

Shareholder Executive: Portfolio Unit

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

The businesses are actively reviewed through a formal Investment Review cycle as well as ongoing day-to-day monitoring. Key areas of focus include business performance and strategy, management composition and remuneration, financing and, where appropriate, changes in Government's shareholding.

The portfolio includes the following businesses, some of which have been part of ShEx's portfolio for some time and others which are recent additions.

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CDC



Purpose

CDC is the UK's development finance institution. It provides capital to invest in promising businesses, with an emphasis on sub-Saharan Africa and South Asia. By supporting the private sector, CDC contributes to long term poverty reduction in developing countries.

Legal Status and Ownership

CDC is a company wholly owned by DfID.

Objectives

- Mobilise third party capital
- Improve private sector development
- Raise Environmental, Social and Governance standards
- Demonstrate economic value-added
- Achieve positive real financial returns
- Demonstrate CDC's additionality
- Financial Performance

Financial Performance ^[1]

£m	2010	2009	2008
Net Realised Profits	-2	61	22
Portfolio Return (incl. unrealised value gains)	259	227	-425
Total return after tax	269	207	-359
Net fund flows	-182	-198	-168
Total net assets on a valuation basis	2,804	2,535	-2,328
RONA ^[2]	11%	9%	-13%

Notes:

1. CDC's year end is 31 December. Its performance here is reported on a valuation basis. Its full audited consolidated accounts can be found in its annual report.
2. RONA is calculated as total return after tax over opening total net assets on a valuation basis

Dividend policy

To comply with its objectives of investing in emerging markets, particularly in poorer countries, any surplus is reinvested in funds in its target markets. CDC does not therefore currently pay dividends to HMG.

Performance targets

CDC already has specific targets around mobilising third party capital, improving private sector development and raising environmental, social and governance standards. By the end of 2011 CDC will have established a methodology to assess the development potential of each investment during the appraisal stage.

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Channel 4



Purpose

Channel 4 is a publicly-owned, commercially-funded public service broadcaster. It does not receive any public funding and has a remit to be innovative, experimental and distinctive.

Legal Status and Ownership

Channel 4 is a statutory corporation, independent of Government, and governed by a unitary board made up of executive and non-executive directors, who are responsible for ensuring that Channel 4 fulfils its remit and delivers its financial responsibilities. Non-executive directors are appointed by OFCOM in agreement with the Secretary of State for Culture, Media and Sport.

Objectives

Public service remit:

- To demonstrate innovation, experiment and creativity in the form and content of programmes;
- To appeal to the tastes and interests of a culturally diverse society;
- To make a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and
- To exhibit a distinctive character.

Under The Digital Economy Act 2010, Channel 4 is also required to participate in a broader range of activities:

- The making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society;
- the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom;
- The broadcasting and distribution of such content and films;

- The making of relevant media content that consists of news and current affairs;
- The making of relevant media content that appeals to the tastes and interests of older children and young adults;
- The broadcasting or distribution by means of electronic communications networks of feature films that reflect cultural activity in the United Kingdom (including third party films), and the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.

In addition, Channel 4 must also:

- Promote measures intended to secure that people are well informed and motivated to participate in society in a variety of ways;
- Support the development of people with creative talent, in particular people involved in the film industry and at the start of their careers;
- Support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views;
- Promote alternative views and new perspectives, and provide access to material that is intended to inspire people to make changes in their lives.

Financial Performance ^[1]

£m	2010	2009	2008
Turnover	935	830	906
Operating Profit (before exceptional items)	49	4	-1
Profit/(Loss) for the year	39	0	2
Cash flow before financing	49	8	14
Net Operating Assets ^[2]	318	240	278
RONA ^[3]	15%	2%	0%
Shareholders' Funds	458	417	435

Notes:

1. Channel 4's year end is 31 December.

2. Net operating assets are calculated as total assets less current liabilities (excluding investments in JV/associates and cash).
3. RONA is calculated as operating profit over net operating assets

Dividend policy

Channel 4 does not pay a dividend. The company is not required to pay dividends so that it may maximise its ability to invest in public service broadcasting. Any surplus is retained within the company's reserves.

