction sectors. The latter included a theme park, an office and entertainment complex, rural road bridges, and an airport terminal.

During the year, UKEF continued its support for the Sadara petrochemical project in Saudi Arabia, the largest it has ever supported on a limited recourse project financing basis. Large cases such as these have enormous benefits extending beyond the lead UK contractors through the UK supply chains. For example UKEF's support for Carillion's work on the Dubai World Trade Centre saw about 38% of the contract value ($42 million) flow down to other UK suppliers not listed in this report.

Our potential to support high value opportunities can only be realised through long and intensive engagement with project sponsors and funding governments. In 2014–15 a dedicated international business development division was established, led by David Ludlow, recruited from Standard Chartered Bank. It works closely with UKTI and staff in FCO posts in key markets who are local champions for UKEF.

In the UK our regional export finance advisers successfully helped 50% more companies than last year with a healthy mix of repeat and new business. They reported 50 inquiries a month – double those received a year ago. With enhanced statutory powers, we expect to be able to support, either directly or through export supply chains, a significant new number of SMEs in 2015–16. We are currently developing new products to take full advantage of the new powers, in liaison with exporters, banks and trade bodies.

We continued to innovate in the way we work. We made significant inroads in simplifying our processes, which will continue over the forthcoming months, and improving our use of digital technology is a key theme for this coming year. As we hit milestones in our three-year plan, we will improve our customer relationship management processes and build on the positive results we have seen from our marketing and communications.

A new board was formed to consider trade and investment strategy in the round, chaired by the Trade Minister and attended by UKTI and UKEF officials, which helped to reinforce our close partnership with UKTI. We also aligned our marketing and communications with UKTI, including becoming part of the government's new Business Growth Service, while our new segmentation work and customer satisfaction surveys gave us invaluable feedback on the delivery of our promises.

I would like to take this opportunity to extend my thanks to UKEF's board, the Export Guarantees Advisory Council and the staff for their work and support. We have undergone a tremendous transformation and everyone has risen to the challenge – we have seen an improvement in our staff engagement scores and this momentum will carry us forward into another successful year.

David Godfrey
Chief executive

Financial Overview

Financial overview – five year summary

	2014–15	2013–14	2012–13	2011–12	2010–11
	£m	£m	£m	£m	£m
Business supported	2,730[1]	2,272	4,295	2,318	2,924
Premium income	104	120	133	85	96
Claims paid	6	13	7	6	30
Net operating income	129	50	135	147	204

1 This figure is net of amounts reinsured by another official export credit agency; it includes guarantees of £593 million issued in previous years that became effective in 2014–15; it includes £45 million in the form of a direct loan and scheduled interest, which is accounted for on a different basis.

UK Export Finance board

L-R: Caleb Deeks (HM Treasury representative), Amin Mawji (non-executive director), Eric Peacock (non-executive director), Steve Dodgson (director, business group), Guy Beringer (non-executive chairman), Cameron Fox (finance director), Lucy Wylde (general counsel), David Godfrey (chief executive), Roger Lowe (Shareholder Executive representative), David Havelock (director, credit risk group).

Commentary on the activities of the board in 2014–15 is provided in the governance statement on page 92.

Mission and principles

Who UKEF is

UK Export Finance is the export credit agency of the United Kingdom and is a government department that operates under an act of Parliament.

What UKEF does

UKEF complements the private market by providing assistance to exporters and investors, principally in the form of insurance and guarantees to banks.

How UKEF operates

UKEF is governed by its statute pursuant to which certain financial objectives are set by HM Treasury. It is UKEF's policy to comply with all International Agreements which apply to the operations of export credit agencies.

The principles UKEF applies

On individual cases, UKEF aims to:

- provide a quality of service that is proactive, flexible and efficient, with a focus on solution and innovation
- take account of factors beyond the purely financial and of relevant government policies in respect of environmental, social and human rights impacts; debt sustainability; and bribery and corruption
- publish, for the benefit of applicants, guidance on processes and factors taken into account by it in considering applications

Generally, UKEF aims to:

- disseminate information about its products and services
- achieve fairer competition by seeking to establish a level playing field internationally, through obtaining multilateral improvements in export credit policies and practices
- recover the maximum amount of debt in respect of claims paid, taking account of the government's policy on debt forgiveness
- abide by such codes of practice and guidelines on consultation as may be published by the government from time to time
- employ good management practice to recruit, develop and retain the people needed to achieve UKEF's business goals and objectives

Operating model

UKEF's statutory purpose is to support exports and investments made overseas. It does so principally by providing:

- trade credit insurance to exporters against the risks of non-payment for amounts owed under export contracts
- guarantees to banks to support working capital financing and raising of contract bonds on behalf of exporters
- guarantees to banks and investors in the debt capital markets in respect of medium/long term loans to overseas buyers who purchase goods and services from UK exporters
- lending directly to overseas buyers who purchase goods and services from UK exporters
- political risk insurance for investments made overseas

UKEF supports exports of all types of goods and services and can help businesses of all sizes who seek protection from the financial risks of exporting. Broadly, its support caters for exports of:

- capital/semi-capital goods and related services, e.g. large projects, high value machinery etc. Because of the high values involved (normally £5 million to £1 billion plus), overseas buyers frequently require loans (usually repayable between 5–12 years or more) to finance the purchase of such supplies from UK exporters. UKEF provides support under its finance products (such as its buyer credit guarantee) to banks that provide export credit loans, thereby covering the risk of default by borrowers
- consumer goods, i.e. raw materials, consumer durables, light manufactures, etc. Typically, such exports are sold on short credit terms, i.e. up to one year, which exposes exporters to (a) risks of non-payment, and (b) the need to finance working capital (pre-shipment financing) and the credit period (post-shipment financing). UKEF provides support for these needs under products designed to support exports sold on payment terms of less than two years

In doing this, UKEF's role is to complement the private market: it seeks to support exports which might otherwise not happen thereby supporting UK exporters and indirectly their supply chains. The space in which UKEF operates is therefore largely determined at any one time by the willingness and capacity of the private market to assume financial risks in support of exports. UKEF is also bound by European Union (EU) restrictions on member governments supporting short-term export credit insurance for exports to EU countries (currently excluding Greece) and rich Organisation for Economic Co-Operation and Development (OECD) countries, e.g. the USA.

In recent years, UKEF support accounted for around 1% of UK exports, principally capital/semi-capital goods and services, dominated by the aerospace, oil and gas, construction and defence sectors.

The financial liabilities assumed by UKEF when supporting exports involves a risk transfer from the private to public sector i.e. the taxpayer. Direct lending involves up-front public expenditure and other financial liabilities represent contingent public expenditure, i.e. Exchequer funding is required in the event claims are made under contracts of insurance issued to exporters and guarantees provided to banks. Where claims are made, UKEF then instigates recovery action as appropriate on a case-by-case basis or, where there is a sovereign default, through the Paris Club of Official Creditors to recoup the relevant payments.

UKEF operates under the consent of HM Treasury, which sets financial objectives that it must achieve, including an exposure cap, a portfolio risk appetite limit and a requirement that premium meets credit risk and operating costs. To this end, UKEF operates credit risk and pricing policies that inform its ability to underwrite individual export transactions. The current financial objectives set by HM Treasury and UKEF's performance against them are found on page 17.

UKEF also operates under international agreements which inform the terms under which export credit agencies can support exports and thereby seek to create a level playing field. These agreements emanate principally from the OECD and the EU. Not all export credit agencies, however, subscribe to these international agreements and competition for UK exporters is increasingly from non-OECD countries, whose export credit agencies are not constrained by the OECD and EU rules.

Strategy

UKEF published a business plan in June 2014 for the period 2014 to 2017. By the end of the plan, UKEF aims to be an export credit agency which is recognised as having the following characteristics:

Agile and adaptable: UKEF will be an agile department, able to address the challenges to UK exporters throughout the economic cycle. UKEF will act decisively and effectively as the economic climate changes, maximising the potential of its range of products and services.

Competitive offering: UKEF will be proactive in ensuring that it offers UK exporters a level playing field in the global marketplace by providing a full range of the financing tools offered by comparable export credit agencies whilst remaining within its legal and overall agreed remit.

Customer delivery and awareness: UKEF will provide a quality of service to its customers that is proactive, flexible and efficient with a focus on solutions and innovation. Awareness of UKEF products and services amongst exporters, overseas buyers, banks, brokers and other intermediaries will be increased.

UKEF as an organisation: UKEF will be a great place to work where teams work across functions easily and to common goals. Its people will be experienced and skilled in what they do and their talents developed. Its leaders will be role models and create the environment for success and learning.

The plan also seeks to obtain an improved set of information on overseas markets with potential, and on export segments and sectors, to provide a platform to focus UKEF's resources in a more targeted way. In this UKEF is working closely with its partners, UKTI and the FCO. UKEF's full business plan is available from its website: www.gov.uk/uk-export-finance

In January 2015 UKEF's board conducted a review of the plan and concluded that it remained relevant as there had been no developments since its formulation which called for significant changes of direction. The review identified the top five challenges as:

- achieving objectives within potential new spending constraints
- making the most effective use of enhanced statutory powers
- maintaining the confidence of stakeholders and partners while operating in a mixed risk environment that could potentially slow product uptake and generate claims
- improving the customer's experience when accessing UKEF support
- implementing the changes necessary to enhance UKEF's leadership culture

Performance

UK Export Finance measures performance against the achievement of objectives in its three-year business plan and the financial objectives set for it by HM Treasury.

The first year of the plan focused on developing new capabilities that in the following two years would be fully integrated within the department. The full impact of the plan is anticipated to be realised from 2015–16 onwards.

Non-financial indicators	2014–15	2013–14
Total unique exporters supported, of which:	226	130
direct support under a UKEF product	160	130
private market assists[1]	66	N/A
Facilities issued	588	619
Referrals to other sources of support (e.g. UKTI)	1,339	N/A

1 A private market assist is when UKEF engagement has had a material contribution to an export receiving support from the private sector

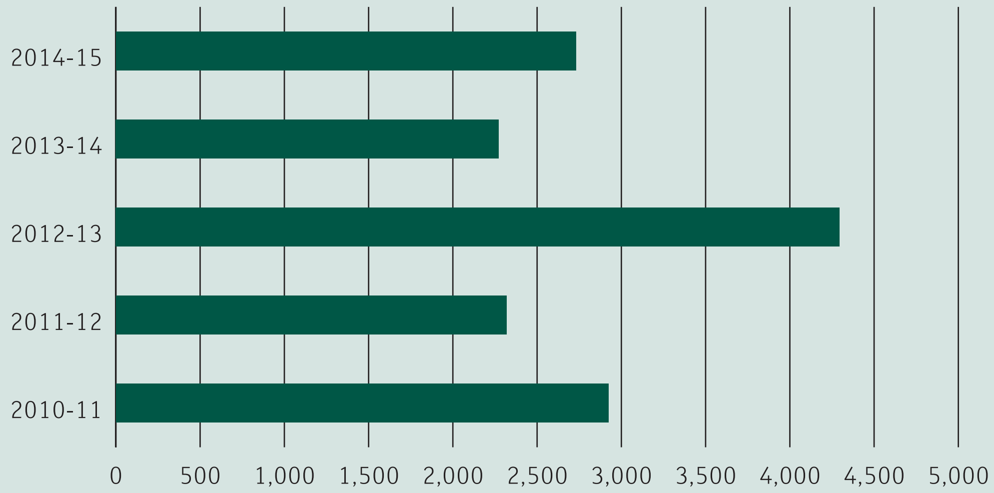
Objective	Progress
Agile and adaptable	**New powers:** the Small Business, Enterprise and Employment Act 2015 widened UKEF's statutory powers, which will enable it to help more companies and have greater flexibility to meet the needs of customers. **Financial markets unit**: a new unit was established to lead work to develop products that will help reduce the impact on exports of future potential bank funding constraints or shocks to the financial markets. **Management information:** a new quarterly reporting and performance management framework was introduced, including a monthly 'dashboard' report to enhance UKEF's ability to monitor and respond to changes in market demand and drive product and process improvements.
Competitive offering	**Enhanced direct lending facility and export refinancing facility**: two facilities were successfully developed – the direct lending facility, which allows UKEF to make loans to buyers who purchase goods and services from UK exporters at the lowest interest rates permitted under OECD rules, and the export refinancing facility, a backstop facility where UKEF can take over export credit loans funded by banks if they can no longer continue to do so. **Product innovation:** UKEF guaranteed a sukuk (an Islamic bond) to finance the sale of Airbus aircraft to Emirates. UKEF added offshore renminbi as an eligible currency for support. **Competitiveness:** the outcome of a review of competitiveness conducted by UKEF's board broadly aligned with a report by the British Exporters' Association which scored UKEF's product range at 9 out of 10 against an OECD average of 7.6.

Objective	Progress
Customer delivery and awareness	**International business development:** a new International Business Development Division was established to raise awareness of UKEF overseas. UKEF's partnership with UKTI was reinforced through a training programme for overseas representatives based in key markets who will represent UKEF in-country. **Export finance advisers:** UKEF completed the recruitment of a 24-strong regional network of export finance advisers. Performance metrics were established to ensure the advisers assist exporters and work effectively alongside other sources of government business support. **Process simplification**: work continued to make product documentation and application processes easier for exporters to understand and use. Further changes are being planned including developing digital services that seek to speed up UKEF decisions on support. Two toolkits detailing how to access UKEF products were produced for use by banks and trade credit insurance brokers. **Customer segmentation:** with BIS and UKTI, UKEF conducted a segmentation analysis of its target customers, which identified and profiled those most likely to benefit from its support. It completed two national marketing campaigns, which performed well against target metrics. **Awareness:** UKEF introduced a customer satisfaction survey and an awareness tracker. **Profile**: UKEF saw a 106% increase in positive media coverage.
UKEF as an organisation	**Engagement:** UKEF's staff engagement index score drawn from its annual staff survey increased from 56% to 59% following a number of changes to internal communications and a review of how it governed business change. **Leadership**: UKEF undertook a leadership assessment and training programme, and has identified further opportunities to improve UKEF's leadership capabilities.

Financial objectives	
Objective and description	**Results**
Maximum commitment This measure places a cap on the maximum amount of nominal risk exposure (that is, the total amount of taxpayers' money that may be put at risk by UKEF).	*Met* The highest recorded maximum exposure in the year was £21 billion, against a notional maximum commitment of £50 billion (unadjusted for foreign-exchange movements).
Risk appetite limit This limit places a constraint on UKEF's appetite for risk at the 99.1 percentile of UKEF's estimated ten-year loss distribution.	*Met* UKEF's 99.1 percentile of the ten-year loss distribution did not exceed £1.3 billion, against a notional limit of £2.7 billion (adjusted for foreign-exchange movements).
Reserve index This index measures whether UKEF has accumulated, over time, sufficient revenue to cover possible losses, to a 77.5% level of confidence	*Met* The reserve index did not fall below 4.48 in the year, against a target of 1.00.
Pricing adequacy index This index tests whether over time UKEF has earned sufficient premium income to cover all its risk and operating costs. It is measured over three different periods:	
(i) past two years and present financial year:	*Met* This index for 2014–15 was 1.56, against a target of 1.00.
(ii) previous, present and next year:	*Met* This index did not fall below 1.37, against a target of 1.00.
(iii) present year and next two years:	*Met* This index did not fall below 1.25, against a target of 1.00.
Premium to risk ratio This measures whether UKEF charges sufficient premium each year to cover the cost of risk, together with a sufficient margin to contribute a material amount to administrative costs.	*Met* This ratio did not fall below 1.80, against a target of 1.35
Note: these financial objectives apply to business issued since 1991. There are no specific financial objectives in respect of outstanding exposures on business supported before 1991 other than to recover amounts due in respect of claims paid, in a manner that optimises the return to the Exchequer while taking account of the government's policy on debt forgiveness.	

Business commentary

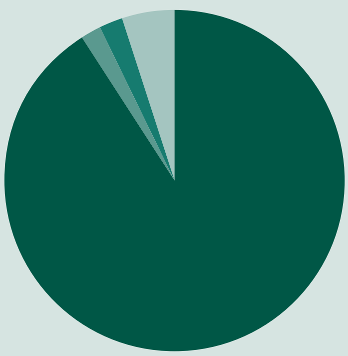
Business supported (£m) – five year summary



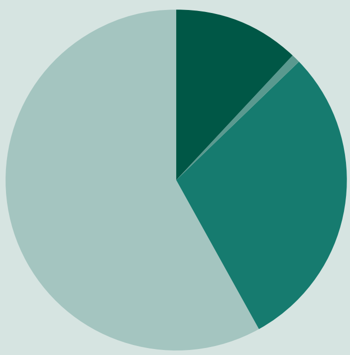
In 2014–15 UKEF supported exports and investments overseas through the issue or renewal of guarantees and insurance policies and the provision of loans with an aggregate value of £2,730 million. Buyer credit and supplier credit financing accounted for £2,493 million of support, direct lending for £45 million, supplier credit insurance for £58 million and bond support, export working capital and letter of credit guarantee products for £134 million. The exports supported related to 72 countries. The total number of guarantees, insurance policies and loans issued was 588. Net premium income was £104 million. There were three small claims paid in respect of new defaults; claims payments of £6 million were made in respect of transactions already distressed. Recoveries of paid claims were £141 million, including default interest.

Product usage

Business supported by product type



Exporters supported by product type



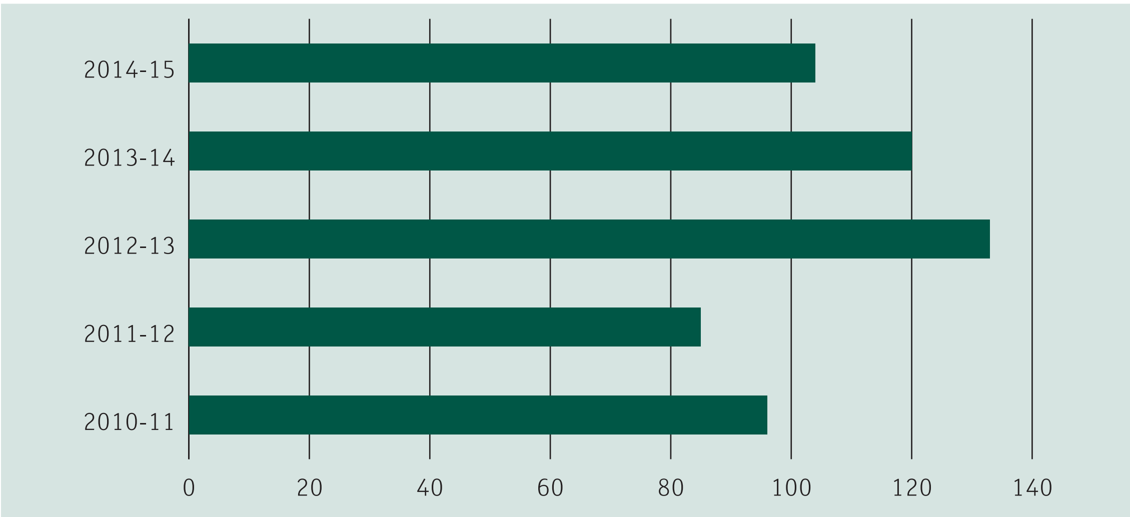
- Buyer and Supplier Credit Financing
- Direct Lending
- Supplier Credit Insurance
- Bond Support, Export Working Capital and Letter of Credit Guarantee Scheme

Indirect support for the UK export supply chain

UKEF estimates that at least 6,000 firms in the UK supply chains of the 233 companies UKEF directly supported last year will have benefited from its support. While the number of UK firms in each export supply chain varies significantly from none (in a few cases) to over 3,900 (in respect of an Airbus aircraft with Rolls-Royce engines), an indicative calculation showed that on average 27 UK firms indirectly benefit for every company supported directly. This figure is likely to be higher as there will sometimes be third, fourth and lower tiers of suppliers.

This indirect benefit can be highly significant for the suppliers involved. In 2014–15, for example, High Wycombe-based firm Kiln Flame, which designs burners for rotary kilns, received UKEF support for performance bonds requested by its customer in Finland. The contract was worth more than £2m, of which about half was sub-contracted to a single specialist supplier to Kiln Flame based in Yorkshire.

Premium earned (£m) – five year summary



Civil aerospace business

Civil aerospace is an important industrial sector for the UK economy and UKEF provides support for the export of civil aircraft and of aero-engines, principally to Airbus and Rolls-Royce.

UKEF support for the export of Airbus aircraft is provided alongside the French and German export credit agencies, broadly in proportion to their respective work shares. UKEF's work share (the percentage of the financing cost of each aircraft supported based on the UK content) typically ranges from 18% to 38%, depending on the aircraft type and the engine. This support is usually arranged on a reinsurance basis whereby one of the three export credit agencies leads a transaction while the other two provide support to the lead agency. This approach provides Airbus customers with a single portal through which they can obtain support. In certain transactions, however, a co-insurance approach is taken under which each export credit agency provides direct support for its own work share.

In 2014–15 UKEF issued guarantees and reinsurance for civil aerospace business amounting to £966 million, generating premium of £33 million and supporting the delivery of 39 aircraft. The aircraft were delivered to 13 airlines and operating lessors around the world.

Export credit agency support in 2014–15 was provided for around 8% of the total number of aircraft delivered by Airbus. This was down from the 15% supported in 2013–14 which reflected a striking increase in the availability of medium/long-term funding capacity in the commercial bank market for this class of business. The current level of demand for export credit agency support is expected to stabilise over coming years, in line with historical norms, although some upward pressure may occur as banks need to strengthen their balance sheets and adjust to new regulatory requirements, including new capital requirements, with the introduction of the Basel III regulations.

The debt capital markets are becoming an increasingly important source of funding for aircraft transactions, with entities such as pension funds and insurance companies replacing traditional commercial bank loans.

In March UKEF guaranteed an Islamic sukuk for Emirates. It was the first sukuk for an aviation transaction to be backed by an export credit agency. It was also the first transaction to be financed through a pre-funded bond issue, where the proceeds were raised before the aircraft were delivered. It was also the largest aircraft transaction supported by an export credit agency. This development builds on UKEF's experience in the conventional debt capital markets and there is a strong prospect over the coming years for further aircraft transactions to be supported through export credit agency guarantees in respect of bonds issued in the debt capital markets or on a private placement basis.

UKEF's aerospace portfolio at 31 March 2015 comprised 1070 aircraft, involving 78 different airlines and lessors. UKEF proactively monitors its aircraft portfolio. Surveys of aircraft insurance and compliance with financial and ownership covenants were carried out with all agent banks during the year.

In January 2015 the first Airbus A350 XWB (extra wide body) aircraft entered service. Over the coming year UKEF will commence support for the delivery of A350 XWB aircraft to a number of Airbus customers.

UKEF has agreed with the Canadian export credit agency (Export Development Canada) the principles of a cooperation arrangement to support the sale of Bombardier's C-Series aircraft, which is manufactured in Northern Ireland and Canada. Entry into service of the C-Series is expected towards the end of 2015 and UKEF has begun to engage in discussions with Bombardier's customers.

In terms of other developments, UKEF will support an aircraft transaction with a Chinese airline financed by a renminbi denominated loan in 2015–16. This will represent the first export credit agency-supported renminbi financing for an aircraft transaction and reflects the government's objective to make London a centre for renminbi trading.

Civil (non-aerospace) project and defence exports

In 2014–15 UKEF issued guarantees and provided reinsurance in respect of civil and defence business amounting to £1,764 million. This represented a 35% increase on the level of similar business supported in 2013–14. The current pipeline of prospective cases, both in number and value, indicates continuing strong demand for UKEF support for major civil projects.

Early in the year UKEF's direct lending facility was relaunched and expanded to help enhance the financial competitiveness of UK exporters when tendering for overseas contracts. Under this facility interest rates are fixed for the life of the export credit loan on the basis of internationally-agreed rates[1]. The relaunch of the facility attracted considerable interest within the exporting community. In October the Chancellor of the Exchequer announced the first transaction to be covered by the facility in the

1 Known as CIRR – Commercial Interest Reference Rates – and published on the OECD website at http://www.oecd.org/tad/xcred/cirrs.pdf

form of support for a $110 million loan to finance a contract awarded to Carillion Construction for the expansion of the Dubai World Trade Centre, half of which was financed out of the direct lending facility.

UKEF guaranteed a $51.9 million facility to help Kier win a contract to provide infrastructure for a series of theme parks being developed by Meraas Holding in Dubai. Elsewhere, UKEF supported significant contracts won by UK exporters in Sri Lanka, where a further order for the supply of bridges worth £100 million was awarded to Cleveland Bridge, and in Tanzania, where support was given for a €54.6 million contract won by BAM Nuttall to help construct a new terminal at Julius Nyerere airport. In Mauritius, UKEF supported the UK element of £22 million for an EADS Astrium satellite contract with Measat International.

UKEF supported contracts between Fluor and the Sadara Chemical Company for the Sadara Petrochemical project in Saudi Arabia. A further £211 million of other contracts were supported for this project. Reinsurance was provided to support the UK element of two large pipe laying vessels, being built by IHC, to be chartered initially to Petrobras to assist the development of oil production. The value of the UK element was £115 million. Further business involving Petrobras is under consideration.

UKEF guaranteed two loans for related contracts totalling $175 million for the export of Starstreak missiles supplied by Thales to the government of Indonesia.

Demand for cover continued to be strong in traditional markets for UKEF including Brazil, India, Indonesia, Mexico, Nigeria, Saudi Arabia and the United Arab Emirates.

UKEF continued to work with Sovereign Star Trade Finance to support smaller contracts, often benefitting small and medium-sized exporters. Three contracts were supported for contracts in Mexico totalling £2.7 million.

Percentage of business supported by sector – five year summary

	2014–15	2013–14	2012–13	2011–12	2010–11
Aerospace	35	42	43	79	62
Civil	60	58	10	21	34
Defence	5	<1	47	<1	4

Encapsulation of the Measat 3b satellite, which was supported by UKEF through a reinsurance arrangement.

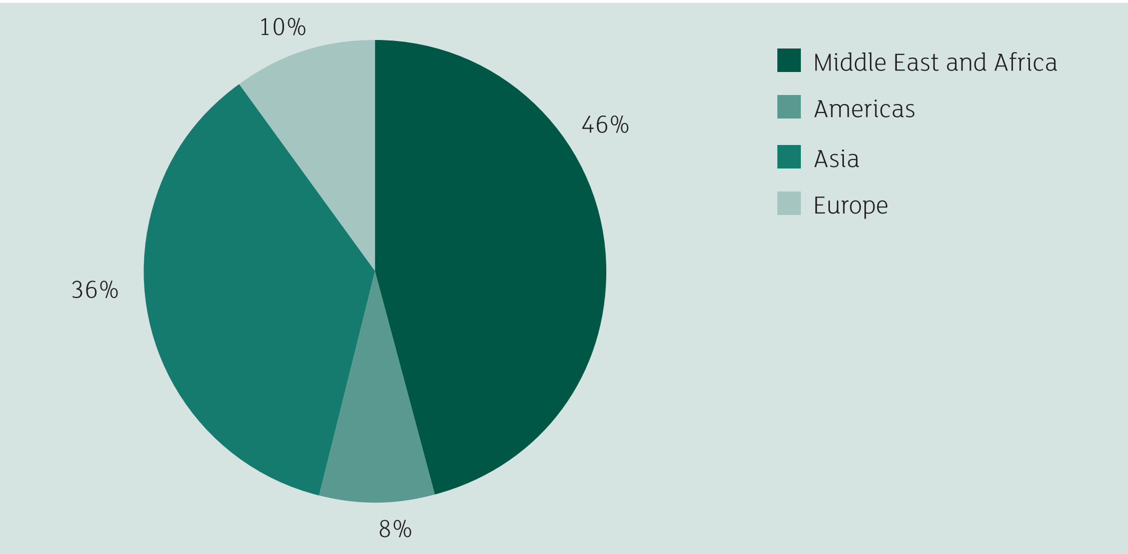
International business development

A new international business development division was established in 2014. David Ludlow, previously with Standard Chartered Bank, was appointed as its director in November 2014. The division proactively marketed UKEF's products and services to overseas buyers, project sponsors and intermediaries. Marketing visits were carried out including attendance at conferences and supporting trade missions. Countries visited include: Algeria, Azerbaijan, Brazil, China, Colombia, Egypt, Ethiopia, France, Kenya, Mexico, Morocco, Oman, Panama, Philippines, Saudi Arabia, Singapore, South Africa, Spain, Tanzania, Tunisia, Turkey, UAE, Uganda, USA, and Vietnam. The division also worked with the Prime Minister's trade envoys and accompanied a number of them on market visits. In addition, the team has participated in missions led by the Lord Mayor of the City of London.

The division is responsible for UKEF's engagement on the high value opportunity programme (HVO) managed by UKTI. UKTI has identified large projects and investments around the world as having strong export potential for UK businesses. UKEF works with UKTI to identify these opportunities and put financing in place, and is a member of UKTI's HVO supervisory board. Where appropriate, UKEF has supported the procurement of goods and services from the UK in relation to a number of these opportunities by offering financing packages to project sponsors.

In January 2015, as part of a broader strategy to enhance cooperation with UKTI and to leverage their global presence, a one-week training course was carried out in London for staff from British embassies and high commissions from twelve countries, designed to improve knowledge and understanding of UKEF's products and services, thereby enabling them to promote UKEF as part of their day-to-day work in overseas markets. It is intended to extend the programme to more countries.

Business supported by region (%) 2014–15



Export credit financing product development

UKEF launched an export refinancing facility, a stand-by facility to address situations where there is a lack of liquidity in the market. Although European-based export finance banks experienced improved access to US dollar funding, resulting in them being more willing to fund long-term loans, often at lower margins, the onset of Basel III along with the expected normalisation of the US Federal Reserve's monetary policy, means the liquidity of banks' could quickly change, prompting demand for this facility. European banks' could also be potentially be effected by an exit of Greece from the euro currency zone.

UKEF relaunched the direct lending facility. Twenty banks and financial institutions were admitted to a panel established by UKEF that are pre-qualified to administer direct lending transactions. The Chancellor announced the first direct lending transaction in October 2014. Interest in the direct lending is strong with over 40 potential transactions in the pipeline.

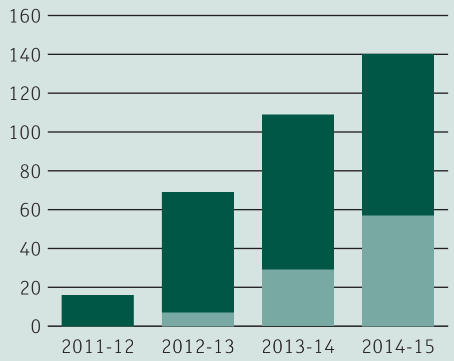
Trade finance and insurance solutions (short-term products)

UKEF provides a range of products to support exports sold on payment terms of less than two years to meet gaps in the availability of support to exporters from the private market, especially smaller and mid-sized businesses. They were introduced in March 2011 when UKEF broadened its business domain, which had previously been confined to supporting the export of capital and semi-capital goods and related services.

