



# **UK Government Investments Limited Annual Report and Accounts 2015-16**



**UK Government  
Investments**







# **UK Government Investments Limited**

## **Annual Report and Accounts 2015-16**

**Presented to Parliament**

**By the Economic Secretary to the Treasury**

**By Command of Her Majesty**

**July 2016**

CM 9273



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## Chairman's Foreword

UK Government Investments (UKGI) formally launched on 1st April 2016, with its primary objective to be the Government's centre of excellence in corporate finance and corporate governance. Under the stewardship of HM Treasury we are perfectly placed to serve our Whitehall colleagues, by providing the highest standard of professional advice, leading on significant Government asset sales and enhancing the Government's effectiveness as a shareholder.

With thanks to ground laid by our transition team and following the incorporation of UKGI in late summer last year, my former Shareholder Executive Board colleagues and I made the transition from an Advisory Board to a Companies Act Board in the early part of this calendar year, strengthened by new colleagues from UK Financial Investments Limited (UKFI), HM Treasury and the Department for Business Innovation and Skills.

Following a successful Non-Executive Director recruitment process which concluded in May 2016, the Board is now fully formed with a majority of independent Non-Executive Directors. Two Non-Executives were appointed from each of the Shareholder Executive Advisory Board and the UKFI Board and one new Non-Executive, Simon Palley, was appointed from outside. Our mandate over the next year is to ensure the values and the operations of the organisation are embedded and that we continue to work alongside Whitehall, as the Shareholder Executive has done in the past, to deliver the best value and outcomes for the taxpayer.

UKFI formally became a subsidiary of UKGI on 1st April 2016. Whilst its corporate structure will remain unchanged for the foreseeable future, both UKGI and UKFI have already benefited from the closer working of both teams throughout all levels of the organisation.

During the corporate change, business as usual has continued. Most recently in UKGI, the special situations team has provided invaluable support to Whitehall in its work with the steel industry, and preparations for the privatisation of the Green Investment Bank have been increasing in pace. Our governance work, although not as high-profile as our work on transactions, has continued to enable Government to be an active shareholder, in accordance with best practice, and to protect and maximise shareholder value. UKFI highlights include the first disposal from the Government's shareholding in RBS, a significant sale of NRAM mortgages and ongoing divestment of the shareholding in Lloyds. Further details can be found in the UKFI annual report and accounts.

UKGI is nothing without its people. It is a priority of the Board to ensure that UKGI is able to attract, retain and motivate the very best talent and plan effectively for succession. UKGI has thought carefully about the ethos and working environment required to attract talent and it is the intention of the Board that working at UKGI should be seen as a key part of career progression for some of the most outstanding people in both the civil service and the private sector. In addition to its focus on people the Board is concentrating on having processes in place to ensure that the important work done by UKGI is done to a high standard.

## CHAIRMAN'S FOREWORD

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I am delighted that the team at UKGI have spent time discussing the values that will make UKGI distinctive and provide a framework against which our people will be assessed. Values matter in an organisation where trust is at the heart of our ability to be effective. Our values are: to be professional and act with integrity, focus on outcomes, be collegiate and committed to improvement, and be open and honest in our communications. These values will guide all our actions and will be the lens through which we assess our people and our Board. In June 2016, the UK voted to leave the European Union. We continue to assess the risks and opportunities presented by this development going forward.

Finally I would like to thank James Leigh-Pemberton, Non-Executive Deputy Chairman of UKGI and Chairman of UKFI, and Mark Russell, CEO of UKGI, for the bringing together of their two organisations effectively. I remain very impressed by the energy, commitment and skill of employees throughout UKGI, often operating to demanding timetables in executing some of the most complex issues in Government. We owe them all our thanks.



**Robert Swannell**

Chairman

4th July 2016

# Chief Executive's Review

The establishment of UK Government Investments (UKGI) is an important milestone, marking the evolution of the Shareholder Executive into a new, independent body. As of 1st April, UKGI brings together the Shareholder Executive with UK Financial Investments Limited (UKFI), which will remain a wholly owned subsidiary of UKGI for the foreseeable future. In June 2016, the UK voted to leave the European Union. We continue to assess the risks and opportunities presented by this development going forward.

UKGI gives us a platform to deliver to an even wider reach across Whitehall. With the support and guidance of our Board we have more flexibility to shape our own future, and I hope that everyone who now makes up UKGI feels a real sense of ownership and is ready to play a part in ensuring that we are as good as we can possibly be.

With the support of our new shareholder, HM Treasury, UKGI brings a great opportunity to focus on some of the most challenging and high profile areas in Government. Our modest size is one of our strengths, along with our flexibility to respond to emerging priorities. The variety of work we offer is unique, and I am confident that we can continue to attract high-calibre staff from within Whitehall and beyond.

UKGI has taken on the Shareholder Executive's wide remit and we have never been busier. In October we raised £591 million by completing the transfer of the Government's final stake in Royal Mail. As part of this process the Government gifted two tranches, each of 1% of the total shares in Royal Mail, to Royal Mail's eligible UK employees, taking the total stake in the business owned by employees to 12%.

We have overseen the continued strong performance of the Green Investment Bank (GIB) and the sale of GIB was formally launched on 3rd March and is ongoing.

The Government has prioritised the continued access to a range of finance options for businesses; the British Business Bank's programmes support over £2.9 billion of finance to over 48,000 smaller businesses and participate in a further £3.7 billion of finance to small mid-cap businesses. Among the programmes that the Bank oversees is the Start-Up Loan programme, which has backed over 37,000 businesses so far with over £210 million worth of lending with the overall objective to provide lending to 75,000 entrepreneurs by the end of this Parliament.

The Post Office Network Transformation programme met its targets in 2015-16 for opening new branches and for signing up new branches to convert. Over 6,000 branches have been modernised so far, delivering over 170,000 additional opening hours per week across the UK, with customer satisfaction regularly above 95% and increased retail sales at modernised branches. After another successful year, the Post Office is starting to plan for the successful conclusion of this programme.



CHIEF EXECUTIVE'S REVIEW

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In line with the Government's commitment to open data, Companies House launched a new public beta search service providing access, free of charge, to all public digital data held on the UK register of companies. This provides access to over 170 million digital records including financial accounts, company filings and details on Directors and secretaries throughout the life of the company. Since its introduction in June 2015 there have been more than 550 million free searches on the web service.