Performance targets

Channel 4 uses a combination of financial and non-financial measures to assess how successful they have been in achieving their objectives. These measures are: Channel 4 audience share; Digital channel audience share; Ofcom requirements (a range of production and transmission measures); Total television advertising revenue; and Operating profit/(loss).

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UK Export Finance: Export Credits Guarantee Department



Purpose

UK Export Finance (the new name for the Export Credits Guarantee Department, acronym ECGD), is the UK's export credit agency. It works closely with exporters, banks, buyers and project sponsors by providing guarantees, insurance and reinsurance against loss, taking into account the government's international policies. It also helps UK companies to invest in overseas projects such as water treatment plants. UK Export Finance's products complement the private sector by offering cover on long-term risks that the private sector is unable to bear.

Legal Status and Ownership

UK Export Finance is a Ministerial Government Department operating under the Export and Investment Guarantees Act 1991 and reporting to the Secretary of State for Business, Innovation and Skills. The Export and Investment Guarantees Act 1991 establishes that the consent of HM Treasury must be provided for all UK Export Finance operations. In practice, consent is delegated to UK Export Finance so long as it meets its financial objectives.

Objectives

Government's objectives for UK Export Finance are that it should:

- Drive growth in the UK economy by helping exporters of UK goods and services win business, and UK firms to invest overseas;
- Set premium rates on new business to reflect risk and comply with its financial objectives;
- Operate in accordance with its Statement of Mission and Principles so that its activities accord with other Government policies, such as on human rights, the environment or anti-bribery and corruption;
- Complement, and not compete with, private sector sources of finance or insurance;
- Achieve fairer competition by seeking to establish a level playing field internationally, through obtaining multilateral improvements in export credit policies and practices; and
- Recover the maximum amount of debt in respect of claims paid by UK Export Finance in a manner consistent with the Government's policy on debt forgiveness.

Financial Performance

£m	2011	2010	2009
Net Premium Income	97	58	38
Admin Costs	-20	-23	-20
Other Income and Expenditure	111	208	242
Operating Profit from Export Credit Guarantees and Insurance Activities	188	243	260
Net Cash from Operating Activities, Capex and Financial Investment	365	373	448
Parliamentary Supply Drawn (prior year cash surplus repaid) ^[1]	-413	-441	-899
Net Cash Flow	-48	-68	-452
Net Operating Assets ^[2]	1,053	1,083	1,077
RONA ^[3]	18%	22%	24%
Shareholders' Funds ^[4]	609	753	867

Notes:

1. This is not a true cash item and arises because of the requirement for UK Export Finance to return surplus cash generated in the prior year to UK Parliament.
2. The capital charging mechanism with HM Treasury does not allow for net income to be recognised from the provision of Fixed Rate Export Finance support and therefore this activity has been excluded in the Net operating assets and RONA calculation. Net operating assets are calculated as total assets less current liabilities
3. RONA is calculated as operating profit over net operating assets
4. Notional shareholders' funds, since UK Export Finance is a Government Department.

Dividend policy

All income in excess of the amount appropriated in aid is payable by UK Export Finance to the Consolidated Fund.

Performance targets

Targets are based on ensuring that UK Export Finance's pricing covers its administration costs and expected losses, that its prices reflect risk, and that it has adequate reserves. As UK Export Finance must price according to risk and cannot compete with private sector sources of finance or insurance, profit targets would be inappropriate.

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Land Registry

Land Registry



Purpose

The purpose of Land Registry is to maintain and develop a stable and effective land registration system that provides state-backed security of title to registered estates and interests in land throughout England and Wales.

Legal Status and Ownership

Land Registry is a trading fund of BIS, a non-ministerial government department and an executive agency.

Objectives

Policy objectives

- To keep a register of title to freehold and leasehold land throughout England and Wales.
- To guarantee title to registered estates and interests in land
- To provide ready access to up-to-date land information relating to registered land so enabling confident dealings in property and security of title
- To provide a Land Charges and Agricultural Credits service

Operational objectives

- **Customer:** To identify, anticipate and satisfy customer needs by constantly refining and developing products, services and channels
- **Quality:** To continually improve operational delivery in order to drive efficiencies, quality and value
- **Innovation:** To build a flexible and efficient organisation with the capability to respond to market fluctuations and changing customer needs and to identify and implement opportunities for development
- **Finance:** To meet all financial and efficiency targets while funding future work investment programmes

