



UK Government
Investments

UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts
2020-21



UK GOVERNMENT INVESTMENTS LIMITED

Annual Report and Accounts 2020-21

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

July 2021

Company No. 09774296



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Overview

Our purpose

UK Government Investments Limited (UKGI) is the government's centre of excellence in corporate governance and corporate finance. We provide expert advice and leading solutions that inform and translate government's decisions into effective outcomes in the national interest.

UK Government Investments Limited is tasked with promoting good governance of publicly-owned businesses, supporting government's private sector interventions, providing a central capability for contingent liabilities and delivering orderly transactions that generate value for money.

How we work

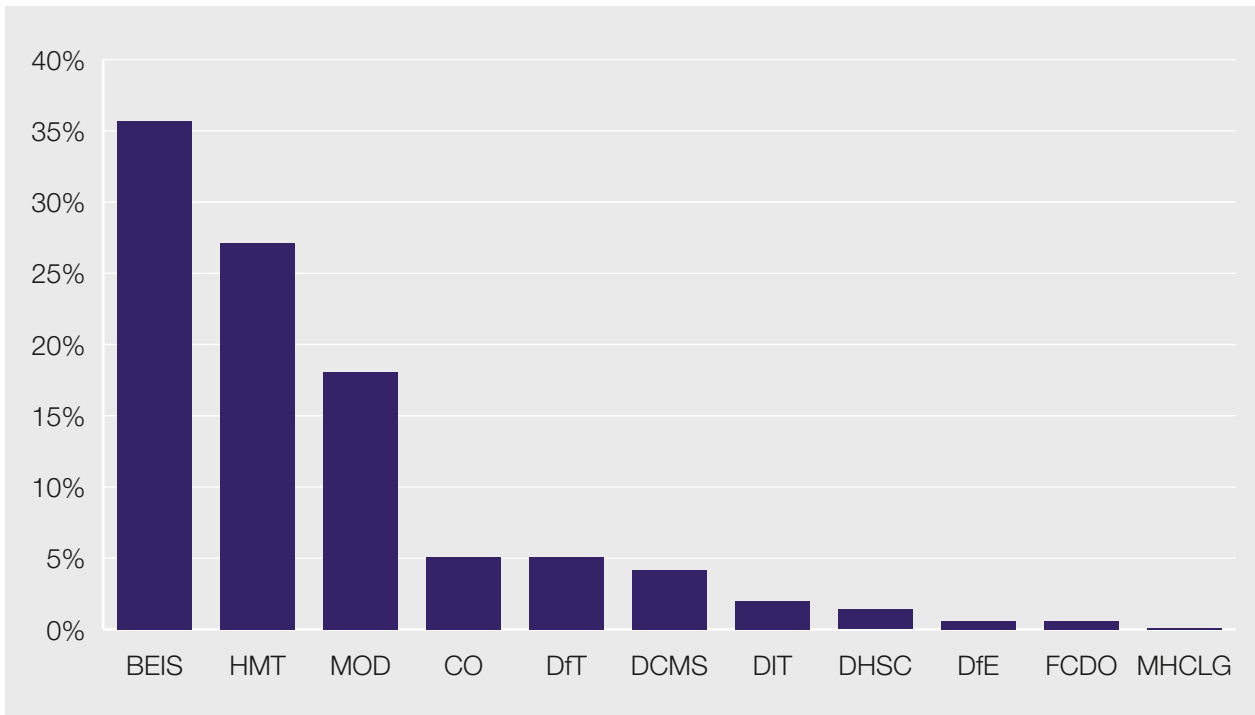
Our people are highly-skilled, experienced professionals, drawn from both the Civil Service and private sector. This combined capability allows us to best meet the evolving needs of our clients.

Our values define who we are, what we stand for, how we behave and what we aspire to achieve. We continuously hold ourselves and each other accountable to these values and strive for improvement where we fall short. At UK Government Investments Limited, we are:

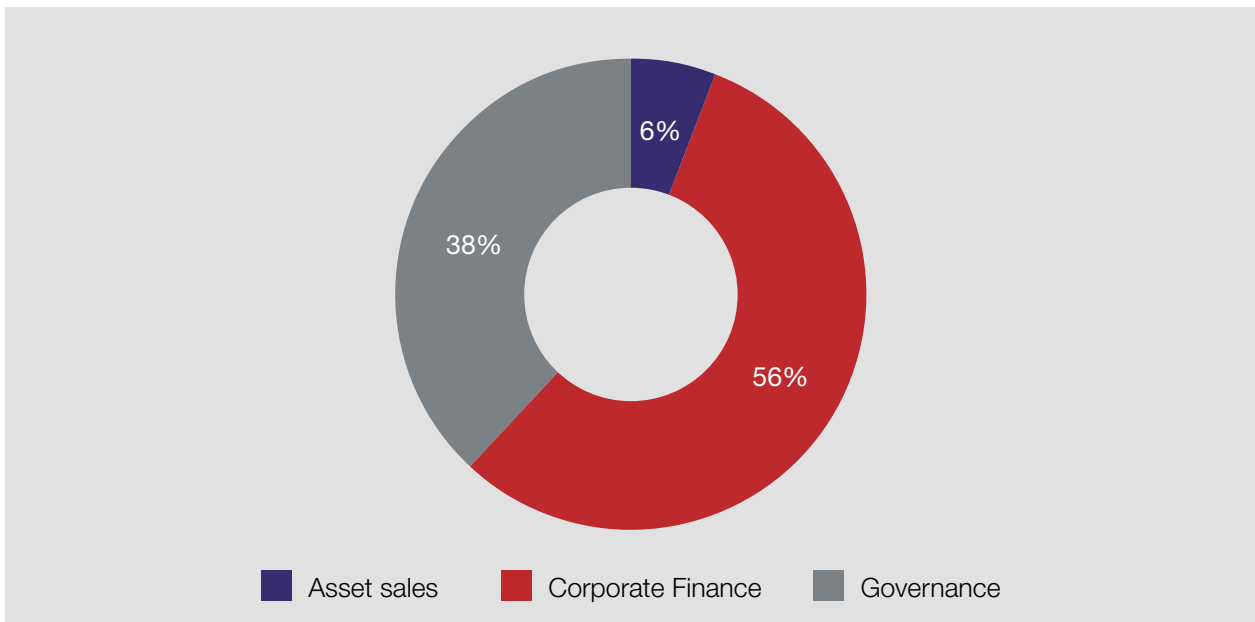
1. Supportive and inclusive
2. Open and honest
3. Expert and professional
4. Collaborative and outcome-focused

Company highlights

This graph shows the departments UK Government Investments Limited worked with in 2020/21, weighted by FTE deployed



Overall breakdown of UK Government Investments Limited objective by FTE



Chairman's Foreword



This is my last annual report as Chairman of UK Government Investments Limited after eight rewarding years, first with The Shareholder Executive and latterly as Chair of UK Government Investments Limited after the merger with UK Financial Investments Limited in 2016. In that time, UK Government Investments Limited has grown from an organisation working with a small number of departments on a relatively narrow range of matters, to a centre of excellence in corporate governance and corporate finance working across government on a wide range of programmes of national significance. The unique combination of public and private sector skills at UK Government Investments Limited have never been in greater demand to undertake complex tasks.

UK Government Investments Limited has been critical to the government's response to the pandemic over the past year. We have closely supported the Advisory Credit Committee, and its advice to HM Treasury on lending via the Bank of England's Covid Corporate Financing Facility, from set-up to scheme closure in March 2021. This scheme approved over £85bn of borrowing limits to over 230 companies, supporting almost 2.5 million jobs. We also established the 'Covid Intervention Resolution Group' within UK Government Investments Limited, which will provide stewardship of this loan portfolio until the final maturities in March 2022. UK Government Investments Limited assembled a team of restructuring experts for Project Birch, the government's contingency plan to provide support as a last resort for critical companies whose operations had been affected by the pandemic. And through its shareholder role, UK Government Investments Limited has continued its engagement with the British Business Bank, which implemented the BBLs, CBILs and CLBILs schemes for government, which lent £75 billion to UK businesses. Our people have also supported the Vaccine Taskforce's commercial negotiations, which has enabled the successful vaccination programme. It is a good illustration of the value UK Government Investments Limited adds, even in unaccustomed roles, that our lead Director on the vaccines work was seconded to BEIS at the end of last year, becoming the new Director General leading on the entire programme.

While UK Government Investments Limited has grown in size over the year, the vast majority of this additional activity has been absorbed through the hard work of our staff, who have surpassed

themselves this year with their quite exceptional commitment. In particular, UK Government Investments Limited is indebted to Charles Donald for the leadership he has shown over the year since he became CEO just as the pandemic took hold in March 2020. Despite extraordinarily challenging circumstances and a very significant increase in our work, he has nurtured our distinctive culture and delivered our key promises on diversity and inclusion, including our Women in Finance Charter commitment that 40% of our senior leadership is female as at March 2021. I am pleased that the board has also adopted its own challenging diversity and inclusion policy.

At UK Government Investments Limited we recognise that our asset is our people. We need talented people from the private and public sectors to fulfil our mission. We know that we will only be able to recruit and retain people of the required skills if we make UK Government Investments Limited an exceptional place to work. Three particular features have been instrumental in making this requirement a reality. The first is the extraordinarily varied and complex work we are asked to do, often in stressful conditions. The second is our strong, clearly defined culture and our values and our determination to be genuinely inclusive. The third is our promise that a period spent at UK Government Investments Limited is invariably a positive step in any career. There are numerous examples of this latter point with, in the public service, one Permanent Secretary, three Director Generals and one Chair of a major defence arms-length body amongst our Alumni.

UK Government Investments Limited is asked to take on some of the most challenging projects in the government realm, many of which we know have high risk attached at the outset – the vaccine role is a good example. We have strong processes and a clear culture to mitigate these risks to the greatest extent possible and these have been developed over recent years. Our strong culture means that we are constantly looking for ways to improve the way we execute our roles. In that context we will ensure that, where there are lessons to be learned relevant to UK Government Investments Limited's role with

“The unique combination of public and private sector skills at UK Government Investments Limited have never been in greater demand to undertake complex tasks.”

respect to The Post Office and the Horizon IT matters, we will learn and act upon them. The many people deeply affected by this tragic set of events deserve no less. In the meantime, we are making sure we give every possible assistance to the statutory inquiry being led by Sir Wyn Williams.