Good progress continued to be made on realising pension assets transferred from the Royal Mail Pension Plan in 2012. Over the course of the year, net cash inflows of £500 million were generated, principally from disposals of property, private equity interests and high yield bonds.

In addition to these achievements over the year, UKFI has made considerable progress with the execution of its mandate. It executed a first sale of shares in RBS and sold a further £7.4 billion of Lloyds shares through a trading plan. UK Asset Resolution Ltd continued to execute the orderly run-down of NRAM plc with a significant £13 billion sale of mortgages agreed in November.

So our early days of UKGI bode well; we already have many achievements to celebrate, and joining with our colleagues from UKFI will help us to deliver an even better service to the taxpayer. Working more closely together on student loans has already proven that our complementary skill-sets will bring real benefits to each other, as well as to Government as a whole.

**Mark Russell**

Chief Executive Officer

4th July 2016

# The UKGI Board



## Robert Swannell – Chairman

Robert is the Chairman of UK Government Investments (UKGI).

Robert was previously the Chairman of the Shareholder Executive, which joined with UK Financial Investments (UKFI) to form UKGI. Robert is currently Chairman of Marks and Spencer, an appointment he took up in January 2011 after spending three months as a Non-Executive Director (NED).

Until 2010, Robert spent over 30 years in investment banking with Schrodgers/Citigroup. He was formerly Vice-Chairman of Citi Europe and Chairman of Citi's European Investment Bank. He was Senior Independent Director of both The British Land Company plc (NED 1999 to 2010) and of 3i Group plc (NED, 2006 to 2010). Robert was Chairman of HMV Group plc from February 2009 until March 2011.



## James Leigh-Pemberton – Non-Executive Deputy Chairman

James Leigh-Pemberton is the Chairman of UK Financial Investments and Non-Executive Deputy Chairman of UK Government Investments. He took on these roles in April 2016.

James joined UKFI as Chief Executive in October 2013 and served as Executive Chairman of the organisation from January 2014 – March 2016.

Before joining UKFI, James was Managing Director and Chief Executive Officer of Credit Suisse in the United Kingdom, based in London. He was also a member of the Credit Suisse Europe, Middle East & Africa (EMEA) Operating Committee. James held several senior roles within Credit Suisse's Investment Banking Department, including Head of European Investment Banking Department, Head of European Equity Capital Markets and Chairman of UK Investment Banking. He joined Credit Suisse First Boston (CSFB) in 1994. Prior to joining CSFB, he was a Director of S.G. Warburg Securities, where he worked for 15 years.



## Mark Russell – Chief Executive

Mark Russell was appointed Chief Executive of the Shareholder Executive (now UK Government Investments Ltd) in April 2013. Mark joined the Shareholder Executive as head of its Corporate Finance Practice in November 2004 and was appointed Deputy Chief Executive in April 2008.

Previously Mark was a partner in the corporate finance departments of KPMG London and KPMG Frankfurt. Prior to this Mark worked at PwC Corporate Finance and Robert Fleming & Co., Lazard Brothers and A.T. Kearney.

Mark is Senior Independent Non-Executive Director of London and Continental Railways Limited, Independent Non-Executive Director of DP World and was formerly Non-Executive Director of Eurostar International Limited.



### Jane Guyett – Non-Executive Director

Jane Guyett is the Chair of Connect Plus (M25) Ltd, and is a Non-Executive Director on the Boards of Kerry London Ltd, UK Financial Investments, Dalcour Pharma and Trade Direct Insurance Services Ltd.

Jane spent 15 years with Bank of America Merrill Lynch where she held various roles in London and New York. She was Chief Operating Officer (EMEA) of the Global Markets Group and sat on the Board of Bank of America Securities. She began her career in Corporate Restructuring at Mitsubishi Bank Ltd London, before joining Bank of America in 1994.



### Jitesh Gadhia – Non-Executive Director

Jitesh Gadhia has over 25 years' investment banking experience, having held senior positions at Blackstone, Barclays Capital, ABN AMRO and Baring Brothers. He has advised on a wide range of high profile M&A and capital raising transactions across developed and emerging markets.

Jitesh is also a Board Member of UK Financial Investments and BGL Group, which owns comparethemarket.com, the UK's largest financial price comparison website.

Jitesh graduated from Cambridge University with a degree in Economics and attended the London Business School as a Sloan Fellow. He has served as a Trustee of Guy's and St Thomas' Charity and of Nesta. He was selected as a Young Global Leader by the World Economic Forum.



### Simon Palley – Non-Executive Director

Simon has had a successful and wide-ranging career in investment banking, consulting and private equity. He started his career at Chase Manhattan Bank before moving to Bain & Company. He left in 1988 to join Bankers Trust as a Vice President and moved to BC Partners, a leading European private equity firm, in 1990 where he worked for 17 years, rising to the position of Managing Partner. Simon then became Chairman of the private equity firm Centerbridge Partners Europe, a post he held until 2013. He is now a Non-Executive Director of Land Securities PLC, a Senior Adviser to TowerBrook Capital Partners and an adviser to the private equity arm of GIC. Simon is also a Trustee of the University of Pennsylvania and an Executive trustee of The Tate Foundation.



### Robin Lawther – Non-Executive Director

Robin Lawther is a Non-Executive Board member of Nordea, the largest Nordic bank, of Oras Investments and of UK Government Investments Ltd. She is also a member of the Risk Committee on the Nordea Board. In addition, Robin works with her own privately held student housing developments in the UK, US, and Germany.

Robin previously worked at JPMorgan in London, Scandinavia, Turkey, and New York for 28 years in a number of senior positions in Investment Banking, including as the Head of European Financial Institution Merger and Acquisitions Execution Team and as the Head of the Nordic Team across all businesses. She specialised in mergers and acquisitions and capital raising. Robin is also a supporter of several London theatres and is actively involved in women's mentoring programs in the UK, US, and Scandinavia.

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 THE UKGI BOARD
 

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**Caroline Thomson – Non-Executive Director**

Caroline Thomson is the chair of Digital UK, the body which is responsible for digital terrestrial television, a Non-Executive Director of VITEC plc (and Chair of the Remuneration Committee) and of CN media group. In the arts world she recently retired as Executive Director of English National Ballet, is deputy chair of the National Gallery and a trustee of Tullie House Gallery in Cumbria. She is a Non-Executive Director of NHS Improvement.