Financial Performance

£m	2011	2010	2009
Turnover	351	328	308
Operating Profit (before exceptional items)	65	19	-66
Profit/(Loss) for the year	10	-14	-111
Cash flow before financing	81	-21	-71
Net Operating Assets ^[1]	411	422	455
RONA ^[2]	16%	5%	-14%
ROCE ^[3]	16%	3%	N/A
Shareholders' Funds	371	400	436

Notes:

1. Net operating assets are calculated as total assets less current liabilities, before deducting cash balance
2. RONA is calculated as operating profit over net operating assets
3. Average return on capital employed as published by Land Registry

Dividend policy

Taking one year with another, pay into the Consolidated Fund each year a dividend equal to the required rate of return on average capital employed, which is currently set at 3.5%.

Performance targets

Key measures of performance include return on capital employed and a range of targets covering other financial, customer, quality and innovation measures.

Met Office



Purpose

The Met Office provides world-class value-added weather and climate related services to a broad range of customers in both the public and private sector.

Legal Status and Ownership

The Met Office is a trading fund of BIS.

Objectives

The core role of the Met Office is the provision of weather and climate services to Government, the public and commercial customers, improving quality-of-life and well-being, protecting lives, infrastructure, and supporting UK economic growth and international competitiveness.

Its core Weather and Climate Services are:

- Public Weather Service – meets the UK public's need for information about weather, climate and its impacts including extreme weather event warnings.
- National Hazard & Resilience Management – improves the UK's ability to manage and respond to natural hazards.
- Defence & Security – enables the Defence & Security community to gain the maximum advantage from meteorological information and intelligence at all levels of decision making.
- Aviation – supports the global need for safe and efficient aviation services.
- Climate Service – supports the global understanding of impacts arising from climate change.

Consistent with achieving the objectives above, the Met Office minimises the cost to the taxpayer, by developing profitable business not directly funded by the Exchequer, including from local government, public bodies overseas, and private sector customers. The Met Office also aims to increase its organisational efficiency and the effectiveness of its products year on year.

Financial Performance

£m	2011	2010	2009
Turnover	196	192	185
Operating Profit (before exceptional items)	9	7	7
Profit/(Loss) for the year	9	6	9
Cash flow before financing	13	16	11
Net Operating Assets ^[1]	166	180	173
RONA ^[2]	6%	4%	4%
ROCE ^[3]	5%	3%	4%
Shareholders' Funds	197	195	206

Notes:

1. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings and cash)
2. RONA is calculated as operating profit over net operating assets
3. Average return on capital employed as published by Met Office

Dividend policy

The dividend policy will be agreed by BIS with the Met Office on an annual basis, but unless specifically agreed otherwise, the Met Office will adopt a progressive dividend policy linked to return on capital.

Performance targets

The Met Office has a set of business performance measures (BPM), which are assessed to determine its performance related pay. In 2010-11, the measures included forecast accuracy, business profitability, customer experience, carbon emissions and corporate responsibility.

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NATS



Purpose

With 4,600 staff, NATS provides air traffic services in UK and Oceanic airspace and at 15 major UK airports and Gibraltar, as well as related operational and other services in Europe and beyond.

Legal Status and Ownership

NATS Holdings Ltd is the holding company for NATS Group. It owns NATS Ltd, which in turn owns two operating subsidiaries: NATS (En Route) plc and NATS (Services) Ltd. The Airline Group Ltd, a consortium of seven airlines, has the majority of voting rights and 42% of the shares of NATS Holdings Ltd. The Secretary of State for Transport owns 49%, BAA plc 4% and NATS Employee Sharetrust Ltd 5%.