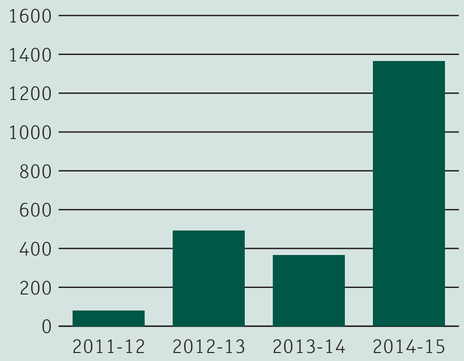
The products are a bond support facility, to increase the capacity of banks to offer contract bond facilities, and an export working capital facility, which gives additional capacity to banks that are providing working capital finance to exporters to help them fulfil specific export orders. In addition, UKEF revamped and simplified its export insurance policy, which provides credit insurance against risks of non-payment. These products are collectively known as UKEF's 'short term products' and are delivered in partnership with participating banks through a risk share arrangement and through specialist credit insurance brokers.

In 2014–15 UKEF experienced a further increase in the volume of business supported under these products, involving 140 customers and exports worth more than £1.3 billion in contract value. Of these, 83 were new customers. The growth in take-up of these products by smaller and mid-sized businesses is detailed below.

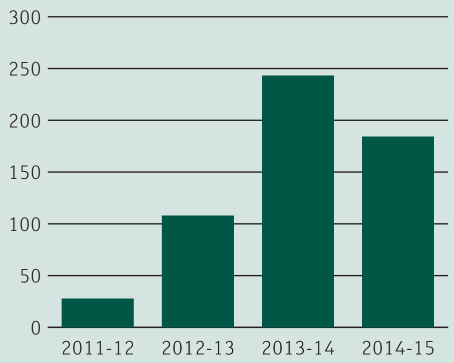
Number of exporters supported (repeat customers in light green)



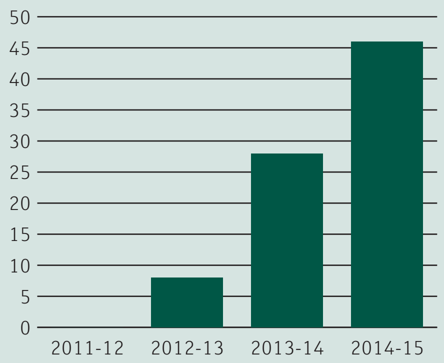
Export contract values supported (£m)



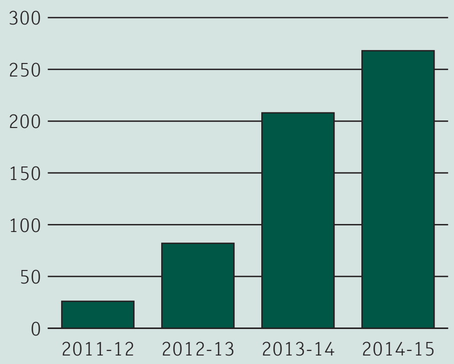
Number of bonds supported



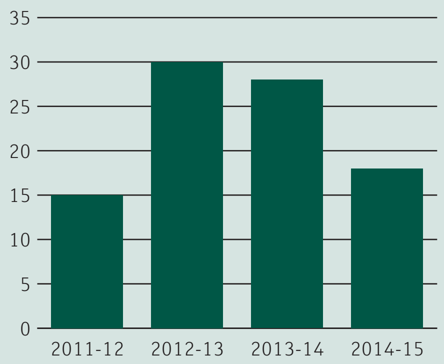
Number of working capital facitilites supported



Number of insurance policies / shipments



Number of new markets



The rising volume of exports supported reflected increased awareness of UKEF and its products among banks, credit insurance brokers and exporters as a result of direct marketing, focused PR activity, regional and national events and the work of UKEF's export finance advisers.

The numbers of advisers was expanded to 24 including three dedicated to supporting mid-sized businesses. They are based across the English regions, Northern Ireland, Scotland and Wales and help exporters to access UKEF products and services and assist with identifying trade finance and credit insurance options, including the support available in the commercial market.

Their activity is captured through a customer relationship system introduced in 2013 and there was a significant increase in market activity in 2014–15:

- 2,379 meetings with UK exporters
- 1,749 meetings with regional delivery partners and professional intermediaries
- 403 referrals to UKTI

Since September 2014, UKEF has reported cases when UKEF engagement has made a material contribution to an export receiving support from the private sector. This was recorded as a 'private market assist', and 68 companies were helped in this way with exports worth £99 million in contract value.

UKEF helped Esprit Digital to export its digital displays

During 2014–15 UKEF expanded its short-term products team by recruiting experienced credit analysts to meet rising demand for its support. Work was undertaken to streamline and digitise processes to improve customer experience and turnaround times, which has already delivered improvements:

- application processes were reviewed to reduce replication of documentation and process for frequent user customers
- a non-binding indication process was introduced for the export insurance policy to give exporters a quick indication of likely UKEF support
- facility level limits were introduced to the bond support and export working capital facilities, improving the take up of both products by adopting a customer exposure approach commonly used by banks
- two toolkits were introduced to enhance engagement and operational effectiveness for banks and brokers that help deliver UKEF's short-term products

Environmental and Social Risk Management

UKEF reviews the environmental, social and human rights (ESHR) risks and impacts of export transactions, and associated projects, in line with the requirements of the OECD Common Approaches[1]. All civil (non-aerospace) transactions which fall within the scope of the OECD Common Approaches are screened for ESHR risks and, where significant risks are identified and categorised as A (high) or B (medium), an ESHR due diligence review is undertaken.

The due diligence is carried out in-house by a team of staff professionally qualified in environmental and social issues. In undertaking ESHR reviews, UKEF places emphasis on early dialogue with exporters and other parties in the transactions with the aim of ensuring the projects, to which the exports are destined, are in alignment with international ESHR standards, typically the International Financial Corporation (IFC) Performance Standards on Environmental and Social Sustainability[2].

In 2014–15 UKEF agreed support for exports to Reliance Industries of India for the expansion of its oil refineries at Jamnagar and Dahej. The project was classified as having potentially high ESHR risk. UKEF visited the project site to carry out due diligence and, since providing support, has undertaken a further site visit to monitor implementation against international standards.

In 2014–15 UKEF provided support for four projects categorised as having medium environmental and/or social risks where the impacts were expected to be localised with mitigation measures readily available. The projects included the construction of the Dubai World Trade Centre involving Carillion and the construction of theme parks by Kier. The ESHR due diligence considered labour management and health and safety during the construction phases. UKEF also undertook ESHR due diligence for the second phase of a project to supply rural bridges to Sri Lanka by Cleveland Bridge, building on the ESHR due diligence undertaken in the first phase and ensuring that the construction management plans were up-to-date and aligned with the relevant international ESHR standards. UKEF provided reinsurance support to the Dutch export credit agency, Atradius, for the construction of an airport terminal building in Tanzania; UKEF liaised with Atradius to ensure that ESHR risks and impacts were appropriately reviewed and managed at the project level.

UKEF monitors projects after it has provided support to be satisfied there is on-going alignment with ESHR management plans and the relevant international standards. Currently eight category A cases and twelve category B cases are being monitored. This includes reviewing self-monitoring reports produced by the project developers, monitoring conducted by an independent environmental consultant on behalf of UKEF, or UKEF carrying out a site monitoring visits. The level of monitoring and frequency is dependent on the ESHR risks involved.

1 Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The "Common Approaches"), OECD, 28 June 2012

2 Performance Standards on Environmental and Social Sustainability, IFC, January 1, 2012

A list of projects supported during the year that fell within the scope of the OECD Common Approaches is provided in the sustainable development report on page 50. All Category A and B cases for which UKEF has contingent liabilities are listed on pages 51 to 55.

UKEF participates in international forums on environmental and social issues, in particular the OECD. UKEF has contributed to work on human rights issues and greenhouse gases reporting that will inform whether the OECD Common Approaches may be revised.

One of the bridges built in Sri Lanka by Cleveland Bridge

Finances

Management commentary

UKEF achieved an operating surplus for the year ended 31 March 2015 of £129 million, as compared to £50 million in 2013–14. The increase in net operating income for the year was largely caused by:

- an increase in the release from the underwriting funds closed in the current year to £52 million in 2014–15, compared to £14 million in 2013–14
- a foreign exchange gain of £34 million for 2014–15 compared to a loss of £32 million in 2013–14

Accounts 1, 2, 3, 4 and 5

UKEF operates five accounts. Accounts 1, 2, and 3 cover underwriting activities, account 4 and account 5 covers export finance activities including direct lending related activity:

- Account 1 – relates to guarantees and insurance issued prior to April 1991 including insurance issued by the former Insurance Services Group of UKEF (the main part of which was privatised on 1 December 1991) for which UKEF retains contingent liabilities
- Account 2 – relates to the credit risk arising from guarantees and insurance policies issued since April 1991
- Account 3 – relates to guarantees issued since April 1991 on the instruction of Ministers, which UKEF's accounting officer advised did not meet normal underwriting criteria
- Account 4 – relates to the provision of support for Fixed Rate Export Finance (FREF) to banks (now closed for new business), together with arrangements for reducing the funding cost of FREF loans and for certain interest rate swap arrangements
- Account 5 – relates to the provision of direct lending (since 2014)

Five Year Summary

	2014–15 £m	2013–14 £m	2012–13 £m	2011–12 £m	2010–11 £m
Overall Value of Guarantees and Insurance Policies:					
Issued – Net of Reinsurance	**2,685**	**2,272**	**4,295**	**2,318**	**2,924**
Amounts at Risk – Gross of Reinsurance	**18,672**	**17,195**	**18,142**	**14,280**	**13,616**
Statement of Comprehensive Net Income:					
Premium Income Net of Reinsurance	**104**	**120**	**133**	**85**	**96**
Staff, other administration and operating costs	**31**	**26**	**20**	**20**	**22**
Net Operating Income – total	**129**	**50**	**135**	**147**	**204**
– Account 1	41	18	66	53	56
– Account 2	81	19	59	85	130
– Account 3	–	–	–	–	–
– Account 4	7	13	10	9	18
– Account 5	–	–	–	–	–
Statement of Cash Flows:					
Claims Recoveries – total	**115**	**108**	**98**	**90**	**123**
– Account 1	44	38	36	32	46
– Account 2	71	70	62	58	77
Interest Recoveries in the year – total	**25**	**27**	**38**	**38**	**66**
– Account 1	22	23	30	29	44
– Account 2	3	4	8	9	22
Claims Paid – total	**6**	**13**	**7**	**6**	**30**
– Account 1	–	–	–	–	–
– Account 2	6	13	7	6	30
Net Cash Flow from Operating Activities – total	**235**	**205**	**274**	**192**	**265**
– Account 1	65	59	66	56	84
– Account 2	164	138	198	124	148
– Account 3	–	–	–	–	–
– Account 4	6	8	10	12	33
– Account 5	–	–	–	–	–
Statement of Financial Position:					
Recoverable Claims before provisioning	**996**	**1,075**	**1,228**	**1,314**	**1,396**
– Account 1	583	609	675	716	748
– Account 2	413	466	553	598	648

	2014–15 £m	2013–14 £m	2012–13 £m	2011–12 £m	2010–11 £m
Recoverable Claims after provisioning	**531**	**605**	**711**	**750**	**780**
– Account 1	264	284	317	321	324
– Account 2	267	321	394	429	456
Interest on Unrecovered Claims after provisioning	**143**	**146**	**155**	**151**	**154**
– Account 1	142	145	153	148	152
– Account 2	1	1	2	3	2
Underwriting Funds – Net of Reinsurance	**553**	**542**	**478**	**396**	**380**
– Account 1	–	–	–	–	1
– Account 2	553	542	478	396	379
– Account 3	–	–	–	–	–
Direct Funding loans	**82**	**104**	**138**	**178**	**230**
– Account 4	75	104	138	178	230
– Account 5	7	–	–	–	–

Account 1

The main activity relating to this account is the recovery of claims paid out against guarantees and insurances issued prior to 1991. All debts are actively pursued, with recovery action often spread over long periods. In accordance with standard accounting practice, UKEF provides prudently against the possible non-recovery of debts. Where the outlook for recovery improves, the level of provision is reduced accordingly, releasing profit to the statement of comprehensive net income. The key results (rounded to the nearest million) were:

- operating income where recoveries of claims and interest exceeded the book value net of provisions was £42 million, an increase of £18 million in 2013–14
- recoveries of claims paid were £44 million, compared to £38 million in 2013–14
- recoveries of interest on claims paid were £22 million, compared to £23 million in 2013–14
- the balances for gross claims was £583 million, a decrease from £609 million in 2013–14, while net claims was £264 million, a decrease from £284 million in 2013–14
- interest on net unrecovered claims was £142 million, a decrease from £145 million in 2013–14

Account 2

The key results were:

- total value of guarantees and insurance policies issued and effective was £2,685 million, compared to £2,272 million at March 31 2014
- net premium income was £104 million, compared to £120 million in 2013–14
- net operating income was £81 million, compared to £19 million in 2013–14. The increase in net operating income was due to a larger release from funds of £52 million closed in 2014–15, compared to £14 million in 2013–14 and by a foreign exchange gain of £14 million in 2014–15 compared to a loss of £15 million in 2013-14
- claims authorised and paid or payable during the year decreased to £6 million from £13 million in 2013–14
- claim recoveries were £71 million, compared to £71 million in 2013–14
- gross claims balances were £413 million, as against £466 million in 2013–14
- net claims balances were £267 million, compared to £321 million in the previous year

Account 3

No new guarantees were issued or claims paid on this account during the year. There was no income for the year, as was the case for 2013–14, and all exposure on this account has run off.

Account 4

The results were:

- the direct funding balance represents the funds originally loaned by HM Treasury to reduce the cost of FREF. The balance continued to reduce during the year to £76 million from £105 million in 2013–14, as regular instalments were made
- net operating income decreased to £7 million in 2014–15 from £13 million in 2013–14

Account 5

During the year one loan involving Exchequer funding of up to £45 million was originated which represents the first transaction reported in account 5.

All Accounts

Operating expenses increased to £31 million in 2014–15 compared to £26 million in 2013–14. This was due to an increase in staff as well as other administration costs.

Net recoverable claims decreased from £605 million in 2013–14 to £531 million during the year. Gross claims also reduced from £1.1 billion to £1.0 billion.

Due to the strengthening of the US dollar over the financial year by some 11% there was a foreign exchange gain of £34 million compared with a loss of £32 million in 2013–14.

Explanation of variances between estimate and outturn summary

Parliament sets a limit on the annual amount of resource and capital UKEF can consume through the supply estimate process. The table below compares UKEF's estimate with outturn. Further information on the supply estimate is available on UKEF's website at www.gov.uk/uk-export-finance.

In the absence of any operating income outside the ambit of the estimate, UKEF's net resource outturn and net operating cost or income are identical.

UKEF supports export credit loans denominated in foreign currencies and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates. Almost all of UKEF's premium income arises in currencies other than sterling (mostly

US dollars) and net assets are denominated in a variety of currencies, of which the largest is US dollars. As UKEF is not authorised by HM Treasury to hedge exchange rate exposures, it faces challenges to ensure compliance with Parliamentary voted control totals. From January each year, which is the last opportunity to adjust voted control totals, to 31 March there is a risk that exchange rates move and reduce net income by more than the headroom agreed with HM Treasury and voted by Parliament.

	SOPS Note	2014–15 Estimate £'000	2014–15 Outturn £'000	2014–15 Variance £'000
Budget spending:				
Departmental Expenditure Limit (DEL)	SOPS2(a)	19,885	19,885	–
Annually Managed Expenditure (AME)	SOPS2(a)	29,419	(149,337)	178,756
Net Resource Outturn & Net Operating Cost/(Income)		**49,304**	**(129,452)**	**178,756**
Budget spending				
Departmental Expenditure Limit (DEL)	SOPS2(b)	630	580	50
Annually Managed Expenditure (AME)	SOPS2(b)	78,449	(22,509)	100,958
Capital Total Payments/(Receipts)		**79,079**	**(21,929)**	**101,008**

Significant highlights:

All UKEF income and expenditure is classified as either DEL or AME and there is no non-budget.

Resource – note SOPS2(a)

AME £179 million – this variance is largely due to provision and foreign exchange movements which are difficult to forecast.

Capital – note SOPS2(b)

AME £101 million – this variance is largely due to the new direct lending facility. It is difficult to forecast the likely take-up.

Recoveries

Paris Club activity

The Paris Club is the informal group of official creditors that seeks to establish co-ordinated and sustainable solutions to debt service difficulties experienced by debtor countries. UKEF implements debt rescheduling and debt write-off agreed by the Paris Club in respect of its exposure to some of the world's poorest countries, reflecting the government's commitment to addressing debt sustainability.

In 2014–15, agreements were signed with Argentina on a flexible arrears clearance programme and the Seychelles on a partial debt buyback which will fund a marine conservation initiative.

UKEF received £124 million in rescheduled debt and interest payments in 2014–15, compared to £111 million in 2013–14.

Non-Paris Club recoveries

Recoveries of £17 million were made during the year, compared to £24 million in 2013–14.

An agreement was concluded with Cuba for the repayment of short-term debt, under which the first payment has been made.

UKEF's distressed airline portfolio, where aircraft have been repossessed (the last of which was sold in 2014–15) or where the lease repayments have been restructured, consisted of 12 aircraft involving two airlines at 31 March 2015. All 12 aircraft remain in operation with their original airlines on restructured leases. This compares to a portfolio of 20 aircraft at 31 March 2014.

Credit risk management

UKEF supports UK exports by issuing insurance contracts and guarantees and thereby accepting credit risks. The main objective of UKEF's risk management framework is to identify, assess, price and manage defined risks in accordance with agreed policies and procedures.

UKEF retains the exposure appetite and headroom necessary to contribute to the achievement of the government's export growth strategy, especially in priority markets and in support of the UKTI's high value opportunities programme.

Risk environment

Global growth in 2014 was broadly unchanged from the previous year at 3.3%. The United States was the key driver behind the activity of the advanced economies, offsetting renewed weakness in Japan. Eurozone economies, on the other hand, led by a resurgent German economy, returned to positive growth. Slowing activity in Brazil, Russia and South Africa restrained growth in emerging markets and developing economies. Looking forward, IMF projections for global activity indicate a gradual pick up, with growth expected to rise to 3.5% in 2015 and 3.7% by 2016.

The distribution of risks to global growth remains delicately balanced. The main upside risk is the impetus from lower oil prices given its undoubted boost to world demand, although it is not clear how long current excess supply side conditions will persist. Downside risks are not insignificant: deflationary pressures in a number of the advanced economies (albeit this is being offset in part by monetary policy easing), China's moderating rate of growth, as well as weaker activity in some major oil exporters (without fiscal buffers) owing to the precipitous fall in oil prices, to cite a few.

UKEF's operating performance remains at risk from a sudden reversal in activity in the emerging market economies, escalating tensions with Russia and heightened geopolitical risks in Middle East and North Africa. Emerging markets continue to be exposed to potential bouts of volatility and to a tightening in financing conditions in global financial markets. For example, as the US seeks to normalise monetary policy any surprises could also see a reversal in financial flows.

Management of credit risk

During the year the credit committee (formerly the risk committee) reviewed credit risk management reports, including country risk reviews. In addition to sovereign risk reviews, assessments of corporate risks were carried out and adjustments made to internal risk ratings as and when appropriate. These were used to inform UKEF's risk appetite and pricing for new business and as a guide for expected loss calculations and provisions.

Default statistics used for the purpose of modelling and pricing were updated every six months. Similarly, regular adjustments were made to assumptions on aircraft residual asset values based on advice from an independent professional valuation firm, which was cross-checked with advice from other appraisers. The portfolio was subjected to extensive scenario analysis and stress testing in order to measure UKEF's risk exposure against its financial objectives and to inform its decision-making.

Changes to risk assessment processes

Following a re-organisation in 2013–14, the Risk Assessment Division continued to operate through four discrete units, each concentrating on a specific category of business being originated from UK exporters. These are aerospace, project finance, overseas major corporates and SME/MSB business.

During the year, and in response to increased demand for short-term credit insurance cover in a number of challenging overseas export markets, the credit risk assessment methodologies were streamlined with a view to being able to provide quicker turnaround times to exporters on smaller corporate cases. The revised methodology proved successful and the credit risk assessment techniques will continue to be refined over time in order to improve the overall efficiency of service to exporters.

Ratings for sovereign and corporate risk

Since 2012 UKEF used Standard & Poor's ratings as a base for sovereign risk (subject to judgemental adjustments where this is considered to be appropriate) thereby bringing its approach to classifying and scoring sovereign risk into line with that followed for corporate credit risk. Of the 129 countries rated by both Standard & Poor's and UKEF, UKEF's rating accorded with theirs in 121 instances. UKEF rates a further 104 countries or territories not rated by Standard & Poor's.

Pricing

For business subject to the OECD Arrangement, UKEF applies the OECD minimum premium rates except in the few instances where UKEF considers those minima are insufficient to cover the risk. In practice UKEF has applied the minima to all sovereign risks and the majority of corporate credit risks.

For business not subject to the OECD Arrangement and for high income OECD countries, UKEF sets premium rates that are sufficient to cover risk and do not undercut available market pricing.

UKEF continues to promote disciplines of risk-based pricing and convergence of premium rates among the OECD export credit agencies to ensure a level playing field for UK exporters.

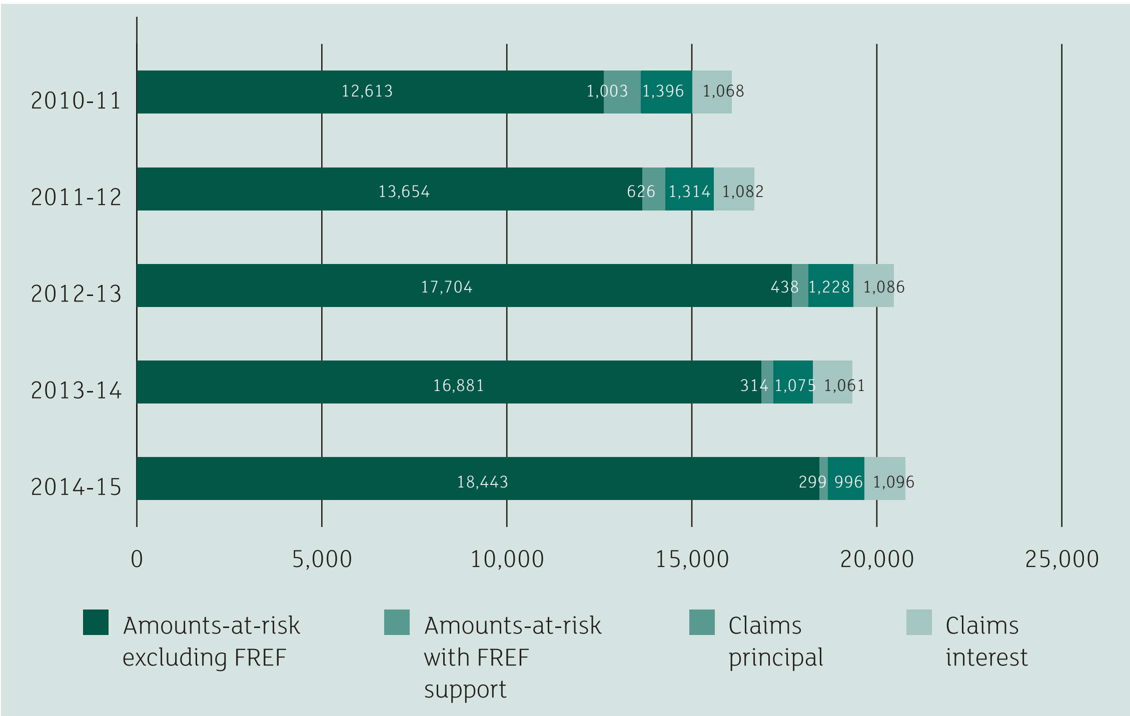
Credit risk portfolio

Total exposure on business issued since 1991 increased in 2014–15 from £19.6 billion to £20.9 billion. The main factor in this increase was the 11% strengthening of the US dollar relative to sterling (74% of UKEF's exposure is denominated in US dollars). Had the exchange rate remained at 31 March 2014 levels, exposure excluding claims and commitments would have decreased from £18.7 billion to £17.5 billion.

The overall risk quality of the portfolio was maintained at an acceptable level and within financial objectives. Much of UKEF's credit risk in the aerospace sector has the benefit of asset security thereby reducing potential risk of loss. Excluding claims and amounts reinsured by other export credit agencies, the percentage of the portfolio rated as BBB- or better fell slightly from 57% to 53%. The portfolio risk measure at the 99.1 percentile of the loss distribution remained materially below the specified risk appetite limit of £2.9 billion, although increased slightly from £1.17 billion at 31 March 2014 to £1.23 billion at 31 March 2015.

UKEF's overall exposure is limited to £50 billion and is managed within individually assessed country limits taking into account concentration risk. The mixture of civil project business within the portfolio continued to increase, thereby reducing the concentration of risk in the aerospace sector.

Total Credit risk exposure on UKEF's books (£m)



Statutory limits

The Export and Investment Guarantees Act 1991 sets limits on the commitments that UKEF may enter into in pounds sterling and foreign currency (the latter is expressed in Special Drawing Rights (SDR)). The Act requires reporting of commitments against these limits. The table below shows the statutory limits at 31 March 2015 and 31 March 2014 and the outstanding commitments against them:

	At 31 Mar 2015				At 31 Mar 2014			
	Sterling	Foreign currency	Sterling equivalent	Sterling total	Sterling	Foreign currency	Sterling equivalent	Sterling total
	£m	SDRm	£m	£m	£m	SDRm	£m	£m
Section 6(1) amounts								
Statutory limit	35,000	30,000	27,923	62,962	35,000	30,000	27,861	62,861
Assets (see note below)	–	–	–	–	–	–	–	–
Liabilities	2,334	19,476	18,153	20,487	2,102	18,422	17,108	19,211
Total commitments	2,334	19,476	18,153	20,487	2,102	18,422	17,108	19,211
Section 6(3) amounts								
Statutory Limit	15,000	10,000	9,320	24,321	15,000	10,000	9,287	24,287
Assets (see note below)	–	–	–	–	–	–	–	–
Liabilities	2	7	6	8	13	10	9	22
Total commitments	2	7	6	8	13	10	9	22

Note: interest equalisation arrangements, cross currency swaps and hedge swaps which are "in the money" constitute assets and as such are not scored against the statutory limits. The value of these assets at the dates of the return is detailed in the following table.

	At 31 Mar 2015				At 31 Mar 2014			
	Sterling	Foreign currency	Sterling equivalent	Sterling total	Sterling	Foreign currency	Sterling equivalent	Sterling total
	£m	SDRm	£m	£m	£m	SDRm	£m	£m
Section 6(1) amounts								
Assets	2	10	9	11	3	14	13	16
Section 6(3) amounts								
Assets	75	–	–	75	104	–	–	104

International Developments

Officially supported export credits are regulated by a number of international agreements reached within the OECD. UKEF represents the UK at meetings of the OECD Export Credits Group (ECG) and of the EU Council Working Group on Export Credits (the CWG).

The European Commission represents the EU at meetings of the participants to the *Arrangement on Officially Supported Export Credits*; hence EU member states and the European Commission meet regularly at the CWG to develop a common EU position.

UKEF's international efforts continue to be guided by its objective to achieve fairer competition by seeking to establish a level playing field for UK exporters.

OECD

In 2014–15 OECD members considered a number of possible amendments to the international regulatory framework for officially supported export credits. An agreement on longer credit terms for "smart grid" projects is expected to be concluded in 2015.

In March 2014 UKEF co-sponsored a proposal with the US government to introduce an emissions performance standard for new fossil fuel power plants with the aim of ruling out official export credit support for unabated coal power plants. There have since been a number of alternative proposals, and discussions continue at the OECD.

Following the adoption of the 2012 *OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence* (OECD Common Approaches), the environmental practitioners' group undertook a programme of work to consider areas for development, including reporting of greenhouse gas emissions and how project-related human rights impacts should be addressed by export credit agencies when they are asked to provide export credit support. The final report of the practitioners group was sent to the ECG which will inform a possible review of the OECD Common Approaches scheduled for 2015–16.

International Working Group on Export Credits

The IWG, a group of major providers of export financing from both OECD and non-OECD countries, continued to meet to discuss a possible new set of international guidelines on the provision of official export financing. The process is led by a steering group including Brazil, China, the EU and US. To date, seven IWG meetings have been held, with future meetings planned.

European Union

The European Commission bans the provision of short-term credit insurance by government-backed EU export credit agencies for exports within the EU and to rich OECD countries, known as 'marketable risk' countries, in order to avoid distortion of competition within the single market. In this context 'short-term' means insurance where the pre-credit and repayment period ('the horizon of risk') is less than two years.

As a temporary measure Greece was removed from the list of marketable risk countries until the end of 2013; this was extended until the end of June 2015. The Commission is currently considering whether to make a further extension which would allow EU export credit agencies to continue to support short-term credit insurance for exports to Greece.

People

UKEF's staff headcount increased from 225 to 246 during 2014–15. UKEF created a new marketing and communications team with the objective of raising awareness of UKEF and the support it can provide to exporters. The number of export finance advisers increased from 18 to 24, including the appointment of three advisers focussing on building relationships with medium-sized businesses. The underwriting team responsible for UKEF's short-term products was strengthened.

David Ludlow was appointed as the head of international business development in November 2014 and in March 2015 Margaret Eyres was appointed as head the direct lending team having previously been director and head of export finance UK and Canada at Societe Generale.

The following tables describe the size and workforce of UK Export Finance:

Table A: Staff numbers

Full Time Equivalents (FTE)	31 March 2015	31 March 2014	31 March 2013
Permanent employees	241.5	217.9	188.5
Casual employees[1]	0	2	4

Table B: Payroll/off-payroll staff – headcount

	31 March 2015	31 March 2014	31 March 2013
Payroll staff	246	225	198
Off-payroll staff[2]	33	36	17

Table C: Payroll/off-payroll staff – average full time equivalent over the financial year

	2014/15	2013/14	2012/13
Payroll staff	238	202	188
Off-payroll staff[2]	35	24	13

1 Casual refers to those employees engaged on a fixed-term appointment of less than 12 months.
2 Non-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.

