



Shareholder
Executive

HM Government

Annual Review 2012-13

October 2013

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1. Chief Executive's Report



1.1 Introduction

It has been another dynamic year for the Shareholder Executive (ShEx), with changes in the leadership team, and changes to the organisations in our portfolio.

The largest of these, and our major transaction this year, was the Royal Mail Initial Public Offering (IPO), which took place in October.

In challenging circumstances, and following years of failed attempts to privatise Royal Mail, ShEx delivered a sale of 60 per cent of the shares in Royal Mail to a mix of long-term high-quality institutional investors and almost 700,000 members of the public.

Nearly £2bn was raised for the Exchequer, and the Government still holds a 30 per cent stake in a company that has, as expected, increased in value following the introduction of private sector ownership. An additional 10 per cent of the shares were transferred to Royal Mail's employees, to establish the largest employee share scheme of any major privatisation for nearly 30 years, and giving the employees a tangible stake in the business they work for. ShEx's ability to deliver such a large, complex and politically sensitive transaction demonstrates the real strengths we have in the organisation.

1.2 Major achievements

Since last year's annual report in October 2012, there have been a number of achievements across ShEx portfolio companies and advisory work.

Royal Mail privatisation: The IPO is undoubtedly the principal achievement of the Royal Mail team but several of the workstreams within the overall project would stand as major achievements in their own right.

- **Retail offer:** almost 700,000 members of the public purchased shares in Royal Mail through an enormously popular retail offer. This was a large and high-profile logistical challenge, including delivering mini-prospectuses to around 1,500 Post Offices throughout the UK and ensuring that members of the British Forces posted overseas could apply for shares.
- **Employee shares:** alongside the sale of shares to institutions and the public, the Government established an employee share scheme which gives employees a 10 per cent interest in the company.

Around 150,000 employees of Royal Mail now have a real and direct stake in the future success of their business.

- **Pension fund asset sales:** on 1 April 2012 the Government assumed responsibility for Royal Mail's historic pension deficit. Around £40bn of historic pension liabilities transferred to a new statutory pension scheme and around £28bn of assets transferred to two new BIS companies established by ShEx to hold and realise those assets on behalf of HM Treasury. Over the last year all of the liquid assets have been realised at significantly lower transaction costs than anticipated – a real achievement given challenging market conditions over the period. Around £3bn of less liquid assets continue to be held and managed by ShEx.
- **Separation of the Post Office and Royal Mail:** with effect from 1st April 2012 Post Office Ltd and Royal Mail were separated into sister companies. This has allowed a sale of Royal Mail shares whilst retaining Post Office Ltd in public ownership. Post Office Ltd now has an independent board and the freedom to focus on growing its revenues and getting the most out of its branch network.

The launch of the UK Green Investment Bank:

The creation of the UK Green Investment Bank (UKGIB) was one of the key commitments of the Coalition Agreement.

Following its set-up phase in ShEx, the UKGIB was launched as an independent, arm's length organisation at the end of October 2012, following State Aid approval from the European Commission.

Shaun Kingsbury, formerly Investment Partner at Hudson Clean Energy Partners, was appointed as the first CEO. Over the past year, he has built a world-class team of green advisory and investment professionals in the company's Edinburgh and London offices. The UKGIB has already made substantial progress with its investment programme, having committed over £700m to projects in a range of green sectors and attracted around £1.8bn of private sector investment alongside.

The establishment of the British Business Bank:

ShEx has been tasked with the set-up of a British Business Bank, to be the Government's flagship institution to boost access to finance for small and medium-sized enterprises (SMEs) – a strong vote of confidence in our success in setting up the UKGIB. An additional £1bn of funding has been allocated to the initiative and a senior team with considerable relevant private sector expertise has already been put in place.

The British Business Bank is both consolidating existing national 'access to finance' programmes and designing and launching new programmes focussed on wholesale guarantees and other products as required by the market.

With around £2.9bn of funding commitments in place, the British Business Bank has already launched a number of additional programmes to boost equity investment and lending, such as the £300m Investment Programme designed to diversify SME lending and the VC Catalyst Fund, which co-invests in early stage venture capital funds.

The Information Economy Industrial Strategy:

In 2012, the Government committed to an industrial strategy based on building collaborative strategic partnerships with key sectors. The Information Economy team led on developing a strategy for its sector, which spans software, IT services and the telecommunications and has a transformative impact across the whole economy. The strategy sets out a vision for a thriving UK information economy, to give confidence for investment and growth and enhance national competitiveness. It outlines current and new actions in areas such as digital skills, physical infrastructure, big data, cyber security and future technologies. The strategy was launched by the Prime Minister in June 2013 and enthusiastically received by key industry figures including David Stokes, Chief Executive of IBM UK and Ireland, and Baroness Lane-Fox, Chair of Go-ON UK.

Cyber Governance Health Check: In July 2013 the Government launched the Cyber Governance Health Check by writing to the Chairs and Audit Committee Chairs of the FTSE 350. This initiative, led by the Cyber Security team in ShEx, seeks to prompt behavioural change within UK companies so that cyber risks become the concern of boards and audit committees and not just the IT departments. To deliver this, BIS, together with GCHQ and the Security Service (MI5), entered into a strategic partnership with the six companies which audit the FTSE 350. This partnership will see the firms utilise their unique client relationships and provide pro bono support to BIS as it seeks to build a rich picture of the levels of cyber governance across FTSE 350 board rooms, followed by individual vulnerability assessments.

