



UK Government
Investments

UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts
2019-20



UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts 2019-20

Presented to Parliament by the Economic Secretary to the Treasury
by Command of Her Majesty

July 2020

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Overview

Our purpose

UK Government Investments (UKGI) is 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.

How we work

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

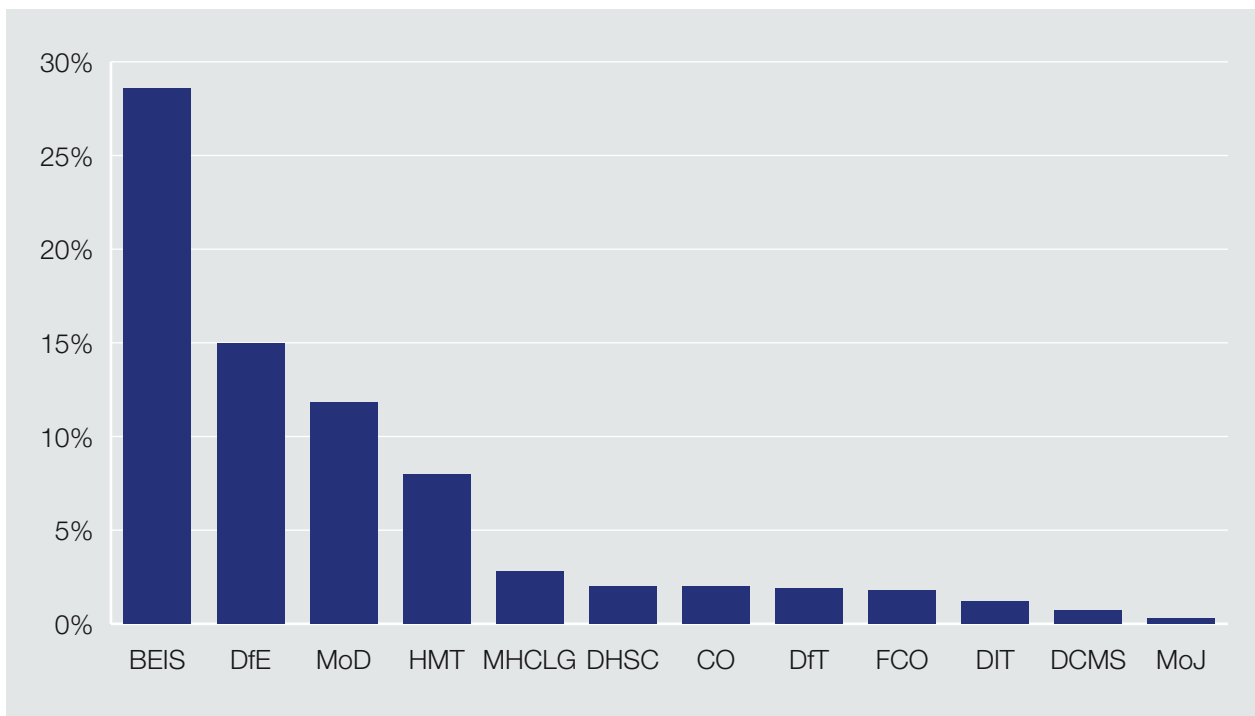
Our values are the foundation for how we do business, inform the type of work we do, and hold us accountable to do our best. They govern our actions and determine our success. They were developed by colleagues across our organisation, so everyone feels a personal responsibility towards creating a great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

1. Professional and act with integrity
2. Focused on outcomes
3. Collegiate and committed to improvement
4. Open and honest in our communications

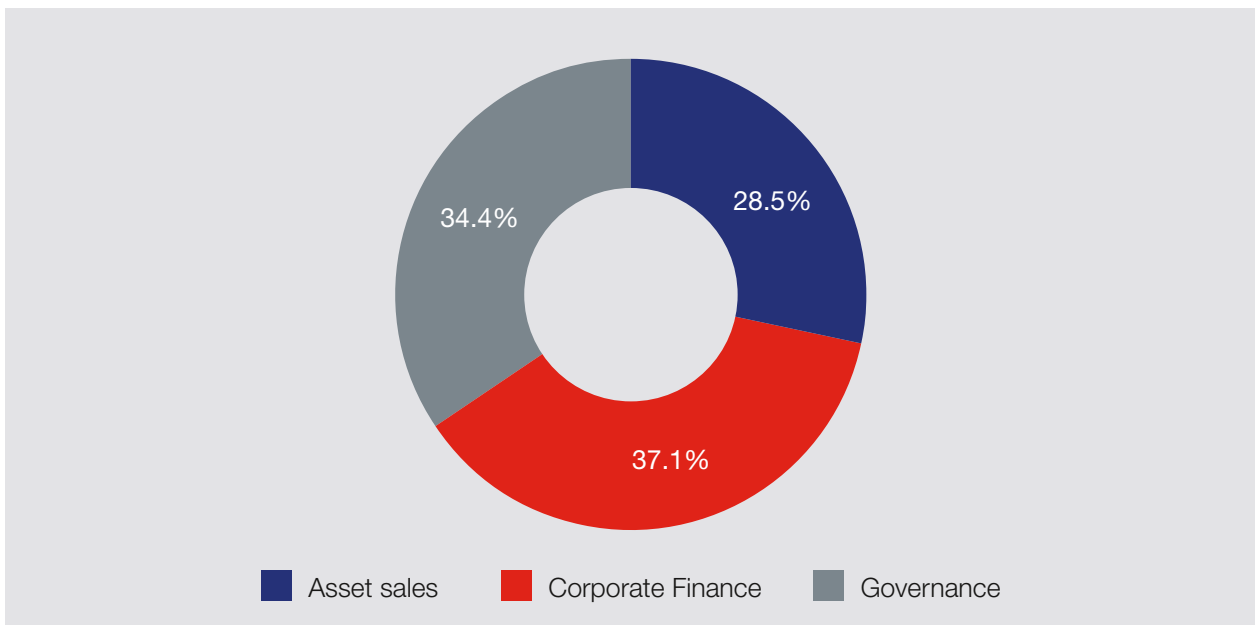
Case studies and examples throughout this report demonstrate our adherence to these values.

Company highlights

This graph shows the departments UKGI worked with in 2019/20, weighted by FTE deployed



Overall breakdown of UKGI objective by FTE



Chairman's Foreword



This has been another year in which UKGI's unique blend of civil service and corporate finance skills have proved indispensable to government.

Adverse market conditions have inevitably reduced transactional activity after a record-breaking year in 2018-19. In particular it was disappointing, as a result of COVID-19 dislocation, to have to suspend the sale of the residual asset portfolios and legal entities of UK Asset Resolution Limited (UKAR) which we had scheduled to take place in 2020. However, in a characteristic display of agility, UKGI's focus pivoted to its corporate finance advisory role, and four particular areas of note.

First, UKGI was a key part of government's Brexit planning, advising on a range of measures to mitigate any adverse economic impacts of a no-deal exit from the European Union. Second, UKGI's capability to advise government on situations of corporate distress was utilised in a number of complex cases, the most significant being British Steel, where UKGI worked at the centre of a number of government departments and agencies to secure the future of this company, via a successful takeover by Jingye. A huge number of jobs were protected in all corners of the United Kingdom by our work on this and many other such cases. Third, UKGI has advised on a number of merger and acquisition (M&A) transactions involving the government supply chain. These cases require the highest calibre of both corporate finance skills and political judgement; the takeover of Cobham PLC by Advent secured jobs and research and development (R&D) spend whilst making it clear that, post-Brexit, the UK remains open for foreign direct investment and that decisions are made in a clear, transparent manner. Finally, UKGI has been working hard to support government in mitigating the impacts of the COVID-19 pandemic on the UK economy. UKGI's support has been both direct, through advising on business support mechanisms, and indirect, through supporting portfolio entities on behalf of government, whether it be the British Business Bank administering the Coronavirus Business Interruption Loan Scheme, or The Royal Mint manufacturing protective equipment for NHS workers.

In amongst all this, in October 2019 our Chief Executive of ten years, Mark Russell, stepped down to take up the role of Chair of Defence Equipment and Support. Mark has been a truly outstanding Chief Executive of UKGI and the Shareholder Executive before that, trusted

and respected across the public service and the many entities where UKGI acts as government's shareholder. Mark's new appointment reflects his standing in the public sector. After the merger of UK Financial Investments (UKFI) and the Shareholder Executive in 2016, he established the newly formed UKGI as a centre of excellence with a distinctive culture. I am delighted that Mark has agreed to retain a role at UKGI as vice-chairman, and we continue to benefit from his vast experience.

In line with best practice, the Board had been planning carefully for Mark's eventual succession. We were fortunate not only to draw an excellent interim Chief Executive, Justin Manson, but also our permanent Chief Executive, Charles Donald, from within the organisation. Charles was appointed Chief Executive in March 2020 having been Head of UKGI's Financial Institutions Group since 2018. Charles emerged from a competitive field by virtue not only of his deep corporate finance experience, latterly as Vice Chairman and Head of UK Advisory and Corporate Broking with Credit Suisse, but also his understanding and embodiment of the values and culture that play a major part in the success of UKGI. I would also like to pay tribute to Justin Manson for his time as interim Chief Executive. He was an outstanding leader and brought the energy and commitment required to maintain momentum at UKGI during his tenure. He departed to the USA, where all his family are now living, with our grateful thanks.