Caroline stepped down from her role as Chief Operating Officer at the BBC in September 2012 after serving twelve years as a member of the Executive Board. As Chief Operating Officer she was the Deputy Director General and was responsible for all the non-programme parts of the BBC except finance, including the property portfolio and the negotiation of the Royal Charter and two licence fee settlements.


**Sir Martin Donnelly C.M.G. – Non-Executive Director**

Martin Donnelly has been the Permanent Secretary for the Department for Business, Innovation and Skills since October 2010.

Martin joined the FCO Board in 2004 as Director General, Europe and Globalisation, where he was G8 foreign affairs Sherpa. He was the Deputy Head of the Cabinet Office European Secretariat, leading work on European economic reform for the Government between 1998 and 2003 and has worked in the European Commission and been on secondment to the French Finance Ministry. Martin has also worked across Whitehall, starting his career in HM Treasury. He was Policy Director of the Immigration and Nationality Directorate at the Home Office. He also served as Private Secretary to the Financial Secretary to the Treasury and the Secretary of State for Northern Ireland.


**Sir John Kingman – Non-Executive Director**

John is the Acting Permanent Secretary to the Treasury. He has particular responsibility for the Treasury's economics ministry functions; for policy relating to business, financial services and infrastructure.

John returned to the Treasury in 2012 from Rothschild, where he was Global Co-Head of the Financial Institutions Group.

Before joining Rothschild in 2010, John was very involved with the first phase of the global financial crisis at the Treasury: he led the resolution process following the run on Northern Rock in 2007; he led negotiations with RBS, Lloyds and HBOS on their £37bn recapitalisation in 2008; and he was the first Chief Executive of UK Financial Investments (UKFI).

Previously John had held a number of senior roles in the Treasury including Director of the Enterprise & Growth Unit and Press Secretary to the Chancellor. He also spent two years as a *Lex* Columnist for the Financial Times and worked in the Group Chief Executive's office at BP.

On 24th June 2016, John submitted his resignation to the Board, to take effect on 1st July 2016. A replacement will be nominated by HM Treasury in due course.

# Strategic Report

## Incorporation and Funding

The Prime Minister and Chancellor of the Exchequer announced on 20th May 2015 that the Shareholder Executive group, from the Department for Business, Innovation and Skills, would form the basis of UK Government Investments Limited (UKGI), a new Government company owned by HM Treasury. The Chancellor of the Exchequer also announced that UK Financial Investments Limited (UKFI), a company owned by HM Treasury, would become a subsidiary of the new company and that the two would merge over time.

UKGI was incorporated on 11th September 2015, commencing operations on 1st April 2016. This first Annual Report and Accounts covers the period from incorporation to 31st March 2016 during which time the company setup was fully funded by HM Treasury in accordance with their systems and controls. HM Treasury will not recharge UKGI for these costs.

The table below summarises the costs borne by HM Treasury, as part of the UKGI set up. UKGI itself was not delegated a budget for the financial year 2015/16. These costs have been audited as part of the HM Treasury audit.

<b>Expenses</b>		<b>£000</b>
<b>Salaries</b>	<b>a)</b>	<b>90</b>
<b>IT Service, Maintenance &amp; Repairs</b>	<b>b)</b>	<b>121</b>
<b>Consultancy</b>	<b>c)</b>	<b>79</b>
<b>Accommodation</b>	<b>d)</b>	<b>116</b>
<b>Other</b>	<b>e)</b>	<b>39</b>
<b>Total Expenses</b>		<b>445</b>

The key drivers of this expenditure are set out below:

### **(a) Salaries**

Salaries include Board fees, four members of staff working on the UKGI transition and not on the payroll of the Shareholder Executive or UKFI, and HMT staff providing IT set up support. Remuneration for Board members totalled £15k. Total salaries for HMT staff providing IT set up support was £17k. Remaining staff costs were £58k.

### **(b) IT Services**

Expenditure on IT hardware was incurred as part of the set up. The laptop computers currently used in UKGI remain the property of HM Treasury and therefore were not paid for from the UKGI setup budget. Consequently, they are not included in the setup expenditure costs reported above. The expenditure reported above consists of mobile telephony. In line with HM Treasury Group policy, the Company does not capitalise items with a cost less than £5,000.

## STRATEGIC REPORT

### (c) Consulting

Consultancy expenditure included specialist legal advice (£32k), remuneration benchmarking (£20k), and pensions advice from the Government Actuary Department (£16k).

### (d) Accommodation

These costs relate to the enhancement and upkeep of the UKGI accommodation site. In line with HM Treasury Group policy, the Company does not capitalise items with a cost less than £5,000.

### (e) Other

Costs designated under 'other' include the audit fee paid to the National Audit Office (£6k) recruitment expenses (£7k), UKGI Branding (£8k) and expenses relating to the setup of the UKGI payroll system (£18k).

UKGI has a Framework Agreement in place with HM Treasury setting out the broad parameters within which we operate. The Framework Agreement can be found on the UKGI website at [www.gov.uk/government/organisations/uk-government-investments](http://www.gov.uk/government/organisations/uk-government-investments). For this reporting period to 31st March 2016, HM Treasury met the costs of the setup of UKGI directly. HM Treasury will not recharge UKGI for these costs. During future reporting periods, UKGI will be funded by HM Treasury via grant-in-aid. HM Treasury secured the power to fund UKGI in clause 36 of the Enterprise Act 2016.

From 1st April 2016, the functions and operations of the Shareholder Executive, formerly a group within the Department for Business, Innovation and Skills, were transferred to the Company.

Furthermore, on 1st April 2016 HM Treasury's entire shareholding in UK Financial Investments Limited was transferred to the Company. UKFI is now a wholly-owned subsidiary of the Company. Together both companies make up the UKGI group along with any other subsidiaries as may exist from time to time. For more information on UKFI activities please refer to the UKFI website at [www.ukfi.co.uk](http://www.ukfi.co.uk).

The following sections explain the purpose of the new UKGI, along with an explanation of how it will operate.

## Purpose

UKGI's overarching purpose is to be the UK Government's centre of excellence in corporate finance and corporate governance.

## Objectives

To realise this purpose, we will deliver against the following objectives:

- to prepare and execute all significant corporate asset sales by the UK Government;
- to advise on all major UK Government financial interventions into corporate structures;
- to act as shareholder for those arm's length bodies of the UK Government that are structured to allow a meaningful shareholder function and for other UK Government assets facing complex transformations (especially if governance is at the heart of a model change); and
- to advise on major UK Government negotiations with corporates.