Sale of “mortgage style” student loans: ShEx completed its analysis of options for monetising the remaining publicly-owned “mortgage style” student loan book. Following extensive work to prepare the book for sale and develop the preferred sale option, a sale process was launched in March 2013.

The key aims of the sale are to maximise the value for money for the taxpayer and to reduce administration pressures for the Student Loans Company, which is primarily focussed on the more recent Income Contingent Repayment loans.

There will be no change to borrowers’ terms and conditions as a result of the sale, including the interest rate charged.

Agreement on key contract terms for Hinkley Point C: ShEx worked together with a team from DECC on negotiations between EDF Energy and the Government on the commercial terms of an investment contract for the planned Hinkley Point C nuclear power station. An agreement in principle was reached in October 2013 on the price of the electricity and other key contract terms. This is a major milestone on the route to Hinkley C becoming the first new nuclear power station in the UK since Sizewell B, which started generating electricity in 1995. Hinkley will provide a stable source of clean power from 2023, generating electricity to power some 6m homes.

It will begin the process of replacing the existing fleet of nuclear stations, most of which are due to close in the 2020s.

Sale of Plasma Resources UK: ShEx worked closely with the Department of Health (DH) to manage the sale of Plasma Resources UK Ltd to Bain Capital in a deal worth up to £230m which closed in July 2013. ShEx advised on the design and execution of the deal, working alongside DH and Lazard. A key objective of the sale was to attract investment and expertise required to turn around the loss-making UK business, which manufactures blood products from human plasma to treat immune and clotting disorders. Despite the company's challenging financial position, the sale attracted strong interest and generated proceeds well above DH's initial expectations. The DH will retain a 20 per cent shareholding in the business.

Nuclear Decommissioning Authority transactions:

ShEx worked alongside DECC and the Nuclear Decommissioning Authority (NDA) this year to conclude a number of transactions which will increase security and reduce cost in the management of nuclear sites and material. The competition for a new Parent Body Organisation to take the Dounreay site to its interim end state resulted in the appointment of a contractor who will complete the work 15 years ahead of the previous contract, delivering savings of around £1bn. The Government also agreed this year for the NDA to enter into a further series of plutonium title swaps and title transfers. These constitute a cost effective and beneficial arrangement which allows the UK to gain national control over more of the civil plutonium in the UK, and avoids the need to physically transport separated plutonium and its associated significant security measures.

Transformation of the Post Office network: The Post Office Network Transformation programme, a modernisation programme backed by significant investment from its shareholder, reached a crucial milestone this year. In 2010 the Government committed £1.34bn to maintain a Post Office network of at least 11,500 branches and to provide for the modernisation of thousands of branches by March 2015.

The programme was rolled out nationally in October 2012, and in September 2013, the Post Office Minister, Jo Swinson MP, marked the opening of the 1,000th converted branch.

Under the transformation programme, the Post Office is introducing new operating models that see improved branches open for much longer hours, meeting customers' needs for convenience and accessibility and crucially making the Post Office more competitive in bidding for and winning new work. This was evidenced by the Post Office winning the DVLA Front Office Counter Services contract in November 2012, in the face of fierce competition.

Securing finance for the Green Deal: In April 2013 it was announced that a £244m funding package from the Green Deal Finance Company, a not for profit mutual company, was available to enable providers to offer Green Deal finance to customers. The Green Deal is DECC's leading policy for residential energy efficiency and enables households to install energy efficiency measures up front and then pay for them over time as they benefit from the energy savings. ShEx worked closely with DECC to support the process of negotiating the financing package, which involved multiple participants and a complex structure, and bringing it to a successful close. This secured investment from a group of 16 industry participants, including DECC and the UK Green Investment Bank, and provided funding for the set up, financing and administration of Green Deal Plans.

Releasing Public Spectrum: Following the release of the consultation document "Enabling UK Growth: Releasing Public Sector Spectrum" in March 2011, ShEx has continued to play a central role in developing a detailed plan that sets out how Government could meet its target of releasing 500 Mega hertz (MHz) of public spectrum by 2020. In November 2012, ShEx issued the economic study by Analysys Mason looking at the 'Impact of radio spectrum on the UK economy and factors influencing future spectrum demand'.

This indicated that the overall economic value of radio spectrum has increased significantly since 2006, from £35bn to £52bn, a real increase of 25 per cent.

Following the 2013 Budget announcement in March, ShEx worked closely with HM Treasury and Ofcom, as well as other government departments, on establishing the principles and level of spectrum fees to be applied by HM Treasury across public sector users to ensure consistency.

Public Data Group and open data: ShEx has responsibility for Public Data Group (PDG) policy and, over the past year, the group (Companies House, Land Registry, Met Office and Ordnance Survey) has developed, with members benefiting from the sharing of best practice and information between one another; identifying opportunities for collaboration between themselves and the wider public sector; and supporting the open data agenda.

ShEx and PDG made a considerable contribution to the development of the Shakespeare Review of Public Sector Information (May 2013) and the subsequent Government response (June 2013).

The vast amount of open data made available by the PDG members was detailed in the government response, which also demonstrated the other methods through which the group now supports data innovation and developers. These include third-party user 'hack days' and data-user competitions, and increased promotion of the data and support which is available. The individual member Trading Funds have also undergone significant board-level changes during the year, ensuring that they have the breadth of both digital and commercial skills to pursue the public data agenda.