Table D: Workforce shape: headcount (%)	31 March 2015	31 March 2014	31 March 2013
Administrative assistants and officers	19 (7.7)	19 (8.4)	21 (10.6)
Executive officers	27 (11.0)	30 (13.3)	30 (15.2)
Higher and senior executive officers	118 (48.0)	102 (45.3)	82 (41.4)
Grade 6/7	66 (26.8)	60 (26.7)	49 (24.7)
Senior civil servants	16 (6.5)	14 (6.2)	16 (8.1)

Recruitment

All civil service recruitment is carried out in accordance with the relevant employment legislation and the recruitment principles issued by the Civil Service Commission. Throughout 2014–15 the level of recruitment increased to ensure UKEF had the staff resources needed in order to meet the objectives set out in its business plan. The following were appointed:

	Permanent appointments[1]	Fixed-term appointments	Loans from other government departments	Secondments	Total
Administrative assistants and officers	0	0	0	0	0
Executive officers	4	0	0	0	4
Higher and senior executive officers	26	7	0	0	33
Grade 6/7	13	3	0	2	18
Senior civil servants	3	0	0	0	3

Staff engagement

The 2014 staff survey results showed that staff engagement was 59% – up from 56% in 2013. A working group, including two executive directors, was set up to address outcomes from the survey and agree actions.

Learning and development

A learning and development strategy was published detailing performance management; leadership and management development; and talent management as the three main streams of focus for developing the capability of UKEF's workforce. The strategy also outlined a timetable of activities spanning 2014 to 2016, which will be reviewed regularly.

1 This includes permanent transfers from other government departments.

During 2014–15 the average number of days spent on learning and development per FTE was 2.9, with an average expenditure of £1,142 per FTE which included attending formal training courses and also other forms of development such as coaching and job shadowing.

Thirty-five members of staff at Grade 7 and above took part in a comprehensive leadership assessment programme which included a day at a development centre and a number of online assessments. This information was used to inform individual personal development plans, and the rollout of two training courses to foster leadership. Further work on developing UKEF's leaders is in the planning stage.

Diversity

UKEF joined the cross Civil Service Diversity Network Group, which aims to share best practice, particularly around implementing the actions outlined in the Civil Service Talent Action Plan. A review of UKEF's activity relating to diversity will be carried out in 2015–16.

Table E: Diversity as at 31 March 2015

	Women (%)	Black and minority ethnic (%)	Disabled (%)
Administrative assistants and officers	13 (68.4)	12 (63.2)	10 (52.6)
Executive officers	20 (74.1)	21 (77.8)	2(7.4)
Higher and senior executive officers	40 (33.9)	29 (24.6)	3 (2.5)
Grades 6 and 7	23 (34.8)	10 (15.2)	1 (1.5)
Senior civil servants	3 (18.8)	1 (6.3)	0 (0.0)
Total	**99 (40.2)**	**73 (29.7)**	**16 (6.5)**

Health, safety and well-being

UKEF promotes the health, safety and well-being of its staff. UKEF's sickness absence levels continue to be lower than the civil service average which is currently recorded as 7.3 days lost per year and with 58% percent of civil service staff recording sickness absence. The cost of sick absence in UKEF for 2014/15 was £275k (2013–14: 237k).

UKEF provided staff with the opportunity for free flu vaccinations and health screenings. A new set of attendance management policies was implemented encouraging a work-focussed approach to supporting staff during periods of sickness absence. UKEF has a staff assistance programme and arrangements in place for occupational health referrals to ensure that it carefully considers any reasonable adjustments that would facilitate a return to work or could support staff at work.

Table F: Sickness absence data			
	31 March 2015	**31 March 2014**	**31 March 2013**
Average working days lost	6.3	6.1	7.0
% Staff with no sickness absence.	50%	47%	59%

Reward and recognition

UKEF operates a policy to recognise those staff who perform exceptionally. This is complemented with a recognition scheme for staff going the extra mile throughout the year. During 2014–15 UKEF made 104 awards to staff through its recognition scheme.

During the year UKEF began consulting with staff on a new pay system to end automatic time-served progression in line with public sector pay policy. To support this work, staff produced job descriptions and person specifications. This work will also support staff throughout the performance management cycle and the future work on talent management and succession planning.

Off-payroll engagements (the following tables have been subject to audit)

Following the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury in 2012, departments must publish information on their highly paid and/or senior off-payroll engagements. The tables below provide information on UKEF's off-payroll engagements during 2014–15.

Table G: off-payroll engagements paid more than £220 per day and lasting longer than 6 months at 31 March 2015	
Number of engagements	15
of which	
existed for less than 1 year at the time of reporting	3
existed for between 1 and 2 years at the time of reporting	9
existed for between 2 and 3 years at the time of reporting	2
existed for between 3 and 4 years at the time of reporting	0
have existed for 4 years or more at the time of reporting	1
Total	**15**

Table H: off-payroll engagements paid more than £220 per day and lasting longer than 6 months that were either new or reached 6 month duration in 2014–15	
Number of engagements	30[1]
Number of new engagements which included contractual clauses giving UKEF the right to request assurance in relation to income tax and national insurance obligations	8[2]
Number for whom assurance was requested	20[3]
of which	
assurance received	6
assurance not received	13[4]
were terminated as a result of assurance not being received	1
Total	**20**

All off-payroll engagements (with the exception of the 6 engagements mentioned in footnote 3) were subject to a risk-based assessment to determine whether it was necessary to seek tax assurances. As a result, tax assurances were sought for all cases, except for secondments to UKEF from other organisations. UKEF reviewed the agreements in place for individuals on secondment. As those agreements specified that the individuals would remain staff of their parent organisation (and on that organisation's payroll), UKEF considered that they were out of scope of this exercise.

Table I: off-payroll engagements of board members and/or senior officials with significant financial responsibility	
Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the year	0
Number of individuals that have been deemed board members and or senior officials with significant financial responsibility during the year	6

1 Of the 30 engagements reported:
- 6 were new engagements during 2014–15 where the contract period was for 6 months or more
- 15 engagements started in 2013–14 and reached 6 months in duration during 2014–15
- 9 other engagements started prior to 1 October 2013 and continued into 2014–15.

2 UKEF entered into 10 new off-payroll arrangements in 2014–15 where the fee paid was more than £220 per day. Of those, 8 included the relevant clauses. The engagements for the remaining 2 have since ceased and a new process has been implemented to ensure that no new contracts are issued without the relevant clauses.

3 Assurance exercises were carried out in August 2014 and March 2015. Assurance was not requested from 6 workers as the contracts ended prior to these exercises and assurance will be sought for the remaining 4 workers during 2015–16 once their contracts reach 6 months.

4 Of the 13 workers for which assurance has not been received, 8 have since left UKEF and their details were passed to HMRC, and further information has been requested from the remaining 5.

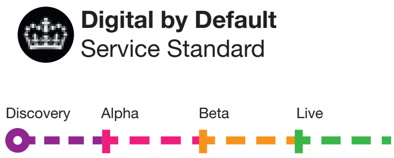
Partnerships

UKEF works closely with UKTI, the government's trade promotion body, to provide support to UK based companies. UKEF and UKTI have aligned their marketing, communications and awareness campaigns under the "Exporting is GREAT" banner. UKEF's export finance advisers operate alongside UKTI's International Trade Advisers in the English regions and with the trade promotion bodies in Scotland, Wales and Northern Ireland and refer companies that need support to each other. Similarly, staff in UKEF's newly formed International Business Development Division work with UKTI on its High Value Opportunities programme where export credit financing may help facilitate contracts being awarded to the UK. In that regard, UKEF has provided training for UKTI staff based in key overseas British embassies and high commissions so they can promote UKEF's products and services in-country alongside the range of UKTI support.

UKEF's support can now be accessed through the Business Growth Service launched at the end of 2014 to help provide a single portal through which business advice is made available to smaller UK companies with growth potential. This includes support for companies to access finance facilitated by the British Business Bank, which offers wholesale financial support through over 80 delivery partners. UKEF conducted a review with the British Business Bank of the products offered by both organisations to ensure they align and agreed to consider how the two organisations might cooperative.

UKEF's export finance advisers also work closely with local enterprise partnerships in England, with their equivalents in the devolved regions and with local chambers of commerce when engaging with companies in their regions. These partnerships will be reinforced through a common data sharing system being developed by BIS which will allow advisers, including UKEF's export finance advisers, to be able to see a customer's 'history of engagement' with government across the range of business-support schemes that are available to them.

Typically, UKEF's short-term products and services are accessed by companies through banks or insurance brokers. During the year, UKEF worked with the trade associations, banks and brokers to produce two step-by-step guides to support staff in banks in relation to UKEF's bank guarantee products, and insurance brokers on the export insurance product. UKEF has embarked on a programme of work to modernise its documents by adopting Loan Markets Association wording and entered into consultations with the British Bankers' Association on the direct lending facility and buyer credit loan agreement and guarantee.



UKEF's business operations and IT infrastructure rely on partnerships with other government organisations and commercial suppliers. UKEF is committed to improving its service to customers, from enquiry through to the post-issue stage, and so has obtained approval from the Government Digital Service to begin the "Discovery" design phase for a digital portal for customers, taking account of the Government Digital Service standards.

Separately UKEF's IT infrastructure is currently supported by a single supplier under a broad IT services contracts. This contract will end in 2016, and is expected to be replaced by a services model aligned to the Government Service Design Manual, that will use common government platforms in partnership with other government bodies and the Government Digital Service.

Sustainable Development

Sustainable Lending

Exports or investments that were subject to the *OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries*	
Market/Exporter	**Overseas Project**
Tanzania/BAM Nuttall Ltd	Airport terminal

Environmental, Social and Human Rights Impacts

Export or Investments that were subject to the application of the *Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence*	
Guarantees issued that were screened for environmental, social and human rights (ESHR) impacts	10
Guarantees issued for which an ESHR impact assessment and/or other ESHR management information was provided	5
Guarantees issued categorised as Category A (having high potential ESHR impacts), for which the project was expected to align with the relevant international standards	1
Guarantees issued that were categorised as Category B (having medium potential ESHR impacts), for which the project was expected to align with the relevant international standards	4
Guarantees issued categorised as Category A to which environmental conditions were attached	1
Guarantees issued categorised as Category B to which environmental conditions were attached	4
Transactions for which support was declined on ESHR impact grounds	0
Projects reported to the OECD for non-compliance with the relevant international standards	0

Environment, social and human rights impact categorisation of civil, non-aerospace cases for which support was issued during 2014–15 that fell within the scope of the OECD Common Approaches

Market	Exported goods/ services	Potential impact category[1]	Notes on category	Alignment with relevant international standards	Estimated GHG emissions
Brazil	Pipe laying vessel	N/A	Mobile asset with no identified fixed location or project associated with exports	N/A	N/A
Dubai	Construction & fit out of the Dubai World Trade Centre	B	Medium ESHR risks	IFC Performance Standards 1, 2, 3 & 4 (2012)	The project is not expected to produce GHGs in excess of 25,000 tonnes CO_2equiv/ annum
Dubai	Design, construction & commissioning of infrastructure works for theme parks	B	Medium ESHR risks	IFC Performance Standards 1, 2, 3, 4 & 6 (2012); World Bank Group EHS General Guidelines (2007); World Bank Group EHS Guideline for Tourism and Hospitality Development (2007)	The project is not expected to produce GHGs in excess of 25,000 tonnes CO_2equiv/ annum
India	Design and supply of goods to a refinery & petrochemical plant expansion	A	High ESHR risks	IFC Performance Standards 1, 2, 3, 4, 6 & 8 (2012) World Bank Group EHS Sector Guidelines: • General Guidelines (2007) • Guidelines for Onshore Oil and Gas Development (2007) • Guidelines for Petroleum base Polymers Manufacture (2007) • For Large Volume Petroleum-based Organic Chemicals Manufacture (2007)	The project is expected to produce an estimated 9.5m tonnes CO_2equiv/ annum

Environment, social and human rights impact categorisation of civil, non-aerospace cases for which support was issued during 2014–15 that fell within the scope of the OECD Common Approaches

Mexico	Recycling plant	N/A	Existing operation < 10m SDR	N/A	N/A
Mexico	Paper making machinery	N/A	Existing operation < 10m SDR	N/A	N/A
Mexico	Recycling plant	N/A	Existing operation < 10m SDR	N/A	N/A
Nigeria	Supply of Remotely Operated Vehicles	N/A	Mobile asset with no identified fixed location or project associated with export	N/A	N/A
Sri Lanka	Supply & construction of rural bridges, Phase II	B	Medium ESHR risks	IFC Performance Standards 1, 2, 3, 4, 5, 6 & 8 (2012) World Bank Group EHS General Guidelines (2007)	The project is not expected to produce GHGs in excess of 25,000 tonnes CO_{2equiv} / annum
Tanzania	Construction of an airport terminal	B	Medium ESHR risks	ESHR review undertaken by Atradius (Dutch export credit agency) who deemed the relevant IFC Performance Standards and EHS Guidelines should be met.	The project is not expected to produce GHGs in excess of 25,000 tonnes $CO2_{equiv}$ / annum

Notes:

The categorisation indicates the environmental, social and/or human rights impacts that could potentially occur without the deployment of arrangements to mitigate such impacts as defined by the *OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence*, available from www.oecd.org.

All new civil aircraft and aero engines supported by UKEF must meet EU and International Civil Aviation Organisation environmental and noise standards.

Defence exports are subject to the export licensing procedure operated by the Export Control Organisation of BIS, which takes advice from the FCO, the MoD and, where relevant, the DFID.

Issued cases designated as having high potential environmental, social and human rights impacts where UKEF has contingent liabilities outstanding				
Year of issue/ Market/Exporter	**Overseas project**	**Exported goods/ services**	**Alignment with relevant international standards**	**Comments**
2003–04/ Azerbaijan/ BP Exploration (Caspian Sea) Ltd, CB&I John Brown Ltd	Baku-Tbilisi-Ceyhan (BTC) Pipeline	Various contracts and supplies	Aligned with relevant international standards	Operations phase Independent Environmental Consultant (IEC) monitoring reports received
2006–07/Saudi Arabia/Foster Wheeler Energy, Fluor Ltd	Yanbu National Petrochemical Company (Yansab)	Project management, contract, engineering design and procurement services.	Some pollution related incidents. Incidents to be actioned during forthcoming scheduled plant shutdown.	Operations phase IEC monitoring reports received UKEF monitoring site visit undertaken
2008–09/Saudi Arabia/Fluor Ltd and other UK exporters	Saudi Kayan Petrochemical Co.	Various contracts and supplies	Aligned with relevant international standards	Operations phase IEC monitoring reports received UKEF monitoring site visit undertaken
2010–11/Russia/ Rolls-Royce Plc	Portovaya Gas Compressor Station	Steam compressor station and associated gas pipeline	Aligned with relevant international standards	Operations phase IEC monitoring reports received UKEF monitoring site visit undertaken
2011–12/Brazil/ Various	Petrobras oil and gas exploration and production facilities in the South Atlantic	Various contracts and supplies	Aligned with relevant international standards	Operations phase Monitoring reports received
2013–14/Saudi Arabia/Sadara/ various	Petrochemical project	Various contracts and supplies	Aligned with relevant international standards	Construction phase IEC monitoring reports received UKEF monitoring site visit undertaken

Issued cases designated as having high potential environmental, social and human rights impacts where UKEF has contingent liabilities outstanding				
2013–14/Vietnam/ various	Petrochemical Plant	Various contracts and supplies	Some health and safety related incidents. Plans to manage health and safety issues being actioned.	Construction phase IEC monitoring reports received UKEF monitoring site visit undertaken
2014–15/India/ various	Upgrade and expansion of a Petrochemical plant	Various contracts and supplies	Some worker accommodation and health and safety management issues to be followed up at forthcoming site visit.	Construction phase IEC monitoring reports received UKEF monitoring site visit undertaken

Issued cases designated as having medium potential environmental, social and human rights impacts where UKEF has contingent liabilities				
Year of issue/ Market/Exporter	**Overseas project**	**Exported goods/ services**	**Alignment with relevant international standards**	**Comments**
2014–15/ Dubai/Carillion Construction Ltd	Dubai World Trade Centre phase 1	Construction services	Aligned with relevant international standards	Construction phase UKEF site monitoring visit undertaken
2014–15/Dubai/ Kier Construction Ltd	Dubai Parks phase 1	Construction services	Aligned with relevant international standards	Construction phase UKEF site monitoring visit undertaken
2013–14/Abu Dhabi/Carillion Construction Ltd	Hard Rock Hotel	Construction services	Aligned with relevant international standards	Construction phase UKEF site monitoring visit undertaken
2013–14/ Dubai/Carillion Construction Ltd	Retail Development	Construction services	Aligned with relevant international standards	Construction phase UKEF site monitoring visit undertaken

Issued cases designated as having medium potential environmental, social and human rights impacts where UKEF has contingent liabilities				
2013–14/Ghana/ Mourne Ltd	Kotoka International airport refurbishment Phase III	Construction services	Aligned with relevant international standards	Construction phase Monitoring reports received
2013–14/ Ghana/NMS Infrastructure Ltd	Rural Hospitals	Design and construction services	Aligned with relevant international standards	Construction phase Monitoring reports received
2013–14/Sri Lanka/Cleveland Bridge UK Ltd	Rural bridges	Supply of bridges and construction services	Aligned with relevant international standards	Construction phase Monitoring reports received
2013–14/Sri Lanka/Mabey Bridge Ltd	Replacement bridges	Supply of bridges	Aligned with relevant international standards	Construction phase Monitoring reports received
2013–14/ Virgin Islands (British)/ Biwater (BVI) Ltd	Desalination and wastewater treatment plants	Construction services	Aligned with relevant international standards	Construction phase Monitoring reports received
2012–13/Ghana/ International Hospitals Group	Redevelopment of a hospital	Construction services	Aligned with relevant international standards	Construction phase Monitoring reports received
2011–12/Brazil/ Siemens UK	Steel plate and steckel mill	Supply of goods	Aligned with relevant international standards	Construction phase IEC monitoring reports received
2010–11/Egypt/ Carillion plc	Cairo Festival City	Construction services	Aligned with relevant international standards	Construction phase Monitoring reports received

Anti-Bribery and Corruption

UKEF produces an annual report on the applications received for support and its anti-bribery due diligence carried out in accordance with its obligations under the OECD *Council Recommendation on Bribery and Officially Supported Export Credits*. The report is published on its website.

In March 2015 UKEF conducted a consultation on proposed changes to the anti-bribery and corruption provisions which it requires from customers. It proposed that:

- anti-bribery declarations and undertaking should be simplified
- anti-bribery and corruption procedures should be adapted as appropriate to any new products UKEF introduces including those aimed at exporters and companies in an exporting supply chain
- consultation on any future changes to UKEF's anti-bribery procedures should be in line with the government's policy on public consultation

The outcome of the consultation will be published in 2015.

Requests for Information

The Freedom of Information Act 2000 gives the public rights of access to information held by public authorities.

In 2014–15 UKEF received 86 requests for information under the Freedom of Information Act, compared with 99 requests received in the previous year.

Requests for information		
Issue	**2014–15**	**2013–14**
Anti-bribery and corruption procedures	2	1
Defence business	1	3
Environmental information	5	0
Project information and general business matters	14	25
International debt	11	12
Organisation/procurement	53	58
Total	86	99

UKEF responded to 92% of cases within the statutory time limit, compared to 83% in 2013–14.

Sustainability Reporting

UKEF has reported annually on sustainable development activities on its estate since 2006, with the aim to operate the estate efficiently and reduce the environmental impact of operations and their associated costs.

The Greening Government Commitments (GGC) are the government's commitments for delivering sustainable operations and procurement. They aim to significantly reduce the government's environmental impact by reducing emissions of greenhouse gases, waste, water usage and by making procurement more sustainable. The 2014–

15 reporting year is the final target year of the 5-year performance reporting cycle, which began in 2011–12 and is measured against the baseline year of 2009–10.

Summary of Performance

Area		2009–10 Baseline	2014–15 Performance	Target Change	% Change
Greenhouse gas emissions from UK estate and domestic travel	tonnes of CO_2 equivalent (tCO_2e)	485.55	481.06	-25%	-0.9%
Estate waste	Amount (tonnes)	78.62	56.00	-25%	-28.8%
Estate water	Consumption (m^3)	2,762	1,967	–	-28.8%

GGC targets do not include emissions from international air travel, but these have been included in UKEF's figures below.

Emissions

Emissions – four-year summary

		2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
Non-financial indicators (tCO_2e)	Total gross emissions (inc. international travel)	651.90	654.23	528.13	622.10	761.53	844.72
	Total gross emissions in scope	485.55	422.70	343.98	341.21	402.91	481.06
	Scope 1 (direct)*	52.59	42.37	35.78	40.04	41.26	38.65
	Scope 2 (indirect)*	397.15	345.95	274.39	268.35	316.27	331.89
	Scope 3 (indirect):						
	– transmission and distribution losses**	31.45	27.86	23.45	21.20	23.36	25.04
	– domestic business travel	4.36	6.52	10.36	11.62	22.02	85.48
	– international travel	166.35	231.53	184.15	280.89	358.62	363.66
Related energy consumption (kWh)	Electricity: renewable	820,476	712,844	606,986	583,349	613,202	580,279
	Gas	285,080	229,027	194,892	216,211	224,209	212,888
	Whitehall district heating system (WDHS)	0	0	0	0	162,237	171,480

Financial indicators	Expenditure on energy (£)	135,067	79,318	65,360	78,862	113,711	102,645
	CRC licence expenditure (2010 onwards) £	0	950	1,290	1,290	3,452	2,562
	Expenditure on GCOF II (£)	0	2,439	1,139	0	0	0
	Expenditure on official business travel (£)	157,994	232,647	212,477	358,805	457,809	519,326

*In previous years, Scope 1 and 2 had been combined during reporting. For 2014–15 and all previous years, including the baseline period, these are now reported separately. This is in order to reflect the restated carbon footprint for all years in order to account for material changes to the conversion factors provided by Defra for reporting purposes.

**Transmission and Distribution (T&D) electrical losses have also been split out and reported separately as scope 3 emissions. Data for calculation had previously been unavailable.

Definition of terms:

Scope 1 – Direct greenhouse gas (GHG) emissions: e.g. fugitive emissions from air conditioning units, gas consumption.

Scope 2 – Indirect energy emissions – electricity consumed supplied by another party, heat supplied through the Whitehall district heating system.

Scope 3 – Other indirect emissions – emissions relating to official business travel directly paid for (i.e. not business travel re-charged by contractors) and T&D losses. Minimum requirements do not include international air or rail travel in line with GGC, but these have been included in UKEF's GHG figures.

Performance commentary (inc measures)

The target set for government departments is to reduce GHG emissions from their estate and UK business-related transport by 25 per cent by the end of the 5-year reporting period at 2014–15 against a 2009–10 baseline. At the end of 2012–13, UKEF had succeeded in meeting this target, with an overall 29.7% reduction, achieved through estate rationalisation and investment in energy reduction measures to reduce emissions. However, following a relocation of its London office to 1 Horse Guards Road (1HGR) and increase in business travel, the progress in reducing emissions was significantly impacted and reversed, with UKEF achieving a final reduction of 0.9% at the end of the target period.

Estate: before its relocation, UKEF had achieved a 31.5% reduction in GHG emissions from its estate (including its file repository in Cardiff) against the baseline. The relocation has seen an increase in GHG emissions primarily due to the use of the Whitehall District Heating System which has cancelled out some of the gains made previously, with the GHG reductions falling to 17.8% for the whole estate.

Domestic travel: the government's strategy for trade and investment has placed increased emphasis on the role of exports, in which UKEF is a key player. One of UKEF's initiatives to help achieve the ambitious targets set by the government was to appoint 24 regional export finance advisers to work closely with UK exporters, banks and local trade bodies to raise awareness of UKEF. This has led to an increase in domestic air and rail travel, which accounted for 17.8% of total GHG emissions in 2014–15 compared to 0.9% against the baseline year. Air travel is considered the most appropriate method of travel for official business between London to sites in Scotland and Northern Ireland. Going forward, a review of the travel policy will include policies for export finance adviser travel in the UK.

Cutting domestic business travel flights by 20% by 2015 from a 2009 to 2010 baseline

Baseline (2009–10)	2014–15 Flights	% Change
27	108	300% Increase

Due to the change in strategy and the introduction of the export finance advisers, UKEF was unable to meet the target of 20% reduction in cutting domestic flights. Flights have increased, albeit from a very low baseline.

Overseas travel: another aspect of the government strategy is to raise awareness of UKEF's products and services overseas, particularly in support of the UKTI High Value Opportunities Programme. This involved a significant increase in international air travel.

Controllable impacts commentary

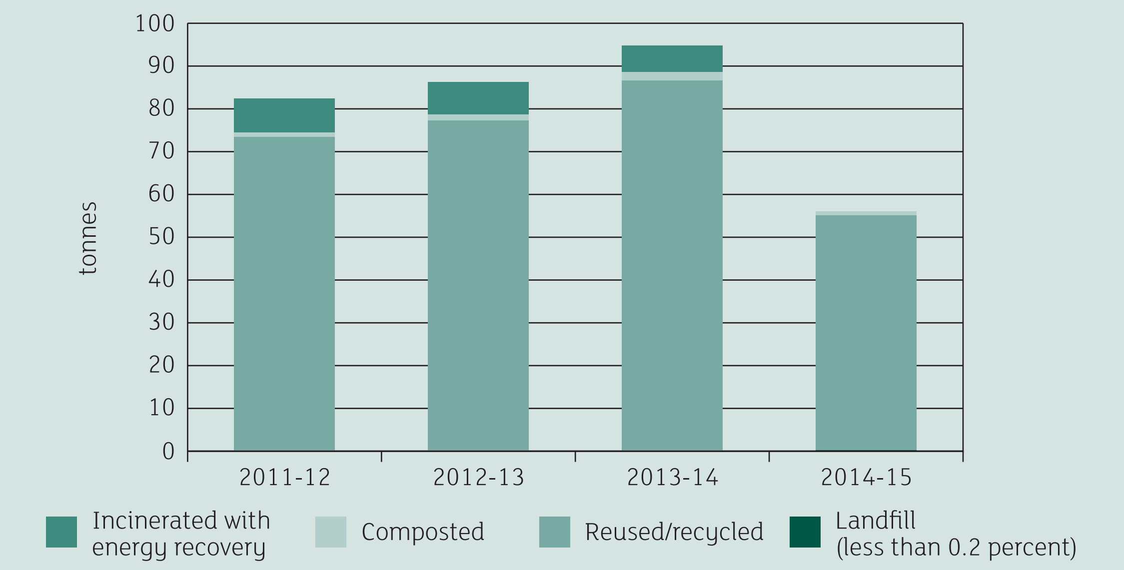
UKEF is a minor occupier in 1HGR, occupying 8.07% of the total net internal area. The HMT building is managed as a PFI and a number of initiatives have been introduced over the years to reduce emissions.

Overview of influenced impacts

As landlord, HM Treasury manages the energy supply contract at 1HGR and follows government procurement best practice.

Waste

Waste disposal – four-year summary



			2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
Non-financial indicators (tonnes)	Total waste		78.62	70.55	82.49	86.25	94.73	56.00
	Hazardous waste	Total	N/A	N/A	N/A	N/A	N/A	N/A
	Non-hazardous waste	Landfill	0.1	0.1	0.1	0.1	0.1	0.2
		Reused/ recycled	65.23	60.41	73.33	77.15	86.56*	54.87
		Composted	1.06	1.08	1.01	1.40	1.94	0.93
		Incinerated with energy recovery	12.23	8.96	8.05	7.6	6.22*	0
Financial indicators	Total Disposal Cost (£)		22,130	19,790	21,928	21,620	47,527	N/K

**2013/14 figure revised due to clarification from HMT that waste is not sent for energy recovery but is fully recycled. As a result, 7.45t of waste was transferred to Recycled for this period.*

Performance commentary (inc measures)

UKEF has a target to reduce the amount of waste it generates by 25 per cent against the 2009–10 baseline. This target was exceeded at 2014–15, with an overall reduction of 28.8% against the baseline. This is primarily as a result of the relocation to 1HGR, with a reduced footprint and the improved recycling facilities.

Controllable impacts commentary

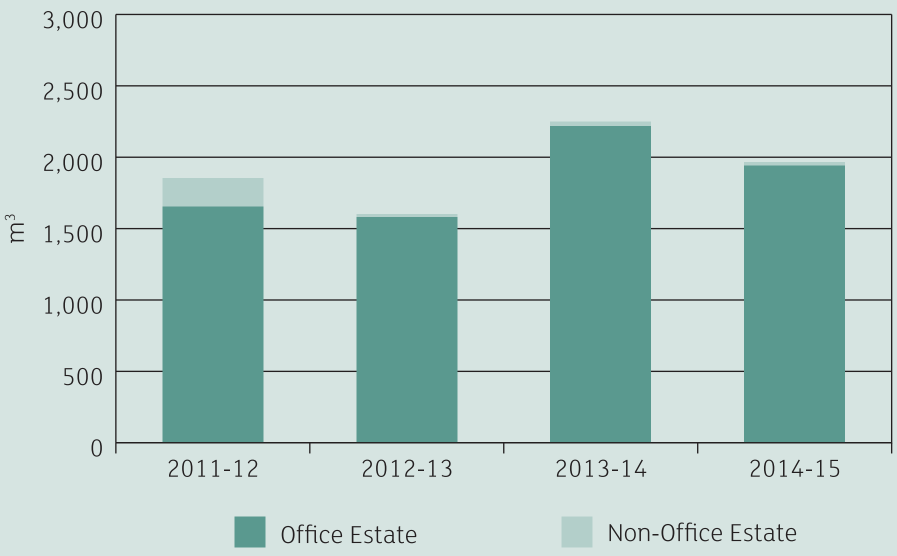
Following the relocation, UKEF moved to a binless environment and recycling points are located on the office floor. All ICT waste is either recycled or reused through UKEF’s contract with the Disposal Services Agency.

Overview of influenced impacts

UKEF has begun the implementation of an electronic case management system, which should see a reduction in paper consumption in the department.

Water Consumption

Water consumption – four-year summary



			2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
Non-financial indicators (m^3)	Water consumption (office estate)	Supplied	2,488	1,901	1,654	1,582	2,218	1,943
		Abstract	N/A	N/A	N/A	N/A	N/A	N/A
		Per FTE*	281	262	231	210	257	254
	Water consumption (non-office estate)	Supplied	273.98	231.63	201.12	18.43	31.60	23.89
		Abstract	N/A	N/A	N/A	N/A	N/A	N/A
Financial indicators	Water supply costs (office estate) £		2,848	5,155	3,041	3,228	4,195	4,770
	Water supply costs (non-office estate) £		824	697	710	156	197	184

**Office based staff only – includes contractors and office visitors, excludes export finance advisers*

Performance commentary (including measures)

The GGC target is to reduce water consumption from a 2009–10 baseline, measured against best practice benchmarks:

a. ≥6 m^3 water consumption per FTE: poor practice
b. 4m3 to 6m^3 per FTE: good practice
c. ≤4m3 per FTE: best practice

UKEF did not meet the good practice benchmark; its consumption is >6m3 per FTE. Over the reporting period, UKEF reduced water consumption by 13.6% against the baseline.

