



UK Government Investments Limited Annual Report and Accounts 2018-19



UK Government
Investments



UK Government Investments Limited

Annual Report and Accounts 2018-19

Presented to Parliament

by the Economic Secretary to the Treasury

by Command of Her Majesty

July 2019

Company No. 09774296

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UKGI

Our Purpose

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

We provide expert advice and leading solutions that inform and translate government's decisions into effective outcomes in the national interest. UKGI is

tasked with promoting good governance of publicly owned businesses, supporting government's private sector interventions and delivering orderly transactions that generate value for money.

Our people, highly skilled, experienced professionals, are drawn from both the Civil Service and private sector. This combined capability allows us to best meet the evolving needs of our clients.





How we deliver value



VALUES

Our values define who we are, what we stand for and how we behave. Our values are the foundation for how we do business, inform the type of work we do, and hold us accountable to do our best. They govern our actions and determine our success. They were developed by colleagues across our organisation, so everyone feels a personal responsibility towards creating a great work environment.

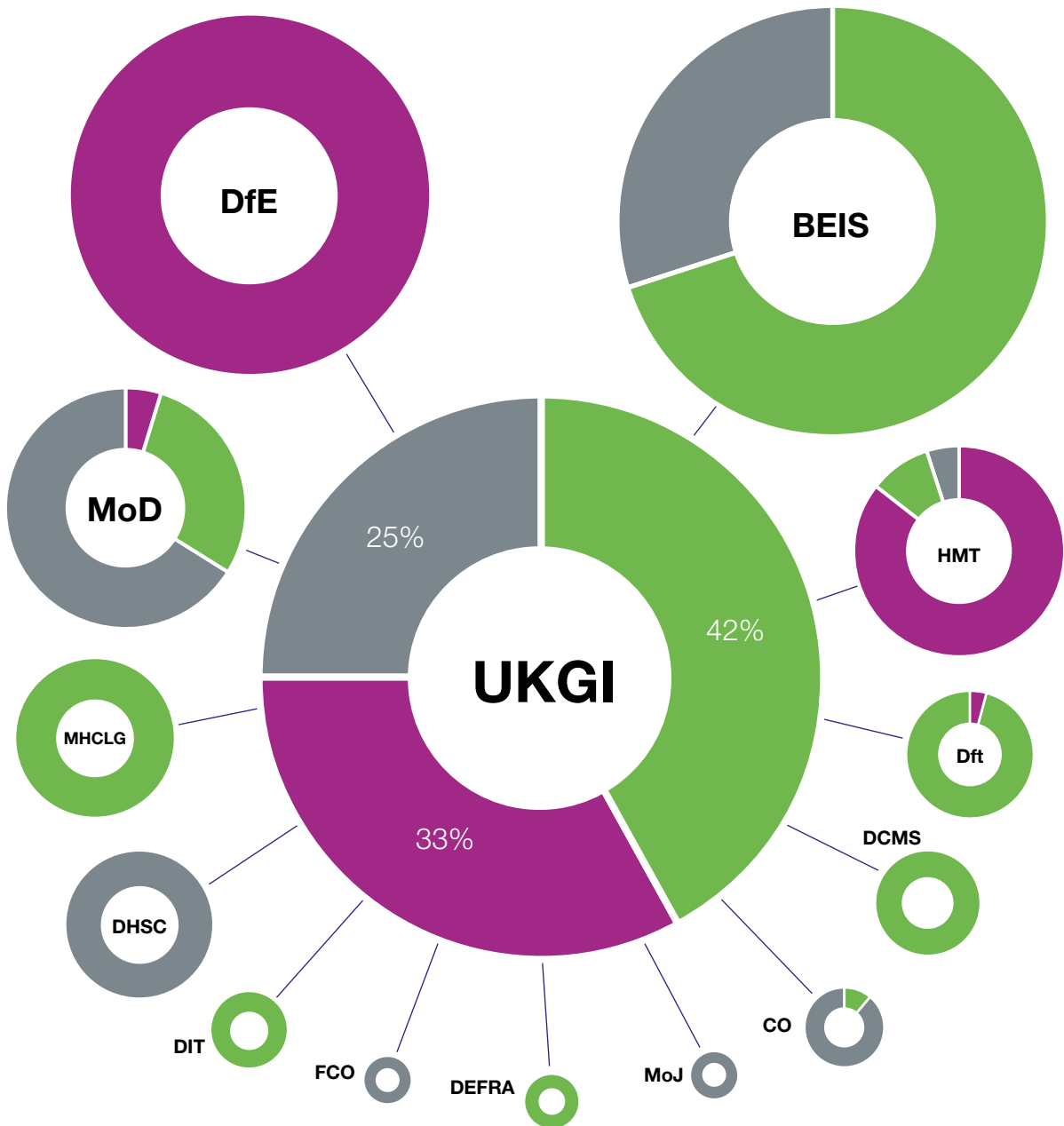
Our values are:

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

Company highlights

Work segmentation

■ Asset sales ■ Corporate governance ■ Corporate finance



WORKING WITH
12
WHITEHALL DEPARTMENTS

OVER
80
FINANCE
AND GOVERNANCE PRACTITIONERS

UNDERTAKING WORK ON OVER
70
PROJECTS

£17bn
RAISED
IN ASSET SALES
ACROSS 2018-19

Chairman's Foreword



This is my third Chairman's statement since UKGI was formed in 2016, and the first since UK Financial Investments was fully merged into UKGI; the merger integration process has proceeded seamlessly, a tribute to the teams in each organisation. At the time the formation of UKGI was announced, the rationale was to bring experts together to deliver asset sales in a way that secures value for money, and to improve the governance of large, publicly-owned bodies. This has borne fruit. In 2018-19 sales receipts totalled £17bn, making a total of £40bn in receipts since the formation of UKGI.

The variety of transactions UKGI has dealt with in the year has been striking. £2.5bn of Royal Bank of Scotland (RBS) shares were disposed of via an accelerated book-build. £1.9bn of receipts were generated from the securitisation of income-contingent repayment student loans. UKGI oversaw the disposal of £11.2bn of mortgage assets by UK Asset Resolution (UKAR), including equity release mortgages. UKGI also advised on the £1.5bn disposal by Network Rail of its rail arches. We continue to develop innovative routes to market: RBS shareholders approved a mechanism for directed buy backs, allowing RBS to utilise excess capital to reduce the government's stake in the bank, subject to market conditions.

All of this activity was overseen by our Transactions Committee, and my thanks go to its chairman, James Leigh-Pemberton and colleagues on that committee, for their efforts and the rigour and discipline that has been displayed in ensuring that each of these transactions delivers value for money for the taxpayer. It is both encouraging and a mark of the professionalism of our staff that, notwithstanding the wider political context, the demand for these assets remains high across a global pool of investors. These are all complex sales and were executed according to their separate mandates in a thoroughly professional, and often highly innovative, way. The NAO noted that UKGI "ran the (student loans) sale process effectively" and that it "sold the student loans at its upper estimate of what the market would pay".

In terms of our governance activities, it was a measure of many years of painstaking work that in 2018 RBS paid its first dividend since the financial crisis. Elsewhere

in our portfolio, it is a

tribute to the demand for our services that we have agreed with the Ministry for Housing, Communities and Local Government to take on the shareholder role for Homes England – delivery of more and better housing is one of the nation's key priorities. UKGI played an important coordination role in the discussions around Channel 4's relocation. We have taken on a shareholder role on the new company delivering the East-West rail link between Oxford and Cambridge. Both the British Business Bank (BBB) and UK Export Finance saw significant increases in the size of their balance sheets and consequential risk exposure. BBB secured some of its finance from another of our portfolio entities, the £9bn Nuclear Liabilities Fund, which clearly demonstrates the gains from managing these shareholdings under a single umbrella. Finally, the UKGI Board visited the Nuclear Decommissioning Authority (NDA) and Sellafield in Cumbria for an extended visit and Board meeting to get a real sense of the scale of the challenges facing these organisations and the comprehensive plans they have in place to tackle them. We learned a great deal from meeting the talented and dedicated people who work there which will help us support the UKGI Shareholder team in their role in the years ahead.

As a source of expertise and a centre of excellence, we are constantly examining how to attract and retain the best people into UKGI. We want UKGI to be able to attract the most talented people in relevant fields, and use all the tools at our disposal in order to do so, in particular by ensuring that UKGI is a great place to work. The Board and the executive have had two particular priorities this year in this area. The first has been a focus on mental health, which in turbulent times becomes even more important. It was a pleasure to have Lord

Dennis Stevenson come and speak to staff about his own experiences of mental health issues, and on his work with Paul Farmer to deliver an independent review of mental health to the Prime Minister. UKGI has signed the Time to Change pledge and has developed a mental health action plan accordingly, with mental health first-aid training, candid conversations around mental health, and a general increase in awareness being key to this.

Our second priority has been around diversity and inclusion. We have initiated mentoring schemes, and reverse mentoring, to support this. We have worked with Stonewall to ensure our HR policies embed diversity and inclusion in the business, and we have been accredited as a Disability Confident Committed employer. There has been an increase in training, awareness and data gathering to support targeted initiatives in this area.

In both of these areas, what has been particularly pleasing is that alongside the leadership and support provided by the Board and executive, many of the initiatives and much of the energy has come from more junior staff within UKGI, which demonstrates both the high level of employee engagement we strive for, and a commitment to UKGI's values.

In his Chief Executive's statement below, Mark Russell sets out his strategies and objectives for the coming

year. In the current climate, it is difficult to predict too far ahead, but I am confident that under the leadership of Mark and our Executive Committee, UKGI is well placed to respond to future challenges. My thanks go to them and every single member of the wider UKGI team for all their efforts in the past year.