CDC five-year Strategy: ShEx worked closely with the Department for International Development as CDC developed its new five year strategy, which sees it refocus its attention on its 'heritage' of building businesses in the most challenging of regions internationally. This builds on its high level business plan from 2011 which identified the need to use direct investment as well as investment via intermediary funds, and to narrow its focus to South Asia and Africa. This will require a change in the structure, organisation and skills in CDC as it develops its capacity to invest directly. CDC is starting by providing co-investment

capital across a range of sectors. It will also make the transition towards leading transactions with specialist teams focussed on specific sectors over the coming years, so that it can maximise the effectiveness of the UK's development finance.

Strengthened role for National Nuclear Laboratory:

The strategic importance of the National Nuclear Laboratory (NNL) was recognised in the Government's recent Nuclear Industrial Strategy. Having reached a sound commercial footing under its management contract (a Government-Owned, Contractor-Operated or "GOCO" arrangement), the NNL is now a Government-Owned, Government-Operated ("GOGO") company, with key executives remaining in post from the GOCO contract, which has ended. It will take on a new role as the host of the Nuclear Innovation Research Office which will help to develop and support the work of the Nuclear Innovation Research Advisory Board in helping to define a national programme of nuclear energy research and development for the UK. As NNL progresses with Phases 2 and 3 of its flagship Central Laboratory in West Cumbria, it will gain unique facilities for plutonium handling and for handling high alpha and gamma material, including spent fuel and higher active nuclear waste in various forms.

1.3 Changes in the portfolio

ShEx's portfolio has increased over the past year, with the addition of two assets: the UK Green Investment Bank and the Insolvency Service.

The UK Green Investment Bank joined at the end of October 2013 when it was officially launched as an independent organisation, following State Aid clearance.

ShEx now advises the Secretary of State for Business, Innovation and Skills on his role as Shareholder and helps the UK Green Investment Bank to operate commercially from within the public sector.

The team is helped by its strong relationship with the Board, on which Anthony Odgers sits as a Shareholder Representative Director.

October 2013 saw the addition of the **Insolvency Service** to the ShEx portfolio. The Insolvency Service delivers key public services to support the insolvency law and regulatory framework. The corporate finance and governance expertise within ShEx will enable the Government to better fulfil its sponsorship role with regard to the Insolvency Service.

1.4 Outlook

The next year promises no let-up in the scale and pace of work for ShEx

The next year promises no let-up in the scale and pace of work for ShEx. The **British Business Bank** is expected to receive full State Aid approval next autumn. Over the next year the team will be building its business model and product offering, putting in place a strong governance regime, recruiting key personnel, establishing independent accommodation and securing all the necessary approvals within Government so that it is ready for launch. Once established, the British Business Bank will join our portfolio of businesses.

Following on from the Royal Mail sale, ShEx will be increasingly involved in **asset sales** across the Government portfolio. Government is keen to sell those assets where public ownership no longer delivers Government objectives and which it believes can be better managed in the private sector. As part of the 2015-16 Spending Review, the Government published 'Investing in Britain's Future' in which they announced a target to dispose of at least £15bn worth of assets by 2020. Of this, it is expected that at least £10bn will be from corporate assets (including proceeds from monetising the pre-2012 Income Contingent Repayment (ICR) Student Loan book). ShEx will play a central role in delivering on the target for corporate asset sales and has been given stronger levers to undertake this work and hold individual Departments accountable.

We have already made good progress in preparing for a possible first sale from the pre-2012 **Income Contingent Repayment (ICR) Student Loan Book**. During the last year ShEx has continued its work to examine options for monetising the ICR Student Loan book, looking for the best way to reduce Public Sector Net Debt and the Government's risk exposure whilst delivering value for

money for taxpayers and ensuring that borrowers are not disadvantaged as a result. A feasibility assessment to support the project was concluded in June 2013, when the Outline Business Case was approved by HM Treasury. Since then, the project has moved into the Sale Preparation Phase. The sale of “mortgage style” loans launched in March 2013 and is still underway.

The sale of the UK’s stake in Urenco is also progressing.

On 17 January 2013, it was announced to Parliament that responsibility for the management of the Government’s stake in Urenco was moving from DECC to BIS. On 22 April 2013, it was further announced to Parliament that the Government had decided to work with the Dutch and German governments and shareholders to move forward preparations for the sale of all or part of our one-third shareholding. Any sale of our Urenco shareholding remains contingent upon full protection of our security and non-proliferation interests, and upon achieving value for money for the UK taxpayer. We will continue to work with our international partners and with the company to prepare for a sale through either a private transaction or a public offering.

ShEx will continue to play a central role as Government moves from planning to delivering the **500MHz spectrum release** plan.

The Government remains on target to deliver the 500MHz, with the MoD currently preparing to release around 200MHz of radio spectrum to the communications regulator and examining the potential for sharing across a shortlist of bands. ShEx will work closely with the Department of Culture, Media and Sport in the coming months to develop the overarching UK Spectrum Strategy due to be published in early 2014.

ShEx is increasingly asked to assist Departments across Whitehall better manage their assets

As ShEx is increasingly asked to assist Departments across Whitehall better manage their assets, the need for a strong body of corporate finance expertise within the Civil Service becomes ever clearer. ShEx continues to develop the **cross-Government Corporate Finance Profession** to ensure a strategic approach to corporate finance resourcing and the sharing of expertise across Whitehall.