Controllable impacts commentary

UKEF’s water is not measured separately from other tenants and UKEF reports water consumption as being a proportion for the whole building at 1HGR.

Overview of influenced impacts

UKEF will liaise with the 1HGR landlord and consider options to improve water consumption.

Sustainable Procurement

UKEF uses existing framework agreements which have been centrally procured through Crown Commercial Services. Additionally, UKEF's key facilities management suppliers have sustainable objectives and environmental policies in place committing to sustainable development.

Biodiversity and Natural Environment

UKEF's London office and its Cardiff file repository (based on an industrial estate) have no access to or control over external land. Therefore, UKEF does not have a biodiversity plan.

Climate Change Adaptation

Given its small size, UKEF does not have an adaptation plan.

Notes:

All 1HGR utility payments (including water, waste and energy) are included in the set annual lease payments. The figures used above have been apportioned to departmental costs based on floor occupancy of 8.07 per cent.

A resale contract is in place for IT disposal. While the volumes are classed and treated as waste arising and recycling within this report, the income generated from the re-sale of IT items has been subtracted from the total disposal costs for each financial period.

Business travel cost figures exclude travel not purchased through UKEF's travel contract.

Business travel gross emissions do not include journeys made by bus or taxi.

D Godfrey
Accounting Officer
UK Export Finance
8 June 2015

Pages 9 to 63 of this report constitute the management commentary, directors' report and strategic report as required by the government financial reporting manual.

Export Guarantees Advisory Council Annual Report

The Export Guarantees Advisory Council is a non-departmental public body (NDPB) established under the Export and Investment Guarantees Act 1991. Its role is to advise the Secretary of State for Business, Innovation and Skills on the policies that UKEF applies when doing business, particularly those related to:

- environmental, social and human rights
- anti-bribery and corruption
- sustainable lending
- disclosure, in line with information legislation

The council's advice is provided in the context of the government's export strategy and the role UKEF plays to support exports while applying ethical policies established by international agreements that relate to export credit agencies.

The council does not have executive powers and therefore is not involved in decision-making relating to UKEF support for particular export transactions. It does, however, carry out retrospective reviews of export transactions UKEF has supported to understand how ethical policies are applied in practice to give assurance and, where appropriate, advise on how these might be further developed.

Members of the council are appointed by Ministers. Members of the council are not remunerated but provide their services on a voluntary basis. The current members are:

Chair

Andrew Wiseman (partner, Harrison Grant Solicitors)

Members

Gillian Arthur (head of philanthropy services, Sanne Group)

Alistair Clark (corporate director, environment and sustainability department, European Bank for Reconstruction and Development)

Alexandra Elson (policy manager, Royal Dutch Shell Plc)

Chris Fitzpatrick (director, Elements of Sherwood Ltd)

Neil Holt (retired, previously director, ethics and business conduct, CH2M HILL Group, trustee, Transparency International)

John Newgas (consultant, Sagwen Computer Consultancy)

Anna Soulsby (associate professor of organisation behaviour, Nottingham University Business School)

During 2014–15, the council met on four occasions. Separately, it met with the Minister of State for Trade and Investment.

Senior officials from UKEF including its chief executive attended the council's meetings. They briefed the council on current issues and developments and export transactions supported. It is the practice of the council to also meet outside parties to discuss issues of interest to help inform the council's agenda. During the year it met with Jubilee Debt Campaign and the British Bankers Association. The council also met with Professor John Ruggie, who led the development of the UN Guiding Principles on Business and Human Rights, and also an official from BIS with responsibility for handling complaints made to the National Contact Point under the OECD Guidelines for Multinational Enterprises.

At the beginning of the year, the council was consulted on the formulation of UKEF's new three-year business plan which was published in June 2014. The plan sets out a number of objectives that UKEF will seek to achieve so it has the capability and capacity to carry out its role throughout the economic cycle by responding to movements in market conditions as these affect the willingness of commercial providers (normally banks and insurers) to assume financial risks in support of exports. The plan commits UKEF to provide a quality of service and range of products which are comparable with other leading export credit agencies to help ensure exporters can compete on an international level playing field. In this regard, the plan envisaged changes being made to UKEF's statutory powers to enable it to offer a wider range of products.

The government subsequently introduced in Parliament the Small Business, Enterprise and Employment Bill to enact, among other things, amendments to the Export and Insurance Guarantees Act 1991 (EIGA) that would give it wider powers to support exports, including potential exporters. The council was consulted on the proposed changes which also included a provision to remove the statutory duty for the Secretary of State to seek the council's advice on the provision of reinsurance to the private market. This particular duty was a legacy arising from the privatisation of UKEF's Short-Term trade credit insurance operations in 1991 but no reinsurance has been provided to the private sector for over fifteen years and its utility had become redundant, against a background where the council could no longer retain a member with the requisite knowledge and experience of reinsurance. During the pre-legislative public consultation on the proposed changes to UKEF's powers and also the passage of the Bill through Parliament, concerns were raised about UKEF's ethical policies and practices in support of exports. In this regard, the government rejected proposed amendments to the Bill but committed UKEF to continue to abide by international agreements that require it to address ethical issues when it provides support for exports, as appropriate to each of its products. The Bill received Royal Assent in March and the new law has broadened UKEF's powers to support exports which will help facilitate the introduction of new products. The council will be consulted about the introduction of new products, and the application of ethical standards in relation to them, during 2015–16.

The council examined how UKEF applies the *OECD Principles and Guidelines to Promote Sustainable Lending Practices and the Provision of Official Credits to Low Income Countries* (OECD Lending Principles), an international agreement which places boundaries around the provision of export credit loans to poorer countries that are already heavily indebted in order to avoid building-up new debt burdens. The OECD Lending Principles are aligned with the efforts being made by the World Bank and International Monetary Fund to achieve the Millennium Development Goals but without creating future debt problems. The council particularly examined the support provided by UKEF for the construction of hospitals across Ghana by NMS Ltd to see how the OECD Lending Principles were applied in practice. UKEF does not have delegated authority to support exports to countries which fall within the scope of the OECD Lending Principles without the approval of HM Treasury and consulting with the Department for International Development. The council was satisfied that due process had been followed including the involvement of the Crown Agents to provide value for money assurance to the government of Ghana. The hospitals will deliver significant improvements to the delivery of local healthcare services to communities across Ghana and the first of seven is expected to be opened in the coming months.

The council met the Jubilee Debt Campaign an organisation which, amongst other things, is particularly concerned about countries where loans supported by UKEF, in respect of historic export contracts, have been rescheduled because of the inability to meet repayments. Jubilee Debt has called for the export contracts and associated loans to be audited and cancelled where the debts may be regarded as being unjust. The government considers the export contracts were entered into in good faith in line with prevailing export controls and has declined to carry out an audit but continues to implement debt forgiveness under its Heavily Indebted Poor Countries initiative where eligible countries have negotiated multilateral debt arrangements through the Paris Club of Official Creditors and made progress to implement IMF and World Bank backed economic programmes. Over the past few years UKEF has made substantial information publicly available about outstanding sovereign debts owed under rescheduling agreements. The OECD Lending Principles create a framework for UKEF and other export credit agencies to provide export credit loans for poorer countries that help protect them against assuming unsustainable debt burdens in the future.

The council routinely reviews the application of UKEF's anti-bribery and corruption policies in compliance with its obligations under the *OECD Recommendation on Bribery and Officially Supported Export Credits* (OECD Bribery Recommendation). An annual report of experience in applying the OECD Bribery Recommendation produced by UKEF was reviewed by the council which has since been published on its website. The council noted that more companies are operating anti-bribery and corruption policies; UKEF can play a role in the government's efforts to deter bribery by referring companies that do not operate anti-bribery policies to sources of guidance on how to establish them. The council also reviewed the latest OECD Survey on the implementation of the OECD bribery recommendation by member export credit agencies. While the survey revealed instances where some export credit agencies were not yet operating procedures to the highest level, generally, all the export credit agencies operate policies and practices to deter bribery and the processes and procedures employed by UKEF are in line with the requirements of the OECD Bribery Recommendation. UKEF informed the council of new software it has acquired which enables it to access more comprehensive information on-line, to assist due diligence in regards to bribery and corruption as well as anti-money laundering, terrorist financing, and other financial crime.

The council's advice was sought in relation to an initiative being considered by UKEF to simplify the anti-bribery and corruption declarations and undertakings made by applicants for its support under its credit insurance product, the Exporter Insurance Policy, and related provisions in the policy document itself. The context is a programme of work being undertaken by UKEF to update and modernise its product documents. The purpose of simplifying the bribery provisions is to make them more easily understood through the use of plainer English and the removal of duplication and unnecessary language. The council supported the proposed changes but advised UKEF to consider undertaking a public consultation. UKEF has since published a consultation document and the expectation is that the government will make a decision on the proposals and publish a response taking account of representations made by interested parties and after consulting the council.

The council also examined the application by UKEF of the *OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence* (OECD Common Approaches). In particular, it reviewed support provided for a project classified 'Category A', i.e. having potentially high environmental, social and human rights (ESHR) impacts as defined by the OECD Common Approaches, involving the expansion of a large oil refinery in India by Reliance Industries. The project was underwritten on a corporate risk basis and was the first that UKEF had supported in India for many years at a time when the government has sought to improve export trade there. The council reviewed the process by which the project had been screened, classified and assessed by UKEF's Environmental Advisory Unit (EAU) in line with the requirement for it to align with international standards. The council noted that other export credit agencies had also supported the project although ESHR due diligence had not been shared between them and UKEF undertook a number of site visits to supplement the environmental documentation produced by the project sponsor. The council also received a briefing on the first of UKEF's post-issue monitoring visits to the project site in Jamnagar and also noted that so far no other export credit agencies had carried out monitoring on-site during its construction phase. The council also examined UKEF's approach to a project involving the construction of bridges across Sri Lanka that had been classified as 'Category B'. Because the location of all the bridges was not known at the time the support was provided, UKEF put in place a mechanism to conduct ESHR due diligence following the identification of locations to be satisfied that construction at each site would align with international standards. The EAU shared with the council the outcome of a post-issue monitoring visit to some of the bridge sites which showed the project was proceeding satisfactorily.

The EAU provided the council with the results of an informal survey it conducted amongst export credit agencies to gauge the extent to which they conduct post-issue monitoring of projects taking account of the requirements of the OECD Common Approaches. It was apparent that UKEF undertakes a higher level of post-issue monitoring during the construction and operational phases of projects than other export credit agencies who responded.

The council received a report produced by UKEF's internal auditors, who examined the processes and procedures that UKEF should follow in order to comply with the OECD Common Approaches. This was based upon the examination of applications and transactions supported. The audit found that projects had been correctly screened, classified, reviewed and monitored in compliance with the OECD Common Approaches. The report made a number of recommendations to improve the tracking and reporting of cases.

The council reviewed the activities of the EAU which is responsible for carrying out pre and post-issue ESHR due diligence on projects that fall within the scope of the OECD Common Approaches. Overall, the breadth and depth of the work carried out by the EAU has grown, not only in relation to carrying out ESHR due diligence on new projects but also because of the increase in the number of projects that are now being monitored after support has been provided by UKEF. During the year, the EAU established a new panel of external environmental consultants, in line with public procurement rules, so it could readily access resources in situations where, for example, there are peaks in workloads or specialist advice is required. The council encouraged the EAU to consider making public information on how it carries out ESHR due diligence, for example, through publishing a case study, so there could be a wider appreciation of its role and the expertise it brings in the consideration of ESHR matters during the pre and post-issue stages of projects supported by UKEF.

The EAU represents the UK at meetings of environmental practitioners at the OECD. The practitioners advise the OECD Working Party on Export Credits on ESHR matters and make recommendations on how standards could be further developed. In particular, the OECD Working Party had mandated the practitioners to consider ways in which to report greenhouse gas emissions and address human rights issues when considering support for projects. The EAU played a leading role to help inform this work. The council's examination of projects showed that human rights, for example, worker rights and labour conditions, featured in the due diligence in a number of projects. The council met with John Ruggie, the former Special Representative to the UN Secretary-General and leading author of the UN Guidelines on Human Rights and Business, which provided an opportunity to discuss the role of export credit agencies in supporting projects and the human rights issues which arise. Given the importance of human rights, the council will be seeking a new member in 2015–16 with a background in human rights and business to assist its work.

The council received a presentation from BIS on the OECD Guidelines for Multinational Enterprises and the operation of the UK National Contact Point (NCP). The guidelines seek to establish voluntary principles and standards for responsible business conduct. The NCP's role is to address complaints made under the guidelines. The council sought to understand how the NCP processes work in practice for the resolution of disputes. The complaints procedure relies on voluntary participation and does not provide legal redress but offers an alternative to litigation. The NCP provides a potential avenue for complaints to be heard about projects supported by UKEF and for the NCP to help address differences and mediate solutions. UKEF takes account of any negative NCP findings in respect of a party to a project which it is being asked to support in line with the OECD Common Approaches which includes a provision to this effect.

The council met the trade finance committee of the British Bankers' Association (BBA). The BBA welcomed the introduction by UKEF of new products including the new direct lending facility. It considered that these improvements had helped to make UKEF's offering comparable with other leading export credit agencies. However, the BBA commented that in its experience other export credit agencies were more assertive in pursuing national interests in the way they conducted business and that UKEF appeared to be more rigorous in the application of the OECD ethical agreements. The BBA also commented on the need for UKEF to simplify processes and procedures and improve turnaround times. UKEF informed the council of the efforts it is making to respond to the needs of exporters in this regard.

The council reviewed UKEF's handling of information requests made under the Freedom of Information Act and the Environmental Information Regulations during 2013–14. The council welcomed the improvement in the proportion of requests answered within statutory deadlines.

The costs of operating the council during 2014–15 amounted to circa £4,000 largely to reimburse the cost of travel expenses. The council's Terms of Reference, register of members' interests, minutes of its meetings and contact details can be found on the government's website – www.gov.uk/government/organisations/export-guarantees-advisory-council. For further information on the work of the council please contact the council secretary on 020 7271 8101 or email enquiries@ukef.gsi.gov.uk.

Andrew Wiseman

List of loans, guarantees and insurance policies issued

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Abu Dhabi				
Baldwin & Francis Ltd	National Petroleum Construction Co	ECMS interface stations	BS	1,085,878
Buro Four Projects Services Ltd	Abu Dhabi Tourism and Cultural Authority	Project management	BS	300,742
Cathodic Protection Co Ltd	Abdulla Fouad Impalloy Ltd Co	Cathodic protection system	BS	97,937
Pipeshield International Ltd	National Petroleum Construction Co	Subsea concrete mattresses	BS	99,019
Albania				
Roughton International Ltd	Albanian Development Fund	Engineering consultancy	BS	21,433
Armenia				
Roughton International Ltd	Transport Project Implementation	Engineering consultancy	BS	20,211
Australia				
Esprit Digital Ltd	Scentre Group	Digital display units	EWC	538,953
Extronics Ltd	Advanced Technology Projects	Electronic goods	EWC	225,000
Martin Collins Enterprises Ltd	Pakenham Racing Club Inc	Polytrack racecourse surface	BS	138,823
Supacat Ltd	Defence Material Organisation	High mobility transporter vehicles	BS	1,000,000
Bahrain				
Trueform Engineering Ltd	Ministry of Transportation	Bus stops and shelters	BS	485,943
Belarus				
See note 2	See note 2	Machinery	EXIP	1,364,353
Belgium				
Foundocean Ltd	Geosea NV	Offshore grouting services	BS	759,916
Oyster Marine Ltd	Jac Janssen	Yacht	BS	126,000
Oyster Marine Ltd	Jean Vanhoebost	Yacht	BS	111,600

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Benin				
Wagtech Projects Ltd	Madame le Representant Resdient	Heavy metal analysers	BS	9,432
Brazil				
Hampco Ltd	Estaliero Enseada do Paraguaco SA	Flare booms	BS	814,215
IHC Engineering Business Ltd	Sapura Diamante GmbH	Pipe laying vessels	BC	56,156,328
IHC Engineering Business Ltd	Sapura Topazio GmbH	Pipe laying vessels	BC	64,077,198
See note 2	See note 2	LED drivers	EXIP	30,316
Canada				
Alexander Dennis Ltd	Metrolinx	Buses	BS	42,007,821
North Sea Ventilation Ltd	Necl-Apply Leirvik Partnership	Air conditioning units	EWC	160,000
China				
Airbus SAS	Air China Ltd	Airbus aircraft	BC	19,113,403
Airbus SAS	China Southern Airlines	Airbus aircraft	BC	125,914,869
Hayward Tyler Ltd	Dongfang Boiler Group Ltd	Boiler circulation pumps	BS	586,682
Hughes Safety Showers Ltd	China Chengda Engineering Co Ltd	Showers	BS	6,844
Metalis Energy Ltd	Sunbell China Ltd	High pressure pipes	EWC	50,400
See note 2	See note 2	Photographic filters	EXIP	52,803
Techflow Marine Ltd	CNOOC Energy Technology & Services	Stern offloading system	BS	195,847
Czech Republic				
Kliklok International Ltd	Lego Production SRO	Carton forming machine	BS	217,920
Denmark				
Apex Fluid Engineering Ltd	Desmi Pumping Technology AS	Centrifugal pumps	BS	40,000

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Dubai				
Airbus SAS	Emirates	Airbus aircraft	BC	382,043,933
Carillion Construction Ltd	Dubai World Trade Centre LLC	Property construction	BC and DL (50% split)	97,412,380
Holovis International Ltd	Meraas Holdings LLC	Systems for theme park	BS	330,267
Holovis International Ltd	Motiongate LLC	Systems for theme park	BS	299,388
Kier Construction Ltd	Meraas Holdings LLC	Theme park	BC	47,124,498
Pinnacle Re-Tec Ltd	Ministry of Electricity and Energy	Two feed water rotors	EWC	214,400
See note 2	See note 2	Food seasoning	EXIP	40,971
See note 2	See note 2	Door seals	EXIP	140,540
See note 2	See note 2	Oil lubricants	EXIP	68,750
See note 2	See note 2	Wallpaper	EXIP	40,770
WH Partnership Ltd	South Egypt Drug Industries Co	Syrups manufacturing system	BS	72,896
Ethiopia				
See note 2	See note 2	Storage equipment	EXIP	107,754
Finland				
Kiln Flame Systems Ltd	Stora Enso Oyj	Silo	BS	164,173
France				
British Converting Solutions Ltd	BPI France Financement	Corrugated box making machinery	BS	67,011
Georgia				
Roughton International Ltd	Ministry of Regional Development	Engineering consultancy services	BS	9,947
Germany				
Alphr Technology Ltd	Mahle Flitersysteme GmbH	Air cleaner and duct system	BS	157,940
A Smith Gt Bentley Ltd	Broadcast Solutions GmbH	Outside broadcast trailer	BS	824,713

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Cube Precision Engineering Ltd	Westfalia Presstechnik	Press tools	EWC	100,000
Interpower Induction Ltd	Buss-SMS-Canzier GmbH	Heating systems	BS	286,702
JDR Cable Systems Ltd	Visser & Smit Marine Contracting	Cables	BS	2,749,511
Marine Entertainment Systems Ltd	Zum Alten Speicher	Entertainment system for yacht	BS	269,019
Oyster Marine Ltd	Volker & Roswitha Heuer	Yacht	BS	180,410
Rib-X Ltd	Fr Lurssen Werft GmbH	Rescue tenders	BS	68,846
Ghana				
Eduteq Ltd	Ministry of Energy and Petroleum	Drilling fluid laboratory equipment	EWC	350,000
See note 2	See note 2	Brewing and beverage spares	EXIP & EWC	429,035
Greece				
See note 2	See note 2	Cheese	EXIP	158,625
See note 2	See note 2	Animal feed	EXIP	113,284
See note 2	See note 2	Automotive parts	EXIP	295,701
See note 2	See note 2	Animal feed	EXIP	71,865
See note 2	See note 2	Oil lubricants	EXIP	466,925
See note 2	See note 2	Machinery	EXIP	232,484
See note 2	See note 2	Vacuum cleaner	EXIP	102,594
See note 2	See note 2	Reinforcing bar couplers	EXIP	61,384
See note 2	See note 2	Resins	EXIP	289,827
See note 2	See note 2	Ferro alloy powders	EXIP	20,081
See note 2	See note 2	Ferro alloy powders	EXIP	48,640
See note 2	See note 2	Medical packaging	EXIP	23,780
See note 2	See note 2	Fashion clothing	EXIP	62,645
See note 2	See note 2	Paper	EXIP	57,865

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Hong Kong				
Airbus SAS	China Aircraft Leasing Co (CALC)	Airbus aircraft	BC	6,177,583
India				
Airbus SAS	Interglobe Aviation Pte Ltd	Airbus aircraft	BC	55,501,552
Corrotherm International Ltd	Reliance Industries Ltd	Nickel alloy pipes	BS	118,440
Griffon Hoverwork Ltd	The Director General Indian Coast	Hovercraft	BS	1,593,037
Multiple Exporters	Reliance Industries Ltd	Petrochemical plant	LOC	80,506,954
See note 2	See note 2	Digital sound equipment	EXIP	142,500
Zeeko Ltd	Instruments Research & Development	High precision polishing machines	EWC	400,000
Indonesia				
Thales Air Defence Ltd	Ministry of Defence	Air defence system	BC	105,570,922
Thales UK Ltd	Ministry of Defence	Air defence system	BC	26,114,015
Ireland				
Airbus SAS	Avolon Aerospace Ltd	Airbus aircraft	BC	57,481,903
Aylesbury Automation Ltd	Wyeth Nutritionals Ltd	Canning production line	BS	422,400
Stenner Ltd	Woodfab Timber Ltd	Sawing machinery	BS	190,049
Israel				
See note 2	See note 2	Dose content uniformity system	BS	199,614
See note 2	See note 2	Printers	EXIP	22,895
Italy				
Hughes Safety Showers Ltd	Tecnimont SPA	Showers	BS	3,192
Lanemark International Ltd	KT Kinetics Technology SPA	Burners	BS	70,341

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
PCT Group Sales Ltd	Saipem Energy Services SPA	Electric hoists	BS	106,747
Japan				
Cascade Technologies Ltd	Horiba Ltd	Laser gas analysers	BS	235,520
Jordan				
Airbridge International Agencies Ltd	Royal Jordanian	Management of cargo services	BS	160,000
See note 2	See note 2	Oil lubricants	EXIP	432,041
Korea, Republic of				
Airbus SAS	Korean Airlines Co Ltd	Airbus aircraft	BC	84,144,455
Airbus SAS	Asiana Airlines	Airbus aircraft	BC	79,885,280
Consolite Technology Ltd	Daewoo Shipbuilding & Marine Engineering Co Ltd	Night vision lighting system	BS	225,555
DPS (Bristol) Ltd	Hyundai Heavy Industries Co Ltd	Compression platform	BS	868,721
DPS (Bristol) Ltd	Samsung Heavy Industries	Goods for FPSO vessel	BS	676,175
Enterprise Control Systems Ltd	Defence Acquisition Program	Repair and maintainance	BS	56,984
Griffon Hoverwork Ltd	Public Procurement Service	Hovercraft	BS	4,069,920
Hughes Safety Showers Ltd	Daelim Industrial Co Ltd	Showers	BS	16,662
Optima Control Solutions Ltd	Jeil C & P Company Ltd	Lithographic plate coating line	EWC	171,311
PCT Group Sales Ltd	Hyundai Heavy Industries Co Ltd	Navigation light system	BS	84,800
See note 2	See note 2	Air conditioning system	BS	1,532,792
See note 2	See note 2	Air conditioning system	BS	3,266,972
Techflow Marine Ltd	Daewoo Shipbuilding & Marine Engineering Co Ltd	Stern offloading system	BS	140,333

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Transcal Rail Ltd	Hyundai Rotem	Seats for underground train	BS	91,688
Vulcan SFM Ltd	Hyundai Heavy Industries Co Ltd	Steel cast nodes	BS	1,724,661
Kuwait				
Clonallon Laboratories Ltd	Arabi Enertec KSC	Sterile delivery procedure packs	BS	13,838
Lebanon				
See note 2	See note 2	Automotive parts	EXIP	160,389
Lesotho				
See note 2	See note 2	Engineering/ architectural services	EXIP	89,590
Libya				
See note 2	See note 2	Machinery	EXIP	823,336
See note 2	See note 2	Wallpaper	EXIP	443,940
See note 2	See note 2	Electronic monitors	EXIP	104,599
See note 2	See note 2	Catering equipment	EXIP	108,236
Luxembourg				
Pharos Offshore Group Ltd	Dredging and Maritime Management	Remotely operated vehicles	BS	733,435
Malawi				
Roughton International Ltd	The Roads Authority	Engineering and consultancy	BS	15,403
Malaysia				
Airbus SAS	Airasia Berhad	Airbus aircraft	BC	17,935,113
Flexible Engineered Solutions Ltd	TH Heavy Engineering Berhad	Swivel stack system	BS	359,012
Industrial Microwave Systems Ltd	Linatex Rubber Products Sdn Bhd	Industrial oven	BS	843,058
North Sea Ventilation Ltd	Dynac Sdn Bhd	Air handling units	EWC	300,000
QA (Weld Tech) Ltd	One Subsea Malaysia	Flowbends	EWC	400,000

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Marshall Islands				
Oyster Marine Ltd	Firebird Ocean Ltd	Yacht	BS	720,000
Mauritius				
EADS Astrium Ltd	Measat International (South Aasia) Ltd (MISAL)	Satellite	BC	23,354,798
Mexico				
Apollo Sheeters Ltd	Papeles y Equipos Ad-Hoc SA de CV	Paper cutting machinery	SCF	583,460
Heat Recovery Solutions Ltd	Dragados Offshore de Mexico SA de CV	Skid to house plant	EWC	323,374
Interpower Induction Ltd	Varmoxz SA de CV	Metal casting equipment	SCF	1,826,427
JMC Recycling Systems Ltd	Varmoxz SA de CV	Gas fired furnaces	SCF	440,822
See note 2	See note 2	Fans and controls	EXIP	228,924
Moldova				
Roughton International Ltd	State Road Administration	Engineering consultancy services	BS	24,420
Mozambique				
Environmental Engineering UK Ltd	Diageo Supply Marracuene Ltda	Plant and equipment	BS	257,793
Netherlands				
Boomeco Ltd	Enerco Energy Trade BV	Woodchips	BS	26,798
Colin Mear Engineering Ltd	JTI Holdings BV	Packaging machinery	BS	66,684
Marine Specialised Technology Ltd	The State of the Netherlands	Fast boats	EWC	1,093,829
Mitchell Dryers Ltd	Zeolyst CV	Ring dryer	BS	324,000
Techflow Flexibles Ltd	Societe d'Exploration du Pieter Schelte NV	Stern offloading system	EWC	587,214
WH Partnership Ltd	Janssen Biologics BV	Biowaste decontamination skid	BS & EWC	159,639

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Nigeria				
Environmental Engineering UK Ltd	Guinness Nigeria PLC	Plant and equipment	BS	212,198
Forum Energy Technologies (UK) Ltd	Marine Platforms Ltd	Remotely operated vehicles	BC	14,142,073
See note 2	See note 2	Metal pipes	EXIP	1,193,223
See note 2	See note 2	Engineering spares	EXIP & EWC	1,414,936
See note 2	See note 2	Engineering spares	EXIP	9,210
Norway				
FTL Subsea Ltd	APL Norway AS	Mooring system connectors	EWC	320,000
MCPS Ltd	Jotne E & P AS	Anodes	BS & EWC	263,676
OGN North Sea Ltd	Kvaerner Stord AS	Units and racks	BS	2,640,000
Techflow Flexibles Ltd	National Oilwell Varco AS	High pressure hoses	EWC	577,212
Techflow Flexibles Ltd	Aker MH AS	High pressure hoses	EWC	117,368
Oman				
Altek Europe Ltd	Oman Aluminium Processing Industries LLC	Dross press	BS	11,758
Pakistan				
Flightline Support Ltd	Pakistan State Oil Co Ltd	Aircraft refuelling vehicles	BS	27,785
Oxford Policy Management Ltd	Delegation of the EU to Pakistan	Consultancy services	BS	1,312,959
See note 2	See note 2	Protection relays	EXIP	12,495
Panama				
Airbus SAS	Avianca Holdings SA	Airbus aircraft	BC	78,565,519
Hampco Ltd	EAS International Inc	Flare booms	BS	1,606,090
Kliklok International Ltd	R Twining and Co Sp zo	Single flap carton closers	BS	95,392

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Portugal				
Flexible Engineered Solutions Ltd	Saipem (Portugal) Comercio Maritimo	Bend stiffener containers	BS	62,182
Qatar				
Allies & Morrison	Hamad Medical Corp	Plan for a medical campus	BS	725,086
Building Design Partnership Ltd	Qatar Foundation	Consultancy services	BS	551,244
Foster & Partners Ltd	Supreme Committee for Delivery & Legacy	Sports design services	BIP	2,706,453
Romania				
Riva Europe Ltd	Sartorom Impex SRL	Tablet press	EWC	100,000
Russia				
Airbus SAS	VEB Leasing	Airbus aircraft	BC	22,091,666
See note 2	See note 2	Ignition cable	EXIP	102,011
See note 2	See note 2	Packaging boxes	EXIP	215,371
See note 2	See note 2	Assembly equipment	EXIP	852,596
See note 2	See note 2	Refractor, binder and wax	EXIP	14,463
See note 2	See note 2	Paint for glass bottles	EXIP	135,517
Saudi Arabia				
A Algeo Ltd	Executive Board of The Health Ministers Council	Medical goods	EWC	215,583
Fluor Ltd	Sadara Chemical Co	Petrochemical complex	BC	291,651,353
Hertvec	Colleges of Excellence Co	Colleges	BIP & BS	35,220,441
Kirintec Ltd	Ministry of Defence & Aviation	Defence equipment	BS	190,480
Lincoln College	Colleges of Excellence Co	Colleges	BS	4,892,042
See note 2	See note 2	Automotive air filters	EXIP	130,395
See note 2	See note 2	Paper cups	EXIP	19,344
The Oxford Partnership	Colleges of Excellence Co	Training courses	BS	8,959,646