Finally, I will also like to take this opportunity to extend my gratitude to Simon Palley. Simon stepped down at the end of his term in May 2019 having served on the Board for three years. We will miss him! During 2019, we will welcome two new non-executive directors, Clare Hollingsworth and Andrew Duff, both high-calibre appointees who will add further industry and infrastructure experience to the Board's considerable governance and financial expertise. I look forward to working with them in the years ahead.



Robert Swannell

Chairman

24 June 2019

Chief Executive's Statement



This has been a strong year for UKGI: a large programme of asset sales generated over £17bn of receipts, the ongoing expansion of our shareholder portfolio and the agility shown by our staff in response to situations of corporate distress all demonstrate the indispensability of UKGI to government. But we are thoroughly focused on continuous improvement. Whilst our key objectives remain unchanged – delivering asset sales, acting as shareholder for major arm's length bodies, and providing corporate finance advice to government – we must continue to remain flexible to the changing needs of Whitehall departments and to new political priorities.

As an organisation we have set ourselves three key tasks for the medium-term. The first is to continue to build our profile as a trusted financial and governance adviser to government, so that UKGI is the first call for every government department seeking strategic corporate finance and governance advice.

Our second aim is to evolve our value proposition, developing our services where we identify a clear demand that matches our skillset. An example of this is the Defence Finance Unit we have established in the Ministry of Defence, to assist in the management and close-out of existing PFIs, and to examine the feasibility of alternative financing arrangements for its capital investment programme.

Our third key task is to continue to develop our sustainable centre of excellence, providing an unrivalled depth of expertise within government in transactions, corporate governance and corporate finance matters whilst ensuring this is an enduring resource. Key to this will be our people plan, which will be designed and delivered by our new Chief Operating Officer, Susie Timlin, who joined us earlier in 2019.

A particular focus will be on our governance proposition. Ten years ago, the Shareholder Executive portfolio comprised, in the main, companies held for sale. The successful delivery of a significant number of major corporate asset sales means that now the majority of our

portfolio entities are those where the government is more likely to have an enduring policy rationale for retaining its interest. As we continue to focus on larger, more complex entities, so our portfolio

continues to evolve; in the year we commenced a formal shareholding role on Homes England, and stepped back from our role on the Insolvency Service and Companies House, having supported both these entities through transformations whilst they delivered improved financial performance. As our governance role focuses on larger entities that are likely to be managed within the public sector, so it becomes more important to ensure that our role and responsibilities are better understood. I am particularly keen that we promote a better understanding of the arm's length body model for government delivery. There are over 300 arm's length bodies spending over £200bn a year. UKGI plays a key role in ensuring that the larger ones are competent, and sufficiently empowered, to carry out the tasks they have been given.

Our immediate priorities for 2019-20 include assisting the government in assessing options for the delivery and financing of clean energy solutions to enable the United Kingdom to meet its carbon reduction commitments; ensuring that we continue to be at the heart of the government's response to situations of corporate distress; continue to dispose of the residual Northern Rock Asset Management (NRAM) and Bradford & Bingley (B&B) assets to facilitate the wind-down of UKAR; to deliver further tranches of student loans sales; to continue to manage an orderly exit from RBS subject to market conditions; working to formalise our role on the MOD's key delivery arm's length bodies, in particular Defence Equipment & Support; and working with HM Treasury to ensure that the UK's start-ups and SMEs have adequate access to finance through our roles in the British Business Bank and UK Export Finance.

These priorities are at the heart of some of the nation's most important programmes, and underpin the attraction of UKGI to the best people from both the Civil Service and the world of corporate finance. We are always looking at new ways to draw in talent and expertise that the government might otherwise find difficult to access; we have refreshed our corporate finance secondment programme, and are assembling a complement of senior advisers on flexible employment arrangements to allow us to flex up or down in response to specific situations. I am confident that our unique blend of Civil Service and corporate finance, business and commercial skills will continue to adapt to whatever political or economic challenges may come our way over the coming months and years.

**Mark Russell**

Chief Executive Officer

24 June 2019

Strategic Report



Strategic Report

Objectives and strategy

UKGI is entrusted by HM Treasury to undertake the following objectives:



Asset Realisation

We prepare and execute all significant corporate asset sales by the UK government



Corporate Finance

We advise on major corporate finance matters, including all major UK government financial interventions into corporate structures and on major UK government corporate finance negotiations.



Corporate Governance

We act as shareholder for, and lead establishment of, UK government arm's length bodies, as required and in line with HMT priorities.

UKGI Business Model

UKGI is a company wholly owned by HM Treasury. It provides advisory services to Whitehall departments on the execution of a range of complex commercial and financial tasks. UKGI operates in a way that is consistent with the government's policy objectives including, but not limited to, the promotion and preservation of orderly, competitive markets.

UKGI provides expertise in asset sales, interventions, ALB set-up, incubation and governance, market intelligence and analysis, transaction execution and larger scale corporate negotiations amongst others.

We have memoranda of understanding with Whitehall departments setting out the services we offer and how we work with them to deliver those services. When working for ministers, UKGI staff demonstrate the same degree of confidentiality as ministers would expect of their own officials, to the standards contained within the Civil Service Code.

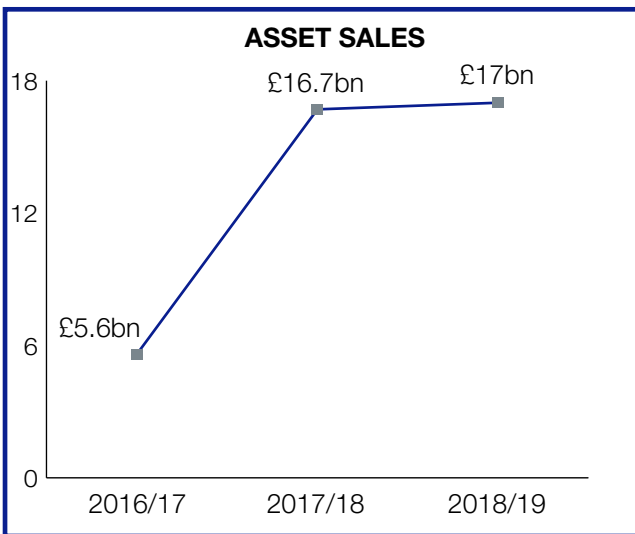
UKGI is accountable to Parliament for specific matters pertaining to the preparation of accounts, governance and acting in accordance with Managing Public Money, and to HM Treasury for performance against its objectives as set out above.

UKGI's Performance

In 2018-19, we continued to strengthen our business and successfully deliver on our strategic objectives. Based on feedback from our stakeholders, UKGI has performed strongly over the course of the 2018-19 financial year. There is a growing demand for the organisation's expertise across Whitehall which has resulted in an increased number of assignments from departments including the Department for Transport, the Ministry for Housing, Communities and Local Government and the Ministry of Defence.

We have broadened our governance portfolio to include organisations such as Homes England and notably, UKGI has had a record year for asset sales totalling £17 billion in proceeds. We concluded the year with a healthy pipeline of work and remain well-positioned to capitalise on our capabilities and support our clients in the future. Looking ahead, and in line with our strategic priorities, we will aim to progress our work around three core areas. We will continue to act as a trusted financial, commercial and governance adviser to government; we will evolve our value proposition to respond to changes in demand for our services; and we will develop our unrivalled depth of expertise within government in transactions, corporate governance and corporate finance matters.

We continue to deliver economic and social results in the national interest.



22 new assignments commenced in 2018-19

26 assignments exited in 2018-19

Delivering our objectives



Asset Realisation

Prepare and execute all significant corporate asset sales by the UK government.

UKGI works across government to support departments on asset sales, advising ministers and senior officials on the best strategies and structures for a sale, carrying out market testing, and devising and managing the sale execution process to achieve value for money for the taxpayer.

UKGI has a well-established reputation for selling assets where there is no policy reason for the government to hold the asset, and where the sale can achieve value for money.

The 2018-19 financial year saw a series of successful asset sales achieving £17 billion in total gross proceeds for the government. This is the highest sum of asset sales since UKGI's inception and covers the completion of the second sale of pre-2012 English Student Loans, the further wind-down of UK Asset Resolution (UKAR), sale of part of Network Rail's commercial estate and the Royal Bank of Scotland Group (RBS) share sale in summer 2018.

Sale of part of Network Rail's commercial estate

In February 2019, Network Rail completed a sale of part of its commercial estate generating proceeds of £1.46bn to help fund its railways' upgrade plan. The 5,200 properties were mainly located underneath railway arches in England and Wales. The sale was on a 150-year lease basis with Network Rail retaining the freehold. This structure ensured that Network Rail will continue to have access to the estate after the sale to protect the safety of rail operations.

There was significant market interest in the sale with nearly 150 organisations requesting the Information Memorandum and the process remained competitive throughout. The sale attracted wide media and Parliamentary interest. The winning bidders adopted a tenants' charter, which offered a commitment to engage with all tenants and communities in an open and honest manner.

UKGI led a joint-team consisting of officials from UKGI and the Department for Transport (DfT) providing advice to DfT senior management and ministers at each stage of the sale and to Network Rail to support aspects of the sale process such as its approach to valuation and public law compliance. The UKGI team used a wide range of corporate finance and civil service skills to help deliver the sale, demonstrating the unique blend of public and private sector skills at UKGI.

The UKGI Financial Institutions Group (FIG) is responsible for the Royal Bank of Scotland (RBS) and the UKAR portfolios. It retains the primary responsibilities previously held by UK Financial Investments which was successfully integrated into UKGI in 2018.

In line with the government's objective of returning RBS to private ownership, FIG advised HM Treasury on the disposal of £2.5 billion worth of shares in the 2018-19 financial year – the first sale since 2015, reducing the government's shareholding from 70.1 per cent to 62.4 per cent. In line with its mandate, the FIG team has also continued to manage the government's remaining stake in RBS and has engaged regularly with RBS's board and

senior management on stewardship issues. RBS's progress in restructuring the business since the government's intervention in 2008 was highlighted in its 2018 Annual Report, with RBS reporting a £1.6 billion profit attributable to shareholders. RBS also announced in February 2019 that a total of £1.6 billion would be paid in dividends for the financial year 2018.