Building on last year's efforts to put in place a governance structure to support the profession, the focus of the coming months will be to map the corporate finance talent pool and build the mechanism to match expertise to priorities. This will be supported by promoting the appropriate processes to recruit, develop and retain people, including a corporate finance learning and development curriculum. The success of our operating model has been widely recognised: the Civil Service Reform plan identified ShEx as a leading example of how policy and analytical services can be efficiently provided to Departments on a shared basis.

1.5 Organisational structure and governance

There has been change both in the leadership of ShEx and in the scope of our activities. The senior management team of ShEx has changed over the past year, to reflect the changing responsibilities of the organisation. This is illustrated in our current organogram, at Annex A.

At director level, Ceri Smith has joined us from the then Markets and Local Growth Group in BIS, where he was Director of Labour Markets. We have also made a number of recruitments from outside the Civil Service, largely at Executive Director level, in order to take forward a number of cross-Government projects.

People and teams

Last year we welcomed the Information Economy directorate into ShEx; this year we bid them farewell, following a reorganisation of our parent department.

Even in the limited time the Information Economy teams have spent in ShEx, we have clearly demonstrated the potential for synergies between the commercial expertise and networks in ShEx, and the wider business-facing activities of BIS.

We are proud of our joint achievements and expect the benefits to continue to flow both ways.

ShEx is also developing a sideline in incubation: last year we were home to the team of finance professionals which became the first employees of the now independent UK Green Investment Bank; this year we are pleased to play

host to the team which will become the British Business Bank (and which includes staff formerly employed by Capital for Enterprise Limited, CfEL). The model has a number of strengths, enabling the Shareholder, the Board and management to build up a shared understanding and strong working relationships.

With the departure of the Information Economy team and the arrival of CfEL our headcount, which is now c.150, remains broadly comparable with the same time last year. During that period, we have also taken in the Urenco policy team from DECC, and recruited a number of corporate finance specialists to meet the growing demand for ShEx's expertise across Whitehall. We maintain the split of approximately 65 per cent civil servants and 35 per cent corporate financiers, with the latter largely in more senior positions and recruited on fixed-term contracts from the private sector.

Governance

The non-executive membership of the ShEx board has remained stable through the year, with Patrick O'Sullivan continuing to provide both strong leadership and support in his role as Chair. A full list of Board members is given at Annex B.

Within ShEx, we have established new structures to help manage the increasing diversity of activities in which we are involved.

The Risk & Assurance Committee (R&AC) is a key body established to support the Executive Committee in monitoring corporate governance, risk management and control systems within ShEx.

The principal objective is to manage the overall risk profile of ShEx through focusing on, and improving, the risk mitigation activities being applied across the group. The R&AC quality assures ShEx's engagement with other Government Departments, clearly defining its role in any given project. It also provides peer support and a review mechanism for Senior Responsible Owners of Shareholder Executive projects. Whilst the R&AC considers projects and transactions on which ShEx has ongoing responsibility it also regularly considers the profile of new sources of work.

The committee comprises:

- Chair - ShEx Chief Operating Officer;
- 1 other member of the ShEx Executive Committee; and
- 2 senior members of ShEx.

I am very grateful for the support I have received from the R&AC, the board and all the employees of ShEx since I took over from Stephen Lovegrove as the Chief Executive in April. We owe a great deal to Stephen for his excellent stewardship of ShEx over the past six years, which have seen our portfolio both expand, with the creation of new businesses such as the UK Green Investment Bank, and contract, with a number of major transactions such as the sale of the Tote reaching a successful conclusion.

The scope and amount of our work, however, has consistently increased – a recognition of the value ShEx can bring to commercial issues across Government. Happily, Stephen's new role as Permanent Secretary in the Department for Energy and Climate Change (DECC) means that we will still see him frequently and we look forward to strengthened ties with DECC as part of our continuing cross-Whitehall engagement with the Department for Communities and Local Government (DCLG), Ministry of Defence (MoD), Department of Health (DH), Department for Transport (DfT) and others.

More than ever, it is apparent to me that the true strength of the ShEx model comes from the dedicated people who bring a rich variety of backgrounds, skills and knowledge to bear on some of the Government's most challenging interactions with the private sector.



Mark Russell
28th October 2013

2. Portfolio performance in financial year 2012-13

2.1 Methodology

■ Portfolio composition

ShEx is responsible for a portfolio of government-owned and part-owned businesses. The businesses include those where we have a clear shareholding mandate or a seat on the board. Our involvement in each business varies depending on our agreed role and ability to have the greatest impact:

- executive role – where we are accountable to ministers directly;
- joint team role – where we work alongside shareholder teams within departments;
- advisory role – where we advise shareholder teams within departments.

The analysis detailed on the following pages sets out a summary of the combined results of the 20 businesses that made up the ShEx portfolio in the financial year 2012-13. As the portfolio changes from year to year, comparisons with results from previous years should be made with caution. For the financial year 2012-13, the portfolio comprised:

1. Companies House
2. CDC
3. Channel 4
4. Eurostar (40 per cent HM Government ownership)
5. Export Credits Guarantee Department (operating as UK Export Finance, UKEF)
6. Land Registry

7. London and Continental Railways (LCR)
8. Met Office
9. NATS (49 per cent HM Government ownership)
10. National Nuclear Laboratory (NNL)
11. Nuclear Decommissioning Authority (NDA)
12. Nuclear Liabilities Fund (NLF)
13. Ordnance Survey
14. Post Office
15. Royal Mail
16. Royal Mint
17. UK Green Investment Bank (UKGIB)
18. UK Hydrographic Office (UKHO)
19. Urenco (33 per cent HM Government ownership)
20. Working Links (33 per cent HM Government ownership)¹

¹ Due to the lack of comparable financial information for the 2011/12 and 2012/13 periods, Working Links has been excluded from the Portfolio Analysis.