Mark, Justin and Charles have different approaches to leadership, but all three recognise the value of preserving UKGI's special culture, which is characterised by a high degree of openness, engagement and good humour. I continue to be deeply impressed by the enormous energy and dedication which staff members at all levels put into initiatives such as our mental health and wellbeing programme and our diversity and inclusion agenda; the range of activities would be the envy of far larger organisations. The levels of staff engagement and job satisfaction reported in our staff survey results continue to be very encouraging. And our programme of secondments from government

“At a moment like this, it is difficult to look too far ahead, but I am confident that UKGI will remain indispensable to government and its ambitious investment programme for the UK.”

departments and private sector businesses ensures that partner organisations can gain an insight into our culture, whilst UKGI continues to learn from others. These carefully fostered relationships have paid dividends as they mean UKGI is able to access a vast range of expertise, at short notice and at good value to the taxpayer, in moments of crisis, such as the COVID-19 pandemic.

At a moment like this, it is difficult to look too far ahead, but I am confident that UKGI will remain indispensable to government and its ambitious investment programme for the UK. Whether it be investment in green technology such as carbon capture and storage, or investment in infrastructure to meet the levelling up agenda, UKGI will stand ready to offer its expert advice on financing and structuring and in Governance. I am sure our portfolio will continue to evolve – during 2019-20, UKGI formally took on the shareholder role for Defence Equipment & Support. The continuing development of UKGI as a centre of excellence for Governance will be underpinned by thought leadership. During the year, UKGI published a paper discussing where and why arm's length bodies are used by government and defining critical success factors for setting up and managing them. At a time when government's delivery capability will be tested like no other, such expertise will, I am sure, prove invaluable.

UKGI's utility to government and the value it can provide to taxpayers is the sum of the efforts and expertise of the staff who work there and also its board members, who routinely go well beyond what is expected of them to support our mission. I would therefore like to conclude by offering my sincere thanks for all their work, and for their professionalism and dedication. It is truly a pleasure to work with all of them.



Robert Swannell

Chairman

26 June 2020

Chief Executive's Statement



Since becoming CEO in March, my priority has been to ensure UKGI supports the government's economic and business response to the Covid-19 pandemic, and the associated support measures, with alacrity and flexibility. UKGI is at the centre in working with our ALBs and their sponsor departments to navigate the pandemic.

I should like to offer my thanks to Mark Russell and Justin Manson for their stewardship of UKGI in their tenures as Chief Executive and interim Chief Executive respectively. Their legacy is a strong senior leadership team, a dedicated and highly engaged board, and focused and professional staff which combine to achieve an excellent reputation with our key stakeholders. As he left, I asked Justin to share his departing thoughts and these are included below.

As Robert sets out in his report, this year has demanded exceptional flexibility from UKGI. In previous years, much of our headline focus has been on asset sales. This has not

“this year has demanded exceptional flexibility from UKGI”

been the case this year, for a variety of reasons. The change to the accounting for student loans meant that the eventual decision to cancel the sales programme was expected; however the application and professionalism of the sales programme team, and its readiness to either terminate the programme or proceed with another transaction was outstanding. The transactions completed in 2017 and 2018, which were both significantly over-subscribed, were novel and imaginative, and created an efficient market in these instruments from scratch. UKGI will continue to meet its servicing obligations to the two tranches securitised in prior years with the same level of professionalism. On the Royal Bank of Scotland, the underlying share price and events such as the EU elections and the UK general election purdah periods prevented any sale. UKGI remains committed to advising ministers on delivering best value for money from the 62% residual stake in the bank. It was pleasing that RBS appointed the first ever female CEO of a major UK retail bank, Alison Rose, in late 2019. With Katie Murray already in place as CFO, this made, at the time of writing, for the only female CEO/CFO partnership in place at a FTSE100 company. We will continue to work closely with RBS to ensure Alison's strategy for the bank delivers value for all its shareholders. UKGI will work closely with

UKAR to identify options for the disposal of the remaining Bradford & Bingley and NRAM assets; plans to complete the final sale have inevitably been put on hold due to the dislocation in financial markets caused by the COVID-19 pandemic.

Governance has become a core and critical element to the expertise that UKGI offers government departments. We further strengthened our centre of excellence with the appointment of Candida Morley as our dedicated Head of Portfolio Governance, and recruited a range of specialists in public appointments, corporate governance and board effectiveness. This will be a key area of focus for UKGI going forward and the detailed work done over the past year will serve as an excellent foundation for our future.

I am also pleased that we have continued to work with the OECD to disseminate best practice in governance across a huge number of countries. Without doubt the diversity of entities and activities within our portfolio presents challenges; most acutely, UKGI will need to consider very carefully the lessons to be learnt from the sub-postmasters' litigation against Post Office Ltd, and UKGI's role in relation to the Post Office. But, as the government looks to step up its delivery capabilities in order to meet its manifesto commitments, and as we anticipate the repatriation of numerous responsibilities from the EU at the end of the implementation period, the case for a specialised and centralised shareholder function for large and complex arm's length bodies has never been stronger.

In our corporate finance work, as well as a vast range of activities on special situations, we had a number of notable successes in other areas. UKGI worked with the Department of Health and Social Care to establish a new scheme to cover clinical negligence claims against GPs, ensuring that GPs could continue to practice uninterrupted. Working with MOD, we established a PFI unit to work on the close out of over 30 major PFI contracts which are approaching expiry.

As Chief Executive of UKGI, I am also Head of the Government Corporate Finance Profession. The profession promotes skills development, knowledge sharing, collaboration and career development opportunities for colleagues across government. Over 19-20 we have provided a range of training courses, seminars and networking events for a membership of over 200 corporate finance and corporate governance professionals.

As well as leading UKGI's work around the pandemic, I have two other immediate priorities as CEO. Firstly, I will look to preserve and

enhance staff engagement across UKGI and place further emphasis on continuous professional development. We are fortunate that the scale of UKGI is such that I have enjoyed meeting and hearing individually from every member of staff in my first few months in post. Engagement with our teams and our future staff composition will include a strong focus on diversity and inclusion. Having previously championed this at Executive Committee level, I am very pleased that Ceri Smith has picked up that baton and will now lead our thinking on this priority agenda. And secondly, I will ensure that our links with external stakeholders, most critically across government departments but also in the financial services sector, are as deep and as strong as possible, so that UKGI can continue to be an effective bridge between Whitehall and the City.



Charles Donald
Chief Executive

26 June 2020

Interim Chief Executive's report



Charles has asked me to reflect on what I have learned about public service in five years at UKGI. The big difference to me between life in the public as opposed to private sector is that we don't get to choose what we work on. By which I mean that, a lot of what we do is dealing with the difficult problems that the private sector can't deal with or doesn't have to deal with. Public servants have to deal with the world as it is – whether that is the health service with COVID-19, the police and security services with terrorism, or closer to home in UKGI, with unpredictable corporate distress situations, curing a once unsellable mortgage portfolio, streamlining the management of nuclear decommissioning, or solving funding for doctors' clinical negligence cover. We stop bad stuff happening and make good stuff happen that wouldn't otherwise. In the private sector, one can pick and choose. For sure, sometimes what one works on makes the world a better place, but the motive is by design self-centred. So what? Well, I think there are some important implications from having to take the world as it is – implications for how we work and the pressures on us. And those aren't always understood by those outside the public sector. Here are five:

First, solutions to intractable problems, or decisions made in conditions of high uncertainty or under unavoidable time pressure, are very unlikely to be perfect and yet, rightly, are subject to very high levels of scrutiny and hindsight. It's highly unlikely that decisions and solutions will escape criticism and blame. And the lessons learnt can be instructive and necessary but even so, public servants have to be unusually resilient people with a strong sense of purpose to persist. Not something that is always understood or appreciated.

Second, working with different departments to find solutions that optimise all the conflicting priorities, which are a natural part of government, means time has to be spent on building consensus, sometimes with lots of people in the room, sometimes with several iterations, and the eventual choice may have to be a compromise. But all of that is a necessary part of democratic government which reconciles conflicting goals to achieve a common objective.

Third, complex and time-pressured decisions require intensity of effort. And when the job is to manage multiple such decisions, as senior civil servants do, the sustained intensity of effort and mental bandwidth and agility to stay on top of what has to be done is very high. Higher for example than I had experienced before, in what is

usually thought to be a demanding domain. And with much more scrutiny and higher stakes.

Fourth, civil servants don't have the luxury of working in their "sweet spot", "maximising their competitive advantage", "spreading risk across their portfolio" – these are redundant terms in the public sector. As public servants, we work on what we have to, frequently out of our comfort zones, doing what we do because no-one else in government or the private sector can do it better (even if we're not perfect), and we don't get to choose the risks or "risk/reward trade-offs" – those risks come with the territory we inhabit as public servants.

Lastly, changes of governments and policies require civil servants to have unusual flexibility and resilience. That doesn't mean having no opinion or point of view, or greyly toeing the new line – as some commentators might think. Rather, to be effective in formulating and implementing new policies requires imagination, agility and energy. I saw that first-hand in the work done by UKGI and HMT teams in the pre-election period this past November. And of course, there are lots more examples across government and the Civil Service right now of this flexibility and resilience.

All of this is what makes public service so challenging and rewarding. Public service is the chance to make a difference to difficult and immediate problems, to work on important issues, with highly motivated and able people, doing something bigger than ourselves. At UKGI, we have the resilience, imagination, sense of purpose, and ability to move people in one direction to reach decisions – all qualities which we need as public servants. We bring this together with outstanding financial and corporate governance skills to make a real impact on government. So, I would like to thank my former colleagues and the board of UKGI for five of the most interesting, challenging and rewarding years of my career, and above all, in helping all of us make a positive difference.

“At UKGI, we have the resilience, imagination, sense of purpose, and ability to move people in one direction to reach decisions”

Justin Manson

March 2020



Strategic report

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




UKGI assesses its performance through a process of feedback from key stakeholders, including departmental permanent secretaries and chairs of portfolio entities; through measurement against performance metrics; and through a review of achievements against its objectives, which is subject to challenge and endorsement by its Board.