Building on the successful reduction of the government's shareholding in 2018-19, UKGI will continue to seek opportunities to make further disposals of the government's shares in RBS when it represents value for money. The optionality for doing so was further enhanced in February 2019, when RBS received shareholder approval to make off-market purchases of ordinary shares from HM Treasury (or its nominee), subject to both parties' agreement.

In parallel, UKGI continued to pursue the government's strategy to wind-down UKAR by March 2020, as announced at the 2018 Autumn Budget. FIG advised the government on three UKAR-led transactions totalling more than £11 billion. These sales significantly simplified UKAR's remaining asset portfolio. This included the sale of Bradford & Bingley (B&B) buy-to-let mortgages and owner-occupied mortgages worth £5.3 billion in April 2018, a £860m sale of B&B and NRAM equity release mortgages in September 2018, and a £4.9 billion sale of NRAM mortgages and unsecured loans in March 2019. The progress made in disposing UKAR assets has maintained momentum and we remain on course to wind down UKAR in 2020.

A second tranche of income contingent student loans was sold in December 2018, continuing a programme of sales that UKGI is leading on behalf of the Department for Education. UKGI's model of public and private sector expertise means that it is uniquely placed to deliver sales and drive forward this complex and innovative programme which is expected to raise up to £15bn of proceeds by 2022-23.

Second sale of income contingent repayment student loans

In December 2018, the second tranche of income contingent repayment student loans was sold, generating proceeds of £1.9bn – an increase on the first sale, which generated £1.7bn of proceeds. This transaction further establishes this new asset class in the capital markets and demonstrates the growing investor interest in its features.

The second sale was once again delivered by a team drawing on a wide range of skills available to UKGI, with a modelling team comprising a mix of economists, mathematicians, statisticians and actuaries; legal and structuring expertise to design the new securities; communications and project management skills to drive the process through Whitehall; and in-house syndicate experts to lead the banks. The team was jointly led by a civil servant and corporate finance expert, exemplifying the unique blend of public and private sector skills at UKGI.



Corporate Finance

We advise on major corporate finance matters, including all major UK government financial interventions into corporate structures and on major UK government corporate finance negotiations.

UKGI provides specialist corporate finance advice across government and supports the government's financial interventions into corporate structures. We also deploy our expertise in all significant negotiations between government and the private sector, for example, when the government considers whether to financially support companies in distress. A focus this year has been on financing clean energy to help the UK meet its emissions obligations.

Our Special Situations team of corporate restructuring practitioners, including qualified insolvency practitioners, experienced restructuring bankers and civil servants, advises ministers and departments where there is actual or likely financial distress.

This year the team has made a significant contribution to the development of the Cabinet Office's Outsourcing Playbook, which relates to the assessment and monitoring of the financial standing of suppliers and guidance on managing situations where there may be corporate financial distress. At the same time, UKGI has supported a range of departments on contingency planning and through live cases.

UKGI continues to build its presence within the Ministry of Defence (MOD), expanding the size of the team and the number and range of projects it has been involved in. During the year, the team led a number of governance reviews of the MOD's arm's length bodies, recommending improvements to the way such organisations relate to, and are overseen by, the MOD. UKGI has also led on a number of significant negotiations and brought a commercial point of view to projects across sectors such as accommodation, real estate, innovation funding and public/private financing. The coming year will bring further expansion, particularly in the sphere of public/private finance, following the abolition of PF2 in the last Autumn Budget.



Corporate Governance

We act as shareholder for, and lead establishment of, UK government arm's length bodies, as required and in line with HMT priorities.

UKGI has a portfolio of 17 entities in which the government has a shareholding. We work with more than ten government departments and management teams to help these businesses optimise their performance and operate as effectively as possible. Our portfolio continues to expand and in recent years we have seen an evolution of the types of organisations with which we work.

Ten years ago, the portfolio of organisations which UKGI's predecessor worked with were typically highly commercial in nature, sometimes operated and funded relatively independently of the government and often constituted as government owned limited companies, such that directors had full fiduciary duties.

Today, the portfolio is increasingly represented by bodies with responsibility for complex delivery to support government policy or investment programmes or comprise organisations which are undergoing significant levels of change. These organisations may have closer boundaries to their sponsoring department.

In 2018-19, we have taken on several new assignments including Homes England, National Air Traffic Services (NATS), and East West Rail. During the year, we exited our work with the Insolvency Service and Companies House returning both organisations to their sponsor departments.

Through its governance work, UKGI seeks to build capable arm's length bodies. The case studies below illustrate the role of UKGI at different stages of our involvement: at commencement of our shareholding role, in the mature delivery phase, and at exit.

Homes England

In 2018, UKGI took on the shareholder role of Homes England on behalf of the Ministry of Housing, Communities and Local Government (MHCLG). Homes England is the government's arm's length body responsible for increasing the number of new homes that are built in England.

Over the past financial year, we worked with MHCLG and Homes England to establish a number of core governance and corporate foundations, including agreeing a strategic business plan, developing a comprehensive management information suite, and agreeing a new framework document, as well as expanding the capacity of the Homes England board. Over this coming year, in our shareholder capacity, we will continue to strengthen and monitor Homes England's corporate performance, whilst supporting it to deliver a major transformation.

UK Export Finance

UKGI coordinated a substantial governance reset in 2016-2017 to facilitate delivery of the policy decision to double UK Export Finance's capacity to support British exporters. This included reconstituting its board with the introduction of substantial private sector expertise, implementing a revised risk management framework and improving transparency and engagement with other Government stakeholders. Going forward, UKGI will continue to hold a board seat to represent the interests of the Secretary of State, maintain an effective corporate governance framework and monitor UKEF's performance against the agreed business plan, supporting it as it continues to transform and refresh its activities.

Companies House

UKGI's predecessor entity, the Shareholder Executive, first took on responsibility for Companies House in 2010. UKGI supported the organisation, ensuring that it had the governance in place to implement its major transformation programme making its digital register available for free – the UK was the first country in the world to establish a fully open register of business information. Now, with that phase of its transformation fully delivered, UKGI has agreed that sponsorship of Companies House can return to BEIS. During UKGI's stewardship, dividends doubled from £1.9m in 2010 to £4.0m in 2018, and the return on net assets increased from 3% to 5%. This demonstrates the value of the commercial discipline UKGI brings to government owned businesses, while ensuring that governance and leadership supports the delivery of complex transformations.

UKGI's Portfolio Entities Include:



Established for Tomorrow®



International work

The UK is seen by the international community as an exemplar of best practice in the corporate governance of its state-owned enterprises (SOEs) and is often approached by international delegations for advice and encouraged to play a proactive role at the OECD to inform, challenge and share best practice.

UKGI is often approached by the Working Party on State Ownership and Privatisation Practices' (WPSOPP) Secretariat to support its efforts to help countries reform their corporate governance practices by drawing on the experience we bring and the reputation we have for good corporate governance and a track record of large and successful privatisations. We have recently worked with WPSOPP to:

- help support the Ukrainian Government's efforts to reform the corporate governance of its national hydrocarbon sector;
- support the development of new anti-corruption and integrity guidelines for state owned enterprises; and
- support the development of corporate governance recommendations for SOEs in Ukraine in conjunction with the Ukrainian Corporate Governance Academy.

In addition to our OECD representation, countries often request advice from UKGI to help them with their own reforms. Recent meetings with international delegations included presentations to:

- a delegation of Israeli senior managers from public and private sectors on the management of UK's state-owned enterprises; and
- a delegation from Kuwait's Technical Bureau of Privatisation on recent experience and good practices on privatising state-owned enterprises.

Chief Operating Officer's Statement



UKGI's promise is to deliver an exceptional financial and governance advisory service to government departments. Delivery of this service relies in large part on a unique blend of talented people.

Our colleagues join UKGI from a diverse range of backgrounds in both the Civil Service and the private sector. This year people have joined us from: government departments, leading accountancy and law firms, and major investment banks – they have melded their knowledge in a truly collegiate way. This combination of specialist talent and different perspectives allows us to deliver on our promise.

Core to the successful delivery of our service this year has been:

- **Attracting the best talent from the broadest range of backgrounds.**

- We have welcomed 47 new joiners in 2018-19. Our operating model is predicated on a core base of employees supported by a regular flow of secondees from the civil service and private sector. This ensures deeply rooted expertise combined with knowledge that keeps pace with legislative and market best practice. We will continue to focus our efforts on building a diverse talent pipeline that will enrich the quality of our thinking and the service that we deliver.

- **Enabling a highly personalised development programme.**

- Over 75% of our new hires are already high performers at manager level or above. They come to us to work on complex and challenging projects and have high expectations of the personal development opportunity that we can provide. We have focussed on creating the opportunity for stretch, sharing our knowledge effectively and providing personalised development programmes.
- We have created a number of formalised structures to support this personalised development including: the creation of a new intensive management skills programme, launching a mentoring and a reverse mentoring programme and a focus on corporate finance and governance classroom training, all specifically tailored to UKGI.

We share a pride in the meaningful work that we do and a desire for continuous improvement. This year will be no different. We will work hard together to make UKGI a great place to work whilst continuing to deliver on our promise of delivering an exceptional financial and governance advisory service to government departments.

Building a diverse and inclusive workplace

UKGI is an equal opportunity employer with a clear commitment to diversity. We are not only passionate about the work we undertake but also our employees, whose expertise and drive makes our organisation a successful one. UKGI empowers its employees to help design a diverse and inclusive work environment they can be proud of.

Our goal is to be a company which is open and accessible. We aim to:

- Lead and manage inclusively;
- Create opportunities that enable development and learning; and
- Create a work environment where all staff feel involved and valued.