The Insolvency Service has joined the portfolio since the end of the financial year.

Portfolio Analysis Methodology

The basic methodology adopted in the Portfolio Analysis 2012-13 is the same as the Portfolio Analysis 2011-12.

Businesses where Government has a controlling interest are fully consolidated, and businesses where Government holds a non-controlling interest are proportionally consolidated (e.g. NATS and Urenco).

The majority of the businesses in the portfolio report in pounds sterling and to a March year end. Where companies report in a different currency, average exchange rates have been applied to the income statement and year-end exchange rates have been applied to the balance sheet. Where companies report to a December year end, no adjustment has been made and 2012 results have been reported under '2012-13'.

As with previous years, some portfolio businesses are not 'operating businesses' where measures of revenue and profitability meaningfully reflect performance; as such, these businesses' results have been reported separately. This applies to CDC, UKEF, UKGIB, LCR, the NDA and the NLF.

LCR is primarily a property development company for railway infrastructure owned by the DfT. It also holds 40 per cent of the shares in Eurostar. The ShEx CEO, Mark Russell, sits on the boards of both LCR and Eurostar. The results for Eurostar have been included in the portfolio analysis.

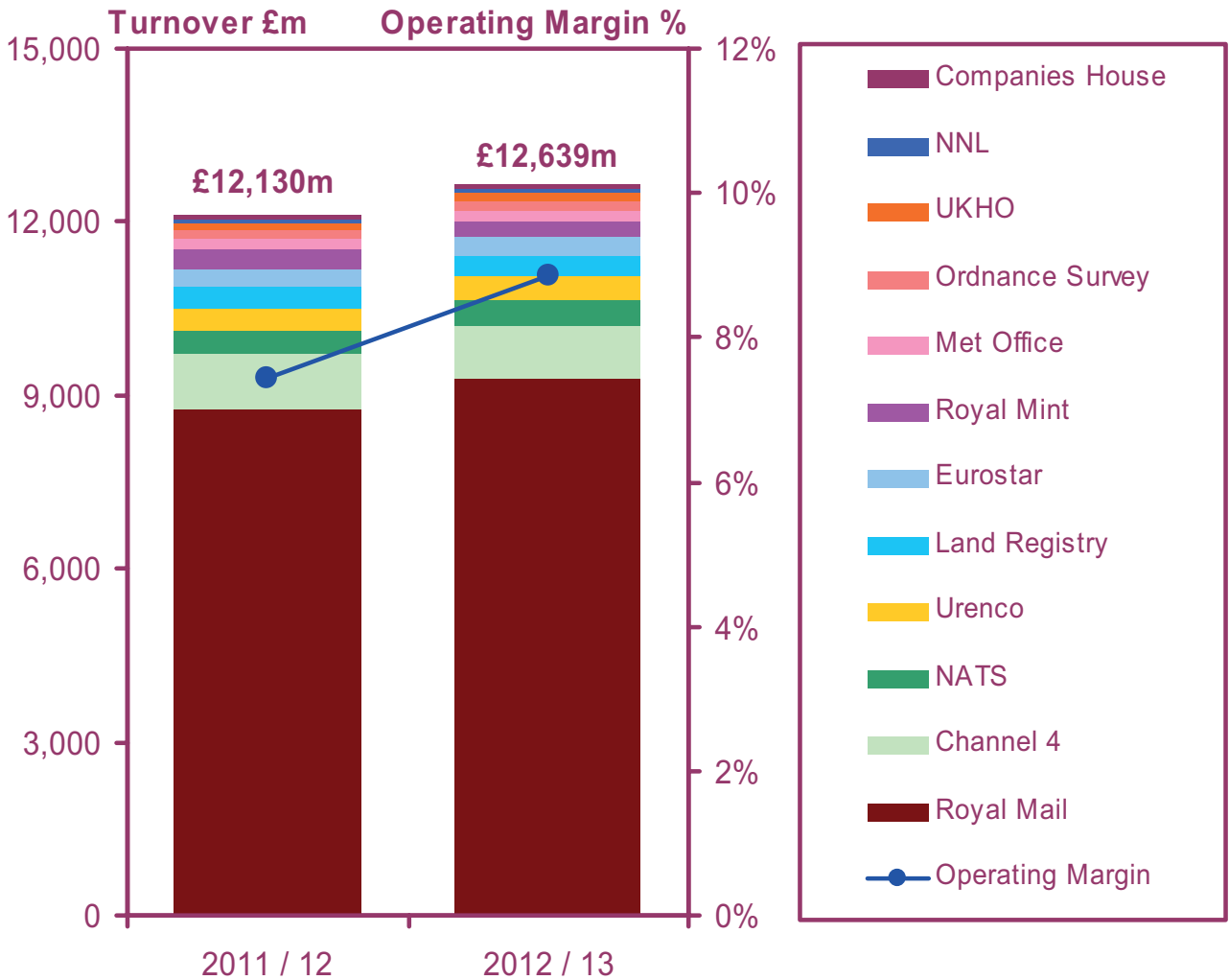
The Post Office is also reported separately, as its profitability depends on Government subsidy and the company is currently engaged in a Government-funded modernisation programme. It will be therefore more appropriate to measure performance in terms of reduction in Government subsidy over the coming years as the financial benefits of modernisation become apparent.