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Virtual College Ltd	GPT Special Projects Management	E-learning courses	BS	162,005
WH Partnership Ltd	AJA Pharmaceutical Industries Co Ltd	Liquid syrups manufacturing system	EWC	184,000
Singapore				
Iceoxford Ltd	National University of Singapore	Cryogenic research equipment	BS	108,352
Metalis Energy Ltd	Jurong Shipyard Pte Ltd	High pressure tubular pipes	EWC	55,807
Metreel Ltd	DDW Paxocean	Drag chains	EWC	460,000
Metalis Energy Ltd	Keppel Fels	High pressure tubular pipes	EWC	64,157
PCT Group Sales Ltd	Lindel Pte	Trolley hoists	BS	34,098
Techflow Marine Ltd	Modec Offshore Production Systems	Offloading reel systems	BS	109,812
Techflow Flexibles Ltd	SBI Offshore	High pressure hoses	EWC	160,927
Techflow Flexibles Ltd	PPL Shipyard Pte Ltd	High pressure hoses	EWC	535,530
Techflow Flexibles Ltd	Keppel Fels	High pressure hoses	EWC	2,107,807
South Africa				
See note 2	See note 2	Medical diagnostic equipment	EXIP	26,365
See note 2	See note 2	Pump cases	EXIP	1,440,416
Spain				
Fiscus Ltd	Eptisa Servicios de Ingenieria	Consultancy services	BS	144,189
Hughes Safety Showers Ltd	Ute Tr Abu Dhabi -Shah 1	Showers	BS	1,352
Kiln Flame Systems Ltd	Alcoa Inc	Flame systems	BS	32,884
MCPS Ltd	Dragados SA	Anodes	EWC	120,000
Techflow Marine Ltd	CEPSA Quimca SA	Offloading reel systems	BS	198,470

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Sri Lanka				
Cleveland Bridge UK Ltd	Ministry of Economic Development	Bridges	BC	124,050,512
Sweden				
Boomeco Ltd	EFO AB	Refuse derived fuel	BS	563,674
Colin Mear Engineering Ltd	JTI Snus AB	Packaging machinery	BS	185,200
Hayward Tyler Ltd	Forsmarks Karaftgrupp AB	Spare parts for pipes	BS	458,250
Oyster Marine Ltd	Eric Alfredson	Yacht	BS	152,400
Wood Yew Waste Ltd	Fallkenbergs Returflis	Recycled wood chips	BS	88,192
Switzerland				
Oyster Marine Ltd	Christian Casal	Yacht	BS	254,343
Techflow Marine Ltd	Single Buoy Moorings Inc	Offloading reel systems	BS	150,369
Taiwan				
Click Netherfield Ltd	National Palace Museum	Showcases for museum	BS	313,074
Tanzania				
BAM Nuttall Ltd	Ministry of Airports	Airport terminal	BC and EXIP	46,656,279
Diak Technical Export Ltd	Tanzania Railways Ltd	Flat battery charges	BS	35,032
Diak Technical Export Ltd	Tanzania Electric Supply Co	Flat battery charges	BS	107,263
Thailand				
Airbus SAS	Thai Airasia	Airbus aircraft	BC	5,667,285
Turkey				
Airbus SAS	Turkish Airlines Inc	Airbus aircraft	BC	31,208,848
See note 2	See note 2	Steel products	EXIP	13,458,925
See note 2	See note 2	Running gear	EXIP	467,605
Trainload Ltd	Turkiye Petrol Rafinerileri SA	Bitumen loading arms	BS	56,159

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
Uganda				
Roughton International Ltd	Uganda National Roads Authority	Consultancy services	BS	98,531
Ukraine				
See note 2	See note 2	Fish	EXIP	188,701
See note 2	See note 2	Agriculture soya inoculant	EXIP	92,826
United Arab Emirates				
Baldwin & Francis Ltd	McDermott Middle East Inc	Hazardous area control equipment	BS	90,459
Caley Ocean Systems Ltd	Consolidated Contractors Co	Tensioner	BS	73,235
Chinook Sciences Ltd	Shariah Environment Co LLC	Recycling energy from waste plant	BS	1,600,000
IHC Engineering Business Ltd	Petrofac International Ltd	Tower system for pipe lay vessel	BIP	7,609,100
See note 2	See note 2	Vapour control layers	EXIP	75,981
See note 2	See note 2	Horse feed	EXIP	778,148
See note 2	See note 2	Machinery	EXIP	628,079
See note 2	See note 2	Switchgear equipment	EXIP	542,935
See note 2	See note 2	Gas turbines	EXIP	1,600,701
United States				
Anchor Fast Products Ltd	Costco Wholesale Global	Garden benches	EWC	75,000
Blackhall Engineering Ltd	Tarrant Regional Water District	Valves to control water flow	BS	758,554
DSA Engineering Ltd	Thornton Tomasetti	Design drawings	BS	156,297
Metreel Ltd	Woorley Parsons Canada Serv Ltd	Drag chains	EWC	242,530
Metreel Ltd	Allseas Engineering BV	Drag chains	EWC	491,756
Norton Motorcycles (UK) Ltd	Norton Motorcycles USA	Motorcycles	EWC	160,000
Tetronics (International) Ltd	Blueoak Arkansas LLC	Plasma arc system	BS	2,800,000

List of loans, guarantees and insurance policies issued				
Market/Exporter/ Investor	**Buyer/Airline/ Operating Lessor**	**Project/Goods and Services**	**Product**	**UKEF Max Liability, £s**
The Wyedean Weaving Co Ltd	United Nations	Badges	BS	49,622
Vee Bee Filtration UK Ltd	Bechtel International	Filtration equipment	EWC	137,791
Vee Bee Filtration UK Ltd	Bechtel Oil, Gas & Chemicals Inc	Filtration equipment	BS	219,638
Venezuela				
See note 2	See note 2	Engineering services	EXIP	269,478
Vietnam				
Submarine Manufacturing & Products	General Import and Export Van Xuan Corporation (Vaxuco)	Decompression facility	EWC	528,000
Zambia				
Beeveejay Ltd	Ministry of Health	Opthalmology equipment	BS	610,976
		Total		**£2,137 million**

Notes:

1. Product key: BS – bond support facility; BC – buyer credit; BIP – bond insurance policy; DL – direct lending; EXIP – export insurance policy; EWC – export working capital facility; LCG – letter of credit guarantee facility; SCF – supplier credit finance
2. Details not disclosed e.g. for reasons of commercial confidentiality.

This list excludes cases issued in previous years that become effective in 2014–15. Those cases were listed in the Annual Report and Accounts in the year the guarantees were issued.

Foreign content supported by UKEF during the period was £400 million.

Remuneration

Remuneration policy

The remuneration arrangements for Senior Civil Servants (SCS) are set by the Prime Minister following independent advice from the senior salaries review body (SSRB).

In making its recommendations, the review body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits
- the government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

Remuneration committee

The remuneration committee is responsible for overseeing the performance management and pay of executive directors of the board and other staff who are members of the SCS. The role of the committee is to ensure that Cabinet Office rules and guidance are properly applied in the operation of the SCS performance management and pay system. The committee's terms of reference are to oversee the operation of the SCS pay system in UKEF. Specifically, the committee:

- establishes and publishes an annual pay strategy
- assesses the achievement of the UKEF's aims and objectives to inform the justification for non-consolidated awards
- endorses and authorises decisions on base pay increases
- communicates and monitors pay outcomes, including the publication of an annual report of the operation of the system
- ensures succession management for executive positions on the board

As at 31 March 2015, the membership is:

- Guy Beringer – non-executive chair
- Sir Eric Peacock – non-executive director
- Amin Mawji OBE – non-executive director

The chief executive attends meetings, other than discussion of his own performance. A representative from human resources acts as secretary.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No such compensation payments were made to executive directors during the year.

Independent non-executive members of the board are recruited through fair and open competition and are appointed for an initial period of three years with an option to extend for a further agreed period. These appointments can be terminated with one month's notice period. There is no provision for compensation for early termination.

Salary and pension entitlements for senior management

The salary and pension entitlements of the most senior management (i.e. board members) are set out in the following table. As well as the current members of the board, this table also includes the former members who left UKEF during the year or ceased to be a member. These disclosures have been subject to external audit.

Table A: Single total figure of remuneration (audited information)

Officials	Salary £'000		Bonus payments £'000		Pension Benefits[1] £'000		Total £'000	
	2014–15	**2013–14**	**2014–15**	**2013–14**	**2014–15**	**2013–14**	**2014–15**	**2013–14**
David Godfrey *Chief executive*	245–250	110–115 *(245–250 full-year equivalent)*	0	0	0	0	245–250	110–115
Steve Dodgson *Director, business group*	110–115	110–115	0	0	9	5	115–120	115–120
Cameron Fox *Finance director*	85–90	65–70	5–10	5–10	23	0	115–120	70–75
David Havelock *Director, credit risk group*	130–135	135–140	10–15	10–15	36	24	180–185	170–175
Lucy Wylde *general counsel*	155–160	35–40 *(155–160 full-year equivalent)*	0	0	0	0	155–160	35–40

Notes:

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by UKEF and thus recorded in these accounts.

Bonuses are based on performance levels attained and are made as part of the appraisal process. Due to the nature of the performance appraisal system bonuses are paid in the year following the year for which the performance has been assessed. Therefore, the bonuses reported in 2014–15 relate to performance in 2013–14 and the comparative bonuses reported for 2013–14 relate to the performance in 2012–13.

None of the most senior managers received any benefits-in-kind during the year.

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pension benefits

Table B: Pension benefits (audited information)

	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
Officials	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**Nearest £100**
David Godfrey *Chief executive*	0	0	0	0	0	0
Steve Dodgson *Director, business group*	55–60 plus lump sum of 165–170	0–2.5 plus lump sum 0–2.5	1,206	1,142	8	0
Cameron Fox *Finance director*	0–5	0–2.5	17	0	9	0
David Havelock *Director, credit risk group*	15–20	0–2.5	343	305	31	0
Lucy Wylde *general counsel*	0	0	0	0	0	0

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. CETV payments are made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Table C: Pay multiples (audited information)		
	2014–15	**2013–14**
Band of highest paid director's remuneration[1] (£000)	245–250	245–250
Median total[2] (£)	40,000	36,670
Remuneration ratio[3]	6.2	6.8

The banded remuneration of the highest-paid executive director in UKEF in the financial year 2014–15 was £245,000-£250,000 (2013–14, £245,000-£250,000). In 2014–15 this was 6.2 times (2013–14, 6.8) the median remuneration of the workforce, which was £40,000 (2013–14, £36,670).

In both 2014–15 and the previous year, 0 employees received remuneration in excess of the highest-paid executive director. Remuneration ranged from £19,225 to £250,000 (2013–14, £16,000-£250,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The ratio is calculated by taking the mid-point of the total remuneration of the highest paid executive director divided by the midpoint of the remuneration (median) of the organisations workforce. This is based on the remuneration of the highest paid executive director and remuneration of the full-time equivalent staff of other staff at the reporting period end date on an annualised basis. The purpose of this calculation is to allow some comparability over time and across the public and private sector, where similar disclosures are made. However, the comparison should be treated with caution given the different services provided, workforce skills, geographical locations and organisational structures.

Fees paid to non-executive directors

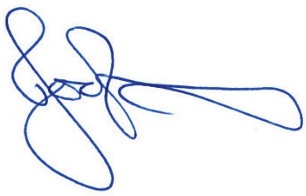
Non-executive directors are paid a fee for their attendance at UKEF board, audit and remuneration committee meetings, to attend other ad hoc meetings and, from time to time, perform other duties. They are also paid travel and subsistence expenses.

1 The banded, full time equivalent, annualised of the highest paid director as at 31 March 2015
2 The median, full time equivalent total remuneration of the staff, excluding the highest paid director as at 31 March 2015
3 The pay multiple (ratio) between the highest paid director and all other staff

The total fees paid to non-executive directors were in the following ranges:

Table D: Fees (audited information)		
Non-executive member	**Fees for 2014–15 £000**	**Fees for 2013–14 £000**
Guy Beringer *Chair of UKEF board*	45–50	45–50
David Harrison *Member of audit and risk committee*	0–5	0–5
Amin Mawji OBE *Member of UKEF board chair of audit and risk committee*	15–20	10–15 *(15–20 full-year equivalent)*
Sir Eric Peacock *Member of UKEF board member of audit and risk committee*	10–15	10–15

Representatives on the board who are officials at other government departments do not receive a fee for their attendance at meetings.



D Godfrey
Accounting Officer
UK Export Finance

8 June 2015

Statement of accounting officer's responsibilities

Under the Government Resources and Accounts Act, 2000, HM Treasury has directed UKEF to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by UKEF during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UKEF and of its net resource outturn, changes in Taxpayers' Equity and cash flows for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

HM Treasury has appointed the chief executive as the accounting officer of UKEF. The responsibilities of an accounting officer, includes the propriety and regularity of the public finances, keeping proper records and for safeguarding UKEF's assets, for which the accounting officer is answerable, are set out in Managing Public Money published by HM Treasury.

Governance statement 2014–15

Introduction

As accounting officer for the Export Credits Guarantee Department (ECGD), operating as UK Export Finance (UKEF), I am responsible to Ministers and Parliament for the management of the UKEF's operations including the stewardship of financial resources and assets. This statement sets out how this responsibility has been discharged for the period 1st April 2014 to 31st March 2015.

The statement covers:

- the organisational arrangements for managing operations, constituting corporate governance
- the nature of UKEF's business and its vulnerabilities and resilience to challenges, requiring risk management and controls

Background

UKEF's principal role is to provide support for exports in the form of insurance and guarantees. In doing so, it complements the provision of support from the private market, taking account of wider government export strategy and policies.

In delivering its support, UKEF seeks to:

- engage pro-actively with exporters, buyers and delivery partners such as banks, without displacing private providers
- provide a quality of service that is responsive to new business with a focus on solutions within the bounds of acceptable risk
- maintain the confidence of Ministers, Parliament and customers
- communicate what it does to interested parties in an effective way

Scope of responsibility

UKEF is a department of the Secretary of State for Business, Innovation and Skills. Its statutory powers are derived from the Export and Investment Guarantees Act 1991 (EIGA) as amended. The EIGA provides that the powers may only be exercised with the consent of HM Treasury (the Consent) which includes a Financial Framework Document containing financial objectives and reporting requirements. In exercising the statutory powers, and fulfilling the Consent and financial objectives set by HM Treasury and the duties set out in 'Managing Public Money', I have responsibility for:

- leadership – to ensure that UKEF fulfils its statutory purposes, implements policies set for it by Ministers, adheres to international agreements that relate to the operations of export credit agencies and applies regulation that pertains to being a department of state and to do so efficiently, effectively and economically

- internal control – to maintain a sound system of risk management and internal control that supports UKEF's operations while safeguarding public funds and departmental assets

Governance framework

Statutory powers

The EIGA as amended is UKEF's source of statutory power to support exports.

Amendments were made to certain sections of the EIGA by the Small Business, Enterprise and Employment Act, which received Royal Assent on 26 March 2015 and became effective on 26 May 2015. The amendments widen UKEF's powers so that UKEF can support or develop exports from the UK, either directly or indirectly. Other changes involve clarifying the types of exports UKEF can support e.g. intangibles, as well as goods and services, combining previously separate sterling and foreign currency exposure limits, and removing the requirement to consult the Export Guarantees Advisory Council when determining whether reinsurance support should be provided by UKEF to the private credit insurance market.

Ministers

I report to the Secretary of State for Business, Innovation and Skills and the Minister of State for Trade and Investment. Ministers have been provided with written and verbal advice and briefings on a range of issues concerning the operations of UKEF. All instructions given to me by Ministers were in accordance with the EIGA, the Consent and applicable international agreements. It was not necessary to seek a written direction from the Minister because of concern about irregularity or impropriety.

HM Treasury

HM Treasury issued a revised Consent in July 2014. HM Treasury is expected to issue a new Consent in 2015 that will facilitate UKEF making available new products following the changes to UKEF's statutory powers. Where the Consent does not give authority to the Secretary of State to make any particular arrangement to support an export, UKEF must obtain specific consent from HM Treasury to make that arrangement.

I, and other UKEF officials, meet officials from HM Treasury regularly to advise them on matters related to the Consent and the operations and performance of the department, and throughout the year, UKEF supplied HM Treasury with reports so it could monitor UKEF's financial performance. UKEF met all its financial objectives in 2014–15.

Shareholder Executive

The Shareholder Executive is responsible for providing independent advice to the Secretary of State in the exercise of his responsibilities for UKEF. I have met Shareholder Executive officials as necessary to brief them about issues related to UKEF, so they could provide informed advice to Ministers if and when required. A representative of the Shareholder Executive is an ex-officio member of UKEF's board.

Executive committee

I am supported in the management of UKEF by the executive committee which I chair. Its membership comprises executive directors who are all members of the SCS or filling SCS-level roles:

- Mr David Godfrey, chief executive
- Mr Steve Dodgson, business director
- Mr Cameron Fox, finance director
- Mr David Havelock, credit risk director
- Mr Stephen Lawrenson, interim chief operating officer (to 31 January 2015)
- Ms Lucy Wylde, general counsel

There are three sub-committees of the executive committee, each of which is chaired by members of the executive committee and whose membership is drawn from senior staff in UKEF:

- credit committee, which advises on the effective management of UKEF's credit risk exposures at the transaction and portfolio level and for compliance with credit risk policies
- change board, which advises on UKEF's investment in infrastructure, systems and processes, ensuring it represents value for money
- security committee, which advises on the security of the assets required for UKEF's business operations, systems and processes, ensuring they are appropriately secured in accordance with legal, regulatory and central government requirements

The executive committee met most weeks throughout the year. The minutes of its meetings are published on UKEF's website.

Executive directors

The **finance director** is responsible for finance and accounting.

The **director of the business group** is responsible for delivery of support for exports of capital and semi-capital goods and services, typically financed through the provision of loans to overseas buyers/borrowers repayable on medium to long terms of credit.

The **director of the credit risk group** is responsible for financial risk and related management systems and practices, and the operational risk second line of defence model.

The **chief operating officer** reported directly to me on strategic and business planning, the change agenda, marketing, communications, IT, health and safety, facilities management, estates, procurement and security, and human resources. I have taken direct responsibility for these areas since 31 January 2015.

The **general counsel** is responsible for all legal matters and for managing legal risk.

Although not an executive director, the head of trade finance and insurance solutions reports directly to me on the delivery of support, primarily to medium and smaller sized exporters for exports sold on short terms of credit, typically up to one year. He attends the executive committee meetings but is not a member.

There have been no changes to appointments to the executive committee during the year, although the role of chief operating officer became vacant from 31 January 2015.

UK Export Finance board

In discharging my responsibilities, I am also advised by the board of which I am a member. It is led by a non-executive chairman. Its membership consists of myself, the credit risk director, the finance director, the business director, the general counsel, non-executive directors and representatives from UKTI and the Shareholder Executive.

Non-executive members:

- Mr Guy Beringer, chairman
- Mr David Harrison (retired from the board on 31 March 2012 but continued to be a member of the audit and risk committee)
- Mr Amin Mawji
- Sir Eric Peacock

Shareholder Executive representative:

- Ms Fiona Jane Macgregor (to May 2015)

UKTI representative:

- Mr Jon Harding (to August 2014)

The non-executive directors are appointed through open competition on the basis of relevant expertise and merit. The non-executive members provide me with an independent source of advice, scrutiny and challenge on strategic and operational issues, UKEF's financial performance, and the arrangements for enterprise risk management and control.

The remuneration of the executive members is determined in accordance with the rules for the SCS. Non-executive members are paid a fee determined by UKEF – see the remuneration report.

Subjects considered by the board during the period in question included:

- strategic vision and business planning
- management of legal issues
- operational and strategic risks
- staff resourcing and staff engagement
- cyber-security
- aerospace and short-term products business performance
- Main estimates and autumn re-forecasts and quarterly financial performance
- credit risk policy, claims scenarios and provisions
- management information

The board has two sub-committees whose membership comprises only non-executive directors:

- audit and risk committee, which examines and reviews the adequacy of the arrangements for accounting, enterprise risk management and control. I attend its meetings, as does the finance director, the head of internal audit and assurance and an official from the National Audit Office. The chair formally reports the outcome of each meeting to the board
- remuneration committee, which deals with the remuneration of members of the SCS in UKEF

The board met seven times in the period in question. The minutes of its meetings are published on UKEF's website. The audit and risk committee met five times.

A board effectiveness review was in progress at 31 March 2015. An effectiveness review of the audit and risk committee was conducted during the year, which concluded that the audit and risk committee operated effectively, providing a robust challenge to senior management, and made some suggestions for small improvements.

Attendance by members was as follows:

Name of board member	Board	Audit and risk committee	Remuneration committee
Guy Beringer	6/7	–	1/1
Amin Mawji	7/7	5/5	1/1
David Harrison	–	5/5	–
Sir Eric Peacock	7/7	4/5	1/1
Jon Harding*	3/3	–	–
Fiona-Jane MacGregor**	7/7	–	–
David Godfrey	5/7	–	–
Steve Dodgson	4/7	–	–
David Havelock	6/7	–	–
Lucy Wylde	7/7	–	–
Cameron Fox	5/7	–	–

*Jon Harding was the UKTI representative and attended the boards in May, June and July but took-up a new post in August 2014 and stepped down from the board. Jane Owen has taken over as UKTI representative from May 2015.

**Roger Lowe took over as Shareholder Executive representative from May 2015.

Through the maintenance of a register of interests, potential conflicts of interest are identified and, as necessary, addressed.

From March 2015, the terms of reference of the board were amended to formalise changes that became necessary as a result of the creation of the trade and investment board and clarify the board's role as follows:

"The board supports the accounting officer in the management of UK Export Finance through operational oversight, by providing advice, challenge and assurance."

Under its terms of reference, the board is now required to have a majority of non-executive and ex-officio members and another non-executive member will be recruited in order to meet this requirement. An observer from HM Treasury will also now attend board meetings.

Trade and investment board (T&I board)

The T&I board was formed during the year and is chaired by the minister for trade and investment with membership drawn from UKEF and UKTI , non-executive directors, representatives from the Department for Business Innovation and Skills, the FCO and a business organisation. Its remit is to provide strategic support to the minister by:

- providing advice on the effectiveness of the government's trade and investment strategy
- aligning and prioritising UKEF's and UKTI's strategic objectives and projects

- reviewing UKEF's and UKTI's business plans to ensure they are coordinated and in line with strategy and priorities

Two meetings were held which I attended that considered, amongst other things:

- the review of UKEF's business plan for 2014 to 2017
- changes to UKEF's statutory powers
- comparison with other export credit agencies
- UKTI/UKEF marketing activities

Risk management and control

Credit risk associated with support for exports and investment overseas

UKEF's fulfils its statutory purpose primarily by assuming financial risks – principally the risk of payment defaults on export contracts and associated loans. In doing so, UKEF accepts credit risks which create contingent liabilities for the Exchequer or, in the case of the direct lending facility, public expenditure. Credit risk is the risk of claims being made against UKEF and of suffering ultimate loss in the form of irrecoverable claims, arising from the defaults of obligors or counterparties against which UKEF has financial exposure.

UKEF accepts risks where the private market is unwilling and/or lacks risk capacity. As a result, UKEF's credit risk portfolios are necessarily more skewed, concentrated and risky than those typically found in the private market. The financial outcome is difficult to predict, taking into account the long term nature of much of the risks accepted and the constraints in UKEF's ability to diversify, transfer or swap risks.

UKEF's credit risk policy is established in line with the Consent and reviewed by the board. The credit committee oversees the operation of credit risk policy and practice. The credit risk director leads the assessment, acceptance and management of credit risk exposures. The finance director leads the assessment, acceptance and management of treasury risk exposures (other than exchange rate risks which are risks that HM Treasury does not authorise UKEF to hedge).

UKEF's organisational structure is functionally-based. The customer relationship function is separated, so far as is practicably possible, from the financial risk assessment and pricing process carried out by the Credit Risk Group.

By means of a system of delegated authority, individual staff are empowered to underwrite support or authorise lending for individual export contracts, thus assuming credit risk on behalf of the Exchequer. The competence of staff to hold a delegated authority is reviewed annually.

Other financial risks

The objectives and policies for the management of all financial risks and UKEF's exposure to those risks, where material, are disclosed within Note 21 to the Accounts entitled "Risk Management: Financial Instruments and Insurance Contracts".

Operational risk

Operational risks relate to threats which might impair UKEF's ability to fulfil its statutory purpose, achieve its financial objectives, adhere to international agreements, implement policies set by Ministers, or apply other regulation related to being a Department of State.

Risks may arise from a variety of internal and external sources and events. For example, risk aversion by the private market may cause an increase in demand for UKEF support for exports, thus creating additional demands on staff. Internally, a failure to follow due process could lead to support being provided which did not comply with the Consent or was outside UKEF's statutory powers.

The system of internal control in UKEF is designed to identify, rank and prioritise strategic and operational risks, to evaluate the likelihood of those risks occurring, and to assess their impacts and to manage them accordingly. The system is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to fulfil UKEF's statutory purpose, meet financial objectives, adhere to international agreements, or implement government policies. It can therefore provide a reasonable, but not absolute, assurance of effectiveness.

The operational risk team owns the operational risk framework, policy and templates and works closely with divisional heads to reinforce operational risk ownership and accountability. The team engages with individual divisions via nominated contact points, known as risk champions, to provide support and maintain awareness.

Strategic and operational risks and mitigating strategies are reviewed separately by the executive committee and the audit and risk committee.

Programmes and projects

Programmes and projects are governed under formal programme and project management disciplines which include the regular review of programme and project risks. This is overseen by the change board and the programme management office.

Information risks

Lucy Wylde is the senior information risk officer (SIRO) and is the board level representative responsible for information risk. UKEF's security officer is responsible for UKEF's security policy, practices and procedures. Both are members of the security committee which meets quarterly. Information asset owners are appointed who are responsible for the identification of information assets, their location, use and protection. A new information asset register has been put in place to record these assets. Access to sensitive information is restricted on a “need-to-know” basis. Staff are trained in information security so they understand the risks associated with handling information within, and outside, UKEF. Procedures are in place to administer responses to requests made for information under information legislation. Policies, which are reviewed annually, are in place to ensure compliance with relevant legislation such as the Data Protection Act and with central government requirements such as the Security Policy Framework.

Information security risk is regularly reviewed. UKEF baselines its information security response against the government’s Information Assurance Maturity Model annually. A review carried out in June 2014 found there were areas for improvement but that, overall, information security risk was being appropriately managed. Any significant information risks are reported to the SIRO, including any data breaches and the remedial action taken. In the 2014–2015 reporting year the terms of reference of the information security assurance committee were reviewed and the committee reconstituted as the security committee, so that information and security risks are treated holistically. Independent sources of assurance are provided to the security committee, including the results of disaster recovery testing, penetration testing and accreditation of core services as part of an annual programme of work. A new risk register relating to security matters has been implemented which is reviewed as a standing item on the agenda of each meeting of the security committee.

UKEF has not identified any significant data losses, corruption or breaches of information security during the period. Three laptops were lost or stolen but had been suitably encrypted and therefore were not considered data losses.

Risk mitigation

Specific actions were taken during the period to mitigate particular risks, including:

Product development

UKEF faces the risk of not fulfilling its role of complementing the private sector if it does not have a product range to respond to demands from exporters who cannot access support from the private providers. In the year, an export refinancing facility was launched, the direct lending facility enhanced, and a guarantee issued in relation to business funded from the capital markets by way of a sukuk (an Islamic compliant bond) issue, each of which address actual or potential funding constraints by the banks. UKEF is developing products to take advantage of widened statutory powers, which themselves will further meet the needs of exporters. UKEF introduced a new product development process to ensure it is undertaken in a controlled and consistent way.

Direct lending

The ability of UKEF to extend export credit loans under its direct lending facility requires different skills and disciplines from the more traditional method of supporting export credit loans made available by commercial banks with UKEF's guarantee. A head of direct lending has been recruited from the banking sector to lead lending operations. External assurance has been commissioned to review the robustness of the processes to support a significant volume of direct lending cases.

Bank and broker toolkits

UKEF's short-term products and services risk not being fully utilised due to a lack of confidence and understanding of how they work among banks and insurance brokers. UKEF introduced a toolkit in January 2015 to support banks in accessing short-term bank guarantee products. A toolkit was developed along similar lines to explain UKEF's EXIP products for insurance brokers, which was launched in May 2015.

Documentation of policy, processes and procedures

Business manuals are being reviewed and brought up to date, although there remains concern that the pace of work on updating manuals lags behind developments in the business and operations. Work continues on developing the operational processes and manuals required to support the use of products that are being developed to take advantage of widened statutory powers.

Operational risk management

Operational risk policies and procedures have been enhanced during the year through the establishment of a new operational risk unit, based on a 'second line of defence' best practice model.

Staff

New staff have been appointed on permanent and temporary contracts to relieve workload pressure and meet skill shortages, particularly in marketing and business divisions, operations and the general counsel's office.

Review of effectiveness

The system of internal control has been in place throughout the period. Effectiveness has been reviewed on the basis of:

- reports on the risk management process to determine whether the management of risks at a strategic and operational level is being addressed effectively
- reports on programmes and projects from the change board
- reports on information security management from the security committee
- advice on actual or potential legal risk by the general counsel

- reports on security risks by the departmental security officer
- letters of assurance from all heads of division and group directors detailing their assessment of systems of internal control within their areas of responsibility
- reports from the head of internal audit and assurance on the adequacy and effectiveness of the control framework operating within UKEF
- reports from the external auditors and the government internal audit agency

Significant issues

The following significant issues are highlighted that occurred within the year or which, without being effectively addressed, could put at risk the fulfilment of UKEF's business plan:

Imposition of £500,000 fine for breach of tax assurance process for off-payroll engagements

HM Treasury's review of departments' compliance with the rules governing off-payroll appointments in central government raised concerns about UKEF's interpretation of the guidance. An independent audit commissioned by the Chief Secretary to the Treasury found that this guidance had not been properly implemented at UKEF, in particular that proper assurances regarding the tax arrangements of off-payroll workers had not been sought. The audit also highlighted a lack of clear policies regarding off-payroll staff within UKEF. A £500,000 fine was imposed as a result of these findings. The lack of clear policies also resulted in UKEF over-stating in the annual report and accounts for 2013–14 the number of individuals identified as being off-payroll and working for more than 6 months and in receipt of more than £220 per day. The audit recommended that UKEF put in place an appropriate policy to ensure that government policy to minimise the use of off-payroll appointees in senior posts was implemented. Failure to implement a clear policy would increase the risk of further misstatements and assurances not being obtained for relevant individuals.

Responsibility for the tax assurance arrangements has now been assigned to the Human Resources Division. New contingent labour employees will be sourced through the Contingent 1 government procurement framework wherever possible to ensure that UKEF complies with the necessary contract clause requirements. Procedures for complying with the revised procurement policy note issued by the Crown Commercial Service on 27 March 2015 are currently being finalised. These will include a requirement for all in-scope workers engaged by UKEF in future to request a contract review from HMRC's free contract review service.