In the last year, the organisation has taken on several initiatives to drive forward its ambition to build an inclusive workplace. In 2018, UKGI became a signatory to the Women in Finance Charter, making a commitment to have women representing 40% of its senior leaders by 2021.

Further to this, the organisation has agreed to focus its diversity and inclusion activities across three core pillars. These activities are led by an internal employee steering group with support from the Executive Committee.

Recruitment: This encompasses a series of actions aimed at increasing awareness of UKGI among prospective candidates, and ensuring our recruitment is both accessible and inclusive;

Effective onboarding and line management: Implementing clear steps to help our new starters seamlessly integrate into the business, as well as initiatives to make sure all colleagues have the support they need from their line manager and by having access to a range of staff networks; and

Training and awareness: Making development opportunities, mentoring and training available to staff alongside a series of activities aimed at raising awareness of diversity issues.

Specific initiative undertaken this year include:

- Taking steps to make sure our recruitment activity helps us to attract a more diverse pool of applicants;
- Delivering a programme of training courses to ensure all line managers understand the importance of providing a welcoming workplace;
- Working alongside Stonewall to review our key human resources policies;
- Becoming a Disability Confident Committed organisation, with a commitment to achieving Disability Confident Employer status;
- Running a regular programme of volunteering activities, working with local charities;
- Putting in place 'Above and Beyond', a peer reward scheme;
- Supporting BAME, LGBTQ+ and disabled colleagues through the HMT 'Accelerate' programme;
- Monitoring end of year appraisal diversity statistics to ensure we are supporting everybody to achieve their potential;
- Launching a reverse mentoring programme and a separate standard mentoring scheme with wide participation across UKGI; and
- Providing opportunities and support for staff undertaking external mentoring.

Gender Pay

As an organisation with only 95 employees, UKGI is not required to publish the gender pay data required for companies with over 250 employees under the provisions of the Equality Act 2010 and associated regulations. We are, however, committed to the highest standards of transparency and have therefore elected to disclose our gender pay data, setting out the difference in average hourly pay between men and women. As at 31 March 2019, our mean gender pay gap was 25.4% (31 March 2018: 27.2%), and our median gender pay gap was 28.7% (31 March 2018: 31.6%). Our mean and median bonus gap was 39.8% and 45.7% respectively (31 March 2018: 46.6% and 45.1%).

We have analysed the data collected to calculate the gender pay gap, and it is clear that our gender pay gap is driven by the composition of the organisation, with the majority of the senior roles occupied by men, and junior and administrative roles staffed predominantly by women.

Our focus will be on recruiting and retaining women at senior levels. As at March 2019, 32% of our ED level and above staff were female. This compares well with the Hampton-Alexander Review's 2020 target for female representation within senior leadership teams to be 33% or higher, and well ahead of the average for FTSE 250 companies of 24%. UKGI already champions diversity, advocating diversity and inclusion across its portfolio entities. We pioneered the Women on Board scheme, which has now joined forces with a similar private sector initiative to become the Future Board Scheme. This initiative offers talented, senior women board-level opportunities.

Diversity and Inclusion Charter 2019-20

We know that to make UKGI a diverse workplace where our staff feel included takes an ongoing commitment. In 2019-20 we will build on the activities we have undertaken this year and also hold ourselves accountable as follows:

We remain committed to having at least 40% of our senior leadership team (combined executive director and director population) posts filled by women by March 2021, as part of our commitment under HM Treasury's Women in Finance charter. The senior leadership team is currently 32% female. To achieve 40%, we have set a target for female applicants to constitute at least 50% of all shortlisted applicants for every new UKGI vacancy. Over the course of the year, we promise to provide the opportunity for at least three individually targeted development activities to support the progression of each female employee. Development activities may include taking on a stretch project, upskilling through training or being mentored.

We also want to see at least 10% of our staff in the senior leadership team coming from Black, Asian and Minority Ethnic groups by March 2022. To support this aspiration UKGI has signed up to the 'Race at Work' Charter. To deliver the charter's five 'calls to action' we have appointed an executive sponsor and we will be also taking action to support ethnic minority career progression including making use of the government's Positive Action Pathways scheme.

More widely, UKGI's position in government, which sees us work with a wide range of Whitehall departments, publicly owned assets and external advisers, means we are well placed to do more. From 2019-20 we will therefore be working with those bodies where UKGI has a governance role to share understanding and experiences and to promote the value of having diverse and included workforces, and we will also be encouraging the importance of diversity and inclusion within our supply chain.

These new initiatives will build on the work we already do to support diversity and inclusion, underlining not just our commitment to the success of UKGI but also to the wider benefit of the public sector. More information on our work in these areas can be found on the UKGI website.

Corporate activities

Learning and development

UKGI has an active learning and development team that is continually seeking high quality and beneficial training schemes to support the high performance of our staff and build the pipeline of talent for the future. This includes a mentoring scheme for our senior executives, and a range of technical and skills-based training for all staff including inclusive leadership programmes.

We have also provided bespoke corporate governance and corporate finance training developed with and delivered by the Institute of Directors and Fitch. Providing such training for our employees enables UKGI to fulfil its remit of being the government's centre of excellence in corporate finance and governance.

UKGI provided regular fortnightly seminars delivered by both internal and external stakeholders to enhance people's learning opportunities. A total of 23 seminars were delivered over the course of the year.

UKGI provides staff with the opportunity to work on a variety of diverse projects across its broad business portfolio, and access a range of learning and development opportunities. Whatever their background and experience, everyone is given the opportunity to improve their skills and develop their career during their time at UKGI.

Flexible working

The interesting and complex work we offer is available in an environment where there is a commitment to family-friendly working policies. UKGI encourages employees to have a good work-life balance. As part of our support of a diverse workforce, we offer a range of flexible working options to all colleagues, including senior executives. This includes part-time working, compressed hours, job shares and working from home.

Mental Health and Wellbeing

UKGI strives to create a working environment which is supportive of staff and where the culture encourages open and non-judgmental conversations about Mental Health and Wellbeing. Through a proactive staff network and with the support of the Executive Committee and the Board, UKGI has created a strategy and ten point action plan to raise awareness and remove the stigma around mental health thereby promoting an inclusive workplace culture. In 2018-19, UKGI held several activities including educational film screenings and mindfulness walks, to build involvement and drive staff engagement. This year, UKGI signed the Time to Change Employer Pledge, further demonstrating our commitment to changing attitudes to mental health in the workplace.

The UKGI Mental Health and Wellbeing Group was formed in February 2018 from a group of staff who volunteered to receive Mental Health First Aid training.

My UKGI

KIERAN WALSH **Assistant Director, Commercial**



“UKGI is a great place to work. The breadth of projects and programmes across government that we support or lead on is vast, providing great scope for development and stretching my own professional development whilst being at the heart of real, impactful, change. As a father, I also benefit from great flexibility in the working pattern – I am not constrained to 9-5 at my desk and can approach the role in a truly flexible way. UKGI also actively supports learning and development – be that traditional or experiential learning, in technical or softer skills.”

TOSIN ADEGUN **Manager, Post Office and The Royal Mint Shareholder Teams**



“One of the most important aspects of my work at UKGI is the social impact. There are not many places where you have the opportunity to work on complex projects that involve delivering both commercial and public policy objectives. You can see that every project you work on matters and you can see, on a real-time basis, the impact of your work. I find my role incredibly interesting, challenging and satisfying. My problem-solving and stakeholder management skills have increased in leaps and bounds by working across government and taking into consideration the different policy and stakeholder interests.”

UKGI's approach to risk

UKGI's risk appetite statement, as approved by its Board and explained in UKGI's Approach to Risk document demonstrates that reputational risk is inherent in everything we do:

"As an organisation whose role it is to act as an agent for ministers and government departments, the key risks UKGI must manage are those which arise as a consequence of discharging its mandate.

UKGI seeks to achieve its objectives whilst eliminating, or minimising, all risk including operational, execution and reputational risks. In those circumstances where it may be necessary to take some risk to deliver the organisational objectives, UKGI will rely upon its governance structure to mitigate risk.

Risk will be monitored and controlled by systematic review by the Board, by the Executive Committee, by the Risk & Audit committee and through a regular review of the risk registers. In addition, the culture of open and proactive communication, and continuous learning and training, throughout UKGI underpins UKGI's ability to control risks that do arise."

UKGI monitors a number of operational and strategic risks. These include risks regarding staffing, IT systems and relationships around Whitehall.


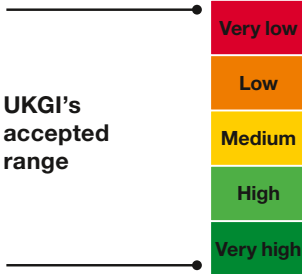
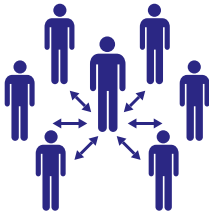
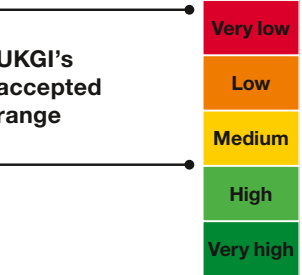

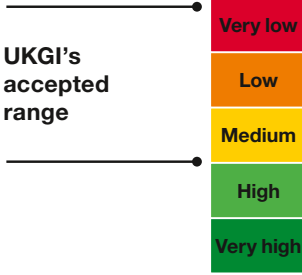
Individual project risks are also managed by UKGI, working closely with the ministers and government departments for which we act as agent.

We currently have a number of mechanisms in place to manage UKGI's risk, summarised below:

- UKGI's Executive Committee, Board and Audit and Risk Committee (ARC) work together to define risks across the organisation and ensure that a strategy and processes are in place to mitigate those risks.
- UKGI has memoranda of understanding in place with government departments to clearly define its role as an agent of that customer and limit risk by defining ownership of risks.
- UKGI's values and culture of continuous learning – to ensure employees act in a collegiate manner, to have open and honest communication so that individuals feel comfortable raising risks and know that they will receive support in managing those risks, to be committed to continuous professional development and bettering our people and to mitigate the risk of UKGI advice not being professional and to the required standard.