2.2 Turnover and operating margin

The turnover of ShEx's portfolio increased from £12,130m to £12,639m in the year to March 2013, representing an increase of 4.2 per cent on the previous year. Given its weight in the portfolio, most of this is accounted for by the performance of Royal Mail, whose turnover increased by 5.9 per cent. The Royal Mint had the largest downturn in revenues, with a decrease of 19.0 per cent, but this was following an exceptionally successful year for the Commemorative Coin division in 2011-12.

Operating profits before exceptional items resulted in an increased blended portfolio profit margin of 8.8 per cent, up from 7.4 per cent the previous year. Again, given its weight in the portfolio, most of this increase can be traced to the increased profit margin at Royal Mail, which went from 4.3 per cent to 6.8 per cent. Companies House and Land Registry also showed good performance, increasing operating margin by more than 3 percentage points. At the

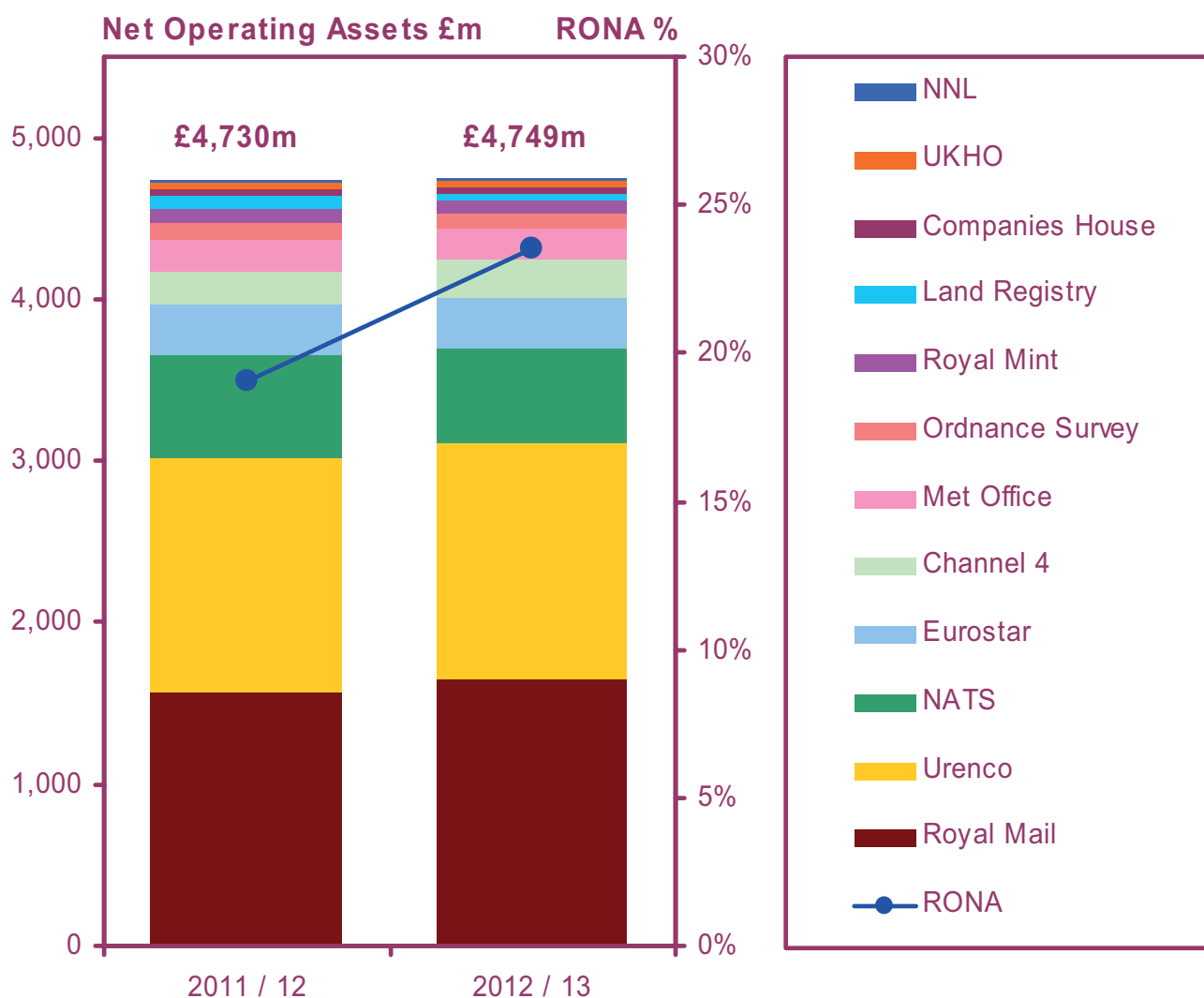
same time, they were both able to pass on cost savings to their customers by significantly reducing (and in some cases abolishing) the fees charged for some of their services from October 2012.