UKGI will operate in a way that is consistent with the Government's policy objectives, including, but not limited to, the promotion and preservation of an orderly, competitive market.

## UKGI Operations

UKGI's success depends on its staff, drawn from both the public and private sectors. These include:

- professionals with corporate finance skills and related expertise from private sector institutions with a mix of tenure (some permanent, some seconded, some on fixed-term appointments)
- civil servants on secondment from other government departments
- permanent UKGI staff who TUPE transferred in at set up (a mix of ex-civil servants and those with corporate finance skills)
- UKFI staff who will operate within UKGI's UKFI subsidiary and then transfer into UKGI at a future date.

UKGI's blend of staff offers an opportunity for civil servants to work alongside colleagues with a range of banking and professional services experience, and for those with a private sector background to gain deep experience of the workings of Government. This takes place in a positive working environment and culture where employees are engaged on complex high profile projects but can still achieve a good work/life balance. Our ambition is that UKGI will be a stepping stone in the careers of all outstanding corporate financiers and civil servants, offering them the chance to develop their understanding of Government and build key commercial skills.

UKGI works across Government on some of its most interesting and complex tasks. We work on the boundary of the public and private sectors, with regular interaction with Ministers, Parliament and Whitehall departments. We will continue to work closely with Government departments.

Formal assurance will be provided by Memoranda of Understanding with the Whitehall Departments we work with, setting out the services we offer and how we will work with them to deliver those services. When working for Ministers, UKGI staff will demonstrate the same degree of confidentiality as Ministers would expect of their own officials, to the standards contained within the Civil Service Code.

## Company Values

Values are a core set of behaviours which are shared across an organisation and define how everyone in that organisation behaves. Our Values are central to defining and driving the culture within UKGI and accordingly will feed into staff appraisals.

Our values are:

- Professional and act with integrity
- Focused on outcomes
- Collegiate and committed to improvement
- Open and honest in our communications

## STRATEGIC REPORT

These values were formed through consultation with staff members and were endorsed by the Executive Committee and our Board. UKGI is working to embed these values following commencement of operations in April 2016.

### Approach to managing risk

UKGI will actively manage the risks it faces as an organisation and has designed robust risk management arrangements so that the Audit and Risk Committee and, through it, UKGI's stakeholders, can be reassured that UKGI is operating within the risk parameters set by the UKGI Framework Document.

UKGI will maintain two company-level risk registers. These will cover respectively: operational and strategic risks; and risks related to the projects and assets under UKGI's management.

These company-level risk registers will be informed by individual project and asset-level risk registers, which are maintained at a working level. Each working level risk register will be updated monthly, with a summary examined by the Executive Committee and sent to the Audit and Risk Committee for information and comment where appropriate.

The Audit and Risk Committee will review and approve the two full UKGI risk registers, with any supporting project or asset level risk registers as required, on an annual basis. Furthermore, the Audit and Risk Committee will consider those UKGI projects or assets which are either moving from, or moving to, a high risk rating at each committee meeting.

Bespoke risk rating guidance and training is provided to UKGI staff, including a risk framework for each area of UKGI to ensure consistency of risk reporting across UKGI.

The overall governance of UKGI will function with regular dialogue between the Chief Executive and Chairman. Any risk matters which are urgent and significant will be escalated directly by the Chief Executive to the Chairman.

### Approval and signing

The Strategic Report was approved by the Board of Directors on 4th July 2016 and was signed on its behalf by:



**Mark Russell**

Chief Executive

UKGI Company Number 9774296



**Robert Swannell**

Chairman

UKGI Company Number 9774296



# Board Directors' Report and Governance Statement

## UKGI Board

The UKGI Board takes all major strategic decisions for the company. The Board provides strategic direction to the Company and ensures UKGI is equipped to perform its functions, including having sufficient resourcing and a suitable organisational structure. The Board also enables effective arrangements to be put in place to provide assurance on risk management, governance and internal control.

The Executive Committee is responsible for the day to day running of UKGI. It comprises the UKGI Chief Executive Officer, UKGI officials at Director grade, and the Chief Financial Officer and Chief Operating Officer. The UKFI Chief Executive Officer and Head of Wholly Owned are also invited to attend Executive Committee meetings. The Executive Committee meets weekly to discuss UKGI business. It reviews key management information documents on a monthly basis. This process of regular review and challenge by UKGI Executives ensures that the information provided to the Board and its committees is up-to-date and reliable. This in turn enables the company Directors to carry out their duties.

The company was incorporated on 11th September 2015, commencing operations on 1st April 2016. The Company's overarching purpose is to be the UK Government's centre of excellence in corporate finance and corporate governance.

To realise this purpose, the Company has agreed the following objectives with HM Treasury:

- prepare and execute all significant corporate asset sales by the UK Government;
- advise on all major UK Government financial interventions into corporate structures;
- act as shareholder for those arm's length bodies of the UK Government that are structured to allow a meaningful shareholder function and for other UK Government assets facing complex transformations (especially if governance is at the heart of a model change); and
- advise on major UK Government negotiations with corporates.

The Company has an agreed Framework Document with HM Treasury. This document sets out the broad framework within which UKGI will operate and can be found on the UKGI website at [www.gov.uk/government/organisations/uk-government-investments](http://www.gov.uk/government/organisations/uk-government-investments). HM Treasury, as Shareholder, will hold quarterly shareholder meetings with the Company to discuss its activities and performance against these objectives. The UKGI Directors are listed below with the dates of their original appointment. They provide the Company with the appropriate expertise, skills and experience required to deliver its objectives.

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

<b>Board Membership</b>	<b>Current Position</b>	<b>Committee Membership</b>
<b>Robert Swannell (appointed 11/09/2015)</b>	<b>Chairman</b>	<b>N (Chair)</b>
<b>James Leigh Pemberton (appointed 11/09/2015)</b>	<b>Non-Executive Deputy Chairman</b>	<b>N</b>
<b>Mark Russell (appointed 11/09/2015)</b>	<b>Chief Executive Officer</b>	
<b>Jane Guyett (appointed 12/02/2016)</b>	<b>Non-Executive Director</b>	<b>A (Chair), N</b>
<b>Jitesh Gadhia (appointed 12/02/2016)</b>	<b>Non-Executive Director</b>	<b>R, N</b>
<b>Robin Lawther (appointed 12/02/2016)</b>	<b>Non-Executive Director</b>	<b>A, R, N</b>
<b>Caroline Thomson (appointed 12/02/2016)</b>	<b>Non-Executive Director</b>	<b>R (Chair), N</b>
<b>Martin Donnelly (appointed 12/02/2016)</b>	<b>BIS-Appointed Non-Executive Director</b>	<b>N</b>
<b>John Kingman (appointed 12/02/2016)</b>	<b>Treasury-Appointed Non-Executive Director</b>	<b>N</b>
<b>Simon Palley (appointed 19/05/2016)</b>	<b>Non-Executive Director</b>	<b>N, A</b>

Key: R = Remuneration Committee; A = Audit and Risk Committee, N = Nominations Committee

The Company was incorporated on 11th September 2015, from which point the Chairman, Chief Executive Officer and Non-Executive Deputy Chairman became Directors of the Company.