Against all these measures, UKGI's performance in 2019-20 has been strong. UKGI's portfolio continued to evolve, and it demonstrated leadership in the field of corporate governance in the public sector. It provided a broader range of advice to an increasing number of departments on corporate finance, particularly in relation to EU-exit planning, pre-election planning, and in response to the COVID-19 economic shock. We concluded the year ready to flex our size and structures in order to meet this challenge.

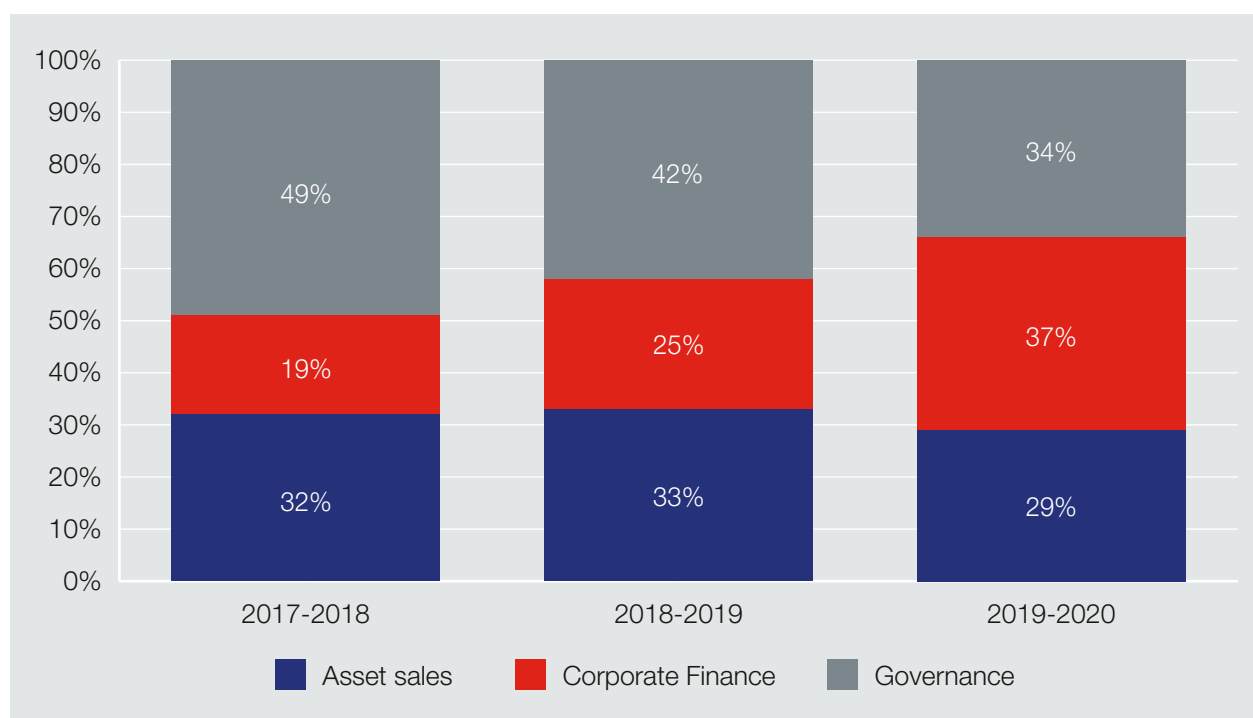
Looking ahead, and in line with our strategic priorities, we will aim to progress our work around three core areas. We will continue to act as a trusted financial, commercial and governance adviser to government; we will evolve our value proposition to respond to changes in demand for our services; and we will develop our unrivalled depth of expertise in transactions, corporate governance and corporate finance matters.

Objectives

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

 Corporate Governance Act as shareholder for, and lead establishment of, UK government arm's length bodies, as required and in line with HMT priorities.	 Corporate Finance Advise on major corporate finance matters, including all major UK government financial interventions into corporate structures and on major UK government corporate finance negotiations.	 Asset Realisation Prepare and execute all significant corporate asset sales by the UK government
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Overall breakdown of UKGI objective by FTE



Delivering our Objectives



Corporate Governance

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

UK Government Investments has a core portfolio of 16 entities that employ over 50,000 people, generate around £7 billion of income and manage gross assets of almost £155 billion. In addition, UKGI holds some form of governance role more widely with a further nine ALBs. We work with more than ten government Departments across Whitehall helping them to be more effective in their roles as shareholders of their arm's length bodies.

Our portfolio continues to evolve as we seek to focus on government's largest and most complex arm's length bodies. In 2019-20 we expanded our portfolio to include Defence Equipment and Support. We exited our work with East West Rail and Spectrum, returning these organisations to their sponsoring Departments.

Conducting the shareholder role on behalf of government for our portfolio is our core focus, but we also provide expertise in establishing arm's length bodies and we carried out bespoke governance reviews during the year for organisations such as the UK Hydrographic Office for the Ministry of Defence.

UK Government Investments' unique blend of public and private sector expertise enables us to actively encourage synergies and provide an interface between these organisations through our corporate governance events programme. This year, our Remuneration and Nomination Committee Chairs' event provided our portfolio the opportunity to share practical up to date views and perspectives whilst assimilating a variety of stakeholder views. Over the past year we have focused on continuously reinforcing our role as the centre of excellence in corporate governance in government. As part of this programme, we published a [paper](#) that captures where and why arm's length bodies can benefit government delivery and how to optimise their use, drawing on our expert practitioners' knowledge across both the public and private sectors.

We clarified further our target shareholder role through extensive UK Government Investments thought leadership to clearly articulate across Whitehall our expertise in delivering this specialism. We articulated our target portfolio model, clearly setting out where and how we best add value, to ensure we continue to support government's most important and complex assets.

Complementing this, we enhanced our internal capabilities with an appointments and remuneration team as the central experts in UK Government Investments for our shareholder teams and utilised our core role in the appointment or re-appointment

of 28 executive and non-executive positions across our portfolio. We also developed our extensive training and development programme to ensure we remain the centre of excellence on corporate governance in government.

The COVID-19 pandemic is an unprecedented global situation. We rapidly mobilised our teams to support our assets through the evolving pandemic by providing practical guidance and advice swiftly and in a co-ordinated way. We will continue to pro-actively assist our portfolio and work together through these extraordinary and difficult times. Looking beyond the COVID-19 response, we will seek to work with our portfolio assets on the delivery of key government priorities, including sustainability, the levelling up agenda and investment in the UK's infrastructure.

The value that UK Government Investments brings and will continue to bring to arm's length bodies on behalf of government, particularly during the current climate, can be seen in the case studies below.

Collegiate and committed to improvement – Defence Equipment & Support

In 2020, UK Government Investments took on the shareholder role of Defence Equipment & Support (DE&S) on behalf of the Ministry of Defence. The organisation is responsible for the safe procurement and support of a vast range of equipment for the UK's armed forces and undertakes decommissioning and disposal when equipment reaches the end of its service life. The business works across more than 150 locations worldwide and operates with a budget of £178 billion for the next ten years.

So far, we have taken up a non-executive seat on the DE&S Board to represent the shareholder interests of the Secretary of State. Over the next year we will work with DE&S and the Ministry of Defence to establish core governance and corporate foundations for the organisation and strengthen and monitor DE&S's corporate performance against its agreed aims. This will include revising and updating the framework agreement between the organisation and department, reviewing new KPIs and embedding recommendations from the recent Board effectiveness review and governance review, supporting the organisation as it delivers on its commitments to its customers.

Open and honest in our communications – The Royal Mint

UK Government Investments acts as shareholder on behalf of HMT Ministers in relation to Government's 100% shareholdings in The Royal Mint. The Royal Mint's primary purpose is to manufacture and distribute coins for the UK, as well as to supply blanks and official medals. Since 2010, They have operated on a fully commercial basis providing goods and services to HMT via the UK Coin contract.

We discharge our role primarily through membership of the Board and certain of its committees. Over the past year, we have worked with HMT and The Royal Mint to better align the governance structure with the government's objectives for the Mint as well as further developing the medium-term strategy to remain a profitable business despite the long-term decline in cash usage.

With regards to COVID-19, the UKGI team has been supporting The Royal Mint in its options to keep the business open and providing steers on Government support packages that are available. We are pleased to note that The Royal Mint has been using its engineering expertise to create and manufacture medical visors to help protect frontline care workers in the NHS.

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 as such 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 an active member of the OECD's Working Party on State Ownership and Privatisation Practices (WPSOPP), a forum which aims to facilitate policy dialogue and information sharing between OECD Member countries in improving the corporate governance of SOEs and implementing privatisation policies. UKGI supports the WPSOPP and OECD Secretariat in its efforts to help countries enhance their corporate governance practices by sharing its knowledge and experience in performing a shareholder role for a portfolio of SOEs and best practices from its work delivering large and complex asset sales.

We have recently worked with the WPSOPP to:

- support the sharing of best practice relating to board appointments and remuneration for SOEs via attendance at the WPSOPP 2019 Latin American Conference in Peru
- provide support for the Secretariat's review of the status of the SOE sector in Brazil and in its development of privatisation policies
- share lessons learnt from the role of UKGI's Financial Institutions Group in managing the UK Government's shareholdings in RBS and UKAR

- share developments in disclosure, transparency and corporate governance practices pertaining to UK SOEs.

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 political representatives from Bosnia and Herzegovina on UK privatisation practices
- a delegation from China's State-owned Assets Supervision and Administration Commission of the **State Council** (SASAC) on recent experience and good practices on privatising SOEs.



Corporate Finance

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

UK Government Investments 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. This year has seen UKGI advising BEIS in relation to the consequences of the compulsory liquidation of British Steel, which culminated in the acquisition of the business by Jingye, alongside our continued role in supporting Departments in connection with M&A activity.