Sufficiency of staff skills and resources; reliance on off-payroll staff

UKEF requires staff with skills and experience similar to those required within the banking or insurance sector: for example, underwriters, credit risk analysts, certain finance staff, internal auditors, risk managers, etc. It must also operate effectively as a government department, aligned with cross-government practices on governance, policy development, people, IT, procurement, etc. Until 2012 UKEF's headcount had been in decline. It had previously been able to rely on a reducing cadre of highly experienced staff that had worked in UKEF over many years and obtained the range of skills required. However, the expansion of UKEF's remit, activities and product range in recent years has required an increase in staff with new skills, for example, in the field of short-term credit insurance. This has necessitated UKEF competing with both commercial financial services and other public sector bodies for the specialist skills and experience required to administer a wider product range and eventually replace highly experienced staff, many of whom are approaching retirement.

Due to difficulties in attracting suitable applicants largely caused by public sector pay constraints, UKEF has relied, and continues to rely, on interim or contract staff with specific skills to meet particular needs. They provide protection against the risks associated with staff turnover, skills shortage and are supporting succession planning, but they do not represent a long-term solution. UKEF is investing in the development of staff, but this takes time. It will still need to attract additional expertise in the short-to-medium term to replace and enhance staff resources. UKEF's success in doing so is likely to be highly dependent on factors beyond its control, such as heightening private sector competition and constraints on civil service pay.

Administration of export transactions, including applications for new or novel types of support

In 2011, UKEF's business domain was expanded beyond supporting exporters of capital goods and services. New products were introduced to meet new demands resulting in increased activity levels. In 2014–15, UKEF increased its investment in marketing and communications to raise awareness of its products and services, particularly targeting smaller exporters and financial intermediaries (banks, brokers, etc). The recent widening of its statutory powers will enable UKEF to be more responsive to the needs of businesses. However, UKEF will need to rapidly develop appropriate operating processes and controls, documentation, business manuals and reporting infrastructure to effectively administer these new products and ensure compliance with relevant legal, regulatory and government policies on an ongoing basis. Documentation needs to be finalised and staff need to receive training. Significant investment is being made to achieve this, involving a programme of work to implement the required changes to systems, processes and documentation, including an increased use of digital platforms. This in itself carries operational risk but, furthermore, because UKEF complements the private sector, and does not compete with it, the availability of bank finance and private sector insurance also influences business levels and is a factor over which UKEF has no direct control. The risk appetite of the private sector can change materially and within a relatively short time frame. If it does so, and at the same time demand for new or novel cases exceeds expectations in the short-term, then operational processes, infrastructure and staff resources (see above) could come under significant pressure, potentially resulting in performance or internal control issues.

Many of UKEF's products are delivered in partnership with the banks. Challenges in reconciling the figures between UKEF and the banks, especially where non-sterling transactions are involved, can cause delays or operational issues and have a financial impact in the case of delayed receipt of premium. UKEF has agreed a new process with the majority of its banks to reduce the effect of mismatching premium remittances. Work will continue to embed this change with the participating banks.

An audit into post-issue management for products supporting exports sold on short terms of credit highlighted issues around post-issue management. Work is ongoing to address these which will include reviewing the optimum operating model for delivery of these products and taking advice from external consultants. Failure to address the control and process issues highlighted would increase the risk of error in case management and/or recording. This risk would be exacerbated should demand for UKEF support exceed expected levels.

Audit information

UKEF's financial statements are prepared in accordance with the Accounts Direction issued under Section 5(2) of the Government Resources and Accounts Act, 2000.

UKEF's accounts are audited by the Comptroller and Auditor General. I confirm that so far as I am aware, there is no relevant audit information of which the department's auditors are unaware and that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information.

Future priorities

For 2015–16, the key areas for delivery by UKEF are to:

- operate within the policy and financial objectives set by the government and International obligations that relate to export credit agencies
- respond to demand for support in an environment of global economic change, uncertainty and funding constraints
- increase the awareness and improve processes and delivery of its evolving and increasing product range
- develop policies and product enhancements that take advantage of changes to the legislation under which it operates made by the Small, Business, Enterprise and Employment Act 2015
- pro-actively engage with buyers and project sponsors in the pursuit of project exports, including working with UKTI on its High Value Opportunities (HVOs) initiative
- continue to implement organisational restructuring and ensure staff resources are adequate to meet these demands

- enhance operational efficiency through improvements to systems and processes to cope with increasing business volumes, including an increased use of digital platforms

Compliance with the Principles of the Corporate Governance in Central Government Departments Code of Good Practice, 2011

In preparing this statement, I have taken into account the Corporate Governance for Central Government Departments Code of Practice, 2011. I am satisfied that UKEF is able to demonstrate compliance with the material aspects of this code and that no departures need to be reported for the relevant period.

D Godfrey
Accounting Officer
UK Export Finance
8 June 2015

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Export Credits Guarantee Department (operating as UK Export Finance) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2015 and of its net operating income for the year then ended
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued there under

Emphasis of Matter – Significant Uncertainty

Without qualifying my opinion, I draw your attention to the disclosures made in Note 1 to the financial statements concerning the considerable uncertainty attached to the final outcome of the underwriting activities. As explained in the section of Note 1 headed "Significant uncertainty arising from the nature of UKEF's Underwriting Activity (Accounts 1 – 3)", the long-term nature of the risk underwritten means that the ultimate outcome will vary as a result of subsequent information and events and may result in significant adjustments to the amounts included in the accounts in future years.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

10 June 2015

UK Export Finance

Accounts 2014-15

At 31 March 2015

The Accounting Officer authorised these financial statements for issue on
8 June 2015

Statement of Parliamentary Supply

For the year ended 31 March 2015

Summary of Resource and Capital Outturn 2014-15

		Estimate			Outturn			2014-15	2013-14
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: savings/ (excess)	Outturn Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
- Resource	SOPS2(a)	19,885	-	19,885	19,885	-	19,885	-	21,827
- Capital	SOPS2(b)	630	-	630	580	-	580	50	168
Annually Managed Expenditure									
- Resource	SOPS2(a)	29,419	-	29,419	(149,337)	-	(149,337)	178,756	(71,878)
- Capital	SOPS2(b)	78,449	-	78,449	(22,509)	-	(22,509)	100,958	(33,585)
Total Budget		**128,383**	**-**	**128,383**	**(151,381)**	**-**	**(151,381)**	**279,764**	**(83,468)**
Total Resource		49,304	-	49,304	(129,452)	-	(129,452)	178,756	(50,051)
Total Capital		79,079	-	79,079	(21,929)	-	(21,929)	101,008	(33,417)
Total		**128,383**	**-**	**128,383**	**(151,381)**	**-**	**(151,381)**	**279,764**	**(83,468)**

Net cash requirement 2014-15

		2014-15	2014-15		2013-14
	Note	Estimate £'000	Outturn £'000	Outturn compared with Estimate: savings/ (excess) £'000	Outturn £'000
Total	SOPS4	**(95,493)**	**(258,784)**	**163,291**	**(238,569)**

Administration Costs 2014-15

		2014-15	2014-15	2013-14
	Note	Estimate £'000	Outturn £'000	Outturn £'000
Total	SOPS3.2	**19,885**	**19,885**	**21,827**
Of which:				
Staff costs	*7*		*14,582*	*12,769*
Other costs	*8*		*5,303*	*9,058*

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between the Estimate and the Outturn are given in the Management Commentary and within SoPS Note 2.

The notes on pages 111 to 116 form part of the Statement of Parliamentary Supply.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government’s objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the department’s outturn as recorded in the SoPS compared to the IFRS-based Statement of Comprehensive Net Income (SoCNI) is provided in SoPS note 3.1.

SOPS1.3 Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the SoCNI. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was different from that reported in the IFRS-based accounts.

SOPS2 Analysis of net outturn by section

SOPS2(a) Resource

	2014-15										2013-14
	Administration			Programme			Outturn Total	Estimate Total	Outturn compared with Estimate: savings/ (excess)	Outturn compared with Estimate, adjusted for virements	Outturn Total
	Gross	Income	Net	Gross	Income	Net	Net	Net			Net
Note	SOPS6	SOPS5		SOPS6	SOPS5						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Voted spending in Departmental Expenditure Limit (DEL)											
A Export Credit Guarantees and Investments	31,333	(11,448)	19,885	-	-	-	19,885	19,885	-	-	21,827
Total	31,333	(11,448)	19,885	-	-	-	19,885	19,885	-	-	21,827
Voted spending in Annually Managed Expenditure (AME)											
B Export Credits	-	-	-	11,255	(152,910)	(141,655)	(141,655)	29,811	171,466	171,466	(58,589)
C Fixed Rate Export Finance Assistance	-	-	-	6,750	(8,601)	(1,851)	(1,851)	5,851	7,702	7,153	(5,682)
D GEFCO Loans and interest equalisation	-	-	-	999	(6,693)	(5,694)	(5,694)	(6,243)	(549)	-	(7,607)
E Direct Lending	-	-	-	-	(137)	(137)	(137)	-	137	137	-
Total	-	-	-	19,004	(168,341)	(149,337)	(149,337)	29,419	178,756	178,756	(71,878)
Total Resource	31,333	(11,448)	19,885	19,004	(168,341)	(149,337)	(129,452)	49,304	178,756	178,756	(50,051)

Explanation of variances between estimate and outturn:

A The Spending Review 2010 Settlement enables UKEF to transfer some premium income from Resource AME to Resource DEL up to a Voted limit to cover operating cost increases arising from high levels of business activity. The 2014-15 Main Estimate set that limit at £17.7 million. Of that, £11.4 million has been utilised in 2014-15. The above figures are shown net.

B Export Credits £171 million – the variance largely relates to a change in economic outlook with regard to the recoverability of insurance assets as well as foreign exchange movements.

C Fixed Rate Export Finance Assistance £8 million – this relates to changes in fair value of financial instruments.

SOPS2(b) Capital

						2014-15	2013-14
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net	Net total compared with Estimate	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Voted spending in Departmental Expenditure Limit (DEL)						
A Export Credit Guarantees and Investments	580	-	580	630	50	168
Total	580	-	580	630	50	168
Voted spending in Annually Managed Expenditure (AME)						
D GEFCO Loans and interest equalisation	-	(29,173)	(29,173)	(21,551)	7,622	(33,585)
E Direct Lending	6,664	-	6,664	100,000	93,336	-
Total	6,664	(29,173)	(22,509)	78,449	100,958	(33,585)
Total Capital	7,244	(29,173)	(21,929)	79,079	101,008	(33,417)

Explanation of variances between estimate and outturn:

D GEFCO Loans and interest equalisation - £8 million this reflects timing differences with regards settlement.

E Direct Lending - £93 million due to the fact the Direct Lending facility had a lower take up than provided for in the Estimate.

SOPS3 Reconciliation of outturn to net operating income and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating income

	Note	2014-15 Outturn £'000	2013-14 Outturn £'000
Total resource outturn in Statement of Parliamentary Supply:			
Budget		129,452	50,051
Non-Budget		-	-
Resource outturn	SOPS2(a)	129,452	50,051
Net Operating Income in Statement of Comprehensive Net Income		129,452	50,051

SOPS3.2 Outturn against final Administration Budget and Administration net operating costs

	Note	2014-15 Outturn £'000	2013-14 Outturn £'000
Estimate - Administration costs limit		**19,885**	**21,965**
Outturn - Gross administration costs	SOPS2(a)	31,333	28,897
Outturn - Income relating to administration costs	SOPS2(a)	(11,448)	(7,070)
Outturn - Net administration costs		**19,885**	**21,827**
Reconciliation to net operating income:			
Less provisions utilised & adjustments (transfer from Programme - AME):			
Staff early retirement		(331)	(502)
Onerous lease & dilapidations		250	(2,099)
Premium income offset		11,388	6,972
Staff & Other Administration net operating costs		**31,192**	**26,198**
Of which:			
Staff costs	7	*14,251*	*12,267*
Other costs	8	*16,941*	*13,931*

SOPS4 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SOPS Note	2014-15 Estimate £'000	2014-15 Outturn £'000	2014-15 Variance £'000
Resource Outturn	SOPS2(a)	49,304	(129,452)	178,756
Capital Outturn	SOPS2(b)	79,079	(21,929)	101,008
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation & amortisation of Equipment and Intangible Assets		(800)	(432)	(368)
Net foreign exchange differences & other non cash items		(40,482)	37,363	(77,845)
New provisions and adjustments to previous provisions		(114,179)	(22,972)	(91,207)
Adjustments to reflect movements in working balances:				
Increase/(Decrease) in receivables		20,000	(96,905)	116,905
(Increase)/Decrease in payables		(88,783)	(24,538)	(64,245)
Use of provisions		368	81	287
Net cash requirement		**(95,493)**	**(258,784)**	**163,291**

SOPS5 Income

The analysis of income summarised within the analysis of net resource outturn (SOPS2a) is as follows:

	Note	2014-15 Total £'000	2013-14 Total £'000
Rent and premium administration income	8	60	98
Premium income offset	8	11,388	6,972
Resource Total Departmental Expenditure Limits (DEL) Income		**11,448**	**7,070**
Net earned premium	3(a)	104,051	119,641
Underwriting interest receivable	4	15,573	22,781
Underwriting claims credit for the year	5	10,883	15,404
Net foreign exchange gain	6	33,898	-
Interest equalisation support income	3(b)	817	1,356
Amortised loans & receivables income	3(b)	5,906	7,572
Movement in fair value of derivatives	3(b)	8,601	16,269
Premium income offset	8	(11,388)	(6,972)
Resource Total Annually Managed Expenditure (AME) Income		**168,341**	**176,051**
Total Income for the year		**179,789**	**183,121**

SOPS6 Gross costs

The analysis of gross costs summarised within the analysis of net resource outturn (SOPS2a) is as follows:

	Note	2014-15 Total £'000	2013-14 Total £'000
Staff excluding changes in provision	7	14,582	12,769
Other Costs excluding changes in provision	8	16,751	16,128
Total Departmental Expenditure Limits (DEL) Gross Costs		**31,333**	**28,897**
Movements in insurance liabilities (net of reinsurance)	19	11,336	63,163
Net foreign exchange loss	6	-	31,703
Interest equalisation support costs	3(b)	999	1,321
Movement in fair value of derivatives	3(b)	6,750	10,587
Staff early retirement provision movement	7	(331)	(502)
Onerous lease & dilapidation provision movement	8	250	(2,099)
Total Annually Managed Expenditure (AME) Gross Costs		**19,004**	**104,173**
Total Gross Costs for the year		**50,337**	**133,070**

Statement of Comprehensive Net Income

For the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Export Credit Guarantees and Insurance			
Income			
Net premium income	3(a)	104,051	119,641
Net investment return	3(b)	15,573	22,781
Claims credit for the year	5	10,883	15,404
Net foreign exchange gain	6	33,791	-
Total income		**164,298**	**157,826**
Expenses			
Changes in insurance liabilities (net of reinsurance)	19	(11,336)	(63,163)
Staff costs	7	(13,823)	(12,022)
Other administration and operating costs	8	(16,433)	(13,652)
Net foreign exchange loss	6	-	(31,703)
Total expenses		**(41,592)**	**(120,540)**
Net income arising from Export Credit Guarantees and Insurance Activities		**122,706**	**37,286**
Export Finance Assistance			
Income			
Net investment return	3(b)	7,575	13,289
Net foreign exchange gain	6	107	-
Total income		**7,682**	**13,289**
Expenses			
Staff costs	7	(428)	(245)
Other administration and operating costs	8	(508)	(279)
Total expenses		**(936)**	**(524)**
Net Income arising from Export Finance Assistance Activities		**6,746**	**12,765**
Net operating income for the year		**129,452**	**50,051**

All income and expenditure is derived from continuing operations.

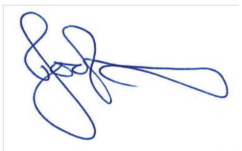
The notes on pages 121 to 170 form part of these accounts.

Statement of Financial Position

As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Non-current assets:			
Plant and equipment	9(a)	697	512
Intangibles	9(b)	27	64
Financial assets			
Fair value through profit or loss	10(a)	5,840	8,077
Loans and receivables	10(b)	56,003	74,997
Insurance contracts			
Insurance assets	11	556,494	656,123
Reinsurers' share of insurance liabilities	12	306,786	295,636
Insurance and other receivables	13	11,657	6,661
Total non-current assets		**937,504**	**1,042,070**
Current assets:			
Financial assets			
Fair value through profit or loss	10(a)	5,201	7,487
Loans and receivables	10(b)	25,052	30,123
Insurance contracts			
Insurance assets	11	117,561	95,193
Insurance and other receivables	13	11,571	10,027
Cash and cash equivalents	14	252,684	232,938
Total current assets		**412,069**	**375,768**
Total assets		**1,349,573**	**1,417,838**
Current liabilities:			
Financial liabilities			
Fair value through profit or loss	16	(4,059)	(6,220)
Payable to Consolidated Fund	17	(252,684)	(232,938)
Provisions	18(b)	(259)	(357)
Insurance and other payables	18(a)	(44,285)	(20,231)
Total current liabilities		**(301,287)**	**(259,746)**
Non-current assets plus net current assets		**1,048,286**	**1,158,092**
Non-current liabilities			
Financial liabilities			
Fair value through profit or loss	16	(8,267)	(11,462)
Insurance contracts			
Insurance liabilities	19	(859,765)	(837,279)
Provisions	18(b)	(517)	(500)
Total non-current liabilities		**(868,549)**	**(849,241)**
Assets less liabilities		**179,737**	**308,851**
Taxpayers' equity			
Exchequer Financing		(3,122,968)	(2,872,165)
Cumulative Trading Surplus		3,304,703	3,181,997
General Fund		(1,998)	(981)
Total taxpayers' equity		**179,737**	**308,851**

The notes on pages 121 to 170 form part of these accounts.



D Godfrey

Accounting Officer
UK Export Finance
8 June 2015

Statement of Cash Flows

As at 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Cash flows from operating activities			
Net operating income		129,452	50,051
Adjustments for non-cash transactions:			
Depreciation & amortisation			
Depreciation of equipment	8	388	389
Amortisation of intangible assets	8	44	274
Other:			
Audit fees	8	218	220
Amortised loans & receivables income	10(b)	(5,906)	(7,572)
Net unrealised foreign exchange (gain) / loss on net assets other than cash	6	(31,675)	30,308
Provisions:			
Insurance liabilities net of reinsurance movement	19	11,336	63,163
Claims provision movement	11(a)	(11,424)	(40,392)
Interest on claims provision movement	11(b)	23,060	(2,916)
Early retirement, onerous lease and dilapidation movement	18(b)	(81)	(2,601)
Movements in Working Capital other than cash:			
Claims assets before provisions	11(a)	109,493	121,769
Interest on claims assets before provisions	11(b)	(13,106)	5,757
Loans & receivables	10(b)	7,569	7,833
Insurance & other receivables		(5,604)	3,691
Insurance & other payables		23,924	(19,997)
Financial assets held at fair value	10(a)	4,523	11,392
Financial liabilities held at fair value	16	(5,356)	(16,217)
Net cash inflow from operating activities		236,855	205,152
Cash flows from investing activities			
Purchase of equipment and intangibles	9	(580)	(168)
Export Finance Assistance loans:			
Advances	10(b)	(6,664)	-
Recoveries	10(b)	29,173	33,585
Net cash inflow from investing activities		21,929	33,417
Net cash inflow total		258,784	238,569
Payments to the Consolidated Fund of amounts:			
relating to the prior year	14	(232,938)	(305,103)
relating to current year	14	(6,100)	(5,631)
Effect of foreign exchange differences on cash & cash equivalents	14	-	-
Net decrease in cash and cash equivalents in the year after adjusting for payments to the Consolidated Fund not relating to supply		19,746	(72,165)
Cash and cash equivalents at the beginning of the year	14	232,938	305,103
Cash and cash equivalents at the end of the year	**14**	**252,684**	**232,938**

Certain prior year comparatives have been reclassified to conform to the current year's presentation.

The notes on pages 120 to 170 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

	Note	Exchequer financing £'000	Cumulative trading surplus £'000	General fund £'000	Total reserves £'000
Balance at 1 April 2013		(2,642,127)	3,144,711	(5,435)	497,149
Changes in taxpayers' equity for 2013-14					
Non-Cash Adjustments:					
Auditors' remuneration	8	220	-	-	220
Movements in Reserves:					
Transfers between reserves		8,311	-	(8,311)	-
Recognised in Statement of Comprehensive Net Income		-	37,286	12,765	50,051
Total recognised income and expense for 2013-14		8,531	37,286	4,454	50,271
Amounts arising in year payable to the consolidated fund		(238,569)	-	-	(238,569)
Balance at 31 March 2014		(2,872,165)	3,181,997	(981)	308,851
Changes in taxpayers' equity for 2014-15					
Non-Cash Adjustments:					
Auditors' remuneration	8	218	-	-	218
Movements in Reserves:					
Transfers between reserves		7,763	-	(7,763)	-
Recognised in Statement of Comprehensive Net Income		-	122,706	6,746	129,452
Total recognised income and expense for 2014-15		7,981	122,706	(1,017)	129,670
Amounts arising in year payable to the consolidated fund	14	(258,784)	-	-	(258,784)
Balance at 31 March 2015		**(3,122,968)**	**3,304,703**	**(1,998)**	**179,737**

The notes on pages 121 to 170 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 2014-15 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 addition to the primary statements prepared under IFRS, the FReM also requires UKEF to prepare an additional primary statement with supporting notes. This Statement of Parliamentary Supply shows outturn against Estimate in terms of net resource, capital and cash requirement, and administration costs.

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 existing financial guarantee contracts as insurance contracts. Further details are given in policy note (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 2014-15 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 standard set out below may have an impact on the financial statements when it becomes effective. UKEF cannot currently determine the detailed impact.

- IFRS 9 Financial Instruments – this standard is designed to replace IAS 39 and amends some of the requirements of IFRS 7 Financial Instruments. The effective date of IFRS 9 is 1 January 2018.

The amendments and interpretations below are not expected to have any significant impact on UKEF's financial statements.

Amendments to IFRSs

- IFRS 13 Fair value measurement – this standard defines fair value, sets out in a single IFRS the framework for measuring fair value and requires disclosures about fair value measurements and applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

- IFRS 15 Revenue from Contracts with Customers - The new standard applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transaction involving Advertising Services.

Out of scope are Insurance contracts within the scope of IFRS 4 Insurance Contracts as well as Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments or IAS 39 Financial Instruments.

Major FReM changes for 2015-16

UKEF has reviewed the major FReM changes for 2015-16 and determined there are no changes that will have a significant impact on the Department's 2015-16 financial statements.

(B) Use of estimates

The preparation of these financial statements includes the use of 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. 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.

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.

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. 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. The particular policies adopted by UKEF are described below. 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 that transfer significant insurance risk at the inception of the contract, including financial guarantee contracts, written by UKEF. 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

UKEF has applied existing accounting policies for its 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. 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 (such as war, government interference) 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 become 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 – recoverable claims

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 Income Statement for the year if and to the extent that existing provisions are not adequate to cover such amounts.

Reinsurance assets

In the normal course of its business, UKEF cedes reinsurance 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 of interest income receivable for the year, movement in provisions for amortised cost on loans and receivables, GEFCO administration fees and 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 (see interest types set out below).

- All non-insurance financial assets are classified as ‘fair value through profit or loss’, or ‘loans and receivables’.

- For financial assets classified as ‘fair value through profit or loss’, realised gains and losses represent the difference between net sales proceeds and the purchase price (if acquired during the year), or fair value at the previous year-end.

- For financial assets classified as loans and receivables, realised gains and losses are the difference between the proceeds received on disposal, net of transaction cost, and amortised cost.

- Unrealised gains and losses represent the difference between the carrying value at the year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

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 for UKEF.

UKEF pays the following type of interest:

- Delay Interest – interest on claims paid up to 90 days following borrower repayment default.

(F) Operating expenses

All operating expenses are charged in the year they are incurred. Costs are allocated or apportioned on an activity basis.

(G) 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.

(H) Plant and equipment and intangible assets

i. Plant and equipment

Plant and equipment consist of leasehold improvements and computer and IT equipment, and are carried at fair value which is assessed as being equivalent to the historical cost less accumulated depreciation and any recognised impairment loss. Costs, including expenditure directly attributable to the acquisition of those assets, are capitalised. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual value over their estimated useful economic lives as follows:

Asset category	Useful economic life
Leasehold improvements	Period of lease
Computer and IT equipment	3-5 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at the Statement of Financial Position date.

ii. Intangible assets

Intangible assets include internally generated computer software. Internally generated software is included at the direct cost of design and development of unique identifiable software products which will benefit UKEF beyond one year. All other costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. The depreciated historical cost is used as a proxy for depreciated replacement cost which itself is a proxy for fair value.

Computer software cost recognised as an asset is amortised using the straight-line method over its useful life, not exceeding a period of three years. The amortisation commences once the software is brought into service.

iii. Impairment review

An impairment review is conducted whenever there is an indication that the assets are impaired. If this review indicates that an asset's carrying amount is greater than its recoverable amount, its carrying amount is written down to that recoverable amount.

(I) Leases

Rentals under operating leases are charged to the Statement of Comprehensive Net Income in equal annual instalments over the period of the lease.

(J) Consolidated Fund

Amounts payable

In accordance with the FReM, net cash inflow from operating activities and investing activities during the year (i.e. net cash requirement) is payable by UKEF to the Consolidated Fund.

The amount due within one year to the Consolidated Fund is the net cash requirement after deduction of amounts already paid to the Consolidated Fund.

The amount payable is equivalent to UKEF's bank balances at the Statement of Financial Position date.

(K) Exchequer financing

To reflect the long-term nature of UKEF's activities, and recognising that operating and investment cash flows 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 investment activities.

(L) 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. In respect of the defined contribution schemes, UKEF recognises the contributions payable for the year.

(M) Financial assets

Recognition

Financial assets are recognised and derecognised on the 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.

'Fair value through profit or loss' financial assets includes derivative instruments that are not designated as effective hedging instruments. 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 is determined in the manner described in Note 10.

'Loans and receivables' include insurance receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market. All Financial Assets classified and 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. 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, such as an improvement in the debtor's credit rating.

Derivative financial instruments

UKEF uses derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 10 . All derivatives are initially recognised in the Statement of Financial Position at their fair value, which usually represents their costs on the date on which a derivative contract is entered into. They are subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Net Income immediately. For interest rate derivatives, fair values are determined using valuation techniques and pricing models commonly employed by market participants and market-observable inputs. All derivatives are carried as assets when the fair values are positive, or as liabilities when the fair values are negative.

All derivative contracts entered into by UKEF are traded over-the-counter (OTC). OTC derivatives are individually negotiated between contracting parties and include swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. 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.

Interest rate swaps

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments. Exposure to gain or loss on any derivative contracts will increase or decrease over their respective lives as a function of maturity dates, interest rates, credit rating and timing of payments.

(N) 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 16.

(O) 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.

Provisions are in respect of (i) dilapidations and (ii) early staff departures as follows:

(i) The provision for dilapidations represents the cost to return office space to the condition when UKEF entered into the lease.

(ii) UKEF provides for the costs of additional benefits beyond the normal PCSPS benefits in respect of employees who exit early. The Department provides for the costs when the exit is agreed and binding on the Department, effectively charging the full cost at the time of the decision and holding this in a provision. A provision has been established for the total liability falling on the Department for all agreed exits.

(P) 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*.

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. Contingent liabilities that are not required to be disclosed by IAS 37 are stated as the amounts reported to Parliament.

(Q) 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.

(R) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

2 Segmental information

UKEF applies IFRS 8 – *Operating Segments*, as adapted for the public sector. UKEF has determined its operating segments based upon its organisational structure. Operating segments are reported in a manner consistent with the IFRS based internal reports provided to 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.