UKGI's approach to risk is summarised below. The very high risk appetite for delivery of our objectives reflects our role and purpose to be at the heart of some of governments most challenging programmes.

UKGI approach to risk

Key Risk	Risk Appetite Range	Rationale
<p>STRATEGIC DELIVERY</p>  <p>Delivery of our three objectives</p>	 <p>UKGI's accepted range</p>	<p>As government's centre of excellence for corporate finance and governance, UKGI's purpose is to take on large, complex projects which require its specialist expertise and withdraw from smaller, simpler projects that can be performed by departments. In general terms our strategic delivery risk appetite is high and for all three of our objectives UKGI will seek to deliver its advice to the highest standard possible. However, it is recognised that many of the issues UKGI's staff deal with are complex and require judgemental decision-making and therefore UKGI's execution risk appetite is Medium.</p>
<p>PEOPLE</p>  <p>Right people deployed to the right activities</p>	 <p>UKGI's accepted range</p>	<p>UKGI's reputation and performance is dependent on its people. Having experienced the highly-skilled professionals correctly allocated is vital in order to ensure UKGI can deliver the high-profile and complex work it undertakes. UKGI takes the physical and mental wellbeing and health and safety of its staff very seriously and will never take risks in this regard.</p>
<p>OPERATIONS</p>  <p>Breach of controls, including IT, data, legal and compliance</p>	 <p>UKGI's accepted range</p>	<p>UKGI will seek to balance the need for agility and flexibility with the need for a robust control framework. It will take a risk-averse approach to legal and compliance matters, both within UKGI and its partner bodies. There is a low risk appetite regarding data security, which is a vital component of UKGI's controls due to the sensitivity of the work performed.</p>

UKGI Funding Model

UKGI is funded by HM Treasury under section 32 of the Enterprise Act 2016. UKGI does not seek to directly charge departments or portfolio entities for its services. UKGI's funding agreement for 2018-2019 and its anticipated funding in 2019-2020 is set out below. The funding is the total available and does not necessarily align to the grant-in-aid drawn down in the year as disclosed in the financial statements.

UKGI may recharge for specific costs incurred on behalf of another department, recharges may be via budget transfers or invoicing. During this financial year UKGI received budget transfers from the Department for Education, Ministry of Defence and the Ministry of Housing, Communities & Local Government. These transfers were made through HM Treasury and the transfers form part of the total UKGI budget.

	2018-19 (£m)	2019-20 (£m)
HM Treasury	12.8	12.2
Department for Transport	0.4	0.4
Department for Education	1.0	0.9
Ministry of Defence	0.7	1.0
Ministry of Housing, Communities & Local Government	0.3	0.4
Total Funding	15.2	14.9

Approval and signing

The Strategic Report was approved by the Board of Directors on 24 June 2019 and was signed on its behalf by:



Mark Russell

Chief Executive



Robert Swannell

Chairman

UKGI Company Number 09774296

Director's Report and Governance Statement



Directors' Report and Governance Statement

The UKGI 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, and UKGI senior management including the Chief Financial Officer and Chief Operating Officer. The Executive Committee meets weekly to discuss UKGI business. It reviews key management information documents monthly. 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 UKGI directors to carry out their duties.

UKGI 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.ukgi.org.uk. HM Treasury, as sole shareholder, has various reserved rights, including appointment of the Chair, Chief Executive, and a shareholder representative director; approval of board appointments, the terms of any board appointments, the Company's remuneration framework and the Company's budget.

The UKGI directors are listed below. They provide the company with the appropriate expertise, skills and experience required to deliver its objectives.

Board Member	Position	Committee Membership
Robert Swannell (appointed 11 September 2015)	Chairman	N (Chair), T
James Leigh Pemberton (appointed 11 September 2015)	Non-Executive Deputy Chairman	N, T (Chair)
Mark Russell (appointed 11 September 2015)	Chief Executive Officer	T
Jane Guyett (appointed 12 February 2016, appointed as Senior Independent Director 28 September 2016)	Senior Independent Director	A (Chair), N, T
Jitesh Gadhia (appointed 12 February 2016)	Non-Executive Director	R, N, T
Robin Lawther (appointed 12 February 2016)	Non-Executive Director	A, R, N, T
Caroline Thomson (appointed 12 February 2016)	Non-Executive Director	R (Chair), N
Simon Palley (appointed 19 May 2016)	Non-Executive Director	A, N
Alex Chisholm (appointed 28 September 2016)	BEIS-Appointed Non-Executive Director	N
Charles Roxburgh (appointed 28 September 2016)	Treasury-Appointed Non-Executive Director	N
Philip Duffy (appointed 29 June 2017)	Treasury-Appointed Non-Executive Director (Alternate)	N

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

Board appointments are between a period of two and a half years to three and half years and can be terminated by either party with three months' notice.

Simon Palley stepped down from the Board at the end of his term in May 2019. Clare Hollingsworth and Andy Duff took up appointments to the Board after year end, commencing on 25 May 2019 and 9 July respectively.

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, and again subsequently at the start of each financial year, any direct or indirect conflicts of interest they are aware of and may have in connection with being appointed a

director of the Company. None have been noted to date. Directors' external interests are set out in their profiles below.

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

Each non-departmental non-executive director is assigned one or more sponsorship oversight roles over major projects or assets. These arrangements allow for a deeper insight for non-executives into the work of the organisation and provide for a more substantial challenge and independent check on the work of management. 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.

Director indemnities

Each Director is indemnified by the Company and in turn by HM Treasury. The Directors are therefore indemnified to the extent permitted by law in respect of the performance of their duties as directors.

Corporate governance

UKGI looks to apply the UK Corporate Governance Code where applicable to a non-listed, government owned entity. UKGI does not hold an annual general meeting, however its sole shareholder is represented on the Company's Board.

Data received by the Board

The Board receives extensive data allowing it to form judgements.

Internal audit

The Board has appointed the Government Internal Audit Agency (GIAA) as the Company's internal auditor. In the last year GIAA have undertaken an audit plan, which has produced moderate opinions, across a range of UKGI processes including GDPR readiness, succession planning, business continuity, cyber security and student loan sale. In the opinion of GIAA, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. UKGI is committed to implementing the recommendations of the GIAA.

Transparency

UKGI adheres to the government's transparency agenda and publishes a range of data online, including:

- Directors' hospitality and expenses
- Transactions over £25,000

- Corporate credit card transactions over £500
- Contracts Awarded

Review of effectiveness

In February 2019 an externally-facilitated review of the Board's effectiveness commenced; this review was facilitated by Alice Perkins CB, formerly the chair of the Post Office. In the course of the review, all board members and other members of the executive were interviewed, board and committee meetings were attended and board papers and minutes were reviewed. The review described the Board as "effective", and the chair as "doing a very good job". Board dynamics, engagement outside of meetings and overall value of the Board to UKGI were noted as strengths.

Areas for further consideration include the balance of skills and backgrounds on the Board, which has been addressed by the recruitment, post year-end, of two new non-executive directors,

Sustainability

UKGI occupies premises in 1 Victoria St, London. For the first quarter of the year, the head lessee was the Department for Business, Energy and Industrial Strategy (BEIS) and for the rest of the year, Government Property Agency (GPA). It is not possible to separately identify emissions, waste or consumption arising from UKGI's proportion of the premises. Full sustainability data for BEIS and GPA are reported in their annual report and accounts, available at gov.uk.

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.

During 2018-2019, UKGI made 92.75% (2017-18: 92.72%) of all supplier payments within 5 days. The payment target exceeds HM Treasury group's target of 90%. UKGI will continue to seek further improvements in its payment processes in order to push towards making all supplier payments within 5 days.

Going concern

UKGI is funded annually by Parliament through grant-in-aid financed from the HM Treasury supply estimate. A multi-year budget settlement for UKGI has been agreed with HM Treasury, comprising a commitment to financial year 2019-2020.

The financial statements for 2018-2019 show a negative reserve in the Statement of Changes in Taxpayer Equity. This reflects UKGI's funding arrangement with HM Treasury, as set out in our framework document:

'The grant-in-aid will normally be paid in monthly instalments based on written applications showing evidence of need. UKGI will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of UKGI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.'

For the purposes of the Framework Document, the relevant grant-in-aid budget has been drawn down to meet UKGI's financial obligations. Grant-in-aid cash has been transferred to meet UKGI's financial obligations as they fall due. Grant-in-aid cash has not been transferred for expenditure incurred and recognised, but not yet paid as at year end. The corresponding cash will be transferred as and when the obligations crystallise.

HM Treasury has also formally confirmed that it undertakes to ensure that UKGI has, and always shall have, sufficient funds available to pay and discharge each and all of its financial obligations, as and when they fall due.

It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Summary of meetings and attendance

Number of meetings attended in 2018-19	Board (6) Attended	Audit and Risk (4) Attended	Remuneration (3) Attended	Transaction (11) Attended
Robert Swannell	6			11
Alex Chisholm	6			
Jitesh Gadhia	6		3	10
Jane Guyett	6	4		9
Robin Lawther	6	4	2	9
James Leigh-Pemberton	5			11
Simon Palley	6	4		
Charles Roxburgh	3			
Mark Russell	6			7
Caroline Thomson	6		3	

Robert Swannell and Mark Russell are members of the Transaction committee; they were invited to attend all other committee meetings as observers.

Events after the reporting period

There are no events after the reporting period which will have a material effect on the Financial Statements of UKGI.

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 its external auditor for work during this financial year was £25,000 exclusive of VAT (2017-18: £21,900). No non-audit work was undertaken by the auditors.