UKGI now has a well-established 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 has advised on a number of corporate finance projects relating to supplier financial fragility, commercial models and defence infrastructure. It has also established a Defence Finance Unit which advises the department on the use of private finance.

Special Situations Group

Our Special Situations Group provides expert and practical advice to support effective responses by government to financially stressed corporate situations, as an active trusted advisor to stakeholders across government. The team is made up of corporate restructuring practitioners, including qualified insolvency practitioners, experienced restructuring bankers and civil servants.

We help government departments to understand the signs of financial stress and distress, and the implications of these for government. We support government departments to contingency plan for company and sector-wide failures. And we advise government departments when they are considering intervention in the private sector to further policy objectives.

Our objectives are to:

- support Government departments to ensure they have early visibility of situations where there is high public interest or potential loss of critical services, arising from corporate failure
- provide commercial, restructuring, contingency planning and insolvency advice to enable Government to make an informed response to potential corporate failure
- provide advice on commerciality, the viability of the underlying business and appropriate structuring in the case of potential and actual interventions by HMG, resulting in an outcome which demonstrates value for money.

The team works extensively with colleagues across HMG, including in Cabinet Office, BEIS, MoD, DfT, MoJ and DHSC on specific projects and sectors.

This year, the team has been at the centre of some of the most high-profile situations where Government has an interest, including Thomas Cook, Flybe and British Steel. The team has also been engaged on smaller but equally critical situations.

More recently, the team's work on EU Exit planning has informed the basis of our response to COVID-19.

Focused on outcomes: Thomas Cook Group

In this project, UKGI supported CAA, DfT Policy, Finance and Corporate Finance Teams and third-party advisors for over seven months to achieve a collective HMG outcome.

The UKGI team engaged in early April 2019 to understand the situation regarding Thomas Cook Group and provide information to the DfT Policy Team so they could formulate their response. After identifying the need to ensure proper governance for the combined response between HMG Stakeholders, DfT and CAA focused on the repatriation of 150,000+ passengers while UKGI and DfT Corporate Finance assisted with options analysis and contingency planning for repatriation over the peak holiday period and options to allow the business to trade until late September when passenger numbers began to tail off.

Attempts to “Keep the Fleet Flying” throughout the insolvency process were unworkable given the safety and operational challenges. In the days before insolvency, UKGI worked with the DfT finance team to fully cost and plan repatriation, liaising with advisers and Treasury.

Thomas Cook was placed into Compulsory Liquidation on 23 September 2019 with the Official Receiver who, working with CAA, leased up to 150 private sector aircraft and crew to repatriate UK passengers. The Head of CAA hailed the repatriation “a success” as the last 329 passengers returned from Orlando to Manchester on 24 October 2019.

UKGI’s central role in this project illustrates how we leverage our expertise in different scenarios to achieve the outcomes of our stakeholders.



Asset Realisation

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

UK Government Investments 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.

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

Following the successful disposal of £2.5 billion worth of shares in June 2018, external factors have made a further disposal in the 2019-20 financial year challenging. Though unable to reduce government’s shareholding through a share sale, FIG has continued to engage closely with the RBS Board on stewardship issues. Over the past 12 months, when consulted as government’s representatives, UKGI has constructively engaged with RBS in a shareholder role on topics such as the company’s new three-year remuneration policy and on strategy, purpose, and appointments.

The announcement of 2019 Annual Results included RBS’s third consecutive profit after a decade of post-Financial Crisis losses, further highlighting the success of efforts by the

bank to reform its unsustainable business of the past. Over the last 12 months the taxpayer received payment of £1.9 billion in dividends to the Exchequer for the 2019-20 financial year.

The government's policy remains to sell down its stake in RBS when market conditions permit and it represents value for money to do so. UKGI continues to advise HM Treasury on value for money.

In parallel, UK Government Investments continued to pursue and achieve the government's strategy to fully wind-down UKAR. FIG advised the government on a successful sale of NRAM (formerly part of Northern Rock) mortgages and unsecured loans worth £4.9 billion in April 2019, enabling UKAR to repay all outstanding government loans to HM Treasury.

Professional and act with integrity – Project Chester

On 2 April 2019, UK Asset Resolution Limited (UKAR) confirmed that it had agreed the sale of two separate portfolios of residential owner-occupied mortgages and unsecured loans for a total of £4.9 billion. Citi was the purchaser, with the majority of financing for the transaction provided by PIMCO.

UKGI provided a combination of corporate finance and civil service expertise to help achieve an open and competitive process that delivered value for money for the UK taxpayer, whilst also managing wider issues that represented a risk to the sale process and government.

One such issue was the continued fair treatment of customers, a key consideration in selecting the successful bidder. UKGI, working with UKAR and HM Treasury, engaged with the Financial Conduct Authority (FCA) to agree a package of customer protections that bidders were required to adhere to before their bids would be considered. Stipulations of the package ensured that customers would retain the current terms and conditions of their loans following the transaction, as well as retaining the same protections for the lifetime of the mortgages as under UKAR ownership without affecting their ability to re-mortgage.

As a result, the sale achieved UKGI and HM Treasury's objectives of selling the portfolios at a competitive price, while also ensuring customers holding the loans were protected.

The £4.9 billion raised from the sale was used to fully repay the loans provided by the Treasury to NRAM and Bradford & Bingley plc (B&B) during the financial crisis and reduce public debt.

Income Contingent Repayment Student Loans Monetisation Programme

The ICR Student Loans Monetisation Programme was cancelled in the Budget on 11 March 2020. Until this date, a team drawing on a wide range of skills available to UK Government Investments, from both the public and private sector, had been extensively preparing for

a third sale following the successful sale of two tranches of ICR student loans in both December 2017 and December 2018. Despite the cancellation of the ICR Student Loans Monetisation Programme, HMG still has a number of contractual post-sale obligations related to Sale 1 and Sale 2, including making annual distributions to investors and preparing and publishing an annual Servicing Report and a Model Information Pack in late July every year throughout the life of the securities. Therefore, UK Government Investments is committed to assist HMG in meeting these post-sale obligations and the Senior Responsible Officer function (and all resulting responsibilities and obligations) will reside within UK Government Investments until 1 August 2020 when the role of SRO will revert back to the Department for Education. A detailed transition plan for the master servicer function has been agreed between key stakeholders (UK Government Investments Limited, Department for Education, the Student Loans Company and H.M.R.C).

Chief Operating Officer's Statement

2019/20 was an extremely busy year for UKGI, not least because the organisation saw two changes in Chief Executive. The transitions were handled smoothly and professionally and colleagues felt well supported and effectively led throughout this time. In November, we were delighted to promote Maddy McTernan and Alex Reeves to the role of Director. The internal competition was strong which is testament to both the skill and ambition of UKGI talent.

Supporting our people

People are at the heart of what we do at UKGI. During the course of the year, we have reorganised our **operational structure** to ensure that we are set up for continued success in light of the changing demands on us as an organisation. This has involved creating line management structures better aligned to workstreams. We also delivered a mandatory three-day line management training programme to ensure all line managers understand the importance of managing performance, developing people for success and providing a supportive pastoral care environment.

Learning & Development is and will continue to be critical to our success as an organisation. We have invested significantly in the training programmes on offer and created multiple new courses to ensure that colleagues continue to grow their technical corporate finance and governance expertise in addition to developing the skills necessary to apply that expertise effectively in a government context. This has been underpinned by a new Learning Management System which enables colleagues to navigate their personal learning journey at UKGI.

In addition to classroom training, online training and seminars, our development programme has continued to be supplemented with our **mentoring programme** and we have added a **reverse mentoring** programme for our Executive Committee with very positive results.

Government Corporate Finance Profession

The government corporate finance profession (GCFP) is one of the 28 recognised professions across government. It is led by UKGI with our Chief Executive acting as Head of Profession. GCFP is open to anyone working in government and is targeted at those whose role or background involves corporate finance and/or corporate governance. We have over 200 members, the majority of whom work outside UKGI across a wide variety of departments.

The GCFP's purpose is to promote skills development, knowledge sharing, networking, collaboration and career development in corporate finance and governance. We do this by providing access to relevant training (e.g. the Fitch valuation and modelling training) and seminars, holding networking events and maintaining the GCFP competency framework.

This year we will be increasing our engagement with members including introducing a regular newsletter and adding further training and seminar opportunities.

For UKGI, leadership of the profession provides a route to share our knowledge, raise awareness and develop relationships with colleagues across government.

Secondees from the Civil Service and Private Sector continue to make up a significant part of our workforce. Over the last year, over 50 secondees have joined UKGI bringing expertise from the Civil Service, corporate finance (Barclays, Lazard, Rothschild), professional services (PwC, Deloitte, KPMG), and legal (Slaughter & May, Dentons, Ashurst) enriching our knowledge with best practice insights.