Operationally, 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 2015

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
Income						
Gross premium income	-	123,226	-	-	-	123,226
Less ceded to reinsurers	-	(19,175)	-	-	-	(19,175)
Net premium income	-	104,051	-	-	-	104,051
Net investment return income	12,184	3,389	-	7,545	30	23,148
Claims credit for the year	11,258	-	-	-	-	11,258
Changes in insurance liabilities net of reinsurance	14	-	-	-	-	14
Net foreign exchange gain	19,409	14,382	-	-	107	33,898
Total income	**42,865**	**121,822**	**-**	**7,545**	**137**	**172,369**
Expenses						
Net claims charge for the year	-	(375)	-	-	-	(375)
Changes in insurance liabilities net of reinsurance	-	(11,350)	-	-	-	(11,350)
Staff costs	(428)	(13,395)	-	(285)	(143)	(14,251)
Other administration and operating costs	(508)	(15,925)	-	(339)	(169)	(16,941)
Total expenses	**(936)**	**(41,045)**	**-**	**(624)**	**(312)**	**(42,917)**
Net income	**41,929**	**80,777**	**-**	**6,921**	**(175)**	**129,452**

ii. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2014

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
Income						
Gross premium income	-	180,565	-	-	-	180,565
Less ceded to reinsurers	-	(60,924)	-	-	-	(60,924)
Net premium income	-	119,641	-	-	-	119,641
Net investment return income	19,120	3,661	-	13,289	-	36,070
Claims credit for the year	16,172	-	-	-	-	16,172
Changes in insurance liabilities net of reinsurance	42	-	-	-	-	42
Total income	**35,334**	**123,302**	**-**	**13,289**	**-**	**171,925**
Expenses						
Net claims charge for the year	-	(768)	-	-	-	(768)
Changes in insurance liabilities net of reinsurance	-	(63,205)	-	-	-	(63,205)
Staff costs	(491)	(11,531)	-	(245)	-	(12,267)
Other administration and operating costs	(557)	(13,095)	-	(279)	-	(13,931)
Net foreign exchange loss	(16,391)	(15,312)	-	-	-	(31,703)
Total expenses	**(17,439)**	**(103,911)**	**-**	**(524)**	**-**	**(121,874)**
Net income	**17,895**	**19,391**	**-**	**12,765**	**-**	**50,051**

iii. Additional segmental information

For the year ended 31 March 2015, there were two customers (the party 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 £31 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 2015

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
Non-current assets:						
Equipment assets	-	697	-	-	-	697
Intangible assets	-	27	-	-	-	27
Financial assets						
Fair value through income	-	-	-	5,840	-	5,840
Loans & receivables	-	-	-	50,675	5,328	56,003
Insurance contracts						
Insurance assets	353,265	203,229	-	-	-	556,494
Reinsurers' share of insurance liabilities	-	306,786	-	-	-	306,786
Insurance and other receivables	-	11,657	-	-	-	11,657
Total non-current assets	**353,265**	**522,396**	**-**	**56,515**	**5,328**	**937,504**
Current assets:						
Financial assets						
Fair value through income	-	-	-	5,201	-	5,201
Loans & receivables	-	-	-	25,026	26	25,052
Insurance contracts						
Insurance assets	52,403	65,158	-	-	-	117,561
Insurance and other receivables	-	11,420	-	166	(15)	11,571
Cash and cash equivalents	123,873	301,504	-	(167,183)	(5,510)	252,684
Total current assets	**176,276**	**378,082**	**-**	**(136,790)**	**(5,499)**	**412,069**
Total assets	**529,541**	**900,478**	**-**	**(80,275)**	**(171)**	**1,349,573**
Current liabilities:						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(4,059)	-	(4,059)
Payable to Consolidated Fund	(123,873)	(301,504)	-	167,183	5,510	(252,684)
Provisions	-	(259)	-	-	-	(259)
Insurance and other payables	(465)	(43,754)	-	(63)	(3)	(44,285)
Total current liabilities	**(124,338)**	**(345,517)**	**-**	**163,061**	**5,507**	**(301,287)**
Non-current assets plus net current assets	**405,203**	**554,961**	**-**	**82,786**	**5,336**	**1,048,286**
Non-current liabilities						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(8,266)	(1)	(8,267)
Insurance liabilities	(4)	(859,761)	-	-	-	(859,765)
Provisions	-	(517)	-	-	-	(517)
Total non-current liabilities	**(4)**	**(860,278)**	**-**	**(8,266)**	**(1)**	**(868,549)**
Assets less liabilities	**405,199**	**(305,317)**	**-**	**74,520**	**5,335**	**179,737**
Taxpayers' equity						
Exchequer Financing	(1,102,713)	(2,000,426)	(101,682)	74,997	6,856	(3,122,968)
Cumulative Trading Surplus	1,507,912	1,695,109	101,682	-	-	3,304,703
General Fund	-	-	-	(477)	(1,521)	(1,998)
Total taxpayers' equity	**405,199**	**(305,317)**	**-**	**74,520**	**5,335**	**179,737**

v. Segmental Statement of Financial Position at 31 March 2014

	Account 1 £'000	Account 2 £'000	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
Non-current assets:						
Equipment assets	-	512	-	-	-	512
Intangible assets	-	64	-	-	-	64
Financial assets						
Fair value through income	-	-	-	8,077	-	8,077
Loans & receivables	-	-	-	74,997	-	74,997
Insurance contracts						
Insurance assets	386,703	269,420	-	-	-	656,123
Reinsurers' share of insurance liabilities	-	295,636	-	-	-	295,636
Insurance and other receivables	-	6,661	-	-	-	6,661
Total non-current assets	**386,703**	**572,293**	**-**	**83,074**	**-**	**1,042,070**
Current assets:						
Financial assets						
Fair value through income	-	-	-	7,487	-	7,487
Loans & receivables	-	-	-	30,123	-	30,123
Insurance contracts						
Insurance assets	42,051	53,142	-	-	-	95,193
Insurance and other receivables	-	9,755	-	272	-	10,027
Cash and cash equivalents	58,878	137,795	-	36,265	-	232,938
Total current assets	**100,929**	**200,692**	**-**	**74,147**	**-**	**375,768**
Total assets	**487,632**	**772,985**	**-**	**157,221**	**-**	**1,417,838**
Current liabilities:						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(6,220)	-	(6,220)
Payable to Consolidated Fund	(58,878)	(137,795)	-	(36,265)	-	(232,938)
Provisions	-	(357)	-	-	-	(357)
Insurance and other payables	(471)	(19,675)	-	(85)	-	(20,231)
Total current liabilities	**(59,349)**	**(157,827)**	**-**	**(42,570)**	**-**	**(259,746)**
Non-current assets plus net current assets	**428,283**	**615,158**	**-**	**114,651**	**-**	**1,158,092**
Non-current liabilities						
Financial liabilities						
Financial liabilities held at fair value	-	-	-	(11,462)	-	(11,462)
Insurance contracts						
Insurance liabilities	(18)	(837,261)	-	-	-	(837,279)
Provisions	-	(500)	-	-	-	(500)
Total non-current liabilities	**(18)**	**(837,761)**	**-**	**(11,462)**	**-**	**(849,241)**
Assets less liabilities	**428,265**	**(222,603)**	**-**	**103,189**	**-**	**308,851**
Taxpayers' equity						
Exchequer Financing	(1,037,718)	(1,836,935)	(101,682)	104,170	-	(2,872,165)
Cumulative Trading Surplus	1,465,983	1,614,332	101,682	-	-	3,181,997
General Fund	-	-	-	(981)	-	(981)
Total taxpayers' equity	**428,265**	**(222,603)**	**-**	**103,189**	**-**	**308,851**

3 Premium Income & Net investment return

3(a) Premium Income

	2014-15 £'000	2013-14 £'000
Underwriting Premium Income:		
Insurance contracts premium receivable (IFRS4)		
Current Underwriting Year:		
Gross Premium	118,047	176,392
Less ceded to reinsurers	(19,175)	(60,924)
Net Premium income	**98,872**	**115,468**
Previous Underwriting Years:		
Gross Premium	572	212
Less ceded to reinsurers	-	-
Net Premium income	**572**	**212**
Summary		
Gross Premium	118,619	176,604
Less ceded to reinsurers	(19,175)	(60,924)
Net Premium income	**99,444**	**115,680**
Financial guarantees premium amortised (IAS 39)		
Summary		
Gross Premium	4,607	3,961
Less ceded to reinsurers	-	-
Net Premium income	**4,607**	**3,961**
Total Net premium income	**104,051**	**119,641**

3(b) Net Investment Return

	Note	Account 1 £'000	Account 2 £'000	2014-15 Total £'000	2013-14 Total £'000
Export Credit Guarantees and Insurance					
Interest income	4	12,184	3,389	15,573	22,781
Total Income		**12,184**	**3,389**	**15,573**	**22,781**
Net Income		**12,184**	**3,389**	**15,573**	**22,781**

	Note	Account 4 £'000	Account 5 £'000	2014-15 Total £'000	2013-14 Total £'000
Export Finance Assistance					
Amortised loans & receiveables income	10(b)	5,876	30	5,906	7,572
Interest equalisation support income		817	-	817	1,356
Gain in fair value of derivatives		8,601	-	8,601	16,269
Total Income		**15,294**	**30**	**15,324**	**25,197**
Interest equalisation support costs		(999)	-	(999)	(1,321)
Loss in fair value of derivatives		(6,750)	-	(6,750)	(10,587)
Total Costs		**(7,749)**	**-**	**(7,749)**	**(11,908)**
Net Income		**7,545**	**30**	**7,575**	**13,289**

4 Interest receivable

	Note	Account 1 £'000	Account 2 £'000	2014-15 Total £'000	2013-14 Total £'000
Interest arising from claims					
- interest charged in the year	11(b)	29,274	12,658	41,932	38,286
- net increase in provisions for unrecovered interest	11(b)	(17,135)	(9,269)	(26,404)	(15,565)
Interest arising from claims net of provisions		12,139	3,389	15,528	22,721
Other Interest		45	-	45	60
Interest credit for the year		**12,184**	**3,389**	**15,573**	**22,781**

Other Interest includes bank interest on balances with commercial banks.

5 Claims credit for the year

	Note	Account 1 £'000	Account 2 £'000	2014-15 Total £'000	2013-14 Total £'000
Amounts authorised and paid in the year	11(a)	-	(6,387)	(6,387)	(13,301)
Expected recoveries on claims authorised and paid in the year		-	2,841	2,841	5,510
Provision on claims authorised and paid in the year		-	(3,546)	(3,546)	(7,791)
Net decrease in provisions for claims authorised and paid in previous years		11,258	3,171	14,429	23,195
Claims credit for the year		**11,258**	**(375)**	**10,883**	**15,404**

There is no reinsurance element included within the figures above.

6 Net foreign exchange (loss)/gain

	Note	Account 1 £'000	Account 2 £'000	2014-15 Total £'000	2013-14 Total £'000
Export Credit Guarantees and Insurance					
Net foreign exchange gain/(loss) arising on:					
- recoverable claims after provisions	11(a)	12,158	11,194	23,352	(24,339)
- recoverable interest on claims after provisions	11(b)	7,364	46	7,410	(6,494)
- insurance premium receivables		-	936	936	(664)
- insurance payables		(113)	(17)	(130)	1,189
- cash		-	2,223	2,223	(1,395)
Net foreign exchange gain/(loss) for year		**19,409**	**14,382**	**33,791**	**(31,703)**

	Account 4 £'000	Account 5 £'000	Total £'000	Total £'000
Export Finance Assistance				
Net foreign exchange gain arising on:				
- loans & receivables	-	107	107	-
- payables	-	-	-	-
Net foreign exchange gain/(loss) for year	**-**	**107**	**107**	**-**

	Total £'000	Total £'000
Summary:		
Net foreign exchange gain/(loss) for year on cash assets	2,223	(1,395)
Net foreign exchange gain/(loss) for year on net assets other than cash	31,675	(30,308)
Net foreign exchange gain / (loss) for year	**33,898**	**(31,703)**

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 2015	31 March 2014
Euro	1.38	1.21
Japanese Yen	178.10	171.68
US Dollars	1.48	1.67

7 Staff numbers and costs

	2014-15 £'000	2013-14 £'000
Departmental Expenditure Limit (Outturn - DEL / Administration)		
Gross Costs:		
Salaries and Wages	11,092	9,473
Social Security Costs	1,093	876
Early Retirement Payments	364	684
Other Pension Costs	2,033	1,736
Total DEL / Administration Gross Costs	14,582	12,769
Annually Managed Expenditure (Outturn - AME / Programme)		
Gross Costs:		
Early Retirement Provision utilisation & adjustment	(331)	(502)
Total AME / Programme Gross Costs	**(331)**	**(502)**
Total Staff Administrative Gross & Net Costs	**14,251**	**12,267**
Of which:		
Departmental Expenditure Limit (DEL)	14,582	12,769
Annually Managed Expenditure (AME)	(331)	(502)
Of which:		
Export Credit Guarantees and Insurance	13,823	12,022
Export Finance Assistance	428	245

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and the UK Export Finance is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. The details in the resource accounts of the Cabinet Office are available at the Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2014-15, employers' contributions of £1,979,304 were payable to the PCSPS (2013-14 £1,703,348) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £47,407 (2013-14: £31,425) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The employer also matches employees contributions of up to 3% of pensionable pay. In addition, employer contributions of £3,248 (2013-14: £2,059), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £Nil (2013-14: £220).

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972 – unless otherwise specified below. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme.

Ill health retirement costs are met by the pension scheme and are not included in the table below:

Exit package cost band	2014-15			2013-14		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Less than £10,000	-	1	1	-	-	-
£10,000 - £25,000	-	1	1	-	1	1
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Greater than £200,000	-	-	-	-	1	1
Total number of exit packages	-	2	2	-	2	2
Total resource cost £'000	-	19	19	-	356	356

These exit packages were agreed by UKEF through Settlement Agreements outside of the Civil Service Compensation Scheme.

During the year one individual (2013-14: no individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £7,151 (2013-14: £0).

8 Other administrative and operating costs

	Note	2014-15 £'000	2013-14 £'000
Departmental Expenditure Limit (Outturn - DEL / Administration)			
Gross Costs:			
IT		2,911	2,904
Penalties	25	500	-
Indirect staff and personnel expenses		4,266	3,263
Business promotion		1,405	377
Rent, Onerous Lease and Dilapidations Payments		2,395	3,414
Other establishment costs		191	562
Underwriting expenses		18	47
Claims and recovery expenses		114	124
Other administration costs		3,451	3,866
Audit fees		218	220
Depreciation		388	389
Amortisation		44	274
Travel, subsistence and hospitality		850	688
Total DEL / Administration Gross Costs		**16,751**	**16,128**
Income:			
Rent and premium administration income		(60)	(98)
Premium income offset		(11,388)	(6,972)
Total DEL / Administration Income		**(11,448)**	**(7,070)**
Total DEL / Administration Net Costs		**5,303**	**9,058**
Annually Managed Expenditure (Outturn - AME / Programme)			
Gross Costs:			
Onerous lease and dilapidation provision utilisation		250	(2,099)
Total AME / Programme Gross		**250**	**(2,099)**
Income:			
Premium income offset		11,388	6,972
Total AME / Programme Net Costs		**11,638**	**4,873**
Total Other Administrative Net Costs		**16,941**	**13,931**
Of which:			
Departmental Expenditure Limit (DEL)		5,303	9,058
Annually Managed Expenditure (AME)		11,638	4,873
Of which:			
Export Credit Guarantees and Insurance		16,433	13,652
Export Finance Assistance		508	279
Included in the above figures:			
Minimum lease payments under operating leases recognised as expense in the year		80	79

9 Equipment and intangible assets

(a) Equipment assets

	IT equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
Balance at 1 April 2014	932	104	1,036
Additions	535	38	573
Balance at 31 March 2015	**1,467**	**142**	**1,609**
Accumulated Depreciation:			
Balance at 1 April 2014	516	8	524
Charge for the Year	376	12	388
Balance at 31 March 2015	**892**	**20**	**912**
Carrying amount:			
31 March 2015	**575**	**122**	**697**
31 March 2014	416	96	512

(b) Intangible assets

	Software £'000
Cost	
Balance at 1 April 2014	1,168
Additions	7
Balance at 31 March 2015	**1,175**
Accumulated Amortisation	
Balance at 1 April 2014	1,104
Charge for the Year	44
Balance at 31 March 2015	**1,148**
Carrying amount:	
31 March 2015	**27**
31 March 2014	64

10 Financial assets

(a) Fair value through profit or loss

	31 March 2015 £'000	31 March 2014 £'000
Interest rate derivatives in relation to Export Finance Loan Guarantees	11,041	15,564
Total	**11,041**	**15,564**
Falling due:		
- within one year	5,201	7,487
- after more than one year	5,840	8,077

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.

(b) Loans & receivables

	31 March 2015 £'000	31 March 2014 £'000
Loans & receivables	81,055	105,120
Total	**81,055**	**105,120**
Falling due:		
- within one year	25,052	30,123
- after more than one year	56,003	74,997

	Account 4 £'000	Account 5 £'000	Total £'000
Balance at 1 April 2013	**138,966**	**-**	**138,966**
Loans recovered	(33,585)	-	(33,585)
Amortised income	7,572	-	7,572
Other movement in working capital	(7,833)	-	(7,833)
Balance at 31 March 2014	**105,120**	**-**	**105,120**
Loans advanced	-	6,664	6,664
Loans recovered	(29,173)	-	(29,173)
Net foreign exchange loss	-	107	107
Amortised income	5,876	30	5,906
Other movement in working capital	(6,122)	(1,447)	(7,569)
Balance at 31 March 2015	**75,701**	**5,354**	**81,055**

Loans are calculated on the amortised cost basis (refer to accounting policy Note 1(M)) for an explanation of amortised cost basis.

The fair value of Export Finance Loans is;

- Account 4 £84,845,000 (2013-14: £117,624,000).
- Account 5 £12,002,000 (2013-14: £0).

11 Insurance assets

	31 March 2015 £'000	31 March 2014 £'000
Recoverable claims	530,712	605,429
Interest on unrecovered claims	143,343	145,887
Total	**674,055**	**751,316**
Falling due:		
- within one year	117,561	95,193
- after more than one year	556,494	656,123

All insurance assets are shown at historical cost less, where appropriate, a provision to reduce them to their expected recoverable amount. The majority of the balances are subject to market rates of interest.

(a) Recoverable claims

	Account 1 £'000	Account 2 £'000	Total £'000
Recoverable claims - gross			
Balance at 1 April 2013	675,390	552,694	1,228,084
Reclassifications & transfers from interest on unrecovered claims	(1,104)	(734)	(1,838)
Claims approved in the year	-	13,301	13,301
Recoveries made in the year	(37,637)	(70,607)	(108,244)
Recoveries abandoned in the year	(12,076)	(12,912)	(24,988)
Net foreign exchange movements	(15,296)	(16,074)	(31,370)
Balance at 31 March 2014	**609,277**	**465,668**	**1,074,945**
Claims approved in the year	-	6,387	6,387
Recoveries made in the year	(43,974)	(71,365)	(115,339)
Recoveries abandoned in the year	-	(541)	(541)
Net foreign exchange movements	17,654	13,282	30,936
Balance at 31 March 2015	**582,957**	**413,431**	**996,388**
Recoverable claims - provisions			
Balance at 1 April 2013	358,191	158,748	516,939
Release of provisions in the year	(16,172)	768	(15,404)
Recoveries abandoned in the year	(12,076)	(12,912)	(24,988)
Net foreign exchange movements	(4,892)	(2,139)	(7,031)
Balance at 31 March 2014	**325,051**	**144,465**	**469,516**
Release of provisions in the year	(11,258)	375	(10,883)
Recoveries abandoned in the year	-	(541)	(541)
Net foreign exchange movements	5,496	2,088	7,584
Balance at 31 March 2015	**319,289**	**146,387**	**465,676**
Net recoverable claims as at:			
- 31 March 2015	**263,668**	**267,044**	**530,712**
- 31 March 2014	284,226	321,203	605,429
- 31 March 2013	317,199	393,946	711,145

There are no recoverable claims on Accounts 3 and 4.

(b) Interest on unrecovered claims

	Account 1 £'000	Account 2 £'000	Total £'000
Interest on unrecovered claims - gross			
Balance at 1 April 2013	991,316	94,576	1,085,892
Reclassifications & transfers to recoverable claims	1,104	734	1,838
Interest charged in the year	26,332	11,954	38,286
Interest received in the year	(22,641)	(4,759)	(27,400)
Recoveries abandoned in the year	(18,481)	-	(18,481)
Net foreign exchange movements	(19,287)	(233)	(19,520)
Balance at 31 March 2014	958,343	102,272	1,060,615
Interest charged in the year	29,274	12,658	41,932
Interest received in the year	(22,031)	(3,451)	(25,482)
Recoveries abandoned in the year	(3,312)	(32)	(3,344)
Net foreign exchange movements	21,794	287	22,081
Balance at 31 March 2015	**984,068**	**111,734**	**1,095,802**
Interest on unrecovered claims - provisions			
Balance at 1 April 2013	837,874	92,796	930,670
Increase in provisions in the year	7,271	8,294	15,565
Recoveries abandoned in the year	(18,481)	-	(18,481)
Net foreign exchange movements	(12,849)	(177)	(13,026)
Balance at 31 March 2014	813,815	100,913	914,728
Increase in provisions in the year	17,135	9,269	26,404
Recoveries abandoned in the year	(3,312)	(32)	(3,344)
Net foreign exchange movements	14,430	241	14,671
Balance at 31 March 2015	**842,068**	**110,391**	**952,459**
Net interest on unrecovered claims as at:			
- 31 March 2015	**142,000**	**1,343**	**143,343**
- 31 March 2014	144,528	1,359	145,887
- 31 March 2013	153,442	1,780	155,222

12 Reinsurers' share of insurance liabilities

	£'000
Balance at 1 April 2013	237,425
Movements summary:	
Addition to the underwriting funds in the year	60,924
Net decrease in open cash funds	(740)
Other fund movements	(1)
Net decrease in insurance liabilities on closed funds	(1,972)
Total Movements	*58,211*
Balance at 31 March 2014	**295,636**
Movements summary:	
Addition to the underwriting funds in the year	19,174
Net decrease in open credit funds	(5,298)
Net decrease in insurance liabilities on closed funds	(2,726)
Total Movements	*11,150*
Balance at 31 March 2015	**306,786**

Movements are summarised within Note 19.

13 Insurance and other receivables

	31 March 2015 £'000	31 March 2014 £'000
Export Credit Guarantees and Insurance:		
Insurance premiums receivables	22,487	15,739
Insurance prepayments and accrued income	590	677
Total	23,077	16,416
Export Finance Assistance:		
DFiD	113	220
Other receivables	38	52
Total	151	272
Total	**23,228**	**16,688**
Falling due:		
- within one year	11,571	10,027
- after more than one year	11,657	6,661
Of which:		
- other central government bodies	113	220
- bodies external to government	23,115	16,468

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

14 Cash and cash equivalents

	£'000
Balance at 1 April 2013	305,103
Net cash inflow to UKEF	238,569
Payments to the Consolidated Fund:	
in respect of amounts received in the previous year	(305,103)
in respect of amounts received in the current year	(5,631)
Balance at 31 March 2014	**232,938**
Net cash inflow to UKEF	258,784
Payments to the Consolidated Fund:	
in respect of amounts received in the previous year	(232,938)
in respect of amounts received in the current year	(6,100)
Balance at 31 March 2015	**252,684**

Cash and cash equivalents comprise:	**31 March 2015**	**31 March 2014**
	£'000	**£'000**
Government Banking Service	203,814	222,204
Commercial banks and cash in hand	48,870	10,734
Total	**252,684**	**232,938**

15 Reconciliation of Net Cash Requirement to decrease in cash

	2014-15	**2013-14**
	£'000	**£'000**
Amounts payable to the Consolidated Fund - current year	258,784	238,569
Payments to the Consolidated Fund - current year	(6,100)	(5,631)
Amounts due to the Consolidated Fund received and not paid over	252,684	232,938
Payments to the Consolidated Fund - prior year	(232,938)	(305,103)
Increase/(Decrease) in cash	**19,746**	**(72,165)**

16 Financial liabilities at fair value

	31 March 2015	**31 March 2014**
	£'000	**£'000**
Interest rate derivatives in relation to Export Finance Loan Guarantees	4,319	5,797
Interest rate derivative contracts entered into for hedging purposes	8,007	11,885
Total	**12,326**	**17,682**
Falling due:		
- within one year	4,059	6,220
- after more than one year	8,267	11,462

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.

17 Payable to the Consolidated Fund

	31 March 2015 £'000	31 March 2014 £'000
Amounts payable to the Consolidated Fund	252,684	232,938
Total	**252,684**	**232,938**
Falling due:		
- within one year	252,684	232,938

The balance due within one year represents UKEF's bank balance as at 31 March 2015.

18 Insurance and other payables, and provisions

(a) Insurance and other payables

	31 March 2015 £'000	31 March 2014 £'000
Export Credit Guarantees and Insurance:		
Insurance payables - amounts due to policyholders	110	151
Income tax and National Insurance	324	283
Other payables	43,785	19,712
Total	44,219	20,146
Export Finance Assistance:		
Other payables	66	85
Total	66	85
Total	**44,285**	**20,231**
Falling due:		
- within one year	44,285	20,231
Of which:		
- other central government bodies	564	483
- bodies external to government	43,721	19,748

(b) Provisions for administrative and operating costs

	31 March 2015 £'000	31 March 2014 £'000
Dilapidations Provision	250	-
Early Departure Provision	526	857
Total	**776**	**857**
Falling due:		
- within one year	259	357
- after more than one year	517	500

	Dilapidations Provision £'000	Onerous Lease Provision £'000	Early Departure Provision £'000	Total £'000
Balance at 31 March 2013	-	2,099	1,359	3,458
Additions	-	-	182	182
Utilisation	-	(2,099)	(684)	(2,783)
Balance at 31 March 2014	-	-	857	857
Additions	250	-	33	283
Ulitisation	-	-	(364)	(364)
Balance at 31 March 2015	**250**	**-**	**526**	**776**

Please refer to Note 1 (O) for further details.

19 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 1 £'000	Account 2 £'000	Account 3 £'000	Total £'000
Insurance liabilities - Gross of reinsurance				
Balance at 1 April 2013	60	715,845	-	715,905
Movements:				
Addition to the underwriting funds in the year	-	154,520	-	154,520
Release of excess funds - cash	-	(1,175)	-	(1,175)
Release of excess funds - credit	-	(13,627)	-	(13,627)
Other fund movements	-	823	-	823
Change in insurance liabilities on closed funds	(42)	(19,125)	-	(19,167)
Total Movements	*(42)*	*121,416*	*-*	*121,374*
Balance at 31 March 2014	**18**	**837,261**	**-**	**837,279**
Movements:				
Addition to the underwriting funds in the year	-	92,369	-	92,369
Release of excess funds - cash	-	(819)	-	(819)
Release of excess funds - credit	-	(56,487)	-	(56,487)
Other fund movements	-	228	-	228
Change in insurance liabilities on closed funds	(14)	(12,791)	-	(12,805)
Total Movements	*(14)*	*22,500*	*-*	*22,486*
Balance at 31 March 2015	**4**	**859,761**	**-**	**859,765**
Insurance liabilities - Net of reinsurance				
Balance at 1 April 2013	60	478,420	-	478,480
Movements:				
Addition to the underwriting funds in the year	-	93,596	-	93,596
Release of excess funds - cash	-	(435)	-	(435)
Release of excess funds - credit	-	(13,627)	-	(13,627)
Other fund movements	-	824	-	824
Change in insurance liabilities on closed funds	(42)	(17,153)	-	(17,195)
Total Movements	*(42)*	*63,205*	*-*	*63,163*
Balance at 31 March 2014	**18**	**541,625**	**-**	**541,643**
Movements:				
Addition to the underwriting funds in the year	-	73,195	-	73,195
Release of excess funds - cash	-	(819)	-	(819)
Release of excess funds - credit	-	(51,189)	-	(51,189)
Other fund movements	-	228	-	228
Change in insurance liabilities on closed funds	(14)	(10,065)	-	(10,079)
Total Movements	*(14)*	*11,350*	*-*	*11,336*
Balance at 31 March 2015	**4**	**552,975**	**-**	**552,979**
Summary of movements:				
2013-14				
Gross changes in insurance liabilities	*(42)*	*121,416*	*-*	*121,374*
Reinsurers' share of changes in insurance liabilities	*-*	*(58,211)*	*-*	*(58,211)*
Changes in insurance liabilities (net of reinsurance)	***(42)***	***63,205***	***-***	***63,163***
2014-15				
Gross changes in insurance liabilities	*(14)*	*22,500*	*-*	*22,486*
Reinsurers' share of changes in insurance liabilities	*-*	*(11,150)*	*-*	*(11,150)*
Changes in insurance liabilities (net of reinsurance)	***(14)***	***11,350***	***-***	***11,336***

Movements in reinsurance are analysed within Note 12

Claims development tables

The tables below present the development of the underwriting funds balances for fund years 2004-05 to 2014-15. Credit fund years before 2006-7 are closed years as are cash fund years before 2012-13.

The tables show the development of the carrying value of the insurance liabilities (underwriting funds) in the Statement of Financial Position.

For individual Fund years, the balance shown “at end of year” shows the fund position at the end of the year it was created. Each subsequent row shows the fund position at the end of the next following year. The final row for each fund year shows the current fund position at the date of the Statement of Financial Position.

Table 1: Development of insurance liabilities, gross of reinsurance

	2005-06 fund year £'000	2006-07 fund year £'000	2007-08 fund year £'000	2008-09 fund year £'000	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
Account 2										
Credit funds										
At end of year	53,095	24,845	23,265	28,485	79,484	124,015	102,375	162,261	154,281	91,798
One year later	53,521	25,178	23,265	29,123	79,483	124,110	102,493	163,284	154,842	
Two years later	54,141	25,178	20,003	29,123	79,481	124,150	102,494	163,284		
Three years later	54,141	22,476	20,003	29,123	79,481	124,150	102,498			
Four years later	83,609	22,476	20,042	29,123	79,481	124,150				
Five years later	83,601	22,734	20,003	29,123	79,641					
Six years later	83,677	22,734	20,003	28,964						
Seven years later	83,604	22,734	20,003							
Eight years later	83,601	22,734								
Nine years later	27,114									
Cash funds										
At end of year	22,935	21,255	20,423	7,963	693	1,242	819	28,441	239	571
One year later	23,131	21,684	16,901	7,120	693	1,175	819	28,441	239	
Two years later	23,416	21,684	20,371	4,590	694	1,175	819	28,441		
Three years later	266	73	6	232	-	-	-			
Four years later	-	53	1	244	-	-				
Five years later	230	-	-	221	-					
Six years later	9	-	-	248						
Seven years later	6	-	-							
Eight years later	3	-						-	-	-
Nine years later	-									
Credit fund total	27,114	22,734	20,003	28,964	79,641	124,150	102,498	163,284	154,842	91,798
Cash fund total	-	-	-	248	-	-	-	28,441	239	571
Total fund before paid claims	**27,114**	**22,734**	**20,003**	**29,212**	**79,641**	**124,150**	**102,498**	**191,725**	**155,081**	**92,369**
Credit fund										
Cumulative paid claims	-	-	-	-	-	-	(409)	(127)	-	-
Total paid claims	-	-	-	-	-	-	(409)	(127)	-	-
Gross fund total	**27,114**	**22,734**	**20,003**	**29,212**	**79,641**	**124,150**	**102,089**	**191,598**	**155,081**	**92,369**
Summary										**843,991**

Gross Funds Summary:	funds 2005-06 to 2014-15 open £'000	funds 2005-06 to 2014-15 closed £'000	funds 2005-06 to 2014-15 total £'000	funds years to 2004-05 closed £'000	funds grand total £'000
Account 2:					
Credit fund total	787,914	27,114	815,028	3,592	818,620
Cash fund total	29,251	248	29,499	12,178	41,677
Account 2 total	817,165	27,362	844,527	15,770	860,297
Account 1 total	-	-	-	4	4
Gross fund before paid claims	**817,165**	**27,362**	**844,527**	**15,774**	**860,301**
Cumulative paid claims:					
Account 2 Credit fund total	(536)	-	(536)		(536)
Gross fund total	**816,629**	**27,362**	**843,991**	**15,774**	**859,765**

Table 2: Development of insurance liabilities, net of reinsurance

	2005-06 fund year £'000	2006-07 fund year £'000	2007-08 fund year £'000	2008-09 fund year £'000	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
Account 2										
Credit funds										
At end of year	49,916	16,468	20,086	25,798	34,653	76,308	67,158	85,638	93,357	72,624
One year later	50,342	16,801	20,086	26,433	35,363	76,399	67,275	86,662	93,919	
Two years later	50,962	16,801	20,003	26,433	35,262	76,412	67,277	86,662		
Three years later	50,962	17,278	20,003	26,433	35,362	76,412	67,282			
Four years later	65,011	17,278	20,042	26,433	35,362	76,412				
Five years later	65,003	17,536	20,003	26,433	35,521					
Six years later	65,079	17,536	20,003	26,273						
Seven years later	65,006	17,536	20,003							
Eight years later	65,002	17,536								
Nine years later	13,813									
Cash funds										
At end of year	22,935	21,255	20,423	7,963	693	1,242	819	28,441	239	571
One year later	23,131	21,684	16,901	7,120	693	431	819	28,441	239	
Two years later	23,416	21,684	16,001	4,590	-	436	819	28,441		
Three years later	266	73	6	232	-	1	-			
Four years later	-	53	-	244	-	-				
Five years later	230	-	-	221	-					
Six years later	10	-	-	249						
Seven years later	6	-	-							
Eight years later	3	-								
Nine years later	-									
Credit fund total	13,813	17,536	20,003	26,273	35,521	76,412	67,282	86,662	93,919	72,624
Cash fund total	-	-	-	249	-	-	-	28,441	239	571
Total fund before paid claims	**13,813**	**17,536**	**20,003**	**26,522**	**35,521**	**76,412**	**67,282**	**115,103**	**94,158**	**73,195**
Credit fund										
Cumulative paid claims	-	-	-	-	-	-	(409)	(127)	-	-
Total paid claims	-	-	-	-	-	-	(409)	(127)	-	-
Net fund total	**13,813**	**17,536**	**20,003**	**26,522**	**35,521**	**76,412**	**66,873**	**114,976**	**94,158**	**73,195**
Summary										**539,009**

Net Funds Summary:	**funds 2005-06 to 2014-15 open £'000**	**funds 2005-06 to 2014-15 closed £'000**	**funds 2005-06 to 2014-15 total £'000**	**funds years to 2004-05 closed £'000**	**funds grand total £'000**
Account 2:					
Credit fund total	496,232	13,813	510,045	1,788	511,833
Cash fund total	29,251	249	29,500	12,178	41,678
Account 2 total	525,483	14,062	539,545	13,966	553,511
Account 1 total	-	-	-	4	4
Total before paid claims	**525,483**	**14,062**	**539,545**	**13,970**	**553,515**
Cumulative paid claims:					
Account 2 Credit fund total	(536)	-	(536)		(536)
Net fund total	**524,947**	**14,062**	**539,009**	**13,970**	**552,979**

Table 3: 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.