I am particularly grateful for the support from my board colleagues, who in their dedication and time commitment during this extraordinary year, and in the years that preceded, have gone well beyond what we have any right to expect. Stepping down from UK Government Investments Limited, I am confident that the organisation is well-led, with both the board and the Executive being stable and highly experienced. The case for a centre of excellence in government for corporate governance and corporate finance has been made. The challenge for UK Government Investments Limited will now be to balance the increasing demand for its services across government, and the growth that entails, with the need to both maintain the excellence of its advice and preserve its unique culture and values.

I have enjoyed my time at UK Government Investments Limited immensely. I am constantly impressed by the skill and dedication of its people and, as important, the culture and values they apply to the difficult tasks assigned to them. I wish my successor well in this rewarding and crucial role.

A handwritten signature in black ink that reads "Robert Swannell". The signature is written in a cursive style with a large, stylized initial 'R'.

Robert Swannell

Chairman

16 July 2021

Chief Executive's Statement



This has been a year of considerable growth for UK Government Investments Limited in the range and scale of its mandates. As well as the activities in support of the government's economic response to the pandemic set out in the Chairman's report, we have continued to strengthen the delivery of our three core objectives.

Our governance portfolio has grown, with new entities including the Reclaim Fund and the Government Property Agency. Alongside the development of the portfolio, I am pleased that we have been able to develop our convening role across our portfolio entities, holding a range of events for the chairs and CEOs, Remuneration Committee chairs, Audit and Risk Committee chairs, and general counsels. These events allow for the sharing of best practice, promotion of good governance and discussion of shared challenges. The range of corporate finance advice we provide has also expanded in the year, and has not been limited to instances of corporate distress. For example, we are providing advisory services to DCMS in its BBC licence fee renewal workstream. Our programme of asset sales resumed in the year, with the first £1.1 billion directed buy-back of shares by NatWest Group in March 2021¹, and, subject to regulatory approval, the completion of the final sale of assets owned by UK Asset Resolution.

In addition, we have begun the set-up of the Contingent Liability Central Capability. This unit will bring together a blend of actuaries, statisticians, civil servants, and corporate financiers to analyse and advise on the government's stock of contingent liabilities and help structure such liabilities in a commercially sound and cost-effective way at the point of creation.

"I am very proud of what the people in UK Government Investments Limited have achieved this year."

Like all other public bodies, UK Government Investments Limited is subject to intense scrutiny. As an organisation that strives for excellence in the performance of its role, we welcome this scrutiny, which complements our internal processes of assurance and risk management. In March, the Magnox Inquiry published its report on the Nuclear Decommissioning Authority's award of the

¹ This was followed by an accelerated book build of a further £1.1 billion of shares sold to institutional investors in May 2021

Magnox decommissioning contract, including an examination of UK Government Investments Limited's role in that procurement, litigation and termination. I am confident that our ongoing programme of continuous improvement, along with the efforts made to provide clarity and definition around our shareholder role on government-owned entities fully addresses the recommendations in the Magnox Inquiry. Without doubt there is an ongoing need for a centralised shareholder function in government, using the levers at our disposal to protect and enhance shareholder value, whilst reconciling that objective with the need for delivery of public policy by these entities.

I am very proud of what the people in UK Government Investments Limited have achieved this year. The increases in workload and challenges of remote working have put huge personal strains on individuals, many of whom have combined this with home-schooling children or other care responsibilities. Our record of achievements is a tribute to their dedication and professionalism. UK Government Investments Limited is a people-centred organisation, and throughout the year, I have met every existing and new member of staff individually at least once. UK Government Investments Limited's staff have also come together to update our values statement, which is included in our Strategic Report. These efforts, alongside an unwavering focus on diversity and inclusion, have meant that our unique and special culture, and our blend of private sector and civil service skills, will emerge from the pandemic further strengthened.

My priorities for 2021-22 are to consolidate after a period of growth, embed the Contingent Liability Central Capability, continue to make progress against our stretching diversity and inclusion targets, and support the government's net zero carbon agenda, which will be at the forefront of our thinking as we approach the COP26 conference in Glasgow this year.

I extend my thanks to Robert Swannell for all his good advice and support as Chairman of UK Government Investments Limited; he will be sorely missed, but he leaves the organisation very well placed to meet its future challenges.



Charles Donald

Chief Executive

16 July 2021



Strategic report

UK Government Investments Limited Business Model

UK Government Investments Limited 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. UK Government Investments Limited 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.

UK Government Investments Limited provides expertise in asset sales, interventions, arm's length bodies (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, UK Government Investments Limited staff demonstrate the same degree of confidentiality as ministers would expect of their own officials, to the standards contained within the Civil Service Code.

UK Government Investments Limited 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.

UK Government Investments Limited's Performance

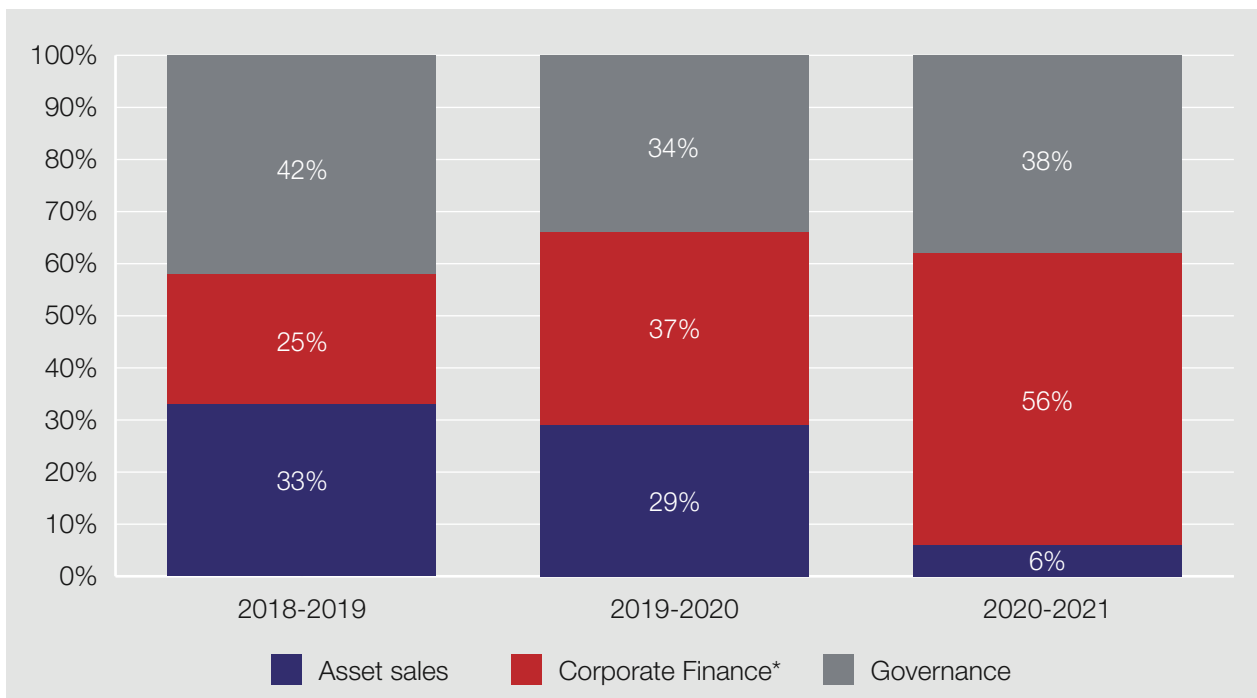
UKGI assesses its performance through a process of feedback from key stakeholders, including departmental permanent secretaries and chairs of portfolio entities; through measurement against performance metrics; and through a review of achievements against its objectives, which is subject to challenge and endorsement by its Board. Against all these measures, UKGI's performance in 2020-21 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 advice to departments on corporate finance, particularly in response to the COVID-19 economic shock. It successfully lead asset sales achieving value for money. And it established a fourth objective of contingent liabilities.

Objectives

UK Government Investments Limited is entrusted by HM Treasury to undertake the following objectives:

 <p>Corporate Governance</p> <p>Act as shareholder for, and lead establishment of, UK government arm's length bodies</p>	 <p>Corporate Finance</p> <p>Advise on all major UK government corporate finance matters, including financial interventions into corporate structures and corporate finance negotiations</p>	 <p>Contingent Liabilities²</p> <p>Analyse and advise on the UK government's contingent liabilities</p>	 <p>Asset Management</p> <p>Acquire, manage and execute the sale of all significant UK government corporate assets</p>
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Overall breakdown of UK Government Investments Limited objective by FTE



*In 2020-2021, Corporate Finance also includes Contingent Liabilities objective

Delivering our Objectives



Corporate Governance

Act as shareholder for, and lead establishment of, UK government arm's length bodies

Our scope

UK Government Investments Limited performs a shareholder role on behalf of government departments for 19 assets in its portfolio.

Employs over
115,000
people

Generates approx.
£17bn
of income

Manages gross
assets of over
£945bn

They cover a range of sectors, with the main activities being:



In 2020-21 UK Government Investments Limited took on new shareholder roles with Reclaim Fund Limited and OneWeb, where we have begun to lay the foundations for effective sponsorship functions. We also completed our role with the Nuclear Liabilities Fund (NLF) successfully, returning NLF to its sponsoring department.

Alongside our core shareholder role, we have continued to provide expertise on the establishment of arm's length bodies such as the UK Infrastructure Bank, and conduct bespoke governance reviews for organisations such as the National Physical Laboratory.