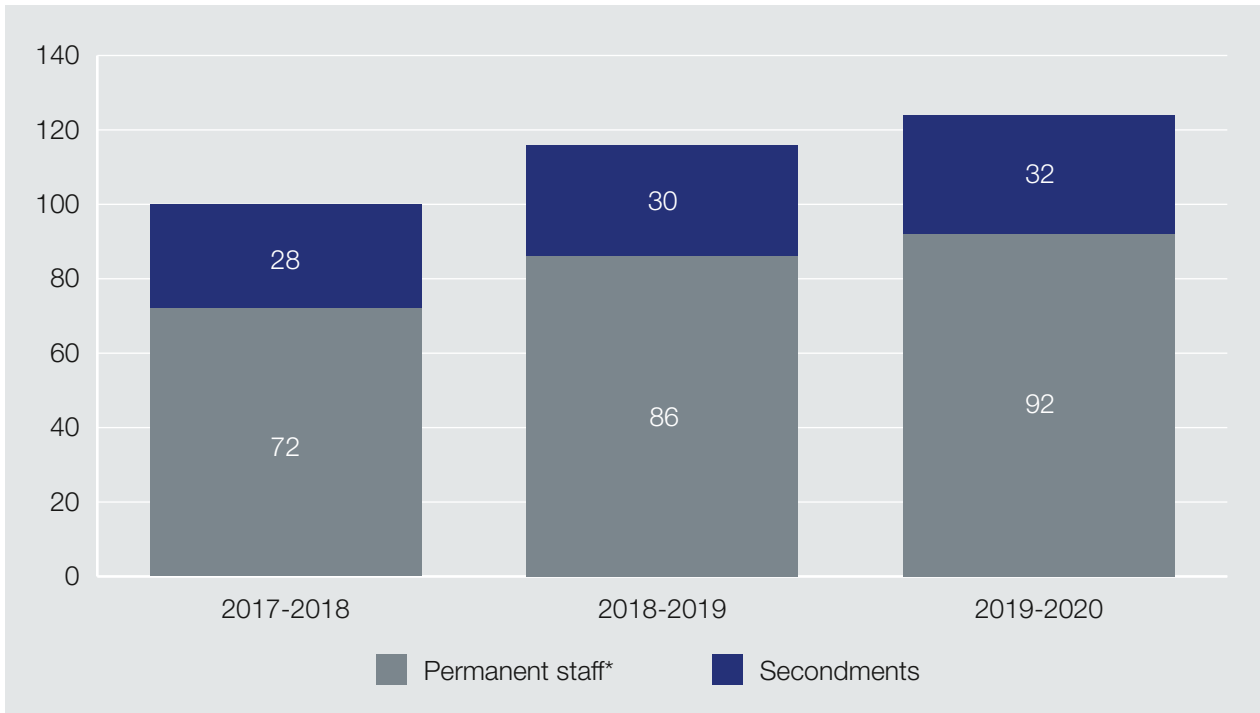
Our Insight Secondment Programme, which we launched last year to bring secondees into UKGI for a duration of nine months, has been positively received by the private sector and has been viewed as a career development opportunity for their high potential talent. In that time, secondees have a unique opportunity to get an understanding of the workings of UK Government and Civil Service and apply their expertise to very complex issues and work with us to resolve them.

Similarly, Civil Service secondees bring policy expertise and help us to navigate Whitehall. They benefit from an opportunity to develop core commercial skills which they can apply in their career as civil servants.

We spent a week celebrating secondment contribution to UKGI in February. It was great to hear how much value individuals are getting from their UKGI secondment.

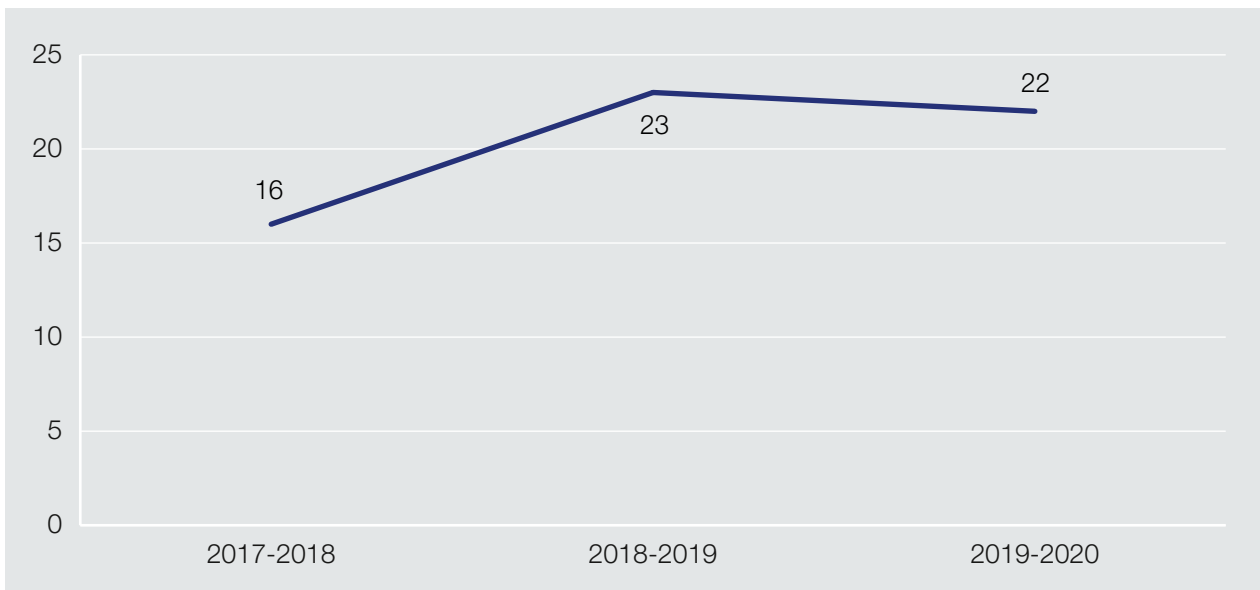
The strong relationships we have developed with a number of private sector firms through the course of the secondment programme will pay dividends for UKGI in drawing highly talented people as we expand our capacity in response to the COVID-19 pandemic.

Maintaining our ratio of secondment to permanent staff as the organisation grows

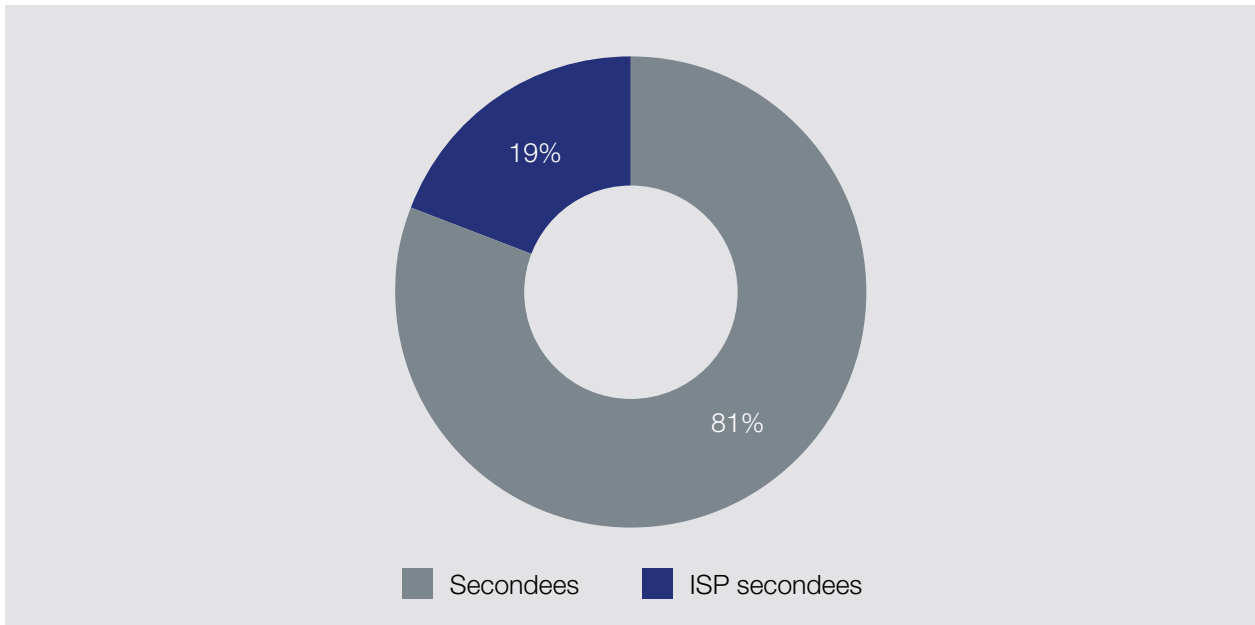


*Staff numbers are the average monthly full time equivalent for the year. Permanent staff does not include non executive board members.

Number of completed secondments



Proportion of Secondees from Insight Secondment Programme in 2019/20



*Chart shows all secondees for the full year.

Mental Health & Wellbeing (MH&W) continues to be a focus for UKGI. The chairs of the MH&W group presented at the UKGI Away Day on 'Building a Positive Mental Health and Wellbeing Culture' which created a constructive and open dialogue on what can be a difficult subject.

Their strategy included a programme of training for line managers delivered by Mind, the mental health charity. Managers also have an MH&W objective, to further emphasise the wellbeing of their team and so staff members feel properly supported.

In parallel, the MH&W group hosted numerous activities during 2019-20, including a series of awareness raising activities for Mental Health Awareness Week, group discussions and quizzes in support of Eating Disorder Awareness and a Tea & Talk event for World Suicide Prevention Day.

The Mental Health & Wellbeing group continues to progress its plan to further improve mental health and wellbeing at UKGI.

UKGI has signed the Time to Change pledge, demonstrating its commitment to fighting stigma around mental ill health.

Building a diverse and inclusive workplace

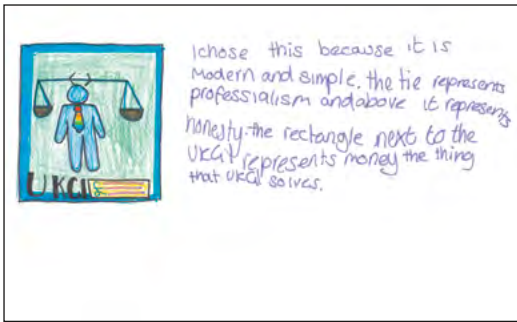
We have made significant progress on many **Diversity & Inclusion** initiatives this year:

Diversity

- Taking steps to make sure our recruitment activity helps us to attract a more diverse pool of applicants. For example we held a half day workshop in partnership with the Women Returners network, where 70 women joined us to learn about working at UKGI and the opportunity it affords to combine flexible schedules and interesting/challenging work.
- Becoming a Disability Confident Committed organisation, with a commitment to achieving Disability Confident Employer status.