Objectives

- Safety: a strong programme of safety assurance activities
- Environment: an environmental plan to reduce CO2 emissions per flight, and for the company to reduce its carbon footprint
- Service Quality: a focus on service consistent with achieving very low levels of flight delays supported by investment in airspace development and tools to improve flight efficiency and operational productivity
- Operating Efficiencies: further cost savings in the regulated business to achieve year-on-year operating cost reductions reflected in the settlement for Control Period 3
- Growth: expansion of the unregulated business to exploit new business opportunities that deliver sustainable growth and profit, retaining existing contracts by creating an improved value proposition for customers and winning new contracts through successful growth into the international market.
- Asset Renewal: development of new systems for advanced ATC functions and replacement programmes for existing communications, navigation and surveillance systems
- Commitment in Europe: participation in the European Commission's Single European Sky programme, and in the SESAR programme as the vehicle for implementing common ATC concepts, tools and technical standards

Financial Performance

£m	2011	2010	2009
Turnover	777	755	767
Operating Profit (before exceptional items)	169	137	185
Profit/(Loss) for the year	87	58	95
Cash flow before financing	63	46	85
Net Operating Assets ^[1]	1,262	1,224	1,090
RONA ^[2]	13%	11%	17%
Shareholders' Funds	527	537	363

Notes:

1. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings, investments in JV/associates, cash, current asset investments, derivative financial instruments and pension assets).
2. RONA is calculated as operating profit over net operating assets

Dividend policy

The dividend policy is at the discretion of the Board and is informed by in year profitability and the requirement to maintain an investment grade credit rating within NATS (En Route) plc.

Performance targets

Targets for NATS are based on service metrics, financial performance, progress against key project milestones, and customer satisfaction. These targets are designed to achieve the right balance between meeting customer requirements at an efficient level of cost, and providing adequate shareholder returns – all at manageable risk.

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Nuclear Decommissioning Authority (NDA)



Purpose

The Nuclear Decommissioning Authority's (NDA) core objective is to ensure that the historic civil public sector nuclear legacy sites are decommissioned safely, securely, cost effectively and in ways that protect the environment.

Legal Status and Ownership

Established under the Energy Act 2004, the NDA is a non-departmental public body sponsored by the Department for Energy and Climate Change.

Objectives

- To ensure that the UK's civil public nuclear legacy sites are decommissioned and cleaned up efficiently and effectively by the Site Licence Companies (SLC) which are licensed to operate nuclear sites and which operate the NDA's sites under contract to the NDA.
- To introduce private sector skills and experience to the decommissioning programme through a series of competitions for the management of its SLC's in order to deliver faster, cost effective decommissioning and clean up, maximising value for money for the taxpayer.
- To reduce UK civil nuclear liabilities at least in line with agreed and published NDA business plans.
- To reduce the risks associated with high hazards by progressively mitigating hazards and ensuring radioactive waste continues to be put into a passively safe form.
- To operate existing commercial activities (which includes two operational nuclear power stations and the provision of reprocessing, waste treatment and storage services to the nuclear industry using revenues to offset against spend on decommissioning).
- To implement Government policy on the long-term management of nuclear waste and civil nuclear materials.
- To scrutinise the site decommissioning plans of British Energy.
- Together with their contracting partners, to support a vibrant supply chain and develop nuclear skills.
- The safety and security of the sites remains paramount.

Financial Performance

£m	2011	2010 restated	2009
Income	1,036	963	1,700
Operating Profit ^[1]	-846	-530	-1,824
Cash flow before financing	-1,603	-1,583	1,189
Discounted nuclear liabilities	49,125	45,083	44,504

Notes:

1. Operating profits are calculated as income less administration, programme and other expenditures, excluding adjustments to provisions.

Dividend policy

The NDA is a spending authority, makes no profit and therefore pays no dividend.

Performance targets

The NDA's performance is measured externally against a published Strategy and Annual Business plans, covering a wide range of themes including Site Restoration, Spent Fuels, Nuclear Materials, Integrated Waste Management, Business Optimisation, Critical Enablers, and Support costs. A detailed description of each can be found on NDA's website.

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National Nuclear Laboratory



Purpose

The National Nuclear Laboratory (NNL) brings together within a single organisation the bulk of the UK's nuclear research and development capabilities, drawing in particular on the legacy of the BNFL and the former Magnox Electric business. It offers to the market world class, science based technology solutions and research services covering the complete nuclear fuel cycle from fuel manufacture and power generation, through to reprocessing, waste treatment and disposal.

Legal Status and Ownership

The National Nuclear Laboratory is a UK registered private limited company in which the Secretary of State for Energy and Climate Change holds all of the shares through a holding company NNL Holdings Ltd.