Centre of excellence

We have continued to promote our target governance model across Whitehall and beyond. During the year we supported key developments in government's governance frameworks for arm's length bodies from our practitioner perspective, including taking a role in the Cabinet Office's Public Bodies Programme. To continue to demonstrate our commitment to high standards of stewardship, UK Government Investments Limited will soon publish its Stewardship Report under the Financial Reporting Council's new Stewardship Code 2020.

Internally, we have continued to build our strategic capability through the development and dissemination of best practice and the sharing of expertise, including delivering over 1,100 hours of training for our staff.

Our virtual events programme continues to enable the sharing of experiences and perspectives across our portfolio. We held five focused events targeting core governance topics within our portfolio, with expert speakers and round table discussions reflecting on best practice from both the private and public sectors. These were each for the benefit of different members of the governance and leadership teams, including Chairs, Remuneration Committee Chairs, Audit and Risk Committee Chairs and CEOs. As part of this programme, we held an event on environmental considerations in governance for our portfolio leads in February 2021, which was a significant opportunity for UK Government Investments Limited and our assets to start collaborating in this vitally important area.

Delivering our governance role

UK Government Investments Limited has maintained our delivery of a proactive shareholder role to our portfolio of 19 assets, on behalf of seven departments. This has included strengthening the leadership for several assets through successful board appointments, supporting assets' effective financial sustainability and planning, and enhancing and updating assets' governance frameworks. We have continued to promote diverse leadership across our portfolio, with shareholder teams supporting on 30 non-executive appointments and re-appointments to portfolio entities and their boards.

Our teams played a key role in coordinating with assets and their sponsor departments as they managed the impacts of the pandemic, ensuring continued delivery of key services by establishing bespoke performance monitoring, governance structures and risk management processes in short timeframes. UK Government Investments Limited played a significant part in the delivery of government Covid support schemes, as can be seen in the case studies below.

Looking ahead, we remain committed to continuous improvement as we deliver our role as the centre of excellence in corporate governance in government, across our portfolio and in the governance and stewardship standards that we promote.

Case study - British Business Bank

UK Government Investments Limited acts as shareholder on behalf of BEIS for the British Business Bank (BBB). BBB is a government-owned economic development bank that makes finance markets for smaller businesses work more effectively, allowing those businesses to prosper, grow and build UK economic activity. Providing the shareholder function, UK Government Investments Limited proactively challenges and supports the organisational performance of BBB.

Following the onset of the pandemic, BBB's role and reach has grown significantly as it moved at pace to deliver four HMG Covid business support schemes. As a result of these schemes BBB supported over 1.6 million businesses with more than £75 billion of finance. We took a robust but flexible approach to this scale-up and the associated implications for corporate governance, ensuring that insofar as was reasonable BBB had challenging but achievable performance metrics and that BEIS and HMT Ministers were fully sighted on BBB's activities and understood the associated risks.

Case study – UK Export Finance

UK Export Finance (UKEF) is the UK's export credit agency and a government department. It is the world's oldest export credit agency and has a track record of providing world-class support for UK businesses, leading the way in the field of export credits for the last 100 years. UKEF's mission is to ensure that no viable UK export fails for lack of finance or insurance from the private sector, while operating at no net cost to the taxpayer. UKEF achieves this by providing insurance, guarantees and loans, where the private sector will not, backed by the strength of the UK government's balance sheet.

In 2020/21, working together with UKEF and HMT, UK Government Investments Limited co-developed a temporary framework in order for UKEF to provide targeted support to UK businesses through the pandemic. This Temporary Covid Risk Framework (TCRF) has been a key pillar in HMG's support to large UK corporates during the pandemic with UKEF over the year extending £7.3bn of support through this facility. This includes to names such as Rolls Royce, British Airways and easyJet. The TCRF facility has led UKEF to have a record year with more than £12bn of new business written, nearly triple the results in 2019-20.

International work

The UK continues to be 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.

In January 2021 our CEO, Charles Donald, took up the prestigious post of Chair of the OECD's Working Party on State Ownership and Privatisation Practices (WPSOPP). The WPSOPP is a policy forum created in 2001 to promote improved corporate governance of SOEs and provide guidance on privatisation practices. It oversees implementation of the OECD Guidelines on Corporate Governance of SOEs, which provide a framework for governments to assess and improve the way they exercise ownership of SOEs. Members of the Working Party include all 37 OECD Member countries and the EU Commission. UK Government Investments Limited has represented the UK at the WPSOPP for over ten years and has provided expertise and support to the WPSOPP in numerous ways, including fielding UK Government Investments Limited colleagues to participate in speaking and training events as well as experts in the field of SOE governance and privatisation practices.

The overarching objectives of the Working Party are:

- to initiate and promote policy dialogue and information exchange among members and partner countries with the purpose of improving corporate governance of SOEs and practices for implementing privatisation policies;
- to encourage and assist the application of the G20/OECD Principles of Corporate Governance to SOEs; and
- to act as an international standard setter promoting disclosure, transparency, integrity and a level playing field through the implementation of the OECD Guidelines on Corporate Governance of SOEs.

Although this year UK Government Investments Limited has understandably not been permitted to meet with our fellow members of the WPSOPP owing to travel restrictions, we have still managed to contribute to the Working Party (albeit virtually) in a number of ways, including presenting on the UK government's approach to supporting the corporate sector during the Covid-19 pandemic.



Corporate Finance

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

UK Government Investments Limited 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 UK Government Investments Limited working closely with HMT, BEIS, the British Business Bank, and the Bank of England as part of the economic response to the pandemic.

Covid Interventions Resolution Group

As well as supporting the Advisory Credit Committee, and its advice to HM Treasury on lending via the Bank of England's Covid Corporate Financing Facility, during the year we established the Covid Interventions Resolution Group (CIRG). Drawing on our corporate finance expertise, the team provides stewardship of this loan portfolio until the final maturities in March 2022. A new sub-committee of the UK Government Investments Limited Board has also been established, the "CIRG Committee", with a specific focus on CIRG's operations, activities and governance.

Vaccine Task Force

UK Government Investments Limited's corporate finance team has worked closely with HMG's Vaccine Task Force (the VTF) since its inception in April 2020. A small number of UK Government Investments Limited employees worked intensively with the VTF over the year to secure access to a portfolio of vaccines, and are credited with a strong contribution to its success. UK Government Investments Limited employees, working together with BEIS as one team, led the negotiations for all seven of the initial vaccines purchased by HMG to tackle COVID-19 and also helped to secure vaccine and fill/finish manufacturing capacity, build capability and secure additional doses of vaccines. UK Government Investments Limited influence has extended to the current VTF Director General being recruited from its ranks. UK Government Investments Limited continues to be involved in this area in particular in relation to expanding the UK's vaccine manufacturing capability.

Special Situations Group

UK Government Investments Limited's 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 act as a bridge between the private and public sectors, applying deep understanding of the objectives and workings of both.

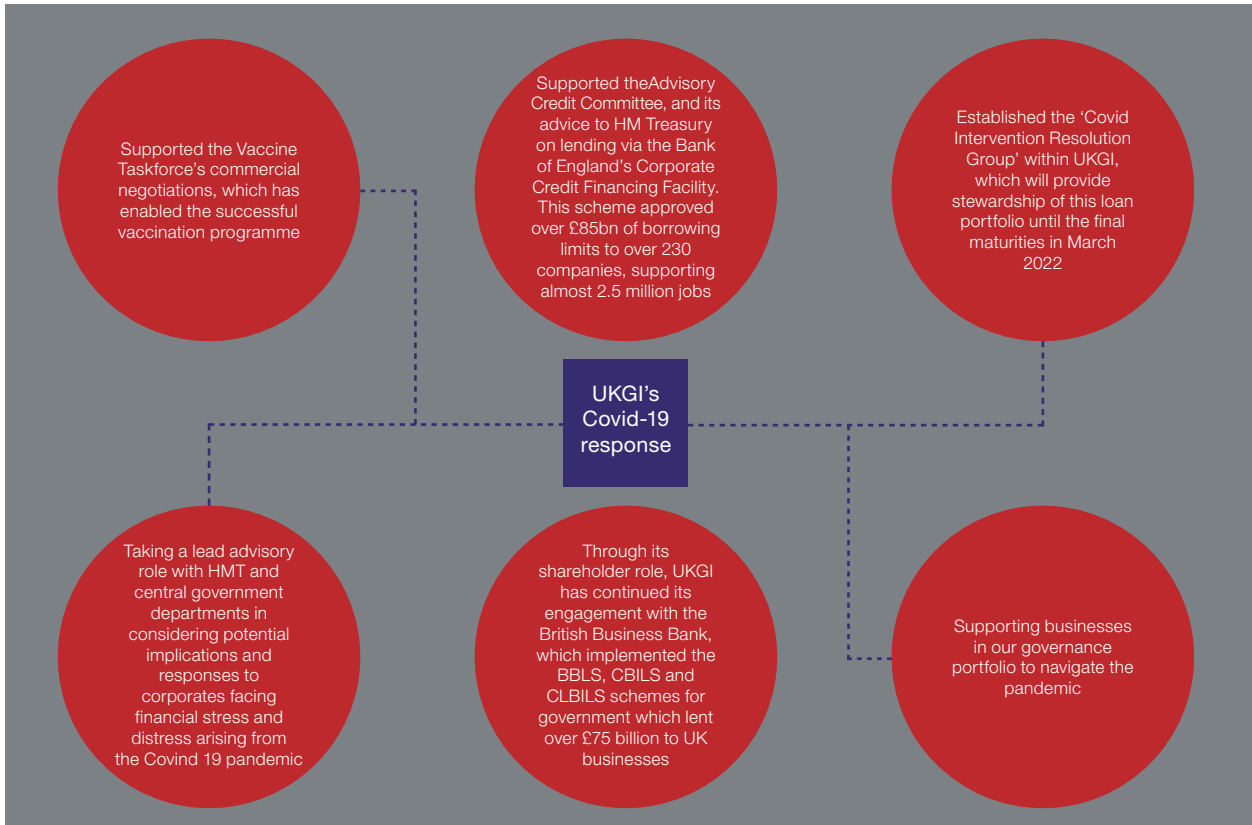
Our objectives are to:

- **Contingency plan:** We support stakeholders across Government to contingency plan for company and sector-wide failures.
- **Advise on interventions:** We advise government departments when they are considering intervention in the private sector to further policy objectives.
- **Educate:** We help our stakeholders across Government to understand the signs of financial stress and distress and the implications of these for Government. We also help to educate private sector partners facing financial stress or distress on HMG's aims and objectives in such circumstances.