Note: Chart excludes CDC, UKEF, Insolvency Service, LCR, NDA, NLF, Post Office, UKGIB and Working Links

2.3 Net operating assets and return on net assets

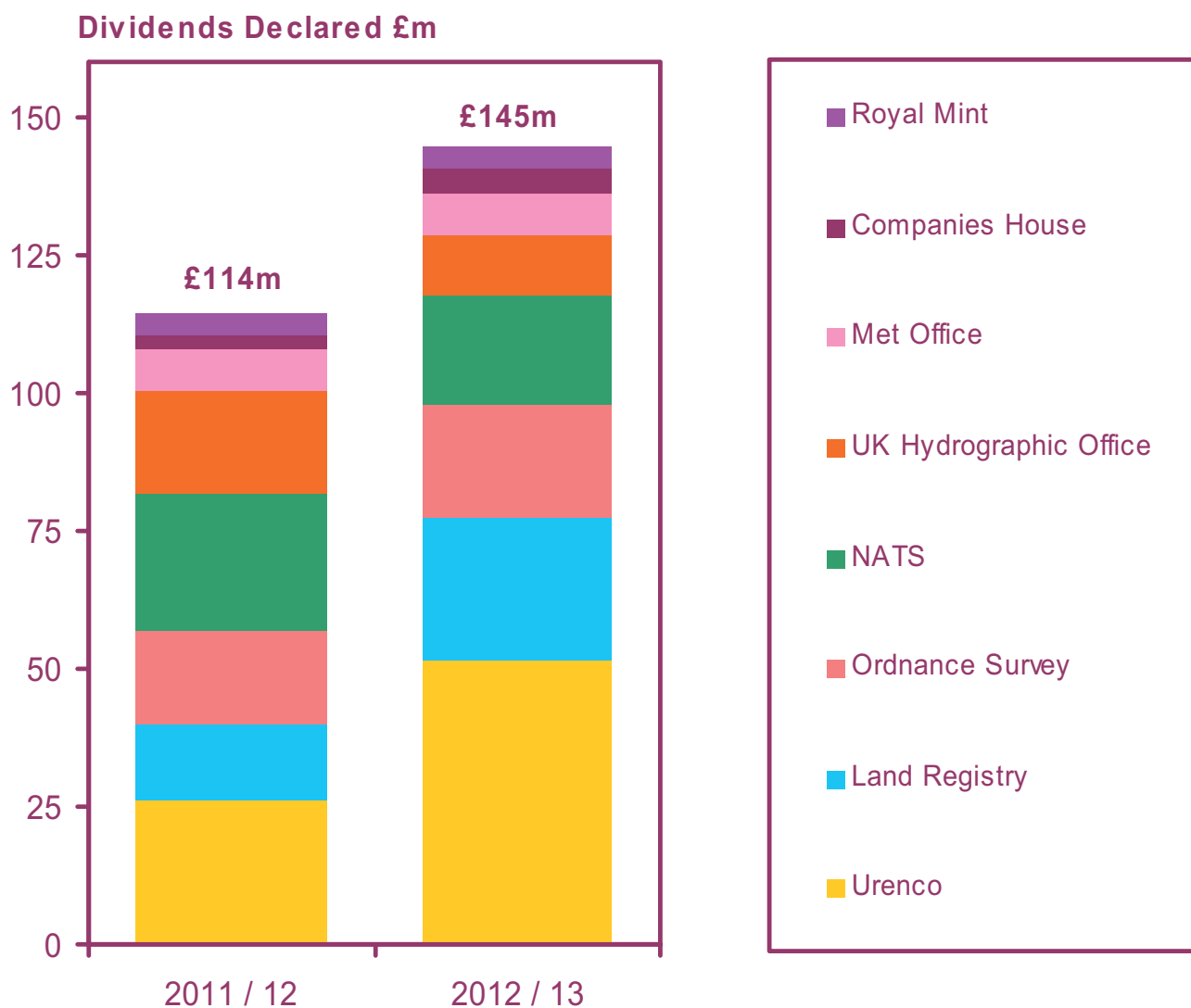
During the year to March 2013, net operating assets remained relatively stable, increasing by only 0.4 per cent to £4,749m. The return on net assets (RONA) across the whole portfolio was 24.2 per cent, up from 21.3 per cent last year. This was mainly driven by a 67.1 per cent increase in profits at Royal Mail. Eurostar profits also showed a substantial increase (a 69.7 per cent increase in profits to £21.3m).



Note: Chart excludes CDC, UKEF, Insolvency Service, LCR, NDA, NLF, Post Office, UKGIB and Working Links

2.4 Dividends declared

Eight businesses in our portfolio declared dividends in the year to March 2013, with Government's share amounting to £145m, a 26.4 per cent increase on last year. This reflects large increases in the dividend declared by both Land Registry and Urenco, where dividends increased by over 85 per cent.



Note: Chart excludes CDC, UKEF, Insolvency Service, LCR, NDA, NLF, Post Office, UKGIB and Working Links

2.5 Performance of other businesses

CDC's total net assets on a valuation basis increased to £2,832m in the year to December 2012, from £2,608m in the previous year. This was due to a substantial (17.4 per cent) increase in the value of CDC's portfolio, which also offset a decrease in holdings of cash and short-term deposits.

British businesses received £4,295m worth of support from the government through **UKEF** in 2012-13, up from £2,318m in the previous year, and the highest in 12 years. UKEF earned premium income of £133m in the year, up from £85m last year and the highest level since 1991. UK industries including aerospace, automotive, oil and gas, and defence have benefited from export credit guarantees and insurance on transactions ranging from as little as £4,000 to as much as £2bn. This support has enabled UK companies to export to 58 countries across the world, from Abu Dhabi to Vietnam, illustrating the UK's strength as a global exporter.