In February 2016, two Non-Executives were appointed from each of the former Shareholder Executive Advisory Board (Robin Lawther and Caroline Thomson) and the UKFI Board (Jitesh Gadhia and Jane Guyett). Non-Executive Directors were also nominated from HM Treasury (John Kingman) and the Department for Business, Innovation and Skills (Martin Donnelly). During the reporting period, the Board met in shadow form in January, and once more in March.

Following a successful Non-Executive Director recruitment process, which concluded after the end of the reporting period in May 2016, a new Non-Executive, Simon Palley, was appointed to fill the final vacancy on the Board.

On 24th June 2016, John Kingman submitted his resignation to the Board, to take effect on 1st July 2016. A replacement will be nominated by HM Treasury in due course.

The Board is scheduled to meet a minimum of eight times a year and on an ad-hoc basis as required.

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

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The Board has put in place arrangements to manage any conflicts of interest. As part of this each Director has disclosed, at the outset of their term as a Director, any direct or indirect conflicts of interest they are aware of and may have in connection with being appointed a Director of the Company.

The Board has a high degree of oversight of the Company's activities, ensuring independent checks on all aspects of the Company's activities.

In addition, each Non-Executive Director is assigned one or more sponsorship oversight roles over major assets or projects, acting in the capacity of a mentor. These arrangements allow for a deeper insight for Non-Executive Directors into the work of the organisation.

In terms of direct responsibilities, it is not expected that Directors will be formally bound by their fiduciary duties as members of the Board when acting in their oversight roles. Board decisions will only be taken by a quorum of Directors in a Board meeting.

All committees are chaired by Non-Executive Directors and the Chief Executive Officer is not a member of any committees.

The Chairman considers the effectiveness of the Board on a regular basis, including reviewing the Board's constitution and terms of reference to ensure the Board is operating at maximum effectiveness, as well as its compliance with the Corporate Governance Code. UKGI has complied with all relevant provisions of the Code.

### **Board Committees**

The Board is supported by three sub-committees in order to provide effective oversight and leadership; the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. The Board is also supported by the Executive Committee, which is not a Board Committee.

#### **Audit and Risk Committee**

The Audit and Risk Committee met once during this reporting period. It will meet on at least three occasions per year and on an ad-hoc basis as required.

All members of the Audit and Risk Committee are non-executive directors. The current members of the Committee are Jane Guyett (Chair), Robin Lawther and Simon Palley. Only Audit and Risk Committee members have the right to attend Audit and Risk Committee meetings. However, other individuals are invited to attend for all or part of any meeting as and when appropriate. Representatives from the National Audit Office and Government Internal Audit Agency attended the Audit and Risk Committee meeting that took place during this reporting period.

The Audit and Risk Committee is responsible for monitoring, oversight and advice to the Board for financial reporting, external and internal audit, internal control and risk, whistleblowing procedures and compliance. The Audit and Risk Committee is authorised by the Board to investigate any activity

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

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within its terms of reference and to seek any information it requires from any employee. The Board will ensure that employees cooperate fully with the Audit and Risk Committee.

During this reporting period, the Committee has focused on the development of proposals for risk reporting in UKGI after its official launch on 1 April 2016. In addition the Committee considered the scope and planning of the external audit, as well as the results of a report by the Government Internal Audit Agency on knowledge and information management in UKGI.

### **Remuneration Committee**

The Remuneration Committee is responsible for setting the remuneration within the framework agreed by HM Treasury for all employees and for ensuring remuneration arrangements, including any incentivisation packages, are informed by relevant benchmarks.

The Remuneration Committee met twice during this reporting period. It will meet at least once a year and on an ad-hoc basis as required. Further detail on the Remuneration Committee is set out in the Directors' Remuneration Report.

### **Nominations Committee**

The Nominations Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board and approving executive appointments.

The Nominations Committee did not meet during this reporting period, but nominations business was addressed during the main Board meetings. The Nominations Committee will meet on an ad-hoc basis as required.

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

### Summary of Meetings and Attendance

Total number of meetings held in 2015/2016	Board	Audit and Risk	Remuneration	Nominations
	2	1	2	-
Total number of meetings attended in 2015/2016	Board	Audit and Risk	Remuneration	Nominations
Robert Swannell*	2	-	-	-
James Leigh-Pemberton*	2	-	-	-
Mark Russell*	2	-	-	-
Jane Guyett	2	1	-	-
Jitesh Gadhia	2	-	2	-
Robin Lawther	2	1	2	-
Caroline Thomson	2	-	2	-
Martin Donnelly	2	-	-	-
John Kingman	2	-	-	-
Simon Palley**	-	-	-	-

\* Robert Swannell, Mark Russell and James Leigh-Pemberton attended all committee meetings as observers

\*\* Simon Palley joined the Board after the reporting period on 19th May 2016

### Sustainability

UKGI is committed to its contribution to sustainable development. UKGI is based on the Government estate in 1 Victoria Street, co-located with the Department for Business, Innovation and Skills. We use recycled paper for day-to-day use and UKGI publications and have segregated waste streams collected for recycling.

### Transparency

UKGI adheres to the Government's transparency agenda and publishes a range of data, either on our own website or on data.gov.uk, including:

- Directors' hospitality and expenses;

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

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- Transactions over £25,000;
- Corporate credit card transactions over £500; and
- Awarded contracts over £10,000

### Payment of suppliers

In May 2010, the Government introduced a 5 day target for Small and Medium sized Enterprise (SME) suppliers to receive payment. This represented accelerated payment from the previous 10 day target set in November 2008.

UKGI will endeavour to meet this target from its commencement of operations on 1st April 2016.