Inclusion

- Working alongside Stonewall to review our key human resources policies
- Running volunteering activities with local charities, to give staff the opportunity to work together outside the office and to meet new colleagues
- Putting in place 'Above and Beyond', a quarterly peer-led 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
- Providing opportunities and support for staff undertaking external mentoring, with nine colleagues working with school-leavers in Social Mobility Foundation programmes
- Launching our inaugural "Bring your kids to work day" in February where 54 children aged between 2 and 14 years old came in to see where their parents worked and were engaged for a morning in a number of interesting activities. One of these activities was to design a new logo for UKGI, the winners are overleaf.



Bea Gray



Harriet Highley



Jasmine van Oostrum

Gender Pay

As an organisation with only 102 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 2020, our mean gender pay gap was 23.6% (31 March 2019: 25.4%), and our median gender pay gap was 28.6% (31 March 2019: 28.7%). Our mean and median bonus gap was 40.7% and 50.3% respectively (31 March 2019: 39.8% and 45.7%).

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.

My UKGI

“UKGI is an organisation that really cares about its people, helping them develop not only professionally but also personally. UKGI has enabled me to work on interesting and often high-profile projects whilst also giving me the flexibility to progress towards completing my Level 7 Accountancy Professional Apprenticeship with the Chartered Institute of Management Accountants. UKGI perfectly combines complex and challenging work with the work life balance to match.”

Dominic Elvin, *Analyst*

“UKGI has given me a rare and special combination of experiences. On the one hand I feel like I’m working at the heart of government; advising ministers and senior officials, building relationships with key officials in government departments, and working on projects that make it onto the pages of the Financial Times. On the other hand, the work that we do with businesses, both from our portfolio and elsewhere, feels current, fresh and much closer to the private sector. The whole package is topped off by a fantastic group of colleagues who are bright, motivated, collegiate and generous with their skills and knowledge.”

Wyn Griffiths, *Assistant Director*

“The real value of the UKGI culture in supporting the MH&W group has been the freedom provided to do what we think is right to raise awareness and progress attitudes toward mental health in the business. Both of us have personal interest in the area and passion to see things get better, so a lot of our early activity at UKGI was driven by us having an idea and then working out how to do it.

UKGI allowed us autonomy in driving forward these efforts, before recognising and supporting the work. We were able to create a wider group and action plan, gain a Director level Senior Sponsor, change UKGI policy and engage at ExCo and Board levels on MH&W. We continue to push the group and our plans forward with this support and achievements recently included rollout of MHW training and objectives for all Line Managers as well as discussion forums, quizzes and other activities to raise awareness, support MH causes and encourage open culture at UKGI.”

David Barnett and Sally Ash, *Co-Chairs of UKGI's Mental Health & Wellbeing Group*

Risk Management

UK Government Investments Limited's approach to risk

UK Government Investments Limited's risk appetite statement, as approved by its Board and explained in UK Government Investments Limited'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 UK Government Investments Limited must manage are those which arise as a consequence of discharging its mandate.

UK Government Investments Limited 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, UK Government Investments Limited 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 Audit and Risk 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 UK Government Investments Limited underpins UK Government Investments Limited's ability to control risks that do arise.”

UK Government Investments Limited 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 UK Government Investments Limited, working closely with the ministers and government departments for which we act as agent.



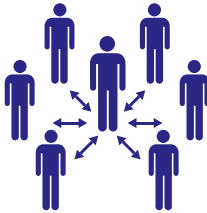



We currently have a number of mechanisms in place to manage UK Government Investments Limited's risk, summarised below:

- UK Government Investments Limited'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.
- UK Government Investments Limited 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.
- UK Government Investments Limited'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 UK Government Investments Limited advice not being professional and to the required standard.

UK Government Investments Limited'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 government's most challenging programmes.

UK Government Investments Limited 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

UK Government Investments Limited is funded by HM Treasury under section 36 of the Enterprise Act 2016. UK Government Investments Limited does not seek to directly charge departments or portfolio entities for its services. UK Government Investments Limited's funding agreement for 2019-2020 and its anticipated funding in 2020-2021 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.

UK Government Investments Limited may recharge for specific costs incurred on behalf of another department, recharges may be via budget transfers or invoicing. During this financial year UK Government Investments Limited received budget transfers from the Department for Transport, 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 UK Government Investments Limited budget.

	2019-20 (€m)	2020-21 (€m)
HM Treasury	12.4	13.3
Department for Transport	0.4	0.4
Department for Education	1.3	0.3
Ministry of Defence	1.2	0.9
Ministry of Housing, Communities & Local Government	0.4	0.3
Total Funding	15.7	15.2

Approval and signing

The Strategic Report was approved by the Board of Directors on 26 June 2020 and was signed on its behalf by:



Charles Donald

Chief Executive



Robert Swannell

Chairman

UK Government Investments Limited Company Number 09774296



Directors' Report and Governance Statement

Directors' Report and Governance Statement

The UK Government Investments Limited Board provides strategic direction to the Company and ensures UK Government Investments Limited (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, General Counsel 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.

As at 31 March 2020, the UKGI directors are as 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)
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
Andrew Duff (appointed 9 July 2019)	Non-Executive Director	N, A, T
Clare Hollingsworth (appointed 23 May 2019)	Non-Executive Director	N, R, T
Charles Donald (appointed 12 March 2020)	Chief Executive Officer	T
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 Andrew Duff were appointed to the Board on 23 May and 9 July 2019 respectively. Mark Russell stepped down from the Board on 31 October 2019 upon his resignation as Chief Executive. Charles Donald was appointed to the Board on 12 March 2020 upon his appointment as Chief Executive. Justin Manson was the interim Chief Executive from 1 November 2019 to 11 March 2020, attending all Board meetings during this period however he was not a member of the Board. Alex Chisholm stepped down from the Board in April 2020 following his appointment as Chief Operating Officer for the Civil Service.

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' key 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 HM Treasury is represented on the Company's Board.

Data received by the board

The Board receives extensive data allowing it to form judgements. Data received by the board at each meeting includes, but is not limited to:

- An update on UKGI's financial position, including spend to date, forecasts against budget and headcount;
- A dashboard providing narrative and quantitative data on each current project or asset within UKGI's portfolio;
- A risk heatmap setting out the risks to delivery and reputation for each of UKGI's projects and assets;

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 an overall moderate opinion, across a range of UKGI processes including contract management, compliance with statutory regulations and portfolio panel review process. 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 at www.gov.uk including:

- [Directors' hospitality and expenses](#)
- [Transactions over £25,000](#)
- [Corporate credit card transactions over £500](#)
- [Contracts Awarded](#)

Review of effectiveness

In February 2020 an internally-facilitated review of the Board's effectiveness commenced; this review was facilitated by UKGI's company secretarial function. In the course of the review, all board members and other members of the executive were interviewed. The review found that the Board had a collegiate, open style, and was prepared to challenge and support management as appropriate. It was also found that recommendations from the 2019 review, around Board engagement and the format of meetings, had been fully implemented.

Areas for further consideration include furthering engagement between the non-executive directors and the wider business to ensure that their skills and experience are utilised to the maximum possible extent, and updating the target Board composition, having due regard to the need to maintain diversity.

Sustainability

UKGI occupies premises in 1 Victoria St, London. The lease is held by 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, the head lessee of the building, is reported in its 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. During 2019-2020, UKGI made 93% (2018-19: 93%) of all supplier payments within 5 days. HM Treasury group's target is 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. UKGI's funding has been agreed for 2020-21.

The financial statements for 2019-2020 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. UK Government Investments Limited 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 UK Government Investments Limited. 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. Anticipated Grant-in-aid drawdowns cannot be accrued as income.

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 2019-20	Board	Audit and Risk	Remuneration	Transaction
¹ Robert Swannell	6/6			11/11
² Mark Russell	3/3			1/6
James Leigh-Pemberton	5/6			11/11
Jane Guyett	6/6	4/4		10/11
Jitesh Gadhia	6/6		0/1	10/11
Robin Lawther	6/6	4/4	1/1	7/11
Caroline Thomson	6/6		1/1	
Andrew Duff	4/5	2/3		3/8
Clare Hollingsworth	5/6			8/10
Simon Palley	1/1	1/1		
Alex Chisholm	5/6			
Charles Roxburgh	2/6			
Philip Duffy	2/6			
³ Charles Donald	1/1			11/11

¹ Robert Swannell is a member of the Transaction committee; he was invited to attend all other committee meetings as an observer.

² Mark Russell was a member of the Transaction committee and he was invited to attend all other committee meetings as an observer during his role as Chief Executive. He stepped down from all committees on 31 October.

³ Charles Donald is a member of the Transaction committee; he was invited to attend all other committee meetings as an observer when he was appointed as Chief Executive on 12 March.

While Justin Manson was interim Chief Executive, he was not a member of the Board however he attended 2 Board meetings.

Events after the reporting period

The COVID-19 pandemic has significantly increased demand for UKGI's services. Having due regard to UKGI's funding status, and the status of the majority of its debtors, it has not been deemed necessary to make any adjustments to the accounts for debt recovery, going concern, or UKGI's ability to continue to undertake its business activities.

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 £26,000 exclusive of VAT (2018-19: £25,000). 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 UK Government Investments Limited.

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, Chairman of Royal Springboard, a Director of the Investor Forum, a Trustee of Historic Royal Palaces and a Member of the Take-Over Appeal Board.