Other Matters

The review of business and disclosure of principle activities and risks in the year are included in the Strategic Report.

The UKGI Board



Robert Swannell CBE – Chairman

Robert is the Chairman of UKGI.

Robert was previously the Chairman of the Shareholder Executive, UKGI's predecessor entity. Robert was Chairman of Marks and Spencer, from January, 2011 – September, 2017. He is Chairman of the LP Advisory Committee of Ahren Innovation Capital, a Director of the Investor Forum, a Trustee of Teach First and of Royal Springboard and a Member of the Take-Over Appeal Board.

Until 2010, Robert spent over 30 years in investment banking with Schroders/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.



Sir James Leigh-Pemberton – Non-Executive Deputy Chairman

Sir James Leigh-Pemberton is the Deputy Chairman of UKGI. He took on this role in April 2016.

James was the Chairman of UKFI until its dissolution in 2019. He 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. 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 CBE – Chief Executive

Mark Russell was appointed Chief Executive of the Shareholder Executive (the predecessor body of UKGI) 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 an independent non-executive director of DP World, non-executive director of the Submarine Delivery Agency, and was formerly non-executive director of Eurostar International Limited and of London and Continental Railways.



Jane Guyett – Senior independent director

Jane Guyett is the senior independent director of UKGI. She is the Chair of Connect Plus (M25) Plc, and is a non-executive director on the Boards of Kerry London Ltd, Dalcor 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 and Asia) of the Global Markets Group and sat on the Board of Bank of America Securities, London. She began her career in Corporate Restructuring at Mitsubishi Bank Ltd London, before joining Bank of America in 1994. Jane has a degree in Economics and is an active supporter of The Globe Theatre.



Lord Gadhia – Non-executive director

Lord 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 BGL Holdings, which owns comparethemarket.com, the UK's largest digital price comparison website for financial and household services. He is also a director of Accord Healthcare, a leading supplier of generic pharmaceuticals in the UK and internationally.

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. Jitesh has been a member of House of Lords since September 2016.



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. Simon stepped down from the UKGI board in May 2019, at the end of his three year term.

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 Ashurst LLP, and of Oras Investments. She is Chair of the Remuneration Committee on the Nordea Board and Chair of the Audit and Finance Committee on the Ashurst LLP Board. She was a member of the Risk Committee at Nordea for three years. Robin is also a non-executive director of M&G Prudential and Chair of the Remuneration Committee. She works with her own privately held student housing developments in the UK, US, and Germany.

Robin previously worked as a Managing Director 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



Caroline Thomson – Non-executive director

Caroline Thomson is the chair of Digital UK, the body which is responsible for digital terrestrial television. She is also Chair of Oxfam GB.

Alongside these chairmanships, she is a non-executive director of VITEC plc (and chair of the remuneration committee). Caroline is a trustee of Tullie House Gallery in Cumbria and trustee of The Conversation. In the arts world, Caroline stepped down from her role as deputy chair of the National Gallery in August 2016 and retired as Executive Director of English National Ballet in March 2016. She remains a trustee of the ENB.

Originally a journalist, until 2012 Caroline was Chief Operating Officer at the BBC — having served 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.

She has an honorary degree from the University of York and is an honorary fellow of the University of Cumbria.



Alex Chisholm – Non-executive director

Alex Chisholm became Permanent Secretary for Department for Business, Energy and Industrial Strategy in September 2016. Prior to that he was Joint Permanent Secretary for BEIS. He is also a trustee and Deputy Chair at the international charity Breadline Africa.

He was Permanent Secretary for the Department of Energy and Climate Change (DECC), having previously served as Chief Executive of the Competition and Markets Authority (CMA), Chairperson and Commissioner of Ireland's communications regulatory agency, ComReg, Chair of the Economic Regulators Network in Ireland and has held senior executive positions in the media, technology and e-commerce industries, with Pearson plc, Financial Times Group, eCountries Inc and Eccelearation Ltd.



Charles Roxburgh – Non-executive director

Charles Roxburgh is the Second Permanent Secretary at Her Majesty's Treasury. He took up this position in July 2016. In this role, he is responsible, at the Treasury, for all issues relating to growth, productivity, infrastructure, financial services and financial stability. He is also a member of the Executive Management Board at the Treasury. Charles represents HM Treasury on the Bank of England's Financial Policy Committee, and on the board of UK Government Investments.

Prior to joining HM Treasury in 2013, Charles spent 26 years at McKinsey & Company. In his consulting work, he focused primarily on serving clients in the financial services sector. He was based in London for most of his career, but also spent seven years working in McKinsey's New York Financial Institutions practice. His client work spanned retail banking, corporate and investment banking, insurance and asset management.

He held a number of leadership positions at McKinsey, including: co-head of the Global Strategy Practice; head of the UK Financial Institutions Group; and leader of the Global Corporate and Investment Banking Practice. In 2009, he became the London-based Director of the McKinsey Global Institute (MGI). At MGI, he led research into global capital markets, the impact of deleveraging on economic growth as well as a number of research projects into growth at the country and regional level. In 2011, he was elected to the global board of McKinsey & Company.

He was educated at Cambridge University, where he read Classics. He holds an MBA from the Harvard Business School.

Audit & Risk Committee Report

Audit & Risk Chair's Foreword

The Audit & Risk Committee's (ARC's) overarching aim has been to build on the processes and procedures that were put in place during UKGI's first three years in operation. Whilst UKGI established the highest standard of risk management processes, which are an exemplar for other government bodies, the focus the Committee has been continuous improvement and ensuring that other aspects of processes and quality management are similarly well developed. To this end, in the year, the Committee:

- Oversaw preparations for the implementation of the General Data Protection Regulation, and in particular, its application to complex situations including the sale of student loans;
- Reviewed the specific roles and responsibilities UKGI holds on each of its governance and shareholder roles.

Activities of the Audit & Risk Committee

The ARC supports the Board and the Chief Executive as Accounting Officer on matters relating to risk, internal control and governance. The members of the ARC in 2018-2019 were all Directors of UKGI and are:

- Jane Guyett (Chair)
- Simon Palley
- Robin Lawther

At least four meetings of the ARC are scheduled annually. Usually the UKGI Chairman, Chief Executive, UKGI Risk Lead, Chief Financial Officer and Chief Operating Officer attend as observers. Representatives from the external auditors, the National Audit Office (NAO), and internal auditors, the Government Internal Audit Agency (GIAA), are also invited.

The ARC applies the principles of good practice as set out in HM Treasury's Audit and Risk Assurance Committee Handbook. Accordingly, the ARC has

- Commissioned and received a report into UKGI's cyber-security risks and negotiations.
- Further defined UKGI's approach to risk in the context of its over-arching risk appetite statement.

Looking forward to 2019-2020, the key objectives for the ARC will be to ensure UKGI fully documents the risks and mitigations in place across its shareholder portfolio. The Committee will continue to work closely with GIAA and the NAO, supported in particular by UKGI's finance and corporate services functions.

Jane Guyett

Chair of the Audit and Risk Committee

agreed terms of reference which define its scope as follows:

- **Financial reporting** – responsibility for accounting policies, implementing and monitoring the maintenance of adequate accounting and other records, and reviewing the annual report and accounts;
- **Internal control and risk** – ensuring that the Company's management establish and maintain appropriate controls and associated risk management frameworks, and accordingly monitoring the Company's operating, strategic and project risks;
- **External audit** – overall responsibility for the relationship with the NAO;
- **Internal audit** – approving and, where necessary, directing the Company's internal audit programme and reviewing the performance of the GIAA's service to UKGI;

- **Compliance** – Approving the Company’s compliance policies, in particular the compliance manual and whistleblowing policies.

The Chief Executive, as Accounting Officer, is responsible for maintaining a sound system of internal control which supports the achievement of UKGI’s objectives whilst safeguarding public funds and departmental assets, in accordance with the responsibilities assigned to him in Managing Public Money. Upon the recommendation of the ARC, the Board has adopted a formal risk appetite statement setting out the level of risk that UKGI is willing to bear, the system of internal control is proportionate to that statement. The Chief Executive is supported in this by the UKGI Risk Leader, a member of the Executive Committee.

Critical to the system of internal control is the risk management framework, which ensures that the respective responsibilities of senior management, the Chief Executive, the ARC and the Board are fulfilled. The risk management framework is structured as follows:

- **Operational level risk management:** day to day risk management is the responsibility of the staff of UKGI. In order to promote good risk management, the UKGI Risk Lead chairs regular Risk and Assurance Committees, to challenge and monitor risk management on individual projects. These are augmented by Portfolio Reviews, where a peer group reviews the stewardship of assets by UKGI teams. The Executive Committee reviews on a monthly basis the project risk map.

- **Non-Executive risk management:** oversight of risk management is provided by the Board, which receives the risk map on a monthly basis, and in particular the ARC, which systematically reviews the UKGI operational and strategic risk registers.

- **Independent risk management:** UKGI has elected to utilise the services of the GIAA to provide assurance on the overall effectiveness of UKGI’s risk management framework and system of internal control. This is discharged via a risk-based work programme approved by the ARC each year.

The Chief Executive as Accounting Officer has confirmed to the ARC that there were no significant control issues in the year under review and that UKGI has an appropriate and effective system of internal control and risk management framework.

Remuneration Committee Report

Remuneration Chair's Foreword

UKGI is wholly dependent upon its people and the key to its success depends upon attracting a unique mix of people from both the public and private sectors. The development of our staff is a top priority and we aim for everyone who passes through UKGI to move on to a better role than would otherwise be the case. The Remuneration Committee has worked closely with management to design a remuneration framework which attracts and retains the best people and incentivises them to perform to the best of their ability to ensure the success of UKGI. The Committee has responsibility for approving the remuneration of director

level employees. It is committed to ensuring that, within the framework set by public sector pay guidance, director-level remuneration is sufficient in combination with the unique and interesting work that UKGI can offer, to attract the very best leaders. The calibre of the new director level staff appointed in the year is evidence that the remuneration framework remains fit for purpose.