Objectives

The Government's objectives for the NNL are for it to:

- operate as a sound commercial business;
- demonstrate value for customers;
- create a platform for UK and internationally funded R&D;
- ensure the latent value of the UK's R&D can be demonstrated and realised;
- become an international centre of excellence in nuclear research and development, playing a vital role in cleaning up the UK's nuclear waste legacy and contributing to the programme of nuclear new build;
- safeguard the UK's high tech nuclear expertise, facilities and skills;
- ensure the stability of the immature UK civil nuclear R&D market;
- provide a basis for opening up the UK market to nuclear facility operational and clean up R&D; and
- safeguard the contribution that the NNL makes to the West Cumbrian economy and local ambitions to become an Energy Coast.

Financial Performance ^[1]

£m	2010	2009
Turnover	76	75
Operating Profit (before exceptional items)	8	7
Profit/(Loss) for the year	7	5
Cash flow before financing	-3	22
Net Operating Assets ^[2]	-13	-14
Shareholders' Funds	-2	-9

Notes:

1. NNL's financial accounts for the year 2010/11 are expected to be published shortly.
2. Net operating assets are calculated as total assets less current liabilities (excluding cash and pension assets/liabilities)

Dividend policy

Profits are reinvested in the business with a percentage of increases being provided to the management contractor as its fee.

Performance targets

Targets under the three to five year management contract are based on increased revenues, EBIT and customer satisfaction / value as well as increased facility utilisation and the full commissioning of Central Laboratory phase two (subject to business case).

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Nuclear Liabilities Fund



Purpose

The Nuclear Liabilities Fund (the “Fund”) was established to seek to accumulate and manage investments for the purpose of providing funding to meet certain waste management costs of and, in due course, the decommissioning liabilities of, the eight nuclear power stations of what was British Energy Group plc (“BE”) – now a division of EDF. The Fund has responsibility for assets of some £8.6bn to cover these liabilities, the bulk of which came from the sale of the Government’s residual share holdings in BE with the rest coming from quarterly contributions from EDF plus investment returns. DECC (on behalf of HMG) has responsibility for any qualifying liabilities to the extent that the Fund’s assets are insufficient to meet the liabilities as they fall due.

Legal Status and Ownership

The Fund is owned by The Nuclear Trust (the “Trust”) between BE, the Secretary of State for DECC and five trustees, of whom three are appointed by the Secretary of State for DECC and two by EDF. The Trust is a public trust under Scottish Law and its trustees are also directors of the Fund, the ordinary share capital of which is owned by the trustees.

Role of Shareholder Executive

Shareholder Executive monitor the Fund on behalf of DECC, working closely with policy teams, as well as monitoring EDF as part of HM Government’s “special share” in the business.

Financial Information

£	2011	2010
Assets held to meet qualifying liabilities - value at start of the year	8,493,594,165	8,275,841,539
Contributions from EdF	22,473,830	31,479,997
Payments to EdF	(7,769,739)	(9,097,353)
Operating profit on ordinary activities before tax	86,380,960	215,715,243
Tax on ordinary activities	(5,592,401)	(20,345,261)
Assets held to meet qualifying liabilities - value at end of the year	8,589,086,815	8,493,594,165

Notes:

Source: [NLF Annual Report 2011](#)

DECC reports the unaudited estimate for the discounted cost of BE's decommissioning and uncontracted liabilities to be £5.1bn in 2011 compared to £4.9bn in 2010 (Source: DECC Annual Report and Accounts 2010-11)..

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Ordnance Survey



Purpose

Ordnance Survey is Great Britain's national mapping agency. Its purpose is to collect, maintain and distribute the most accurate and up-to-date geographic data, relied on by Government, businesses and individuals.

Legal Status and Ownership

Ordnance Survey is a trading fund of BIS.