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



Alex Chisholm – Non-Executive Director

Alex Chisholm became Civil Service Chief Operating Officer and Cabinet Office Permanent Secretary in April 2020. Prior to that, he was Permanent Secretary at the Department for Business, Energy and Industrial Strategy between 2016 and 2020. He is also a trustee and Deputy Chair at the international charity Breadline Africa.

Previously 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 Ecceleration Ltd.



Charles Donald – Chief Executive

Charles was appointed Chief Executive in March 2020, having joined UKGI in May 2018 as Head of the Financial Institutions Group.

Prior to that, he spent over 30 years in investment banking working in both corporate advisory and equity research. He joined UKGI from Credit Suisse where he was Vice Chairman of UK Advisory & Corporate Broking having previously been Co-Head of UK Investment Banking.



Andrew Duff – Non-executive director

Andrew spent his executive career in the energy industry and brings a wealth of leadership experience in competitive markets, regulated business environments and strategic management. He has recently retired as Chairman of Severn Trent plc, which in January 2019 was commended by Ofwat across a range of operational areas and acknowledged by the Purposeful Company Taskforce as one of only seven UK “Pathfinder” companies. Andrew is also Chairman of Elementis, a FTSE 250 chemicals company, and was a non-executive director and Senior Independent Director of Ferguson Plc from 2004-2013. He was previously the Chief Executive Officer of RWE Npower and a member of the RWE Executive Committee. Andrew is the Senior Trustee of Macmillan Cancer Support. He is also a member of the CBI President’s Committee and a Fellow of the Energy Institute.



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, and Calisen plc, which owns and manages critical energy infrastructure including smart meters.

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



Jane Guyett – Senior independent director

Jane Guyett is the senior independent director of UK Government Investments Limited. She is the Chair of Connect Plus (M25) Plc, and is a non-executive director on the Boards of LCH SA., and Dalcor Pharma UK.

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.



Clare Hollingsworth – Non-executive director

Clare currently chairs Go-Ahead Group plc, a listed transport business. Previously she chaired Eurostar International Ltd and was its Chairman when the Government sold its 40% shareholding in 2015. She is a non-executive director of Mölnlycke AB, a Swedish medical device company, and is senior independent director at the LTA, the national governing body of tennis. Prior to holding these positions, Clare was a non-executive director of Virgin Healthcare, Savills plc and Spire Healthcare Ltd, as well as the Managing Director of BUPA Hospitals and before that Caledonian Airways. She started her career with British Airways as a management trainee.



Robin Lawther – Non-executive director

Robin Lawther is currently a Non-Executive Director of Nordea Bank (Chair of the Remuneration Committee), M&G plc (Chair of the Remuneration Committee), Ashurst LLP (Chair of the Audit Committee), and Oras Invest.

Ms. Lawther is an international banker with extensive experience of global markets and financial institutions. She worked at J.P.Morgan in London and New York for over 20 years in a number of senior positions in investment banking. Her roles included Head of the European Financial Institution Mergers and Acquisitions Team and Senior Country Officer and Head of Investment Banking for the Nordic Region. She specialised in mergers and acquisitions and capital raising.

Ms. Lawther holds a B.A. Honours in Economics from the University of North Carolina at Chapel Hill and an M.Sc. in Accountancy and Finance from the London School of Economics. She is a supporter of several London theatres and is actively involved in women's mentoring programs in the UK, US, and Scandinavia.



Sir James Leigh-Pemberton – Non-Executive Deputy Chairman

James is the Deputy Chairman of UKGI, and non-Executive Chairman of RIT Capital Partners plc.

James was the Chairman of UK Financial Investments (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.



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 Limited.

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.



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.

She is also a deputy lieutenant in the county of Cumbria.

Audit and Risk Committee Report

Audit and Risk Chair's Foreward

The Audit & Risk Committee's (ARC's) overarching aim has been to build on the processes and procedures that were put in place during UK Government Investments Limited'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:

- Agreed changes to UKGI's processes for Project and Portfolio reviews, which comprise a core part of UKGI's internal control framework;
- Considered and made minor modifications to UKGI's whistleblowing policy;
- Asked GIAA to review UKGI's compliance policies and its handling of market sensitive information to ensure alignment with current legislation and best practice;
- Reviewed the policies and procedures in place for commercial and contract management, both for contracts held by UKGI and those administered on behalf of other entities;

Looking forward to 2020-21, the key objectives for the ARC will be to ensure UKGI appropriately manages and mitigates the increased risk profile arising from the expansion of UKGI's scope and size in response to the COVID-19 economic response measures. 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

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 2019-2020 were all Directors of UK Government Investments Limited and are:

- Jane Guyett (Chair)
- Simon Palley (to May 2019)
- Robin Lawther
- Andrew Duff (from July 2019)

At least four meetings of the ARC are scheduled annually. Usually the UK Government Investments Limited Chairman, Chief Executive, UK Government Investments Limited Risk Lead, Chief Financial Officer, General Counsel 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 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 UK Government Investments Limited;
- **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 UK Government Investments Limited'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 UK Government Investments Limited is willing to bear, the system of internal control

is proportionate to that statement. The Chief Executive is supported in this by the UK Government Investments Limited 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 UK Government Investments Limited. In order to promote good risk management, the UK Government Investments Limited 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 UK Government Investments Limited 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 UK Government Investments Limited operational and strategic risk registers.
- **Independent risk management:** UK Government Investments Limited has elected to utilise the services of the GIAA to provide assurance on the overall effectiveness of UK Government Investments Limited'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 UK Government Investments Limited has an appropriate and effective system of internal control and risk management framework.

Remuneration Committee Report

Remuneration Chair's Foreward

UK Government Investments Limited 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 UK Government Investments Limited 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 UK Government Investments Limited. 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 UK Government Investments Limited 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 UK Government Investments Limited Board. It comprises the Chair, who is an independent non-executive director of the Company, and three 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
- Clare Hollingsworth (from May 2019)

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 once 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 and UK Government Investments Limited director level staff and;
- recommend the approval of remuneration packages of the Chief Executive, his direct reports and UK Government Investments Limited director level staff to HM Treasury

Remuneration Policy

In approving the remuneration for Board members and other UK Government Investments Limited 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 UK Government Investments Limited strategic plan; and
- are in line with best practice, linked to performance, with no reward for failure or excessive risk taking.

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

In this report the disclosures on directors' 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 UK Government Investments Limited's board members and directors below:

	Salary	Bonus payments	Pension benefits	Total	2018-19
	£'000	£'000	£'000	£'000	£'000
Robert Swannell	50 - 55			50 - 55	50 - 55
Andrew Duff (from 9 July 2019)	20 - 25 FYE (35 - 40)			20 - 25 FYE (35 - 40)	-
Jitesh Gadhia	35 - 40			35 - 40	35 - 40
Jane Guyett	35 - 40			35 - 40	35 - 40
Clare Hollingsworth (from 25 May 2019)	30 - 35			30 - 35	-
Robin Lawther	35 - 40			35 - 40	35 - 40
James Leigh-Pemberton	40 - 45			40 - 45	40 - 45
Simon Palley (to May 2019)	0 - 5 FYE (25 - 30)			0 - 5 FYE (25 - 30)	25 - 30
Caroline Thomson	30 - 35			30 - 35	30 - 35
Mark Russell (to 31 October 2019)	95 - 100 FYE (225 - 230)	15 - 20	40	150 - 155 FYE (225 - 230)	245 - 250
Charles Donald (from 12 March 2020)	10 - 15 FYE (210 - 215)			10 - 15 FYE (210 - 215)	-

Alex Chisholm, Philip Duffy and Charles Roxburgh received no fee for their roles as directors of UK Government Investments Limited. Justin Manson was interim Chief Executive during the year but he was not a member of the Board. Justin Manson's total remuneration for the 4.5 months he served as interim CEO was £95-100k, comprising salary of £75-80k, pension benefits of £0-5k, and bonus payments of £15-20k. Charles Donald received no bonus payment for his role as Chief Executive.

Remuneration multiples (audited)

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

The Chief Executive is the highest paid member of the UK Government Investments Limited Board. In the financial year 2019-20, the annualised full time equivalent banded remuneration was £210 - 215,000 (2018-19: £195 - 200,000). This was 2.6 times (2018-19 2.5 times) the median remuneration of the workforce which was £80,781 (2018-19 £80,289).

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 UK Government Investments Limited 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.

	2019-20	2018-19
	£'000	£'000
Total performance related pay	907	845

The payment of performance related awards to staff at grades equivalent to senior civil service grades is deferred pending guidance on the government's wider pay strategy.

Pension (audited)

Pension information for UK Government Investments Limited's Directors is shown below:

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Mark Russell	40 - 45	0 - 2.5	928	842	42

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 the appointed provider – Legal & General. 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 UK Government Investments Limited 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	Staff seconded into UK Government Investments Limited	Total 2019-20	Total 2018-19
	£'000	£'000	£'000	£'000
Salaries (including PRP)	8,701	2,391	11,092	10,325
Social security	1,082	219	1,301	1,186
Other pension costs	918	463	1,381	1,229
Recoveries in respect of outward secondments	(366)	0	(366)	(470)
Total net costs	10,335	3,073	13,408	12,270
Staff numbers (including non-executive Board members)	102	32	134	125

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 2019-2020.

Male / female staff breakdown (audited)

The number of male and female staff at UK Government Investments Limited as at 31 March 2020 was:

	Male	Female
Non-executive Board members	6	4
Staff	73	57
Total	79	61

Employees include staff on secondment to other Government departments and staff seconded to UK Government Investments Limited.

Equal opportunities

UK Government Investments Limited 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 engagement

There were no off-payroll engagements during 2019-2020.