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

This year, the team has again been at the centre of some of the most high-profile situations where Government has an interest, including taking a lead advisory role with HMT and central government departments in considering potential implications and responses to corporates facing financial stress and distress arising from the Covid 19 pandemic.

UK Government Investments Limited has been critical to the government's response to the pandemic





Contingent liabilities

Analyse and advise on the UK government's contingent liabilities.

HMT's November 2020 *Balance Sheet Review Report* announced the establishment of a Contingent Liability Central Capability (CLCC), which will be housed in UK Government Investments Limited.

The UK Government Investments Limited CLCC is an analytical and advisory unit formed to strengthen contingent liability expertise across government. The new unit brings together a diverse set of skills and expertise including actuaries seconded from Government Actuary's Department (GAD), credit risk experts, policy professionals and analysts.

The CLCC will work with departments, providing guidance and promoting best practice across government to assess the financial impacts of contingent liabilities consistently and accurately. One area of focus will be the assessment of new contingent liabilities, looking at loan guarantees and insurance indemnities. The CLCC will work with departments to quantify risks, incorporate risk mitigations and charge appropriate premiums for risk transferred to the government. It will also be reviewing existing contingent liabilities on both an individual and portfolio basis, to inform HM Treasury's risk management and contingency planning. This includes conducting stress tests to determine the economic conditions to which the government is especially vulnerable.

During the year, UK Government Investments Limited (working closely with HMT and GAD) undertook preparatory work to establish the CLCC ahead of its initial phased launch which commenced in April 2021.



Asset Realisation

Acquire, manage and execute the sale of all significant UK government corporate assets.

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

NatWest Group

In 2020-21, FIG successfully led a directed buyback transaction of NWG shares, directly to the company, on behalf of HM Treasury. The sale raised c.£1.1bn for the taxpayer, achieving value for money and reducing the government's shareholding in the bank (see case study below). It represents an important step in the Government's plan to return institutions brought into public ownership as a result of the 2007-2008 financial crisis to private ownership.

In parallel, FIG has continued to engage closely with the NWG Board on stewardship issues. Over the past 12 months UK Government Investments Limited has constructively engaged with NWG in a shareholder role on topics such as adapting to COVID, implementation and impact of government support schemes, remuneration, and improving ESG ratings.

UK Asset Resolution

The past year has also seen continued progress on the remaining assets held by UKAR. Over this period, FIG has continued to provide a shareholder role on behalf of government, helping to ensure that UKAR's governance functions in line with best practice and that the Company continues to be well managed. This has been evidenced throughout the pandemic, with UKAR maintaining a strong financial position while continuing to support customers (for example, through payment holidays).

In addition to this, FIG has continued to play an integral role in UKAR's asset disposal programme, working with both UKAR and HMT to progress the wind-down through large asset sales. This culminated in the announcement of the final sale in February 2021, raising £5 billion for the taxpayer and including the sale of the B&B and NRAM companies.

Case Study - UK Asset Resolution: Return of Bradford & Bingley and NRAM Limited to private ownership

On 26 February 2021, UKAR agreed the sale of the issued share capital and remaining mortgage and loan portfolios of Bradford & Bingley plc and NRAM Limited and their subsidiary companies in a transaction worth around £5 billion. The buyer comprised a consortium of Citibank and Davidson Kempner, with funding provided by PIMCO.

This was a particularly significant sale as it brings to a close the government's ownership of the assets acquired from its interventions in Northern Rock and Bradford & Bingley during the financial crisis of 2007-08, with the taxpayer fully repaid.

FIG worked with both UKAR and HMT on the sale, providing expertise to help devise and implement a strategy that delivered government's objectives and achieved value for money.

In addition to returning taxpayer funds to the Exchequer, a key consideration for the sale was the continued fair treatment of customers, as it has been in previous sales. The transaction results in a change in ownership of B&B and NRAM but does not involve any of their 29,000 customers moving to a new lender. There will be no changes to the terms and conditions of any loans as a result of this transaction and borrowers will continue to receive the same protections for the lifetime of their mortgage as they currently receive under UKAR ownership.

Case Study - NatWest Group

As set out at Budget 2021, the government intends to fully dispose of the NatWest (formerly Royal Bank of Scotland Group plc) shareholding by 2025-26, subject to market conditions and any sale achieving value for money. The considerable economic impact and uncertainty caused by COVID-19 had a significant effect on global financial markets and prevented any realistic opportunities for UK Government Investments Limited to transact during 2020.

On 19 March 2021, UK Government Investments Limited successfully executed the disposal of approximately £1.1bn worth of NWG shares, representing 4.86% of the company, by way of a directed buyback transaction. A total of c.591m shares were sold at the 18 March 2021 closing market price of 190.5p per share. The reduction in the government's shareholding is less than the percentage sold following the cancellation of shares by NatWest. Following this transaction, the government's shareholding decreased to 59.8%³.

This innovative structure represents the first sale of shares via an off-market share sale directly to the company undertaken by the government. UK Government Investments Limited supported HM Treasury by designing, developing and implementing the transaction. As a result, the government, supported by UK Government Investments Limited's advice, delivered a successful transaction which represented value for money.

The sale represents an important step in the government's plan to return institutions brought into public ownership as a result of the 2007-2008 financial crisis to private ownership.

³ The government's shareholding now stands at 54.8% following a subsequent transaction on 10 May.

Chief Operating Officer's Statement

UK Government Investments Limited's headcount has necessarily increased as a result of our expanded remit undertaking new Covid and non-Covid related activities over the year. At the time of writing we are at 134 FTE (153 actual heads), with a planned pipeline to increase that to c165-170 FTE by September 2021. This represents a significant uplift in headcount during 2020/21 from 102 FTE in March 2020.

"Everyone you work with at UK Government Investments Limited is really smart, energetic and dedicated, thinks creatively about solving problems and really wants to pitch in and help."

Ben Kennedy,
Assistant Director

Hybrid working

With an increased headcount, it would be logical to acquire more office space. However, staff were surveyed and there is a clear desire to change the way in which we work and move to a hybrid working model – part home working and part working from the office. We have provided a general guide that colleagues should typically work from the office three days a week and work from home for two days, adjusted for personal circumstances and working patterns. This will mean that not all staff will be in the office at once (reducing the requirement for the number of desks) and the time spent in the office will have a greater focus on collaboration. Therefore, instead of acquiring new space, we have reconfigured the office space we have to ensure that it is fit for this new purpose, ensured that the correct technology is in place both in the office and the home to enable hybrid working, and started the process of adapting our behaviours to create a successful hybrid organisation.

Insight Secondment Programme

The UK Government Investments Limited Insight Secondment Programme offers private sector corporate financiers and corporate governance practitioners a unique opportunity to work across Government on some of its most interesting and complex commercial tasks. 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.

"I have found it so refreshing to see projects through the lens of government where areas of importance or concern expand that of traditional banking principles. Everyone has been so welcoming and the exposure to the range of stakeholders has increased my knowledge and understanding of different points of view."

Lucy Hewitt, *Manager*

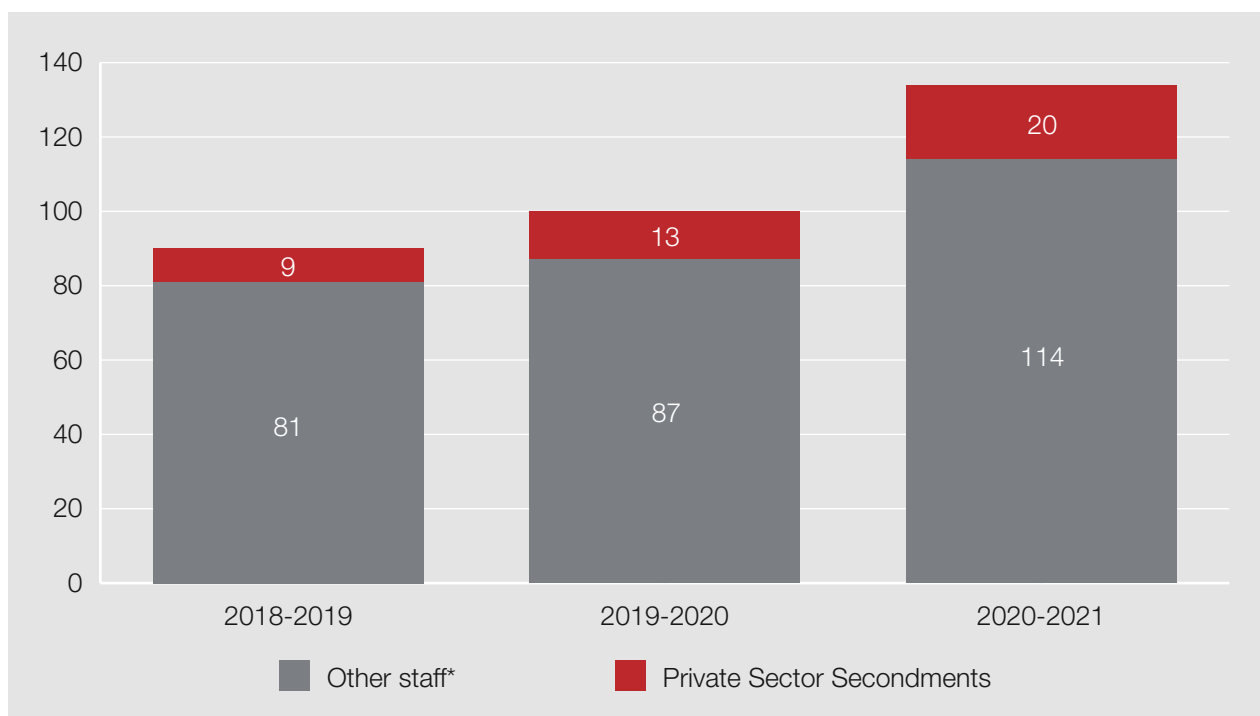
UK Government Investments Limited values the insight and expertise its highly talented secondees bring to the organisation. By bringing together individuals from the public and private sectors, UK Government Investments Limited can provide sound advice to government departments, helping to resolve matters of national interest. This has been particularly the case this financial year as UK Government Investments Limited has supported Government in its response to the COVID-19 pandemic. Secondees have played an important role in UK Government Investments Limited's Special Situations Group and in UK Government Investments Limited's interactions with HM Treasury on Covid-19 financial support schemes.