Caroline Thomson

Chair of the Remuneration Committee

Activities of the Remuneration Committee

The Remuneration Committee operates as a sub-committee of the UKGI Board. It comprises the Chair, who is an independent non-executive director of the Company, and two additional independent non-executive directors. The Board is responsible for any new appointments to the Remuneration Committee. The current members are:

- Caroline Thomson (Committee Chair),
- Robin Lawther
- Jitesh Gadhia.

The Committee's terms of reference state that it will meet at least once a year and ad hoc as required. The Remuneration Committee met three times in this reporting period. The Chair is responsible for reporting to the Board on the Committee's activities after each meeting of the Committee or otherwise as requested by the Board.

The purpose of the Remuneration Committee is to:

- approve the Company's Remuneration Framework and Performance Related Pay policy;
- approve the Remuneration and Performance Related Pay of the Chief Executive, UKGI director level staff and;
- recommend the approval of remuneration packages of the Chief Executive, his direct reports and UKGI director level staff to HM Treasury, and where required, to the Cabinet Office.

Remuneration Policy

In approving the remuneration for Board members and other UKGI employees, the Remuneration Committee takes into account all factors which it deems necessary, including that HM Treasury's interest is primarily in ensuring that remuneration levels:

- deliver value for money;
- are sufficient to attract and motivate high-calibre individuals to drive the delivery of the activities and objectives set out in the Framework Document and the UKGI strategic plan; and
- are in line with best practice, linked to performance, with no reward for failure or excessive risk taking.

UKGI operates a performance appraisal system through which performance is reviewed semi-annually. Performance related pay is awarded in relation to performance linked to the annual staff appraisal and takes the form of bonus payments for those staff who have performed well in their roles.

Any UKGI performance-related pay is calculated as a fraction rather than multiple of salary. It is UKGI's policy that staff employed directly by UKGI are entitled to be considered for variable pay each year on the basis of their performance and affordability.

In this report the disclosures on director remuneration, CETV and pensions, fair pay disclosures staff numbers and costs, exit payments have been audited. No other disclosures have been audited.

Remuneration received including pension benefits (audited)

In accordance with the requirements of the Companies Act 2006, remuneration is shown for UKGI's board members and directors below:

	Salary £'000	Bonus payments £'000	Pension benefits £'000	Total £'000	2017-18 £'000
Robert Swannell	50 – 55			50 – 55	40 – 45
James Leigh-Pemberton	40 – 45			40 – 45	-
Jitesh Gadhia	35 – 40			35 – 40	0 – 5
Jane Guyett	35 – 40			35 – 40	5 – 10
Robin Lawther	35 – 40			35 – 40	30 – 35
Caroline Thomson	30 – 35			30 – 35	30 – 35
Simon Palley	25 – 30			25 – 30	25 – 30
Mark Russell	165 – 170	25 – 30	52	245 – 250	225 – 230

Alex Chisholm, Philip Duffy and Charles Roxburgh received no fee for their roles as directors of UKGI.

Remuneration multiples (audited)

The relationship between the remuneration of the highest-paid member of the UKGI Managing Board and the median remuneration of the organisation's workforce is reported below.

The Chief Executive is the highest-paid member of the UKGI Board. In the financial year 2018-19 the banded remuneration was £195-200,000 (2017-18: £185-190,000). This was 2.5 times (2017-18: 2.1 times) the median remuneration of the workforce which was £80,289 (2017-18: £87,852).

Total remuneration includes, where appropriate, salary, non-consolidated performance related payments,

benefits-in-kind and any severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Performance related payments (PRP) (audited)

The payment of performance related awards is assessed annually by the remuneration committee. These one-off payments are determined by individual and Company performance and criteria associated with the UKGI performance management process and are aligned to the policy for public sector pay. The payments relating to performance in each financial year are shown separately.

	2018-19 £'000	2017-18 £'000
Total performance related pay	845	598

Pension (audited)

Pension information for UKGI’s director is shown below:

	Accrued pension at pension age as at 31 March 2018 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2019 £'000	CETV at 31 March 2018 £'000	Real increase in CETV £'000
Mark Russell	40 – 45	2.5 – 5	842	704	53

Non-executive directors are not entitled to any pension benefits.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in

PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic

contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension

benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

UKGI Pension Scheme

Employees who joined UKGI after 1 April 2016 are enrolled into a defined contribution pension scheme administered by Aviva; employer contributions are 5% of base salary and the employee contributes a minimum of 3%.

Staff numbers and related costs (audited)

	Permanent and FTA staff £'000	Staff seconded into UKGI £'000	Total 2018-19 £'000	Total 2017-18 £'000
Salaries (including PRP)	8,086	2,239	10,325	8,219
Social security	1,024	162	1,186	993
Other pension costs	889	340	1,229	1,213
Recoveries in respect of outward secondments	(470)	0	(470)	(301)
Total net costs	9,529	2,741	12,270	10,124
Staff numbers (including non-executive Board members)	95	30	125	109

Staff numbers are the average monthly full time equivalent for the year. Permanent and FTA staff includes non-executive board members.

Exit payments (audited)

There were no exit payments made in 2018-2019.

Male / female staff breakdown (audited)

The number of male and female staff at UKGI as at 31 March 2019 was:

	Male	Female
Non-executive Board members	6	3
Staff	71	53
Total	77	56

Employees include staff on secondment to other Government departments and staff seconded to UKGI.

Equal opportunities

UKGI is an equal opportunities employer. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of gender, gender re-assignment, marital or family status, colour, racial origin, sexual orientation, age, background, religion, disability, trade union membership or by any other condition or requirement.

Off-payroll engagements

There were no off-payroll engagements during 2018-2019.

Employee Relations

UKGI recognises the following trade unions: Prospect, PCS and FDA. UKGI met with trade union representatives regularly throughout the year. Staff are free to join the trade union of their choice.

Learning and development

UKGI's learning and development policy aims to ensure that its staff have the right skills to meet its objectives. UKGI provides targeted training and support for professional studies to enhance the skills base of its employees.

Staff sickness absence

The average working days lost to sick absence during 2018-19 was 1.15 days (2017-18 1.81 days).

Social, community and human rights issues

UKGI has no social, community or human rights issues to report which are relevant to understanding its business.

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. Under that law they have elected to prepare the Financial Statements 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 on a reasonable basis;
- 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 is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- confirm that they take responsibility for the judgements made to ensure the annual report and accounts as a whole is fair, balanced and understandable;
- observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

This statement was approved by the Board of Directors
on 24 June 2019 and was signed on its behalf by:



Mark Russell

Chief Executive Officer

UKGI Company Number 9774296



Robert Swannell

Chairman

UKGI Company Number 9774296

Independent Auditors' Report to the Members of UKGI

Opinion on financial statements

I have audited the financial statements of UK Government Investments Limited for the period ended 31 March 2019 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration Committee Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the loss for the period then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my audit report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the UK Government Investments Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UKGI's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. We have nothing to report in these respects.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities in respect of the Directors' Report and the Financial Statements, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures

responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UK Government Investments Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

Directors are responsible for the other information. The other information comprises information included in the Strategic Report and Directors' Report and Governance Statement other than the parts of the Remuneration Committee Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

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, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Committee Report to be audited 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; or
- a corporate governance statement has not been prepared by the company.

Peter Morland

Senior Statutory Auditor

28 June 2019

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

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, set against a clear blue sky. The buildings are arranged in a circular pattern, creating a sense of height and architectural grandeur. The lighting suggests a bright, sunny day.

Financial Statement

Financial Statements of UK Government Investments Limited

Statement of comprehensive net expenditure for the year ended 31 March 2019

	Notes	2018-2019 £000	2017-2018 £000
Staff costs	3	12,740	10,425
Operational costs	4	3,873	2,856
Total operating expenditure		16,613	13,281
Revenue	5	(2,104)	(842)
Net operating expenditure before tax		14,509	12,439
Taxation		15	25
Net operating expenditure after tax		14,524	12,464
Net gain on transfers by absorption	10	(515)	0
Net operating expenditure after tax and transfer		14,009	12,464

The notes on pages 56-62 are an integral part of these financial statements.

All activities are classified as continuing. There has been no other comprehensive income or expenditure in this year.

Statement of financial position as at 31 March 2019

	Notes	31-Mar-19 £000	31-Mar-18 £000
Current assets			
Cash and cash equivalents	7	436	1,025
Trade and other receivables	8	1,133	507
Total current assets		1,569	1,532
Current liabilities			
Trade and other payables	9	(3,962)	(2,816)
Total current liabilities		(3,962)	(2,816)
Net current assets/(liabilities)		(2,393)	(1,284)
Taxpayers' equity			
General fund		(2,393)	(1,284)
Total taxpayers' equity		(2,393)	(1,284)

The notes on pages 56-62 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 June 2019 and were signed on its behalf by:



Mark Russell
Chief Executive

Statement of cash flows for the year ended 31 March 2019

	Notes	2018-2019 £000	2017-2016 £000
Cash flows from operating activities			
Net operating costs		(14,509)	(12,439)
Movement from transfers by absorption	10	515	0
Increase in trade and other receivables	7	(626)	(284)
Increase in trade and other payables	9	1,146	381
Corporation tax		(15)	(25)
Net cash outflow from operating activities		(13,489)	(12,367)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		12,900	13,150
Net financing		12,900	13,150
Net increase/(decrease) in cash and cash equivalents in the period		(589)	783
Cash and cash equivalents at the beginning of the period		1,025	242
Cash and cash equivalents at the end of the period		436	1,025

The notes on pages 56-62 are an integral part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	General Reserve £000
Balance at 1 April 2017	(1,970)
Grant-in-Aid from HM Treasury	13,150
Comprehensive expenditure for the year	(12,464)
Balance at 31 March 2018	(1,284)
Grant-in-Aid from HM Treasury	12,900
Comprehensive expenditure for the year after tax and transfer	(14,009)
Balance at 31 March 2019	(2,393)

The notes on pages 56-62 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 limited by shares incorporated in the United Kingdom. The address of the Company's registered office is 27-28 Eastcastle Street, London W1W 8DH.