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

UKGI has appointed the Comptroller and Auditor General as its external auditor. The National Audit Office carries out the audit for and on behalf of the Comptroller and Auditor General. The remuneration paid to the auditors is disclosed in the Strategic Report. This remuneration was paid by HM Treasury as part of the UKGI setup costs. These costs will not be recharged to UKGI. No non-audit work was undertaken by the auditors.

The Board has agreed to the appointment of the Government Internal Audit Agency (GIAA) as the Company's internal auditor.

### Relationship with UKFI

On 1st April 2016 UK Financial Investments (UKFI), formerly a wholly owned subsidiary of HM Treasury, became a wholly owned subsidiary of UKGI.

UKFI was created in November 2008 as part of the UK's response to the financial crisis with the overarching objective to manage the Government's shareholdings, acquired as part of this response, commercially in order to create and protect value for the taxpayer. Over time UKFI's objective is to devise and execute a strategy for realising value from the Government's ownership stakes in an active and orderly way. Further detail can be found in the UKFI Framework Document and Investment Mandate published on the company's website [www.ukfi.co.uk](http://www.ukfi.co.uk).

UKFI's Framework Document has been updated to reflect the creation of UKGI. It will continue to operate under this document and its Investment Mandate as an independent company, working closely with UKGI, for the foreseeable future.

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

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We have already seen the benefits of closer working between the two organisations. UKFI's objectives for the following year include contributing to key projects in UKGI and working towards closer integration of our operational platforms. The intention is to co-locate both teams during the 2016/17 financial year. The UKFI and UKGI Boards will continue to review the most efficient structure for the Group.

The Government's shareholdings managed by UKFI are summarised below. Further details can be found on the UKFI website and within its Annual Report and Accounts.

### **Royal Bank of Scotland Group**

At 1st April 2016, the Government held a total of 8.4 billion ordinary shares in Royal Bank of Scotland Group Plc, equivalent to a 72.3 per cent voting share. The 31st March 2016 share price of 223p implied a current market value of the Government's shareholding of £18.8bn.

### **Lloyds Banking Group**

At 1st April 2016, the Government held a total of 6.5 billion ordinary shares in Lloyds Banking Group plc, equivalent to 9.1 per cent of the total issued share capital. The 31st March 2016 share price of 66p implied a current market value of the Government's shareholding of £4.3bn.

### **UK Asset Resolution**

UKFI is responsible for managing the Government's 100 per cent shareholding in UK Asset Resolution Ltd (UKAR) and its subsidiaries, Bradford & Bingley plc and NRAM plc. At 31st March 2016 UKAR owed HM Treasury £28.0bn, an amount which it expects to repay in full.

## **Statement of Directors' and Accounting Officer's responsibilities in respect of the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. During this financial year, HM Treasury met the costs of the setup of UKGI directly. UKGI has disclosed the setup costs incurred against the budget held by HM Treasury in its Strategic Report.

UKGI's Financial Statements have been prepared in accordance with International Accounting Standards and applicable law (International Financial Reporting Standards). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors have:

- selected suitable accounting policies and then apply them consistently;
- made judgements and estimates that are reasonable and prudent;

## BOARD DIRECTORS' REPORT AND GOVERNANCE STATEMENT

- stated whether the applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepared the Financial Statements on a going-concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This report has been approved by the Board of Directors and is signed by the CEO and Chairman on behalf of the Board of Directors. The Accounting Officer of HM Treasury has designated the Chief Executive as the Accounting Officer of UKGI. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UKGI's assets, are set out in Managing Public Money, published by HM Treasury.

In preparing the accounts, the Accounting Officer has complied with the requirements of the Government Financial Reporting Manual and in particular to:

- observe 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 Financial Statements; and
- prepare the Financial Statements on a going-concern basis.

This statement was approved by the Board of Directors on 4th July 2016 and was signed on its behalf by:



**Mark Russell**

Chief Executive

UKGI Company Number 9774296



**Robert Swannell**

Chairman

UKGI Company Number 9774296



# Board Directors' Remuneration Report

## Remuneration Chair's Foreword

I am delighted to take up the chair of the UKGI Remuneration Committee, with the support of my board colleagues Jitesh Gadhia and Robin Lawther.

My role on the Shareholder Executive advisory board means that I am well versed in the complex and important work that UKGI will be taking forward and the critical importance of being able to recruit and retain the specialist skills that are required for the execution of it.

As the new company launches we have been working closely with our shareholder HM Treasury to agree UKGI's remuneration framework and policy.

The UKGI Remuneration Committee will play a key role in ensuring that the framework is fit for purpose and that its application is fair and consistent and in accordance with the Company's Framework Document.



**Caroline Thomson**

Chair of the Remuneration Committee

## Remuneration Committee

The Remuneration Committee operates as a sub-committee of the UKGI Board. The membership of the Committee shall consist of at least three independent Non-Executive Directors (including the chair). The Board is responsible for any new appointments to the Remuneration Committee. The inaugural members of the Remuneration Committee are Caroline Thomson (Committee Chair), Jitesh Gadhia and Robin Lawther.

The Remuneration Committee will meet at least twice a year and ad hoc as required. Only members of the Committee have the right to attend Remuneration Committee meetings. Others may be invited to attend by the Chair as appropriate.

### Purpose

The purpose of the Remuneration Committee is:

- To approve the Company's Performance Related Pay policy;
- To approve the remuneration of the Executive Directors and Senior Management team of UKGI;
- To recommend the approval of remuneration packages to HM Treasury and where required, to the Cabinet Office.

## BOARD DIRECTORS' REMUNERATION REPORT

In addition the Committee will:

- Review the UKGI remuneration framework formally at least every three years;
- Ensure that UKGI remuneration framework is appropriate and functioning effectively;
- Be consulted on and approve any proposed adjustments to the pay framework; and
- Receive a report annually on the outcome of the performance moderation across the organisation.

### Remuneration Policy

The Remuneration Committee approves the remuneration for Executive Directors and the UKGI Senior Management team, taking into account all factors which it deems necessary, including that HM Treasury's interest is primarily in ensuring that remuneration levels:

- are sufficient to attract and retain the high calibre individuals necessary to drive the delivery of the Objectives;
- are reconciled to performance, adherence to the Budget and delivery of the Objectives; and
- deliver value for money.

UKGI will operate a performance appraisal system and employee performance will reviewed at the middle and end of each reporting year.

Performance related pay will be awarded on the basis of company and individual performance and dependent on affordability.

UKGI recruitment procedures will be based on the principles of fair and open competition and selection on merit.