“The opportunity to work on projects where you can really make a difference and at times can be high profile, and most importantly it's to be part of a really impressive team that are motivated, talented and really fun to work with.”

Sukhi Johal, *Executive Director*

The number of secondees from the UK Government Investments Limited Insight Secondment Programme for the FY20/21 was 20, a significant uplift from 13 secondees in FY19/20. The secondees came from 12 firms demonstrating the strong relationships UK Government Investments Limited has developed with a mix of private sector firms including Accountants, Law Firms, Advisory Firms and Banks. This has allowed us to draw on highly talented people as we have expanded our capacity in response to the COVID-19 pandemic.

Maintaining our ratio of ISP secondment to other staff as the organisation grows



*Staff numbers are the average monthly full time equivalent for the year. Other staff excludes non executive board members.

UK Government Investments Limited values

At a time when it would be easy to focus on the technical nature of our work, we have chosen to refresh our values which are so intrinsic to the unique culture of UK Government Investments Limited and the way in which we work. Although the projects we are working on can change, the values and underlying behaviours are a constant. A broad spectrum of colleagues were involved in the evolution of our values and they have subsequently been shared in our new office space and on our website and intranet. We are also thinking of other ways to embed the values by including them in a more structured way in recruitment and appraisals. The refreshed values are shown below.

At UK Government Investments Limited we are:

- Supportive and inclusive
- Open and honest
- Expert and professional
- Collaborative and outcome-focused

Supporting our people

2020/21 has been a particularly challenging year for many colleagues. Remote working and the pressure of child/ dependent care has undoubtedly resulted in decreased levels of productivity and greater stress levels. We have worked hard to ensure that all colleagues feel fully supported and engaged during this period. In a difficult year, we were very pleased with this year's People Survey which went out to staff in September 2020. Our overall staff engagement score was very high at 77% and is up seven percentage points on last year's results. The results were buoyed by an increased sense of purpose for UK Government Investments Limited as an organisation and wider recognition of the importance of the work we do. There are some areas to work on, namely around feedback and inclusive decision making. We won't rest on our laurels but even for those areas it is important to be seen in the context of UK Government Investments Limited achieving very high scores relative to other similar organisations.

"It's a meaningful job. The transactions I am working on are transactions of national relevance that have positive social impact"

Nancy Zhang,
Executive Director

Mental Health & Wellbeing (MH&W)

2020-21 being a uniquely stressful year has served to further increase the importance and visibility of mental health & wellbeing as something core to UK Government Investments Limited culture and behaviours.

This centrality is reflected in the way wellbeing is now explicitly included within the 'Supportive and Inclusive' element of the refreshed UK Government Investments Limited

values. Additionally, recent actions by the Mental Health and Wellbeing (MHW) group to shift from 'start up' to 'ongoing operations' strategy, along with a focus on further professionalising the group are designed to drive forward an even stronger culture while systematically addressing elements of the Seriously Inclusive report, referred to below.

The MH&W group adapted to remote working, continuing to provide confidential support and advice to colleagues throughout the year as well as delivering quizzes, games nights and other awareness raising events. Particular effort was made to mark Mental Health Awareness Week and World Eating Disorder Day with various events and candid staff blogs, acting as catalysts to open, non-judgemental discussion.

Learning and Development

In 2020 UK Government Investments Limited asked all members of staff to undertake at least 16 hours of continuous professional development across the reporting year. We offered over 70 courses and seminars covering various topics including, corporate finance, governance, well-being and self-development. Each of these training sessions were held virtually and the attendance rate for our weekly seminars has at least doubled as a result. In addition, we successfully introduced a behavioural tool to help people recognise the diversity of behaviours of individuals and over 100 volunteers have signed up.

Government Corporate Finance Profession

The government corporate finance profession (GCFP) is one of the 28 recognised professions across government. It is led by UK Government Investments Limited with our Chief Executive the 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 around 200 members 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 and seminars, holding networking events and maintaining the GCFP competency framework.

Over the last year, the GCFP has successfully hosted over 30 seminars for members over a range of topics and delivered a number of training courses on corporate finance and governance skills. The profession has also increased engagement with members through a bi-monthly newsletter and newly set up LinkedIn group for sharing ideas, updates and information on events, vacancies and training. Working with the Cabinet Office, we have developed a senior civil service capability framework for the profession.

In March 2021, we hosted the annual GCFP event in a virtual format focusing on business planning and financial resilience for COVID recovery. This well-attended event featured three expert speakers who provided a range of perspectives from the private and public sector around how organisations are looking to build back better, with members of the profession sharing their own perspectives and networking with colleagues in smaller group discussions.

Over the course of this year, we will look to strengthen the engagement with our network of colleagues working across government in corporate finance and governance roles. As part of this, a recently completed skills survey will help us to target specific training and seminars to address key competencies in which our members would like to develop their skills and knowledge.

Volunteering

Throughout the year we have partnered with One Westminster to hold virtual volunteering events enabling colleagues to get to know each other better and enhancing UK Government Investments Limited's network, whilst contributing to local communities. We've identified opportunities for staff to become board-ready with roles on charity boards, ran an online employability workshop for women seeking work, organised regular keep-in-touch calls for staff with lonely local residents, and held a fundraising drive in December which enabled a local women's homeless charity to completely renovate their day centre making a real difference to the lives of local women.

Building a diverse and inclusive workplace

Our increased commitment on our journey to become a diverse and inclusive organisation has resulted in much activity this year with notable progress in a number of areas. In particular:

- UK Government Investments Limited made progress on its formal diversity targets, reaching the *Women in Finance* gender target in March 2021 with 41% of the senior management cadre categorised as female. The BAME target is 10% of the senior management cadre by the end of 2022 – currently 6% of this group identifies as BAME;
- Seriously Inclusive, a diversity and inclusion consultancy, were procured and conducted an external D&I audit of the organisation. The report was distributed to the whole organisation in full form. We are pleased in that it both recognises the progress we have made and also give us some clear steers for areas on which we should now focus. Each workstream is being championed by a member of senior management;
- A BAME network was set up and put on a fantastic array of learning and discussion opportunities for Black History Month
- Staff organised a panel event for International Women's Day with a range of colleagues speaking about their experiences and answering questions

- We marked LGBTQ+ History Month with a number of blogs;
- The Staff D&I Working Group continued to grow, and appointed informal working level “champions” covering the various diversity characteristics;
- The MentorED initiative was launched to provide the option for more junior colleagues to have an ED level mentor;
- A buddying scheme has been set up to provide new staff with buddies at both peer and more senior levels – this has been invaluable to new joiners during lockdown;
- The reverse mentoring scheme continued to be successful with more junior colleagues mentoring more senior ones
- Staff set up a new, informal ‘parents and carers’ group
- A board- level diversity policy was approved and a non-executive director, Robin Lawther, appointed as the board’s diversity and inclusion champion.

There is widespread enthusiasm for these initiatives, which are driven by colleagues throughout the organisation, including the board and senior management. Nonetheless, there remains much to do to realise our ambitions in this area.

Gender Pay

As an organisation with only 153 employees, UK Government Investments Limited 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 2021, our mean gender pay gap was 23.7% (31 March 2020: 23.6%), and our median gender pay gap was 24.4% (31 March 20:20 28.6%). Our mean and median bonus gap was 24.8%% and 28.9% respectively (31 March 2020: 40.7% and 50.3%).

“I hope to gain valuable insights and experience that I can utilise to bring fresh perspectives to problems when I return to my home department at the end of my secondment.”

Vivienne Li, *Civil Service
Secondee, Manager*

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. We anticipate this composition to gradually shift through our commitment to diversity and inclusion and the initiatives outlined above.

Risk Management

UK Government Investments Limited's approach to risk

UK Government Investments Limited adheres to HMT's Orange Book on Risk Management, which was updated in 2020, reflecting increased emphasis on

- leadership, culture, values and behaviours as a part of effective risk management;
- embedding risk management in decision-making – within planning, policy development, prioritisation and performance management – not as something separate;
- the need to have an informed view of all risks based on the best information and expertise, including the critical role that functions and professions play in providing expert judgements on risks and their management; and
- learning from experience to continually improve the successful delivery of outcomes.

Based on these Orange Book principles, UK Government Investments Limited has effective risk management arrangements and frameworks, as set out below.

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.”


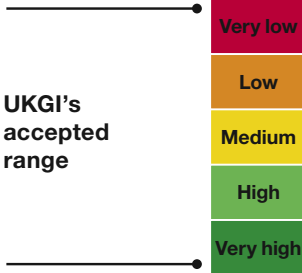
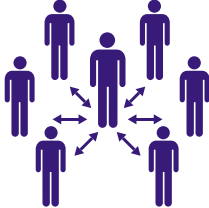
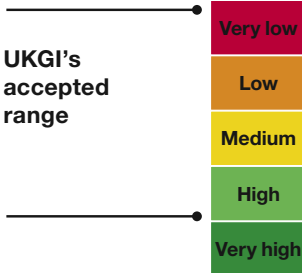

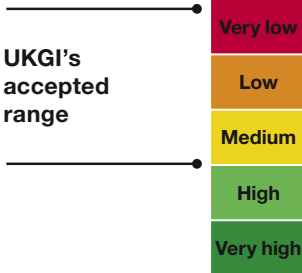
UK Government Investments Limited monitors a number of operational and strategic risks. These include risks regarding staffing, IT systems and relationships around Whitehall.