Employee Relations

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

Learning and development

UK Government Investments Limited's learning and development policy aims to ensure that its staff have the right skills to meet its objectives. UK Government Investments Limited 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 2019-20 was 2.19 days (2018-19 1.15 days).

Social, community and human rights issues

UK Government Investments Limited 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 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 Chief Executive 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 UK Government Investments Limited. 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 UK Government Investments Limited'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:

- that there is no relevant audit information of which the auditors are unaware;
- that he has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information;
- to confirm that he takes responsibility for the judgements made to ensure the annual report and accounts as a whole is fair, balanced and understandable;
- that the Annual Report and Accounts as a whole are fair, balanced and understandable;
- to observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- to make judgements and estimates on a reasonable basis;
- to 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
- to prepare the financial statements on a going concern basis.

This statement was approved by the Board of Directors on 26 June 2020 and was signed on its behalf by:



Charles Donald

Chief Executive

UK Government Investments Limited Company Number 9774296



Robert Swannell

Chairman

UK Government Investments Limited 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 year ended 31 March 2020 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and 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 2020 and of the loss for the year 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the UK Government Investments Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the UK Government Investments Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the UK Government Investments Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities, 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 the 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the UK Government Investments Limited'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 UK Government Investments Limited ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause UK Government Investments Limited to cease to continue as a going concern.

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 but does not include 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 parts of the Remuneration Committee Report to be audited have 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)

30 June 2020

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



Financial Statement

Financial Statements of UK Government Investments Limited

Statement of comprehensive net expenditure for the year ended 31 March 2020

	Notes	2019-20 £000	2018-19 £000
Staff costs	3	13,774	12,740
Operational costs	4	2,840	3,873
Total operating expenditure		16,614	16,613
Revenue	5	(1,187)	(2,104)
Net operating expenditure before tax		15,427	14,509
Taxation		16	15
Net operating expenditure after tax		15,443	14,524
Net gain on transfers by absorption		0	(515)
Net operating expenditure after tax and transfer		15,443	14,009

The notes on pages 70 - 76 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 2020

	Notes	31-Mar-20 £000	31-Mar-19 £000
Current assets			
Cash and cash equivalents	7	585	436
Trade and other receivables	8	912	1,133
Total current assets		1,497	1,569
Current liabilities			
Trade and other payables	9	(3,673)	(3,962)
Total current liabilities		(3,673)	(3,962)
Net current assets/(liabilities)		(2,176)	(2,393)
Taxpayers' equity			
General fund		(2,176)	(2,393)
Total taxpayers' equity		(2,176)	(2,393)

The notes on pages 70 - 76 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2020 and were signed on its behalf by:



Charles Donald

Chief Executive

UK Government Investments Limited Company Number 09774296

Statement of cash flows for the year ended 31 March 2020

	Notes	2019-20 £000	2018-19 £000
Cash flows from operating activities			
Net operating costs		(15,427)	(14,509)
Movement from transfers by absorption		0	515
Decrease/(Increase) in trade and other receivables	8	221	(626)
(Decrease)/Increase in trade and other payables	9	(289)	1,146
Corporation tax		(16)	(15)
Net cash outflow from operating activities		(15,511)	(13,489)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		15,660	12,900
Net financing		15,660	12,900
Net increase/(decrease) in cash and cash equivalents in the period		149	(589)
Cash and cash equivalents at the beginning of the period		436	1,025
Cash and cash equivalents at the end of the period		585	436

The notes on pages 70 - 76 are an integral part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	General Reserve £000
Balance at 1 April 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)
Grant-in-Aid from HM Treasury	15,660
Comprehensive expenditure for the year	(15,443)
Balance at 31 March 2020	(2,176)

The notes on pages 70 - 76 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

The Financial Statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual ('FReM') and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and International Financial Reporting Interpretations Committee interpretation.

(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 UK Government Investments Limited has in place an agreed multi-year budget settlement with HM Treasury, comprising a commitment to financial year 2020-2021. UK Government Investments Limited status will be reviewed periodically. UK Government Investments Limited produces separate financial statements. The Going Concern disclosures on p41 of the Annual Report detail in full the basis on which the Directors consider it appropriate to prepare these Accounts on a going concern basis.

(c) Revenue

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

(d) 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 2019-20 was £15.7m (2018-19 £12.9m). This total represents the cash requirement within the reporting period and the carryover of a cash balance into the following financial year.

(e) 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. UK Government Investments Limited recognises as a cost the monthly charges made by the PCSPS and CSOPS to contribute to the schemes.

Employees are entitled to enrol into UK Government Investments Limited'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.

(f) 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.

(g) Financial Instruments

UK Government Investments Limited 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 UK Government Investments Limited in undertaking its activities.

UK Government Investments Limited'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.

UK Government Investments Limited 's financial liabilities are: trade and other payables due to related parties, other trade payables, taxation and social security. 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 UK Government Investments Limited 's transactions are undertaken in sterling and so its exposure to foreign exchange risk is minimal. UK Government Investments Limited '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 UK Government Investments Limited. 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; UK Government Investments Limited '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 UK Government Investments Limited 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.

(h) 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 – UK Government Investments Limited is liable to pay corporation tax on profits earned. Payment of £11.2k was made to HMRC in relation to the period 01 April 2018 to 31st March 2019 (£11.6k 2017-18).

(i) 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.

(j) Functional & Presentational Currency

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

(k) Impact of new standards

IFRS 16 'Leases' was issued in January 2016. It sets out requirements for recognition, measurement, presentation and disclosure of leases. IFRS 16, as adapted and interpreted by the Government Financial Reporting Manual for entities following the

Companies Act 2006 is effective from 1 April 2020. Whilst IFRS 16 is now effective, UKGI does not hold any leases as at 31st March 2020.

From 1 July 2020, the lease agreement for the office space currently occupied by UK Government Investment will be directly with Government Property Agency (GPA) as opposed to the current agreement held between GPA and HM Treasury. As a result, the changes in the accounting for leases will have an impact on the Statement of Financial Position for 2020-21 onwards.

3. Staff Costs

	2019-20 £000	2018-19 £000
Salaries	8,701	8,086
Employer national insurance contributions	1,082	1,024
Pensions costs	918	889
Seconded	3,073	2,741
Total Costs	13,774	12,740

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

4. Operational Costs

	2019-20 £000	2018-19 £000
Office related costs	1,483	1,337
Professional services	867	1,755
Staff related costs including training, travel and expenses	490	781
Total Costs	2,840	3,873

Professional Services include audit fees payable to the National Audit Office of £26,000, exclusive of VAT (2018-19: £25,000). UK Government Investments Limited occupies premises at 1 Victoria St, London. The head lessor is the Government Property Agency (GPA). HM Treasury reimburses GPA directly for the proportion of the rent and service charges relating to the premises occupied by UK Government Investments Limited.

5. Revenue

	2019-20 £000	2018-19 £000
Staff costs recovery	366	470
Recharges and recoveries	821	1,634
Total	1,187	2,104

6. Directors' Emoluments

	2019-20 £000	2018-19 £000
Directors' emoluments	456	509
Total	456	509

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

	2019-20 £000	2018-19 £000
Cash held with the Government Banking Service	585	436
Total	585	436

8. Receivables

Amounts falling due within one year	2019-20 £000	2018-19 £000
Trade and other receivables	9	100
Prepayments and accrued income	822	1,033
Taxation	81	0
Total	912	1,133

9. Payables

Amounts falling due within one year	2019-20 £000	2018-19 £000
Trade & other payables	133	100
Accruals	3,250	3,567
Taxation and social security	290	295
Total	3,673	3,962

10. 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 Limited) and the Government Property Agency (GPA). 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 GPA directly on the Company's behalf. For the financial year 2019-20 the contribution was £790,327 (2018-19: £771,436; £244,190 to BEIS and £527,246 to GPA).

A renewal of the lease is expected to cover the period 1 July 2020 to 30 January 2031. The new MOTO will be directly between UKGI and GPA.

11. Called up share capital

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

12. Related Party Transactions

UKGI is a wholly-owned subsidiary of HM Treasury. HM Treasury is regarded as a related party. During the year, UK Government Investments Limited has had various material transactions with HM Treasury, with expenditure totaling £1,702k (2018-19 £1,561k), primarily in relation to the provision of secondees, recoveries for IT, finance and HR shared services, and receipts of £148k (2018-19: £137k) in respect of the outward secondment of staff by UK Government Investments Limited.

UKGI had material transactions with BEIS, incurring costs totaling £342k (2018-19: £537k), primarily in relation to the provision of secondees by BEIS to UK Government Investments Limited.

Besides the GPA disclosures made in note 4 and 10, UK Government Investments Limited also made material transactions with GPA, incurring costs totaling £21.6k (2018-19: £87k), primarily in relation to the provision of accommodation services.

In addition, UKGI has had transactions with other central government bodies.

No Board member, key manager or other related party has undertaken any material transactions with UK Government Investments Limited during the year. Details about the Board Members' remuneration are included on page 53.

13. Contingent assets and liabilities

UK Government Investments Limited has no contingent assets or liabilities.

14. Ultimate Parent

The ultimate parent entity of UK Government Investments Limited 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. UK Government Investments Limited is consolidated in the HMT Group accounts.

15. Dividends

UK Government Investments Limited 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 (2018/19: Nil).

16. Events after the Reporting Period

The COVID-19 pandemic has significantly increased demand for UKGI's services. Having due regard to UKGI's funding status, and the status of the majority of its debtors, it has not been deemed necessary to make any adjustments to the accounts for debt recovery, going concern, or UKGI's ability to continue to undertake its business activities.

17. Date authorised for issue

The financial statements were authorised for issue on 30 June 2020



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