NDA's commercial income decreased from £1,004m to £824m in the year to March 2013, mainly due to the impact of one-off land sales in the prior year and the end of electricity generation income from Oldbury Magnox power station. At the same time its net liabilities rose from £54,816m to £60,092m largely as a result of a change to the discount rate used to calculate the nuclear provisions for future decommissioning activities.

NLF's fund to meet future nuclear liabilities, excluding contributions from, and payments to, EDF Energy Nuclear Generation Group, grew by 1.6 per cent to £8,770m at the end of March 2013.

The **Post Office** is receiving £1.34bn over this Parliament to both maintain and modernise its network. This funding is provided in tranches, and peaks at £415m in 2013/14 before beginning to fall substantially, as the network becomes more financially sustainable.

Funding by year			
2011-12	2012-13	2013-14	2014-15
£180m	£410m	£415m	£330m

Excluding this payment from Government, over the last full financial year the Post Office revenues grew by £44m (4.5 per cent) to £1,024m.

UKGIB had committed £635m by the end of March 2013, leveraging almost £3 private sector investment for each £1 of its own money. The total value of the 11 investments was £2.3bn and they included transactions in all of the Bank's priority sectors: offshore wind, energy efficiency, waste recycling, energy from waste and the Green Deal. Over time, the supported projects will: save over 42m tonnes of CO₂; avoid the consumption of more than 5m tonnes of material through recycling; and divert 8m tonnes of material from landfill.

For detailed description of the businesses, please refer to information about the ShEx portfolio on our [website](#).

Annex A:

The Shareholder Executive Senior Management Team



Annex B:

The Shareholder Executive Board

Non-Executive Chair: **Patrick O’Sullivan**

Patrick O’Sullivan was appointed Non-Executive Chairman of the Shareholder Executive on 1 March 2012. He is Chairman of Old Mutual, Deputy Governor of the Bank of Ireland (appointed in 2009) and Chairman of Equity Syndicate Management Limited at Lloyds of London. He is a past Finance Director of Zurich Financial Services Group.

Non-Executive Members: **Claudia Arney**

Claudia is a Board member of Transport For London, a member of the Advisory Group to the Shareholder Executive, a Board Member of Huawei, a Non-Executive Director of Which?, and a Non-Executive of Halfords Group plc. She is also the independent Chair of the Public Data Group of companies in the ShEx portfolio.

Previously, Claudia was the Group Managing Director, Digital at EMAP Inform until Autumn 2010 where she led the development and execution of online publishing strategy as well as managing the public sector and media businesses. Prior to this she was Director of the Enterprise and Growth Unit at HM Treasury, and previously she was an Executive Director at Goldman Sachs working on both product development and e-publishing. She has also worked as the Head of Product Development at FT.Com and Managing Director of TheStreet.co.uk and for Mckinsey.

Lord Carter of Coles

Lord Carter is Chairman of the review panel examining the future of NHS pathology. Recently he reviewed the procurement of legal aid in England and Wales, and was chair of Sport England until September 2006. He founded the private nursing home company Westminster Health Care in 1985.

He played a lead role in resolving the funding issues surrounding the hosting of the Manchester 2002 Commonwealth Games, and was the lead facilitator in the resolution of the major financial dispute between Multiplex Construction UK Ltd and Wembley National Stadium Ltd, when the stadium was redeveloped prior to re-opening in 2007.

Gerry Grimstone

Gerry was appointed Chairman of Standard Life in May 2007, having been Deputy Chairman since March 2006. He became a director of The Standard Life Assurance Company in July 2003. Gerry is also Chairman of TheCityUK, an Independent Non-Executive of Deloitte LLP and the Lead Non-Executive at the Ministry of Defence. Previously, he held senior positions within the Department of Health and Social Security and HM Treasury until 1986. He then spent 13 years with Schroders in London, Hong Kong and New York, and was Vice Chairman of Schroders' worldwide investment banking activities from 1998 to 1999.

Jeremy Pocklington

Director, Enterprise and Growth Unit at HM Treasury. Jeremy is Director of the Enterprise and Growth Unit at HM Treasury. Previously he was Director at the Economic and Domestic Affairs Secretariat at the Cabinet Office, Director at the National Economic Council Secretariat at the Cabinet Office and Head of Corporate and Private Finance Team at HM Treasury.

Anthony Watson CBE

Tony is the senior independent director of Hammerson plc and Witan Investment Trust and a non-executive director of Lloyds Banking Group plc. He also sits on the Norges Bank Investment Management Corporate Governance Advisory Board. Tony joined the Board of the Shareholder Executive in October 2009, having been a member of its Advisory Group since April 2008.

He has held a number of senior appointments including as Chief Executive of Hermes Pensions Management Limited;

member on the Advisory Board of Norges Bank Investment Management; Chairman of Marks & Spencer Pension Trust Ltd from 2005-2010; Chairman of The Strategic Investment Board in Northern Ireland. In January 2009 he was awarded a CBE for his services to the economic redevelopment of Northern Ireland and in July 2012 an honorary degree of Doctor of Science (Economics) was conferred on him by Queen's University, Belfast.

Executive Members: [Mark Russell](#)
[Anthony Odgers](#)
[Roger Lowe](#)
[Ceri Smith](#)
[Ken McCallum](#)

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