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.

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, UK Government Investments Limited'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 UK Government Investments Limited will seek to deliver its advice to the highest standard possible. However, it is recognised that many of the issues UK Government Investments Limited's staff deal with are complex and require judgemental decision-making and therefore UK Government Investments Limited'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>UK Government Investments Limited's reputation and performance is dependent on its people. Having experienced the highly- skilled professionals correctly allocated is vital in order to ensure UK Government Investments Limited can deliver the high-profile and complex work it undertakes. UK Government Investments Limited 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>UK Government Investments Limited 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 UK Government Investments Limited and its partner bodies. There is a low risk appetite regarding data security, which is a vital component of UK Government Investments Limited's controls due to the sensitivity of the work performed.</p>

UK Government Investments Limited 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 2020-2021 and its anticipated funding in 2021-2022 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, and the Ministry of Defence. These transfers were made through HM Treasury and the transfers form part of the total UK Government Investments Limited budget.

	2020-21 (£m)	2021-22 (£m)
HM Treasury	13.3	20.2
Department for Transport	0.4	0.4
Department for Education	0.7	0.0
Ministry of Defence	1.3	1.4
Department for Business, Energy and Industrial Strategy	0.0	0.6
Total Funding	15.7	22.6

Approval and signing

The Strategic Report was approved by the Board of Directors on 16 July 2021 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 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 UK Government Investments Limited. It comprises the UK Government Investments Limited Chief Executive, and UK Government Investments Limited senior management including the Chief Financial Officer, General Counsel and Chief Operating Officer. The Executive Committee meets weekly to discuss UK Government Investments Limited business. It reviews key management information documents monthly. This process of regular review and challenge by UK Government Investments Limited executives ensures that the information provided to the board and its committees is up-to-date and reliable. This in turn enables the UK Government Investments Limited directors to carry out their duties.

UK Government Investments Limited has an agreed Framework Document with HM Treasury. This document sets out the broad framework within which UK Government Investments Limited will operate and can be found on the UK Government Investments Limited 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 2021, the UK Government Investments Limited 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)	Chair	N (Chair), T, C
James Leigh Pemberton (appointed 11 September 2015)	Non-Executive Deputy Chair	N, T (Chair), C
Jane Guyett (appointed 12 February 2016, appointed as Senior Independent Director 28 September 2016)	Senior Independent Director	A (Chair), N, T, C
Jitesh Gadhia (appointed 12 February 2016)	Non-Executive Director	R, N, T

Board Member	Position	Committee Membership
Robin Lawther (appointed 12 February 2016)	Non-Executive Director	A, R, N, T, C(Chair)
Caroline Thomson (appointed 12 February 2016)	Non-Executive Director	R (Chair), N
Alex Chisholm (resigned 14 April 2020)	Non-Executive Director	N
Andrew Duff (appointed 9 July 2019)	Non-Executive Director	N, A, T
Clare Hollingsworth (appointed 23 May 2019)	Non-Executive Director	N, R
Charles Donald (appointed 12 March 2020)	Chief Executive	T, C
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
Sarah Munby (appointed 30 September 2020)	BEIS-Appointed Non-Executive Director	N

Key: R = Remuneration Committee; A = Audit and Risk Committee; N = Nominations Committee; T = Transactions Committee; C = CIRG Committee

Non-executive board appointments, other than those appointed by HM Treasury, are for a term of up to three years and can be terminated by either party with three months' notice. Alex Chisholm stepped down from the board at the beginning of April 2020 upon being appointed as permanent secretary of the Cabinet Office. His replacement as permanent secretary of BEIS, Sarah Munby, was appointed to the board in 30 September 2020. Clare Hollingsworth stepped down from the Transactions Committee in October 2020.

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

As a non-listed, government-owned entity, UK Government Investments Limited is not required to apply the UK Corporate Governance Code, but draws on the Code as source of best practice in its reporting and governance arrangements. . UK Government Investments Limited does not hold an annual general meeting, but holds quarterly shareholder meetings, and 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 UK Government Investments Limited'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 UK Government Investments Limited's portfolio; and
- A risk heatmap setting out the risks to delivery and reputation for each of UK Government Investments Limited'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 UK Government Investments Limited processes including the review of governance documentation and knowledge management.

In the opinion of GIAA, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. UK Government Investments Limited is committed to implementing the recommendations of the GIAA.

Transparency

UK Government Investments Limited 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 the year the board commissioned a review of its effectiveness. This was facilitated internally by the company secretarial function, with an external review due next year. The main focus of the review was on board composition, which resulted in specifications for new board recruits who will join in the course of 2022, and on reviewing the implementation of the recommendations of the prior year's review. It was found that these recommendations were effective in improving interactions between the board and the rest of the organisation.

During the year, UK Government Investments Limited also made considerable progress with regards to ensuring further engagement between the board and the wider organisation. Non-executive directors attended staff meetings and networks to share their knowledge and offer support where needed.

Sustainability

UK Government Investments Limited 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 UK Government Investments Limited'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 2020-21, UK Government Investments Limited made 91% (2019- 20: 93%) of all supplier payments within 5 days. HM Treasury group's target is 90%. UK Government Investments Limited will continue to seek further improvements in its payment processes in order to push towards making all supplier payments within 5 days.

Going concern

UK Government Investments Limited is funded annually by Parliament through grant-in-aid financed from the HM Treasury supply estimate. UK Government Investments Limited's funding has been agreed for 2021-22.

The financial statements for 2021-2022 show a negative reserve in the Statement of Changes in Taxpayer Equity. This reflects UK Government Investments Limited'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 UK Government Investments Limited's financial obligations. Grant-in-aid cash has been transferred to meet UK Government Investments Limited'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 UK Government Investments Limited 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.

The board and its committees meet regularly throughout the year. All agendas are structured to allow adequate and sufficient time for discussions of the items on the agenda, particularly strategic issues. The attendance of individual board members at board and committee meetings during 2020/21, together with the overall number of meetings held is set out below.

Summary of meetings and attendance

Number of meetings attended in 2020 21	Board	Audit and Risk	Remuneration	Transaction	CIRG
¹ Robert Swannell	10/10			21/21	2/2
James Leigh-Pemberton	9/10			21/21	2/2
Jane Guyett	10/10	3/3		21/21	2/2
Jitesh Gadhia	10/10		3/3	21/21	2/2
Robin Lawther	10/10	3/3	3/3	18/21	2/2
Caroline Thomson	10/10		3/3		
Andrew Duff	9/10	3/3		18/21	
Clare Hollingsworth	10/10		3/3	9/9	
Sarah Munby	4/4				
Charles Roxburgh	4/10				
Philip Duffy	6/10				
² Charles Donald	10/10			20/21	2/2

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

²Charles Donald is a member of the Transactions Committee and CIRG Committee; he was invited to attend all other committee meetings as an observer.

Alex Chisholm stepped down from the board before its first meeting of the year commencing 1 April 2020.

Events after the reporting period

There are no events after the reporting period which will have a material effect on the Financial Statements of UK Government Investments Limited.

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. UK Government Investments Limited 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 £29,000 plus VAT (2019-20: £26,000). 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 UK Government Investments Limited board



Robert Swannell CBE – Chairman

Robert is the Chairman of UK Government Investments Limited.

Robert was previously the Chairman of the Shareholder Executive, UK Government Investments Limited'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 Schroders/Citigroup. He was formerly Vice-Chairman of Citi Europe and Chairman of Citi's European Investment Bank. He was senior independent director of both the British Land Company plc (NED 1999 to 2010) and of 3i Group plc (NED, 2006 to 2010). Robert was Chairman of HMV Group plc from February 2009 until March 2011.



Sir James Leigh-Pemberton – Non-Executive Deputy Chairman

James is the Deputy Chairman of UK Government Investments Limited, 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.

James is a member of the Prince's Council and Receiver General of the Duchy of Cornwall. He is Chairman of the Trustees of the Charities Aid Foundation and a trustee of The Alnwick Garden Trust and the Royal Collection Trust.



Charles Donald – Chief Executive

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

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

Charles heads the Government's Corporate Finance Profession and also chairs the OECD's Working Party on State Ownership and Privatisation Practices, the policy forum to promote improved corporate governance of state-owned enterprises. In addition he serves as a Trustee on the board of Help for Heroes, the charity that supports wounded veterans.

Subsequent to the year-end, Charles assumed a non-executive role on behalf of the shareholder for the UK Infrastructure Bank.



Jane Guyett CBE – 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., LCH Limited, and Dalcov 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.



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. Andrew has been appointed a member of the board of Sage Group plc from 1 May 2021 and Chair from 1 October 2021. He was previously the Chief Executive Officer of RWE Npower and a member of the RWE Executive Committee. Andrew was previously the Senior Trustee of Macmillan Cancer Support. He is 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 a board member of FTSE 100 housebuilder Taylor Wimpey plc.

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.



Clare Hollingsworth – Non-executive director

Clare currently chairs Go-Ahead Group plc, a listed transport business and is senior independent director at the LTA, the national governing body of tennis. Prior to holding these positions, Clare was Chairman of Eurostar International Ltd and non-executive director of Mölnlycke AB, 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 CBE – Non-executive director

Robin Lawther is currently a Non-Executive Director at Nordea Bank and Ashurst LLP and a member of the M&A Advisory Board of Aon. In addition, she works with her own privately owned student housing developments in the US, UK, and Germany.

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 Execution 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 actively involved in women's mentoring programmes, is a backcountry snowboarder, and is a supporter of several London theatres.



Sarah Munby – Non-executive director

Sarah Munby became Permanent Secretary for the Department for Business, Energy and Industrial Strategy (BEIS) on 20 July 2020.

Sarah joined BEIS in July 2019 as Director General, Business Sectors. Before that, Sarah worked at McKinsey, where she led their Strategy and Corporate Finance practice in the UK and Ireland. She has worked with some of the UK's largest companies to change their strategic direction and led much of McKinsey's work on productivity across the UK economy. Sarah began her career in the Civil Service as an Assistant Economist in the Department for Environment, Food and Rural Affairs (Defra).