	2005-06 fund year £'000	2006-07 fund year £'000	2007-08 fund year £'000	2008-09 fund year £'000	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
Account 2										
Credit funds										
At end of year	30,697	9,322	12,203	14,077	29,302	34,350	32,460	33,987	34,208	46,367
One year later	19,534	12,143	14,080	14,549	26,329	28,410	28,421	26,790	34,184	
Two years later	21,915	12,812	19,337	11,946	20,725	24,153	20,398	26,204		
Three years later	21,910	7,061	17,415	10,156	14,483	15,338	21,011			
Four years later	27,686	5,326	8,934	8,491	10,479	13,602				
Five years later	16,157	2,919	6,252	5,757	7,513					
Six years later	18,974	1,883	4,288	3,639						
Seven years later	24,991	1,072	2,716							
Eight years later	20,189	391								
Nine years later	13,813									
Cash funds										
At end of year	4,955	20,718	20,423	7,963	544	311	71	8,860	69	261
One year later	851	1,841	21	7,120	109	1	12	7,314	14	
Two years later	622	173	6	4,590	-	1	12	7,583		
Three years later	266	73	6	232	-	1	-			
Four years later	-	53	-	244	-	-				
Five years later	230	-	-	221	-					
Six years later	10	-	-	249						
Seven years later	6	-	-							
Eight years later	3	-								
Nine years later	-									
Credit fund total	13,813	391	2,716	3,639	7,513	13,602	21,011	26,204	34,184	46,367
Cash fund total	-	-	-	249	-	-	-	7,583	14	261
Expected Loss total	**13,813**	**391**	**2,716**	**3,888**	**7,513**	**13,602**	**21,011**	**33,787**	**34,198**	**46,628**
Summary										**177,547**

Expected Loss Summary:	funds 2005-06 to 2014-15 open £'000	funds 2005-06 to 2014-15 closed £'000	funds 2005-06 to 2014-15 total £'000	funds years to 2004-05 closed £'000	funds grand total £'000
Account 2:					
Credit fund total	155,627	13,813	169,440	1,788	171,228
Cash fund total	7,858	249	8,107	12,178	20,285
Account 2 total	163,485	14,062	177,547	13,966	191,513
Account 1 total	-	-	-	4	4
Expected Loss total	**163,485**	**14,062**	**177,547**	**13,970**	**191,517**

20 Movement in 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.

21 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, assess 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.

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

a) **Market risk** (including interest rate risk, foreign currency risk, and other price risk);

b) **Credit risk** (in this context meaning counterparty risk in relation to interest rate derivatives);

c) **Insurance risk** (including related foreign currency risk);

d) **Liquidity risk;** and

e) **Risk measurement.**

To ensure that its risk management is effective, UKEF has established a governance framework which includes the following elements:

- Defined terms of reference for the Management Board and Risk Committee and specified duties for the Accounting Officer.
- A clearly defined organisational structure setting out the responsibilities of the various divisions, and documented delegation authorities.
- A dedicated risk management function that is central to the business decisions of UKEF, with clearly defined roles and reporting lines.
- A Credit Risk Policy Statement that is reviewed, updated as necessary, and formally re-adopted at least annually. This framework sets out UKEF’s risk management objectives, policies and procedures for the effective recognition, assessment, monitoring and reporting of the risks that it faces.

UKEF's approach to managing operational risk is described in the Governance Statement.

(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 21 (a) (ii) and (c) (iii)). In addition there is some foreign exchange market risk which is explained in Note 21 (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.

(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.

The profit or loss performance of the FREF portfolio is monitored on a daily basis. Movements in excess of defined limits are reported to the Finance Director and the Risk Committee for action as appropriate. On a monthly basis, a full report on the FREF Account 4 business is circulated to the standing membership of the Risk Committee, Executive Committee and Management Board. This report is also submitted to HM Treasury within a month of the end of the reporting period.

Sensitivities to movements in interest rates were:

	1% increase in interest rates £'000	1% decrease in interest rates £'000
As at 31 March 2015		
Interest rate swap arrangements on Export Finance Loan Guarantees	(412)	169
Interest rate derivative contracts entered into for hedging purposes	1,645	(1,705)
Net impact on profit or loss	**1,233**	**(1,536)**
As at 31 March 2014		
Interest rate swap arrangements on Export Finance Loan Guarantees	(775)	228
Interest rate derivative contracts entered into for hedging purposes	2,516	(2,616)
Net impact on profit or loss	**1,741**	**(2,388)**

Sensitivities to movements in interest rate volatility were:

	5% increase in interest rate volatility £'000	5% decrease in interest rate volatility £'000
As at 31 March 2015		
Interest rate swap arrangements on Export Finance Loan Guarantees	(3)	-
Net impact on profit or loss	**(3)**	**-**
As at 31 March 2014		
Interest rate swap arrangements on Export Finance Loan Guarantees	(15)	-
Net impact on profit or loss	**(15)**	**-**

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
As at 31 March 2015				
Interest rate swap arrangements on Export Finance Loan Guarantees	46,115	61,549	7,750	115,414
Interest rate derivative contracts entered into for hedging purposes	33,812	64,539	1,291	99,642
As at 31 March 2014				
Interest rate swap arrangements on Export Finance Loan Guarantees	50,467	99,000	11,408	160,875
Interest rate derivative contracts entered into for hedging purposes	63,625	77,670	18,136	159,431

(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 interest 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 21 (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 is set out below.

	Pound Sterling £'000	US dollar £'000	Other £'000	Total £'000
As at 31 March 2015				
Financial assets:				
Fair value through profit or loss	2,016	7,254	1,771	11,041
Loans at amortised cost	75,701	5,354	-	81,055
Insurance and other receivables	6,599	10,938	5,691	23,228
Financial liabilities:				
Fair value through profit or loss	(6,112)	(5,018)	(1,196)	(12,326)
Insurance and other payables	(44,285)	-	-	(44,285)
As at 31 March 2014				
Financial assets:				
Fair value through profit or loss	3,250	9,220	3,094	15,564
Loans at amortised cost	105,120	-	-	105,120
Insurance and other receivables	10,525	5,669	494	16,688
Financial liabilities:				
Fair value through profit or loss	(8,357)	(7,185)	(2,140)	(17,682)
Insurance and other payables	(12,963)	(6,774)	(494)	(20,231)

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

(b) Credit risk

Credit risk is the risk of loss in value of financial assets due to counterparties failing to meet all or part of their obligations as they fall due. UKEF has exposure to credit risk through its holdings of interest rate derivatives, which is also referred to as 'counterparty' risk. Credit risk related to UKEF's insurance contracts, including financial guarantees, is discussed within Insurance risk below.

UKEF has implemented policies and procedures that seek to minimise credit risk through: setting bank eligibility criteria that must be satisfied before banks can participate in IMU agreements; stipulations on minimum credit risk quality; specific credit risk control clauses in ISDA Master Agreements; and spreading risk amongst a number of counterparties.

Reports detailing credit exposures by counterparty, together with their limits, are reviewed by the Risk Committee on a monthly basis.

Investment grade is defined as a credit rating of BBB minus or above.

Credit concentration risk (financial counterparty)

As noted above, controls are in place to ensure that UKEF's maximum exposure to any one counterparty is maintained within pre-set limits.

(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.

(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.

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.

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 2015:

	Investment grade £'000	Non-investment grade £'000	Total £'000
Amounts at risk, gross of reinsurance			
Account 2			
Asset-backed	6,984,343	4,330,493	11,314,836
Other	5,060,517	1,631,159	6,691,676
	12,044,860	**5,961,652**	**18,006,512**
Amounts at risk, net of reinsurance			
Account 2			
Asset-backed	2,365,496	4,330,493	6,695,989
Other	4,401,616	1,631,159	6,032,775
	6,767,112	**5,961,652**	**12,728,764**
Expected Loss, gross of reinsurance			
Account 2			
Asset-backed	76,778	69,784	146,562
Other	44,080	82,963	127,043
	120,858	**152,747**	**273,605**
Expected Loss, net of reinsurance			
Account 2			
Asset-backed	9,989	69,784	79,773
Other	28,777	82,963	111,740
	38,766	**152,747**	**191,513**

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 2014:

	Investment grade Restated £'000	Non-investment grade Restated £'000	Total £'000
Amounts at risk, gross of reinsurance			
Account 2			
Asset-backed	6,944,472	4,392,269	11,336,741
Other	4,661,104	612,005	5,273,109
	11,605,576	**5,004,274**	**16,609,850**
Amounts at risk, net of reinsurance			
Account 2			
Asset-backed	2,406,844	4,392,269	6,799,113
Other	4,102,134	612,005	4,714,139
	6,508,978	**5,004,274**	**11,513,252**
Expected Loss, gross of reinsurance			
Account 2			
Asset-backed	75,188	72,578	147,766
Other	51,442	58,765	110,207
	126,630	**131,343**	**257,973**
Expected Loss, net of reinsurance			
Account 2			
Asset-backed	10,261	72,578	82,839
Other	28,590	58,765	87,355
	38,851	**131,343**	**170,194**

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

Amounts at risk gross & net of reinsurance on Accounts 1 and 3 were £4,313,000 and £Nil respectively at 31 March 2015 (31 March 2014: £10,069,000 and £Nil respectively).

Expected Loss gross & net of reinsurance on Accounts 1 and 3 were £4,000 and £Nil respectively at 31 March 2015 (31 March 2014: £18,000 and £Nil respectively).

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 2015.

	Investment grade £'000	Non-investment grade £'000	Total £'000
Recoverable claims at 31 March 2015 - gross			
Account 1	32,029	550,928	582,957
Account 2	217,078	196,353	413,431
	249,107	**747,281**	**996,388**
Recoverable claims at 31 March 2015 - net of provisions			
Account 1	31,068	232,600	263,668
Account 2	210,566	56,478	267,044
	241,634	**289,078**	**530,712**

	Investment grade £'000	Non-investment grade £'000	Total £'000
Interest on unrecovered claims at 31 March 2015 - gross			
Account 1	122	983,946	984,068
Account 2	807	110,927	111,734
	929	**1,094,873**	**1,095,802**
Interest on unrecovered claims at 31 March 2015 - net of provisions			
Account 1	118	141,882	142,000
Account 2	783	560	1,343
	901	**142,442**	**143,343**

The following table provides information regarding the credit exposure of recoverable claims and related interest as at 31 March 2014:

	Investment grade £'000	Non-investment grade £'000	Total £'000
Recoverable claims at 31 March 2014 - gross			
Account 1	39,543	569,734	609,277
Account 2	267,034	198,634	465,668
	306,577	**768,368**	**1,074,945**
Recoverable claims at 31 March 2014 - net of provisions			
Account 1	38,357	245,869	284,226
Account 2	258,819	62,384	321,203
	297,176	**308,253**	**605,429**

	Investment grade £'000	Non-investment grade £'000	Total £'000
Interest on unrecovered claims at 31 March 2014 - gross			
Account 1	144	958,199	958,343
Account 2	1,019	101,253	102,272
	1,163	**1,059,452**	**1,060,615**
Interest on unrecovered claims at 31 March 2014 - net of provisions			
Account 1	140	144,388	144,528
Account 2	955	404	1,359
	1,095	**144,792**	**145,887**

(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 Risk 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 portfolio as at 31 March 2015.

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Amounts at Risk, gross of reinsurance					
Account 2					
Asset-backed	6,242,011	1,354,333	1,097,739	2,620,753	11,314,836
Other	1,094,627	739,334	4,075,870	781,845	6,691,676
	7,336,638	**2,093,667**	**5,173,609**	**3,402,598**	**18,006,512**
Amounts at Risk, net of reinsurance					
Account 2					
Asset-backed	1,623,164	1,354,333	1,097,739	2,620,753	6,695,989
Other	435,726	739,334	4,075,870	781,845	6,032,775
	2,058,890	**2,093,667**	**5,173,609**	**3,402,598**	**12,728,764**
Expected Loss, gross of reinsurance					
Account 2					
Asset-backed	81,707	13,158	11,101	40,596	146,562
Other	28,606	21,809	51,133	25,495	127,043
	110,313	**34,967**	**62,234**	**66,091**	**273,605**
Expected Loss, net of reinsurance					
Account 2					
Asset-backed	14,918	13,158	11,101	40,596	79,773
Other	13,303	21,809	51,133	25,495	111,740
	28,221	**34,967**	**62,234**	**66,091**	**191,513**

The following table provides an indication of the concentration of credit risk within the UKEF Account 2 portfolio as at 31 March 2014:

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
Amounts at Risk, gross of reinsurance					
Account 2					
Asset-backed	6,263,167	1,408,633	1,139,098	2,525,843	11,336,741
Other	1,091,215	644,441	3,110,696	426,757	5,273,109
	7,354,382	**2,053,074**	**4,249,794**	**2,952,600**	**16,609,850**
Amounts at Risk, net of reinsurance					
Account 2					
Asset-backed	1,725,539	1,408,633	1,139,098	2,525,843	6,799,113
Other	532,245	644,441	3,110,696	426,757	4,714,139
	2,257,784	**2,053,074**	**4,249,794**	**2,952,600**	**11,513,252**
Expected Loss, gross of reinsurance					
Account 2					
Asset-backed	83,715	12,876	13,735	37,440	147,766
Other	30,608	15,513	55,447	8,639	110,207
	114,323	**28,389**	**69,182**	**46,079**	**257,973**
Expected Loss, net of reinsurance					
Account 2					
Asset-backed	18,788	12,876	13,735	37,440	82,839
Other	7,756	15,513	55,447	8,639	87,355
	26,544	**28,389**	**69,182**	**46,079**	**170,194**

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 2015:

	Pounds Sterling £'000	US Dollar £'000	Other £'000	Total £'000
Recoverable claims				
- Gross	704,720	283,529	8,139	996,388
- Provisions	(381,637)	(77,313)	(6,726)	(465,676)
Interest on unrecovered claims				
- Gross	868,079	215,783	11,940	1,095,802
- Provisions	(790,470)	(150,116)	(11,873)	(952,459)
Net insurance assets at 31 March 2015	**400,692**	**271,883**	**1,480**	**674,055**

The sensitivity to changes in foreign exchange of US dollar denominated net insurance assets at 31 March 2015 is as follows:

- 10% movement would increase / increase the carrying value by £24,717,000 (31 March 2014 by £27,898,000).
- 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 2014:

	Pounds Sterling £'000	US Dollar £'000	Other £'000	Total £'000
Recoverable claims				
- Gross	778,769	288,497	7,679	1,074,945
- Provisions	(392,432)	(70,802)	(6,282)	(469,516)
Interest on unrecovered claims				
- Gross	855,042	192,368	13,205	1,060,615
- Provisions	(770,516)	(131,079)	(13,133)	(914,728)
Net insurance assets at 31 March 2014	**470,863**	**278,984**	**1,469**	**751,316**

(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 the HM Government, UKEF has access to funds required to meet its obligations as they fall due, drawing on funds from the Exchequer as required.

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

	One year or less	Between one and five years	Between five and ten years	Between ten and fifteen years	Total
	£'000	£'000	£'000	£'000	£'000
Accounts 1 - 3					
Gross Amounts at Risk	2,789,897	8,860,109	5,685,571	675,248	18,010,825
Less: Amounts at Risk ceded to reinsurers	(903,788)	(2,486,478)	(1,816,678)	(70,804)	(5,277,748)
Net amounts at risk at 31 March 2015	**1,886,109**	**6,373,631**	**3,868,893**	**604,444**	**12,733,077**

	One year or less	Between one and five years	Between five and ten years	Between ten and fifteen years	Total
	£'000	£'000	£'000	£'000	£'000
Accounts 1 - 3					
Gross Amounts at Risk	1,921,581	8,281,363	5,762,482	654,493	16,619,919
Less: Amounts at Risk ceded to reinsurers	(549,019)	(2,324,764)	(2,024,277)	(198,538)	(5,096,598)
Net amounts at risk at 31 March 2014	**1,372,562**	**5,956,599**	**3,738,205**	**455,955**	**11,523,321**

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.

(e) Risk measurement

UKEF maintains a credit risk portfolio modelling tool to monitor and report on its exposure for its Account 2 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 portfolio twice a year, using criteria endorsed by the 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.

The table below sets out the impact of the movements indicated on: (i) total Expected Loss on Account 2 insurance contracts in issue and current as at 31 March 2015, and (ii) on the Statement of Comprehensive Net Income after taking into account utilisation of the underwriting fund.

	Across the board ratings downgrade by		Increased persistence	Reduced recovery rates
	1 notch £'000	2 notches £'000	+ 2 years £'000	-20% £'000
As at 31 March 2015:				
- Increase in Expected Loss	73,638	162,474	4,640	48,846
- Impact on net income for the year	4,475	19,810	238	6,465

The table below sets out the impact of the movements indicated on: (i) total Expected Loss on Account 2 insurance contracts in issue and current as at 31 March 2014, and (ii) on the Statement of Comprehensive Net Income after taking into account utilisation of the underwriting fund.

	Across the board ratings downgrade by		Increased persistence	Reduced recovery rates
	1 notch £'000	2 notches £'000	+ 2 years £'000	-20% £'000
As at 31 March 2014:				
- Increase in Expected Loss	62,113	140,287	2,885	22,668
- Impact on net income for the year	2,034	4,551	74	1,079

Sensitivity analysis is not performed for Accounts 1 and 3, as the majority of these balances are comprised of a small number of large individual customers and in the case of Account 3 there is no remaining exposure.

Provisions against these customers are assessed individually based upon the consideration of a number of criteria specific to the circumstances of each obligor.

Insurance assets - unrecovered claims
Provisions on Unrecovered Claims are assessed on a case-by-case basis taking into account specific factors relevant to each claim. Unrecovered Claims comprise a number of different asset types to which a variety of different factors will apply at different times.

22 Related party transactions

UKEF is a Department of the Secretary of State for Business, Innovation and Skills. As such, it has a number of transactions with other Government Departments and other central Government bodies.

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

There have been transactions between UKEF and Guaranteed Export Finance Corporation PLC (GEFCO).

Over the course of the 2014-15 financial year GEFCO began to novate the outstanding loan sub-participations on its books to UKEF and the last loan was novated in December 2014. All sub-participations were held directly by UKEF at the end of December. UKEF will hold these novated sub-participations to maturity and continue to measure these at amortised cost. As a consequence of these novations GEFCO will cease to charge UKEF any further management fees. The last management fee to be paid was for the period ended December 2014.

On 7th January 2015 GEFCO and its parent company were placed into members voluntary liquidation.

GEFCO is incorporated in Great Britain and registered in England and Wales and is domiciled in the United Kingdom. It is the only subsidiary of First Securitisation Company Limited. As at 31 March 2014, First Securitisation Company Limited holds 49,999 of its shares with the one remaining share being held by Capita IRG Trustees Limited. GEFCO has three Directors: two appointed by Capita IRG Trustees Limited and the other appointed by Lloyds Banking Group Plc (Lloyds).

Between the financial years 1986-87 and 2002-03, GEFCO refinanced a number of export credit loans guaranteed by UKEF. Since 2002-03, there have been no new re-financings (although drawings under loans previously refinanced have themselves been refinanced). The loans which GEFCO has refinanced are now in run-off.

GEFCO has raised funds by issuing bonds guaranteed by the Secretary of State and by long term borrowing from UKEF. GEFCO repaid its last remaining bond on 7 January 2010. GEFCO has an overdraft facility with Lloyds, which is guaranteed by UKEF. GEFCO has, in connection with its refinancing of export credit loans in foreign currencies, entered into cross currency swaps, and its obligations under those swaps are guaranteed by UKEF.

GEFCO's accounts are not consolidated with those of UKEF, as GEFCO does not meet the criteria for consolidation in the FReM.

Between April 2014 to 31 December 2014, transactions between UKEF and GEFCO comprised:

- repayments of principal under loans made by UKEF to GEFCO: £21,036,787.37 (£33,585,000 in 2013-14); and
- net interest received under those loans: £4,361,855.18 (£7,833,000 in 2013-14).

The balances and transactions for the year between GEFCO and UKEF are now reported within Note 10(b).

Under the contracts for the refinancing of export credit loans, UKEF agreed that, at the end of each month, UKEF will reimburse GEFCO any expenses and fees incurred by GEFCO in administering the refinanced loans. In the financial year ended 31 March 2015, GEFCO fees and expenses totalled £389,708 (2013-14: £541,000).

The expenses deducted include:

- interest payable to Lloyds under the overdraft facility; and
- fees payable by GEFCO to Lloyds for managing the refinanced loans and other costs and expenses incurred by GEFCO in its normal course of business.

The residual margin payments made by GEFCO to banks on UKEF’s behalf pursuant to the Agency Agreement between UKEF and GEFCO totalled £366,334 (2013-14 £667,000).

Further information regarding the liquidation of GEFCO can be obtained from Companies House.

23 Contingent liabilities

23(a) Products accounted as insurance contracts on a funds basis

The following table summarises the movement in Amounts at Risk (AAR) on issued and effective guarantees on products which are accounted under IFRS4:

Gross of reinsurance	Account 1 £'000	Account 2 £'000	Account 3 £'000	Total £'000
Balance at 1 April 2013	18,223	17,584,061	-	17,602,284
Guarantees and insurance policies issued and renewed	-	2,426,630	-	2,426,630
Run off	(8,102)	(1,946,714)	-	(1,954,816)
Net foreign exchange adjustments	(52)	(1,370,903)	-	(1,370,955)
Interest rate adjustments	-	(83,224)	-	(83,224)
Balance at 31 March 2014	**10,069**	**16,609,850**	**-**	**16,619,919**
Guarantees and insurance policies issued and renewed	-	3,184,915	-	3,184,915
Run off	(5,756)	(2,877,871)	-	(2,883,627)
Net foreign exchange adjustments	-	1,144,271	-	1,144,271
Interest rate adjustments	-	(54,653)	-	(54,653)
Balance at 31 March 2015	**4,313**	**18,006,512**	**-**	**18,010,825**

Net of reinsurance	Account 1 £'000	Account 2 £'000	Account 3 £'000	Total £'000
Balance at 1 April 2013	18,223	12,181,342	-	12,199,565
Guarantees and insurance policies issued and renewed	-	2,225,484	-	2,225,484
Run off	(8,102)	(1,933,246)	-	(1,941,348)
Net foreign exchange adjustments	(52)	(903,610)	-	(903,662)
Interest rate adjustments	-	(56,718)	-	(56,718)
Balance at 31 March 2014	**10,069**	**11,513,252**	**-**	**11,523,321**
Guarantees and insurance policies issued and renewed	-	2,551,425	-	2,551,425
Run off	(5,756)	(2,118,878)	-	(2,124,634)
Net foreign exchange adjustments	-	811,414	-	811,414
Interest rate adjustments	-	(28,449)	-	(28,449)
Balance at 31 March 2015	**4,313**	**12,728,764**	**-**	**12,733,077**

AAR reflects exposure to default on future loan repayments and related contractual interest settlement on issued and effective guarantees.

23(b) Products accounted for as financial guarantees

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

Gross & Net of reinsurance	Account 1 £'000	Account 2 £'000	Account 3 £'000	Total £'000
Balance at 1 April 2013	-	538,991	-	538,991
Guarantees and insurance policies issued and renewed	-	47,006	-	47,006
Run off	-	(8,764)	-	(8,764)
Net foreign exchange adjustments	-	(2,272)	-	(2,272)
Balance at 31 March 2014	**-**	**574,961**	**-**	**574,961**
Guarantees and insurance policies issued and renewed	-	133,803	-	133,803
Run off	-	(50,205)	-	(50,205)
Net foreign exchange adjustments	-	2,778	-	2,778
Balance at 31 March 2015	**-**	**661,337**	**-**	**661,337**

Commitments against statutory limits are now being reported in the Annual Report section of this document and so are not subject to audit.

24 Capital Loan Commitments

The following table summarises the movement in Amounts at Risk (AAR) on issued and effective lending products which are accounted for on an amortised cost basis under IAS 39**:**

Gross & net of reinsurance	Account 4 £'000	Account 5 £'000	Total £'000
Balance at 1 April 2013	-	-	-
Loans issued	-	-	-
Amounts drawn	-	-	-
Balance at 31 March 2014	**-**	**-**	**-**
Loans issued	-	37,036	37,036
Amounts drawn	-	(6,858)	(6,858)
Balance at 31 March 2015	**-**	**30,178**	**30,178**

25 Losses and Special Payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

	2014-15	2013-14
Losses		
Total number		
Total cost £'000		
Special Payments		
Total number	1	-
Total cost £'000	500	-

In March 2015 The Chief Secretary to the Treasury issued a fine against UK Export Finance of £500,000 for breaches of the off payroll guidance which involved the failure to seek proper assurance regarding the tax arrangements of a number of individuals. A Government Internal Audit Agency report concluded UK Export Finance failed to properly implement the off-payroll guidance during the course of 2014-15. Further details can be found in the Governance Statement.

Glossary

Amounts at Risk (AAR)

AAR is equivalent to the accounting term Contingent Liability. This represents the unexpired portion of the total risks guaranteed by UKEF; thus AAR would normally be less than Maximum Liability by the amount of expired risk, i.e. payment received or the unutilised amount of a loan.

Arrangement, The

The OECD Arrangement on Guidelines for Officially Supported Export Credits, sometimes referred to as "the Consensus". This limits self-defeating competition on export credits among members of the OECD who have undertaken that they will operate within these guidelines when providing official support for export credits of two years or more. The Arrangement covers all officially supported export credits except those for agricultural produce and military equipment. Aircraft, ships, nuclear power plants, water and renewable energy projects are subject to separate sector understandings.

Buyer credit

A medium to long-term finance facility in which, normally, a 100 per cent unconditional guarantee is given by UKEF to a UK bank. This is in respect of a loan made available to an overseas borrower to finance a contract relating to the supply of capital or semi-capital goods and for related services by a UK-based supplier to a buyer in an overseas market.

Commitment

A case not yet the subject of an issued guarantee, but for which UKEF has communicated its willingness, before a specified date and subject to conditions, to provide support to the country, the buyer, the borrower, the exporter or the financial institution.

Consolidated Fund

The government's "current account", operated by HM Treasury, through which pass most government payments and receipts.

Consolidated Fund Excess Receipts (CFER)

CFER comprise receipts realised or recovered by UKEF in the process of conducting services charged on public funds which are not authorised to be appropriated in aid of expenditure, but which must be paid directly to the Consolidated Fund.

Contract Bond

A bond, usually issued by a bank, which an exporter provides for the benefit of its customer and which can be called without the agreement of the exporter or the assessment of an independent third party.

Credit Default Swap (CDS)

A market instrument used to transfer credit risk.

Estimate

A statement of how much money the government needs in the coming financial year and for what purpose(s), by which Parliamentary authority is sought for the planned level of expenditure and receipts.

Expected Loss

A statistical estimate of the exposure expected to turn into claims that are irrecoverable.

Export Finance Activities

Activities in relation the administration of refinanced loans or loans made under the direct lending facility.

Export Credit Agencies (ECAs)

Institutions providing government-backed guarantees, insurance and sometimes loans, covering commercial and political risks. Most industrialised nations have an ECA, which is usually a national, public or publicly-mandated agency supporting companies from its home country.

Financial Objectives

UKEF's financial aim, which is the subject of an agreement with HM Treasury.

Fixed Rate Export Finance (FREF)

Finance for export contracts involving credit of two years or more provided by lending banks at fixed interest rates determined under The Arrangement, and which is guaranteed by UKEF and is the subject of interest equalisation. The finance could be offered in pounds sterling and a range of standard currencies. Provision of non-standard currencies had to be cleared by HM Treasury and the Bank of England.

Letter of Credit

A letter issued by a bank to another bank (especially one in a different country) to serve as a guarantee for payments made to a specified person under specified conditions in relation to a trade-related transaction.

Overseas Investment Insurance (OII)

An UKEF scheme which provides a UK investor with insurance for up to fifteen years against political risks in respect of a new investment overseas. It may also be available to UK banks in respect of overseas lending, whether or not it is in connection with a UK investment or export.

Premium Income

Consideration receivable for the issue of guarantees and insurance contracts that become effective during the financial year. Premium income is stated both gross and net of amounts ceded to other ECAs in the Accounts.

Provisions

Amounts which are set aside within UKEF's Trading Accounts to allow for non-recovery of claims already paid and of claims to be paid in the future.

SMEs

Small and medium-sized enterprises.

Spending Review

This sets Department Expenditure Limits (DEL) and plans Annually Managed Expenditure (AME) for the following three years.

Supplier credit

Credit given by a UK exporter to an overseas buyer. In such cases, the normal method of financing the contract is for the bank to lend the exporter money and for the exporter to repay, usually when it receives payment from the buyer after the agreed credit period. UKEF can provide insurance for this finance under a SCF facility (see below).

Supplier credit finance facility (SCF)

An UKEF facility for the sale of semi-capital or capital goods on two or more years of credit, providing finance to the supplier in the majority of cases without recourse.

Underwriting activities

UKEF's activities in issuing guarantees and insurance, and the recovery of claims.

Unexpected Loss

Unexpected Loss is a quantitative monetary measure of the potential 'downside' risk (in excess of the Expected Loss) on a portfolio, country or on an individual exposure.

Working capital

The capital of a business which is used in its day-to-day trading operations, calculated as the current assets minus the current liabilities.

ISBN 978-1-4741-2149-1
9 781474 121491