2. Statement of Accounting Policies

These financial statements have been prepared in accordance with the Companies Act 2006 having regard to the requirements of the 2018-2019 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. UKGI's accounts have been prepared in accordance with the Accounts Direction given by HM Treasury, under the legislative authority of the Government Resources and Accounts Act 2000.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Company for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As per the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2018. The Company has reviewed the effects that new accounting standards are expected to have on its financial statements and there is no material impact.

(a) Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention.

(b) Going Concern

It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements as UKGI has in place an agreed multi-year budget settlement with HM Treasury, comprising a commitment to financial year 2019-2020. UKGI will be reviewed periodically, the date of the next review will be in 2019. UKGI produces separate financial statements.

(c) Subsidiary

UKGI was the sole member of UK Financial Investments (UKFI). On 31 March 2018 UKFI ceased trading. On 1 April 2018, all of UKFI's assets, liabilities and ongoing activities have been transferred to UKGI which assumed responsibility for continuing UKFI's mandate. In January 2019 UKFI was dissolved.

(d) Revenue

Revenue is recognised in the statement of comprehensive expenditure on an accruals basis.

(e) Financing

The company is financed via Grant-in-Aid from HMT. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the company from HMT in the financial year 2018-19 was £12.9m (2017-18 £13.2m). This total represents the cash requirement within the reporting period and the carryover of a cash balance into the following financial year.

(f) Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), are described in the Remuneration Committee Report, and cover staff transferred from the Civil Service and who are subject to TUPE. The defined benefit schemes within the PCSPS and CSOPS are unfunded and contributory. UKGI recognises as a cost the monthly charges made by the PCSPS and CSOPS to contribute to the schemes.

Employees are entitled to enrol into UKGI's group stakeholder pension plan, a defined contribution scheme administered by Fidelity. Contributions are charged in the Statement of Comprehensive Net Expenditure as they become payable in accordance with the rules of the scheme.

(g) Employee benefits

The Company has accrued for the cost of the outstanding employee paid holiday entitlement. The accrual is based on salary, Employer's National Insurance Contributions and pension contributions.

(h) Financial Instruments

UKGI is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day-to-day operation activities rather than being held to change the risks facing UKGI in undertaking its activities.

UKGI's financial assets are: trade receivables due from related parties and other trade receivables. All are classified as 'financial assets at amortised cost' and denominated in pounds sterling.

UKGI's financial liabilities are: trade and other payables due to related parties, other trade payables, non-trade payables, taxation and social security and other payables. All are classified as 'other financial liabilities' and denominated in pounds sterling.

The carrying values of short-term financial assets and liabilities (at amortised cost) are not considered different from fair value.

(i) Market risk

Market risk is the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. The vast majority of UKGI's transactions are undertaken in sterling and so its exposure to foreign exchange risk is minimal. UKGI's income and operating cash flows are substantially independent of changes in market interest rates.

(ii) Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to UKGI. Credit risk arises from deposits with banks as well as credit exposures to HM Treasury and other debtors. The credit risk exposure to HM Treasury is considered negligible; UKGI's operating costs are recovered from HM Treasury, which is financed by resources voted by Parliament. Surplus operating cash is only held within the Government Banking Service.

(iii) Liquidity risk

Liquidity risk is the possibility that UKGI might not have funds available to meet its commitments to make payments; this is managed through prudent cash forecasting and is considered negligible as expenses are recouped through grant-in-aid.

(i) Tax

Value Added Tax – In general input tax on purchases is not recoverable. Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase of non-current assets. Where output VAT is charged, or input VAT is recoverable, amounts are stated net of VAT.

Corporation Tax – UKGI is liable to pay corporation Tax on profits earned. Payment of £11.6k was made to HMRC in relation to the period 01 April 2017 to 31st March 2018 (£15.1k 2016-17).

(j) Estimates and Judgements

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimate and assumptions that affect the application of accounting policies and the reported amounts of asset, liabilities, income and expenses. Actual results may differ from those 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 revisions to estimates or judgements in this period.

(k) Functional & Presentational Currency

These Financial Statements are presented in pounds sterling, which is the Company's functional currency.

(l) New standards and interpretations not yet adopted

IFRS 16 'Leases' was issued in January 2016. It sets out requirements for recognition, measurement, presentation and disclosure of leases. IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. It is expected that the application of IFRS 16 will not have an impact on UKGI's financial statements.

The following accounting standards which are effective for annual reporting periods beginning on or after 1 January 2018 have been considered and do not have an effect on UKGI's financial statements:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

3. Staff costs

	2018-2019	2017-2018
	£000	£000
Salaries	8,086	6,360
Employer national insurance contributions	1,024	792
Pensions costs	889	923
Secondees	2,741	2,350
Total Costs	12,740	10,425

Further details of staff costs and numbers are disclosed in the Remuneration Committee Report.

4. Operational costs

	2018-2019	2017-2018
	£000	£000
Office related costs	1,337	688
Professional services	1,755	1,744
Staff related costs including training, travel and expenses	781	424
Total Costs	3,873	2,856

Professional Services include audit fees payable to the National Audit Office of £25,000, exclusive of VAT (2017-18: £21,900). UKGI occupies premises at 1 Victoria St, London. The head lessor was Department for Business, Energy and Industrial Strategy (BEIS) for the first quarter of the year. BEIS novated the Memorandum of Terms of Occupation to the Government Property Agency (GPA) under the same terms on 1 July 2018. HM Treasury reimburses BEIS and GPA directly for the proportion of the rent and service charges relating the premises occupied by UKGI.

5. Revenue

	2018-2019	2017-2018
	£000	£000
Staff costs recovery	470	301
Recharges and recoveries	1,634	541
Total	2,104	842

6. Directors' emoluments

	2018-2019	2017-2018
	£000	£000
Directors' emoluments	509	375
Total	509	375

Directors' emoluments include salary, bonuses awarded in the period and employer's pension contributions. Full details of the Directors' remuneration including policies are available within the remuneration section of this report.

7. Cash and cash equivalents

	2018-2019	2017-2018
	£000	£000
Cash held with the Government Banking Service	436	1,025
Total	436	1,025

8. Receivables

	2018-2019	2017-2018
	£000	£000
Amounts falling due within one year		
Trade and other receivables	100	12
Prepayments and accrued income	1,033	495
Total	1,133	507

9. Payables

	2018-2019	2017-2018
	£000	£000
Amounts falling due within one year		
Trade payables	100	113
Accruals	3,567	2,478
Taxation and social security	295	225
Total	3,962	2,816

10. Net gain on transfer by absorption

UKFI ceased operations on the 31 March 2018 and activities were transferred by absorption to UKGI on 1 April 2018. The balances transferred to UKGI are set out below:

UKFI balances transferred to UKGI	on 1 April 2018
Trade and other receivables	105
Cash and cash equivalents	942
Trade and other payables	(532)
Net assets/(liabilities)	515

11. Commitments and Leases

The Company has neither entered any capital commitments nor any non-cancellable contracts.

The Company occupies office space within 1 Victoria Street, London. This is achieved by means of an agreement as set out within a Memorandum of Terms of Occupation (MOTO) between HM Treasury (UK Government Investments) and the Department for Business, Energy and Industrial Strategy (BEIS). On 1 July 2018, BEIS transferred the current MOTO arrangements to the Government Property Agency (GPA) under the same terms. This covers the provision of accommodation. The agreement runs for a period of 4 years and 2 months from 1 April 2016 to 30 June 2020.

An annual contribution is paid by HM Treasury to BEIS and GPA directly on the Company's behalf. For the financial year 2018-2019 the contribution was £771,436; £244,190 to BEIS and £527,246 to GPA (2017-18: £722,492).

12. Called up share capital

The Company's share capital consists of one Ordinary Share of £1. The share is fully paid up.

13. Related Party Transactions

UKGI is a wholly-owned subsidiary of HM Treasury. HM Treasury is regarded as a related party. During the year, UKGI has had various material transactions with HM Treasury, with expenditure totalling £1,561k (2017-18 £877k), primarily in relation to the provision of secondees, recoveries for IT, finance and HR shared services, and receipts of £137k (2017-18: £124k) in respect of the outward secondment of staff by UKGI.

UKGI had material transactions with BEIS, incurring costs totalling £537k (2017-18: £686k), primarily in relation to the provision of secondees by BEIS to UKGI.

In addition to the GPA disclosures made in note 4 and 11, UKGI also made material transactions with GPA, incurring costs totalling £87k (2017-18: nil), primarily in relation to the provision of accommodation services.

No Board member, key manager or other related party has undertaken any material transactions with UKGI during the year.

14. Contingent assets and liabilities

UKGI has no contingent assets or liabilities.

15. Subsidiary

UKGI's wholly owned subsidiary, UKFI, ceased trading on 31 March 2018 and was dissolved in January 2019.

16. Ultimate Parent

The ultimate parent entity of UKGI is HM Treasury, which holds the entire allotted share capital of ordinary shares of £1. HM Treasury is domiciled in the United Kingdom and is located at 1 Horse Guards Road, London. UKGI is consolidated in the HMT Group accounts.

17. Dividends

UKGI has no intention of making a profit and does not intend to declare a dividend at any point. No dividend was declared or paid during the year (2017/18: Nil).

18. Events after the Reporting Period

There are no events after the reporting period which will have a material effect on the Financial Statements of UKGI.

19. Date authorised for issue

The financial statements were authorised for issue on 28 June 2019