A summary of the remuneration policy for UKGI staff can be found in the table below:

Elements of pay	Purpose	Operation	Maximum potential value
<b>Base salary</b>	To recruit and retain UKGI staff	Paid monthly and reviewed annually	Determined annually
<b>Pension</b>	To support UKGI staff in long-term savings	A defined contribution pension scheme will be offered	Up to 5% of salary
<b>Performance Related Pay</b>	Incentivise and reward performance	PRP paid annually	Up to 20% of salary

## BOARD DIRECTORS' REMUNERATION REPORT

### Fees for Non-Executive Directors

A summary of the remuneration policy for Non-Executive Directors can be found in the table below:

Elements of pay	Purpose	Operation	Maximum potential value
<b>Fees</b>	To recruit and retain Non-Executive Directors with the appropriate skills and experience.	Paid monthly and reviewed annually	Determined annually

### Staff profile

No staff were employed by UKGI during the reporting period. Accordingly there was no sick absence.

Four members of staff were employed by HM Treasury, specifically to work on the setup of UKGI, whose costs were met directly by HM Treasury from the UKGI set up budget. Of these four members of staff, two were transferred to UKGI on 1st April 2016, under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE").

The Chair, CEO and deputy chair were appointed on 11th September 2015. Robin Lawther, Caroline Thomson, Jitesh Gadhia, Jane Guyett, John Kingman and Martin Donnelly were formally appointed from 12th February 2016. For this reporting period, the applicable costs, detailed below, were met directly by HM Treasury from the UKGI set up budget. Simon Palley was appointed as the final Non-Executive Director on 19th May 2016.

On 1st April 2016, 95 staff transferred to UKGI. 66 staff employed in the Shareholder Executive, as part of the Department for Business, Innovation and Skills, transferred under TUPE, 25 staff are on secondment from various Government departments and 4 staff are temporary agency workers.

UKGI will seek to maintain its unique blend of high-calibre people drawn from the private and public sector.

UKGI will ensure that its work is resourced with an appropriate level of expertise, enabling risk to be mitigated through balanced resourcing, and providing scope for mentoring and skills sharing between civil servants and private sector colleagues.

### Bonuses awarded

No bonuses were awarded during this reporting period.

## BOARD DIRECTORS' REMUNERATION REPORT

### Service contracts policy

UKGI's policy on duration of contracts is that Directors' contracts continue for a period of three years, unless terminated earlier by HM Treasury, in accordance with the Company's Articles of Association, or by either party giving written notice to the other. Upon termination of the appointment, subject to any fees outstanding, Directors have no entitlement to compensation in respect to any loss.

### Service contracts for 2015/2016

The company was incorporated on 11th September 2015, from which point the Chair, CEO and deputy chair became Directors of the company. Remaining Non-Executive Directors were formally appointed from 12th February 2016 for a period of three years.

The notice period for the termination of all Directors' contracts is three months.

The Company is not liable for any compensation, except in the case of outstanding fees. Non-Executive Directors do not receive any compensation, other than fees for their services.

The current service contracts for each of the Directors are set out below.

### Executive Directors

The sole Executive Director during the reporting period was the Chief Executive Officer, Mark Russell, who continued to be employed by the Department for Business, Innovation and Skills ("BIS") until 31st March 2016.

No remuneration was paid in relation to his role as a UKGI Director.

Single total figure of remuneration for Executive Directors	Salary (£)	Bonus payments (£)	Pension (£)	Total (£)
Mark Russell	0	0	0	0

### Non-Executive Directors

The Chairman is paid an annual fee of £40,000. Each Non-Executive Director is paid an annual fee of £25,000 for their attendance at the Board, plus £4,000 for each Board committee Chairmanship held, plus £2,000 for each Board committee membership for which they are not Chairman. These amounts were pro-rated during this initial reporting period. The Senior Independent Director will be paid an additional annual fee of £4,000. No Senior Independent Director was appointed during the reporting period.

Those Non-Executive Directors who also sit on the Board of UKFI (James Leigh-Pemberton, Jane Guyett and Jitesh Gadhia) do not receive the £25,000 annual fee. Details of the remuneration paid can be found in the UKFI Annual Report available at [www.ukfi.co.uk](http://www.ukfi.co.uk). Non-Executive Directors representing Government departments do not receive remuneration for their services.

## BOARD DIRECTORS' REMUNERATION REPORT

The table below reports the salary for each Non-Executive Director for the period ending 31st March 2016 and has been audited by the Company's auditors. The value of non-cash benefits is zero, and salary includes only gross salary.

These costs were met by HM Treasury as described in the Strategic Report. As this is the first year of operation for UKGI, no comparable figures are available.

Single total figure of remuneration for Non-Executive Directors	Salary (£) – FY15/16
<b>Robert Swannell</b>	5,402 (Full-year equivalent: 40,000)
<b>James Leigh-Pemberton</b>	0*
<b>Robin Lawther</b>	4,187 (Full-year equivalent: 31,000)
<b>Caroline Thomson</b>	4,187 (Full-year equivalent: 31,000)
<b>Jane Guyett</b>	810* (Full-year equivalent: 6,000)
<b>Jitesh Gadhia</b>	540* (Full-year equivalent: 4,000)
<b>John Kingman</b>	0**
<b>Martin Donnelly</b>	0**
<b>Simon Palley</b>	0

\*Those Non-Executive Directors who also sit on the Board of UKFI do not receive the £25,000 annual fee.

\*\*Non-Executive Directors representing Government departments do not receive remuneration for their services.

### Directors' remuneration – performance-related pay

The UKGI Non-Executive Directors are not eligible for UKGI's performance related pay.

The appraisal year for UKGI runs from 1st April – 31st March. Performance related pay for staff is determined in the first quarter of the following financial year.

## BOARD DIRECTORS' REMUNERATION REPORT

### Directors' expenses

Directors' expenses during the reporting period are listed below. As this is the first year of operation for UKGI, no comparable figures are available.

Director	Expenses (£) – FY15/16
<b>Robert Swannell</b>	0
<b>James Leigh-Pemberton</b>	0
<b>Mark Russell</b>	0
<b>Robin Lawther</b>	62
<b>Caroline Thomson</b>	0
<b>Jane Guyett</b>	0
<b>Jitesh Gadhia</b>	0
<b>John Kingman</b>	0
<b>Martin Donnelly</b>	0
<b>Simon Palley</b>	0

### Directors' pension arrangements

None of the Directors or Non-Executive Directors received a pension from the Company.