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 responsible for Freeview, the digital terrestrial television platform. Until October 2020 she was also chair of Oxfam.

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 Foreword

The Audit & Risk Committee's (ARC's) overarching aim is to ensure that UK Government Investments Limited continues to maintain the highest standard of risk management processes, which continues to be an exemplar for other government bodies. The committee has focused on continuous improvement and ensuring that other aspects of internal control systems, processes and quality management are similarly well developed. To this end, in the year, the committee:

- Supported the organisation in managing the increased risk from the expansion of UK Government Investments Limited's scope and size due to the COVID-19 economic response measures and conducted continuous reviews of risk registers and mitigation plans around key business areas and agreed an enhanced risk management process for non-core work streams.
- Agreed changes to UK Government Investments Limited's processes for Project reviews, which comprise a core part of UK Government Investments Limited's internal control framework;
- Considered and made amendments to UK Government Investments Limited's contract management framework;
- Asked GIAA to review UK Government Investments Limited's MOUs and Framework documents for asset and departments as well as knowledge management;

Looking forward to 2021-22, the key objectives for the ARC will be to ensure UK Government Investments Limited appropriately manages and mitigates the increasing risk profile. The committee will continue to work closely with GIAA and the NAO, supported in particular by UK Government Investments Limited'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 2020-2021 were all non-executive directors of UK Government Investments Limited and are:

- Jane Guyett (Chair)
- Robin Lawther
- Andrew Duff

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, and approval of any post-employment restrictions applied to senior staff.

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 Project Review 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.

Transactions Committee Report

Transactions Committee Chair's Foreword

The role of the Transactions Committee is to oversee the preparation and execution of transactions where UK Government Investments Limited provides advice to Ministers and Accounting Officers, and to oversee the stewardship of those assets which the Government has determined it has no policy reason to retain, including but not limited to the Government's investments in NatWest Group plc (NWG) and UK Asset Resolution (UKAR).

The considerable economic impact and market volatility caused by COVID-19 prevented any realistic opportunities for UK Government Investments Limited to transact for the majority of 2020. Throughout the pandemic, the Transactions Committee continued to oversee NWG stewardship responsibilities, supporting the FIG team to constructively engage with NWG in a shareholder role on a range of topics including adapting to COVID, implementation and impact of government support schemes and remuneration. On 19 March 2021, following a period of renewed momentum in banking stocks during which the NWG share price performed strongly, the Transactions Committee advised on the directed buyback transaction in which HM Treasury sold NWG shares, with a value of approximately £1.125 billion, directly to the company. This innovative transaction represents the first sale of shares via an off-market share sale directly to the company undertaken by the government.

As a result of the market impact of COVID, the planned sale of the residual asset portfolios and legal entities of UK Asset Resolution Limited (UKAR), originally scheduled to complete in 2020, was suspended. Though the suspension was at the buyers' request, the Transactions Committee remained engaged throughout the process in line with UK Government Investments Limited's stewardship and asset realisation responsibilities. This ensured that UKAR suspended the transaction in an orderly manner with a 'clean edge' which allowed the disposal to be resumed subsequently as market conditions improved. This approach proved to be ultimately successful, with the transaction resumed in September 2020 and agreement of the sale announced on 26 February 2021.

The sale included the issued share capital and remaining mortgage and loan portfolios of Bradford & Bingley plc and NRAM Limited and their subsidiary companies in a transaction worth around £5 billion. The buyer was a consortium of Citibank and Davidson Kempner, with funding provided by PIMCO. The sale brought to a close the government's ownership of the assets acquired from its interventions in Northern Rock and Bradford & Bingley during the financial crisis of 2007-08 – with the taxpayer fully repaid.

James Leigh-Pemberton

Chair of the Transactions Committee

Activities of the Transactions Committee

The Transactions Committee comprises the Chair of UK Government Investments Limited, the Chief Executive of UK Government Investments Limited, the Director of the Financial Institutions Group in UK Government Investments Limited and at least three additional independent non-executive directors. The current members are:

- James Leigh-Pemberton (Chair)
- Robert Swannell
- Charles Donald
- Andrew Duff
- Jane Guyett
- Jitesh Gadhia
- Robin Lawther
- Holger Vieten

The committee convenes monthly with update calls taking place approximately two weeks after each meeting, unless otherwise determined by the chair of the committee. Further ad-hoc meetings may be called subject to the requirements of specific transactions. To ensure the UK Government Investments Limited Board are kept up to date on the activities of the committee, the chair provides an update to the board as a standing item on each UK Government Investments Limited Board agenda.

The Transactions Committee has agreed terms of reference which define its scope as follows:

- Disposal strategy - The committee will review and determine recommendations and advice to Accounting Officers and Ministers about major decisions to be taken by Ministers at key milestones regarding the Financial Investment Assets. Ministers and Accounting Officers retain final accountability for such decisions. Such milestones might include, but are not limited to, transaction execution strategy, the pricing of a sale or agreement to sale in a private market transaction.
- Post-transaction: The committee will also determine material recommendations and advice relating to its Financial Investment Assets during any period of post-transaction scrutiny.
- Stewardship - The committee will review and make recommendations on activities which may have a material impact in determining the value of its Financial Investment Assets prior to ultimate disposal, including overseeing stewardship responsibilities for the Financial Investment Assets, and where necessary making recommendations with regard to shareholder responsibilities (including for example voting at shareholder meetings on behalf of the relevant government department and matters relating to remuneration, board composition, and company strategy).

Remuneration Committee Report

Remuneration Chair's Foreword

The responsibility of the Remuneration committee centres on approving the pay of director-level staff, and overall approval of the performance-related pay award. In respect of performance related pay, the focus of the Remuneration Committee this year has been on the need to ensure the efforts of the people at UK Government Investments Limited, which have been exceptional, have been properly recognised, whilst having due regard to the wider context of the pandemic. We have given particular consideration to the varying circumstances which our diverse set of employees have experienced over the course of the pandemic. This has resulted in a minor modification to the PRP framework, without diluting our commitment to reward excellence.

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

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 twice 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 a cash payment 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	2019-20
	£'000	£'000	£'000	£'000	£'000
Robert Swannell	50 - 55			50 - 55	50 - 55
Andrew Duff	35 - 40			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	30 - 35			30 - 35	30 - 35
Robin Lawther	35 - 40			35 - 40	35 - 40
James Leigh-Pemberton	40 - 45			40 - 45	40 - 45
Caroline Thomson	30 - 35			30 - 35	30 - 35
Simon Palley (to May 2019)					0 - 5 FYE (25-30)
Mark Russell (to 31 October 2019)					150 - 155 FYE (225 -230)
Charles Donald	215 - 220	25 - 30		245 - 250	10 - 15 FYE (210 - 215)

Sarah Munby, Philip Duffy and Charles Roxburgh received no fee for their roles as directors of UK Government Investments Limited.

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 2020-21, the annualised full time equivalent banded remuneration was £245 – 250,000 (2019-20: £210 - 215,000). This was 2.8 times (2019-2020: 2.6 times) the median remuneration of the workforce which was £88,392 (2019-20 £80,781).

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.

	2020 -2021	2019-2020
	£'000	£'000
Total performance related pay	1,098	907

Pension (audited)

Non-executive directors are not entitled to any pension benefits. Charles Donald receives no pension benefits.

Pensions schemes

Civil Service Pensions

For staff that TUPE'd in to UK Government Investments Limited from the Civil Service 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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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**.

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.

	Permanent and FTA staff	Staff seconded into UK Government Investments Limited	Total 2020-21	Total 2019-20
	£'000	£'000	£'000	£'000
Salaries (including PRP)	9,433	2,322	11,755	11,092
Social security	1,171	119	1,290	1,301
Other pension costs	850	260	1,110	1,381
Recoveries in respect of outward secondments	(245)	0	(245)	(366)
Total net costs	11,209	2,701	13,910	13,408
Staff numbers (including non-executive board members)	108	26	134	134

UK Government Investments Limited 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)

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 2020-2021

Male / female staff breakdown (audited)

The number of male and female staff at UK Government Investments Limited as at 31 March 2021 was:

	Male	Female
Non-executive board members	5	5
Staff	76	67
Total	81	72

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

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 2020-2021.

Employee Relations

UK Government Investments Limited recognises the following trades union: Prospect, PCS and FDA. UK Government Investments Limited met with trades union representatives regularly throughout the year. Staff are free to join the trades 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. All staff are required to undertake a minimum of 16 hours CPD per annum.

Staff sickness absence

The average working days lost to sick absence during 2020-21 was 1.14 days (2019- 20 was 2.19 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 16 July 2021 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 UK Government Investments Limited

Opinion on financial statements

I have audited the financial statements of UK Government Investments Limited for the year ended 31 March 2021 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers’ 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 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 in that report 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 2021 and of the net operating expenditure for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and
- have been prepared in accordance with the requirements of 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 for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the UK Government Investments Limited in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the UK Government Investments Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the UK Government

Investments Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the of the Remuneration Committee Report described in that report as having been audited, the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- 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.
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements

Matters on which I report by exception

In the light of the knowledge and understanding of the UK Government Investments Limited's and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic report or the Directors' report.

I have nothing to report in respect of the following matters in relation to which 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 parts of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' and Accounting Officer's Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the UK Government Investments Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the UK Government Investments Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the UK Government Investments Limited's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the UK Government Investments Limited's controls relating to Companies Act 2006, and Managing Public Money;
- discussing among the engagement team and involving relevant internal and or external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals;
- obtaining an understanding of UK Government Investments Limited's framework of authority as well as other legal and regulatory frameworks that the UK Government Investments Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the UK Government Investments Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, Employment Law and tax Legislation

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

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.

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.



Susan Clark (Senior Statutory Auditor)

16 July 2021

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 Statement of UK Government Investments Limited

Statement of comprehensive net expenditure for the year ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Staff costs	3	14,155	13,774
Operational costs	4	4,073	2,840
Total operating expenditure		18,228	16,614
Revenue	5	(1,177)	(1,187)
Net operating expenditure before financing		17,051	15,427
Finance expenditure	6	53	0
Net operating expenditure before tax		17,104	15,427
Taxation		3	16
Net operating expenditure after tax		17,107	15,443

The notes on pages 72-80 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 2021

	Notes	31-Mar-21 £000	31-Mar-20 £000
Non current assets			
Property, plant and equipment	8	4,168	0
Total non current assets		4,168	0
Current assets			
Cash and cash equivalents	9	416	585
Trade and other receivables	10	778	912
Total current assets		1,194	1,497
Total assets		5,362	1,497
Current liabilities			
Trade and other payables	11	(5,250)	(3,673)
Total current liabilities		(5,250)	(3,673)
Net current assets/(liabilities)		112	(2,176)
Non current liabilities			
Trade and payables due after one year	11	(3,657)	0
Total non current liabilities		(3,657)	0
Assets less liabilities		(3,545)	(2,176)
Taxpayers' equity			
General fund		3,545	2,176
Total taxpayers' equity		3,545	2,176

The notes on pages 72-80 are an integral part of these financial statements. These financial statements were approved by the Board of Directors on 16 July 2021 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 2021

	Notes	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating costs		(17,051)	(15,427)
Adjustment for non-cash transactions		294	0
Decrease/(Increase) in trade and other receivables	10	134	221
(Decrease)/Increase in trade and other payables	11	5,482	(289)
Corporation tax		(3)	(16)
Net cash outflow from operating activities		(11,144)	(15,511)
Cash flows from investing activities			
Purchase of non-financial assets		(4,462)	0
Net cash outflow from investing activities		(4,462)	0
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		15,750	15,660
Payment of interest and other finance expenditure	6	(53)	0
Repayment of lease liability		(248)	0
Intercompany account movements		(12)	0
Net financing		15,437	15,660
Net increase/(decrease) in cash and cash equivalents in the period		(169)	149
Cash and cash equivalents at the beginning of the period		585	436
Cash and cash equivalents at the end of the period		416	585

The notes on pages 72-80 are an integral part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2021

	General Reserve £000
Balance at 1 April 2019	(2,393)
Grant-in-Aid from HM Treasury	15,660
Comprehensive expenditure for the year after tax and transfer	(15,443)
Balance at 31 March 2020	(2,176)
Grant-in-Aid from HM Treasury	15,750
Comprehensive expenditure for the year	(17,107)
Intercompany adjustments	(12)
Balance at 31 March 2021	(3,545)

The notes on pages 72-80 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 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) Impact of new standards

UK Government Investments Limited has considered the newly issued accounting standards, interpretations and amendments to published standards that are not yet effective. None is expected to have an impact on UK Government Investments Limited's financial statements.

(c) 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 budget settlement with HM Treasury, comprising a commitment to financial year 2021-2022. UK Government Investments Limited's status will be reviewed periodically. UK Government Investments Limited produces separate financial statements. The going concern disclosures on page 39 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.

(d) Revenue

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

(e) Financing

The company is financed via Grant-in-Aid from HMT. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the company from HMT in the financial year 2020-21 was £15.8m (2019-20 £15.7m). This total represents the cash requirement within the reporting period and the carryover of a cash balance into the following financial year.

(f) Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), are described in the Remuneration Committee Report, and cover staff transferred from the Civil Service and who are subject to TUPE. The defined benefit schemes within the PCSPS and CSOPS are unfunded and contributory. 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 enroll 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.

(g) Employee benefits

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

(h) Financial Instruments

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.

UK Government Investments Limited's financial liabilities are: trade and other payables due to related parties, other trade payables, lease liabilities, taxation and social security.

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.

(i) Tax

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

Corporation Tax – UK Government Investments Limited is liable to pay corporation tax where taxable income exceeds the costs associated with that income. Payment of £4.8k was made to HMRC in relation to the period 01 April 2019 to 31st March 2020 (£11.2k 2018-19).

(j) Non-current assets and depreciation

The value of the Company's non-current assets is stated at cost less accumulated depreciation and impairment losses. Only those assets costing more than £5,000 and having an economic value to the Company beyond the year in which they were bought are capitalised. Where parts of an item have different useful lives, they are accounted for as separate assets. Depreciation is applied on a straight-line basis over the estimated useful economic lives of assets. Depreciation methods, useful lives and residual values of non-current assets are reviewed at least at each balance sheet date. Donated assets are recorded at nil value.

Estimated useful economic lives of non-current assets

Asset type	Estimated Useful Life
Information Technology equipment	Three to five years
Office furniture and fittings	Ten years
Leasehold improvements	The remaining period of the lease
Plant & Machinery	Over ten to fifteen years
Computer software	Over three years

(k) Leases

IFRS 16 applied to UK Government Investments Limited from 1 April 2019. Under this policy, at the inception of each contract, the Company assesses whether the contract is, or contains a lease, where a lease is any arrangement which conveys the right to control an asset for a period of time in exchange for consideration. Until July 2020, UK Government Investments Limited was not a party to any lease arrangements within the scope of IFRS 16. UK Government Investments Limited recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and is depreciated on a straight-line basis over the residual lease term. The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, a rate determined by HM Treasury and based on government's incremental borrowing rate.

(l) Functional & Presentational Currency

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

(m) 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.

3. Staff Costs

	2020-21 £000	2019-20 £000
Salaries	9,433	8,701
Employer national insurance contributions	1,171	1,082
Pensions costs	850	918
Secondees	2,701	3,073
Total Costs	14,155	13,774

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

4. Operational Costs

	2020-21 £000	2019-20 £000
Office related costs	2,080	1,483
Professional services	998	867
Staff related costs including training, travel and expenses	698	490
Other operating expenditure	297	0
Total Costs	4,073	2,840

Professional Services include audit fees payable to the National Audit Office of £29k, plus VAT (2019-20: £26k). Other operating expenditure includes depreciation (£294k, 2019-20: £0) of the Company's leased office accommodation.

5. Revenue

	2020-21 £000	2019-20 £000
Staff costs recovery	245	366
Recharges and recoveries	932	821
Total	1,177	1,187

Staff costs recovery represents income from the secondment of UKGI staff to other Government Departments and public bodies. Recharges and recoveries are the reimbursement of professional advice related costs incurred by UKGI on behalf of UKGI's partner bodies as well as fees charged for UKGI staff acting as NEDs.

6. Finance costs

Finance costs of £53k comprise the interest portion of the lease liability relating to the lease of the Company's office accommodation.

7. Directors' Emoluments

	2020-21 £000	2019-20 £000
Directors' emoluments	548	456
Total	548	456

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.

8. Property, plant and equipment

Property, plant & equipment	Buildings £000	Leasehold improvements £000	Total £000
At 1 April 2020	0	0	0
Additions	4,152	310	4,462
At 31 March 2021	4,152	310	4,462
Depreciation			
At 1 April 2020	0	0	0
Depreciation charge for the year	(294)	0	(294)
At 31 March 2021	(294)	0	(294)
NBV at 31 March 2021	3,858	310	4,168
NBV at 1 April 2020	0	0	0

Property, plant and equipment incorporates the right of use asset of £4,152k and leasehold improvements of £310k procured during the year.

9. Cash and cash equivalents

	2020-21 £000	2019-20 £000
Cash held with the Government Banking Service	416	585
Total	416	585

10. Receivables

Amounts falling due within one year	2020-21 £000	2019-20 £000
Trade and other receivables	49	9
Prepayments and accrued income	729	822
Taxation	0	81
Total	778	912

Prepayments and accrued income include prepayments of £155k and accrued income of £575k.

11. Payables

Amounts falling due within one year	2020-21 £000	2019-20 £000
Trade & other payables	773	133
Accruals	4,457	3,250
Taxation and social security	20	290
Total	5,250	3,673

Amounts falling due after one year	2020-21 £000	2019-20 £000
Other payables	3,657	0
Total	3,657	0

Trade and other payables includes payments due under the lease of the Company's office accommodation of £300k.

12. 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 UK Government Investments Limited and the Government Property Agency (GPA). This covers the provision of accommodation. The lease agreement runs for a period of 11 years from 1 July 2020 to 30 June 2031. The lease contains a break in 2026. In determining the effective term of the lease, the Company deems it more likely than not that the lease break will not be exercised. Having regard to the duration of the lease and the uncertainty surrounding commercial property, it is not possible to determine the effective interest rate in the lease. Therefore, the rate determined by HMT Treasury and promulgated to government bodies through the Public Expenditure System (PES) series of papers has been used.

Prior to the renewal of the lease, the MOTO was between HM Treasury and GPA, with HMT treasury making contributions to GPA directly on the Company's behalf. For the period 1 Apr to 30 June 2020, the contribution was £198k.

13. Called up share capital

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

14. Related Party Transactions

UK Government Investments Limited 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 £1,093k (2019-20: £1,702k), primarily in relation to the provision of secondees, recoveries for IT, finance and HR shared services, and receipts of £65k (2019-20: £148k) in respect of the outward secondment of staff by UK Government Investments Limited.

UK Government Investments Limited had material transactions with BEIS, incurring costs totaling £46k (2019-20: £342k), in relation to IT and office services and the provision of secondees by BEIS to UK Government Investments Limited, and receipts of £61k in respect of the outward secondment of staff by UK Government Investments Limited.

Besides the GPA disclosures made in note 4 and 12, UK Government Investments Limited also made material transactions with GPA, incurring costs totaling £1,113k (2019-20: £21.6k), primarily in relation to the provision of accommodation services.

In addition, UK Government Investments Limited 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 54.

15. Contingent assets and liabilities

UK Government Investments Limited has no contingent assets. The probability of any outflow of resources in relation to any contingent liability is deemed to be remote.

16. 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.

17. 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 (2019/20: Nil).

18. Events after the Reporting Period

There are no events after the reporting period which will have a material effect on the Financial statements of UK Government Investments Limited.

19. Date authorised for issue

The financial statements were authorised for issue on 16 July 2021.