# Independent Auditors' Report to the Shareholders of UKGI

I have audited the financial statements of UK Government Investments Ltd for the year ended 31st March 2016 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of changes in equity and Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

## **Respective responsibilities of the Directors and the auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are 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 and express an opinion on the financial statements in accordance with applicable law and 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; 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 report.

I am 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.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UKGI

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### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31st March 2016 and of the results for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### Opinion on regularity

In my opinion, in all material respects 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 other matters prescribed by the Companies Act 2006

In my opinion the information given in the Directors' 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 where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept UK Government Investments Ltd, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Peter Morland (Senior Statutory Auditor)

4th July 2016

For and on behalf of the  
Comptroller and Auditor General (Statutory Auditor)  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



# UKGI Financial Statements

## Statement of Comprehensive Net Expenditure for the Year ending 31st March 2016

	Notes	Mar – 16 £000
<b>Expenses</b>		
Salaries		0
IT Service, Maintenance & Repairs		0
Consultancy		0
Accommodation		0
Other		0
<b>Total Expenses</b>		0
<b>Revenue</b>		0
<b>Surplus/(Deficit) for the Year</b>		0

The notes on pages 36-38 are an integral part of these financial statements.

## UKGI FINANCIAL STATEMENTS

## Statement of Financial Position as at 31st March 2016

	Notes	Mar – 16 £000
<b>Total Non-Current Assets</b>		0
<b>Total Current Assets</b>		0
<b>Total Assets</b>		0
<b>Equity</b>		0
<b>Surplus/Deficit for the year</b>		0
<b>Funded by HMT</b>		0
<b>Total Non-Current Liabilities</b>		0
<b>Total Current Liabilities</b>		0
<b>Total Equity plus Liabilities</b>		0

The notes on pages 36-38 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 4th July 2016 and were signed on its behalf by:



**Mark Russell**

Chief Executive

UKGI Company Number 9774296



**Robert Swannell**

Chairman

UKGI Company Number 9774296

### Statement of changes in equity for the year ending 31st March 2016

	Notes	Mar – 16 £000
<b>Funded by HMT</b>		0
<b>Deficit for the Year</b>		0
<b>Balance at 31 March</b>		0

The notes on pages 36-38 are an integral part of these financial statements.

### Statement of cash flows for the year ending 31st March 2016

	Notes	Mar – 16 £000
<b>Cash flows from operating activities</b>		0
<b>Cash flows from investing activities</b>		0
<b>Cash and cash equivalents at the beginning of the period</b>		0
<b>Cash and cash equivalents at the end of the period</b>		0

The notes on pages 36-38 are an integral part of these financial statements.

## Notes to the Financial Statements

### 1. Reporting Entity

UK Government Investments Limited (the "Company") is a Company domiciled in the UK. The address of the Company's registered office is 27-28 Eastcastle Street, London W1W 8DH. The Company operates as an investment management business under the terms of the Companies Act 2006.

### 2. Basis of Preparation

#### (a) Statement of Compliance

In May 2015 the Chancellor announced that the Shareholder Executive (ShEx) and UK Financial Investments Limited (UKFI) were to be brought together under a single holding company, UK Government Investments (UKGI). UKGI was incorporated on 11th September 2015 with the intention that it would commence operations from 1st April 2016. This first Annual Report and Accounts covers the period from incorporation to 31st March 2016 (the "reporting period").

During the reporting period, UKGI's setup costs were fully funded by HM Treasury in accordance with their systems and controls. A summary of these setup costs is included in the Business Report. UKGI itself was not delegated a budget for the financial year 2015/16.

In future, UKGI will be funded by HM Treasury via grant-in-aid. Authority for HM Treasury to provide such funding must be given by Parliament in advance of any payment being made. A clause giving HM Treasury the power to fund UKGI was included in the Enterprise Act, which gained Royal Assent on 4th May 2016.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statements are also prepared in accordance with the Government's Financial Reporting Manual (FRM) where this exceeds the requirements of the Companies Act 2006.

The Financial Statements were authorised for issue by the Board of Directors on 4th July 2016.

#### (b) Basis of Measurement

The Financial Statements have been prepared on the historical cost basis. The Directors have concluded that it is appropriate for the financial statements to be prepared on a Going Concern basis, as UK Government Investments is expected to continue operating for the foreseeable future and at least until its next status review with HM Treasury, due to take place in 2019 as set out in the UKGI Framework Document, agreed with HM Treasury and published at [www.gov.uk/government/organisations/uk-government-investments](http://www.gov.uk/government/organisations/uk-government-investments).

**(c) Functional and presentation currency**

These Financial Statements are presented in pounds sterling, which is the Company's functional currency. All financial information has been rounded to the nearest thousand.

**(d) Use of estimates and judgements**

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There were no such estimates or judgements in this period.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

**(a) Foreign Currency**

Transactions which are denominated in foreign currencies are translated in sterling at the foreign exchange rate ruling at the date of the transaction.

**(b) Corporation tax**

The Company is registered for the purposes of corporation tax. HM Treasury will fund the expenses incurred by UKGI through grant-in-aid as set out in the UKGI Framework Document.

**(c) VAT**

The Company is treated as carrying on a business for VAT purposes; services provided are standard rated for VAT purposes.

**4. Called up share capital**

UKGI share capital consists of 1 Ordinary Share of £1. The share is fully paid up.

**5. Deficit & Funding by HM Treasury**

As described in note 2(a); during this reporting period, all UKGI expenses have been funded directly by HM Treasury.

## UKGI FINANCIAL STATEMENTS

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### **6. Contingent Liabilities**

UKGI Directors are indemnified against liabilities and losses incurred in the course of their actions as Directors by both UKGI and HM Treasury. The potential liabilities in relation to these indemnities are considered unquantifiable.

### **7. Related Parties**

As at 31st March 2016, the Company is a wholly owned subsidiary undertaking of HM Treasury which is registered in England and Wales and operates in the United Kingdom.

### **8. Events after the reporting period**

On 1st April 2016, UK Financial Investments (UKFI), formerly a wholly owned subsidiary of HM Treasury, became a wholly owned subsidiary of UKGI.

The result of the referendum held on 23rd June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

On 24th June 2016, John Kingman submitted his resignation to the Board, to take effect on 1st July 2016. A replacement will be nominated by HM Treasury in due course.





UK Government  
Investments

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