Objectives

- Collect, portray and distribute the definitive record of the natural, built and planned environment of Great Britain that meets customer needs and the national interest in the most effective manner;
- Improve and maintain the definitive databases in a form that facilitates the association and integration of additional geographic data;
- Provide, through the data, the underpinning framework for the government and the private sector to join up its spatial information;
- Provide national coverage of medium and small-scale maps;
- Develop a business that focuses clearly on the needs of customers and continuously improves customer satisfaction;
- Create, develop and maintain strategic and commercial partnerships that will add further value to Ordnance Survey data and products;
- Grow the geographic information market and champion the extended use and sharing of geographic information in the government, business and leisure communities;
- Generate profitable revenue that will fund continuous improvement in database content, data structure, data delivery, up-to-dateness, fitness for purpose and accuracy;
- Advise the UK Government on all aspects of survey, mapping and geographic information

Financial Performance

£m	2011	2010	2009
Turnover	129	114	117
Operating Profit (before exceptional items)	24	17	16
Profit/(Loss) for the year	11	-3	12
Cash flow before financing	2	-2	-4
Net Operating Assets ^[1]	110	89	87
RONA ^[2]	22%	19%	19%
ROCE ^[3]	23%	18%	20%
Shareholders' Funds	116	86	94

Notes:

1. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings, investment in JV/associates and cash)
2. RONA is calculated as operating profit over net operating assets
3. Average return on capital employed as published by Ordnance Survey

Dividend policy

Ordnance Survey pays a dividend each year normally calculated on a return on average capital employed for the year when combined with interest paid on Government loans. The return target for the financial year to 31 March 2011 was 6.5%.

Performance targets

Ordnance Survey's business performance is measured externally against five targets set by government. In 2009-10, the targets were financial profit, free cash flow, data currency, efficiency and customer experience.

Post Office Limited



Purpose

Post Office Ltd provides mail, financial and government services to consumers and small businesses across a nationwide network of around 11,800 branches. The network supports the Government's social and economic policy objectives to support communities and vulnerable groups throughout the UK.

Legal Status and Ownership

Post Office Ltd operates as a limited company at arm's length from Government. Post Office Ltd is currently a wholly owned subsidiary of Royal Mail Group Ltd, which in turn is a wholly owned subsidiary of Royal Mail Holdings plc. The Government owns 100% of Royal Mail Holdings plc. Following the passage of the Postal Services Act 2011, the Government intends to separate Post Office Ltd from Royal Mail, and is currently holding a national consultation on the potential mutual ownership of Post Office Ltd in due course.

Objectives

Over this Spending Review period, Post Office Ltd will:

- Create about 4,000 Main Post Offices and convert about 2,000 sub post offices to the new 'Post Office Local' model;
- Eradicate the losses made by its directly managed Crown network;
- Expand online and introduce IT improvements to make transactions quicker and simpler;
- Maintain a network of at least 11,500 branches; and
- Providing access to certain key services of general economic interest, including:
 - Processing of social benefit and tax credit payments to the public;
 - Processing of national identity and licensing scheme applications;
 - Universal cash payment facilities for public utility services;
 - Universal postal service; and
 - Universal access to basic cash and banking facilities and Government instruments, especially for rural customers and those on social benefits.

Financial Performance

£m	2011	2010	2009
Turnover (including Network Subsidy Payment) ^[1]	1,121	1,181	1,261
Operating Profit (before exceptional items)	11	46	7
Profit/(Loss) for the year	-17	-39	-52
Net Operating Liabilities ^[2]	-700	-642	-652
Shareholders' Deficits	-269	-492	-361

Notes:

1. As a subsidiary of Royal Mail, Post Office does not publish its cash flow separately.
2. Net operating liabilities are calculated as total assets less current liabilities (excluding investment in JV/associates, cash and current asset investments)

Dividend policy

Post Office Ltd does not pay dividends. It uses its commercial income to supplement direct Government funding to meet the costs of maintaining the Post Office network.

Performance targets

Post Office Ltd is monitored against the commercial strategy on which its funding package was based through targets on profit, income (including on new revenue streams), cost reductions and the management of its transformation programme. Network coverage is also measured against the nationwide access criteria which were set by Government following public consultation in 2007.

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Royal Mail



Purpose

Royal Mail is responsible for delivering the universal postal service. The universal postal service is the six-day-per-week one-price-goes-anywhere delivery and collection of letters to every address in the UK. In addition, Royal Mail offers a number of other postal services, such as bulk mail services and special delivery. Through its Parcelforce and GLS businesses it offers a comprehensive offering of parcel and package solutions.

Legal Status and Ownership

The Government owns 100% of the shares in Royal Mail Holdings plc. Royal Mail Group Ltd is a wholly-owned subsidiary of Royal Mail Holdings plc, and includes the UK Letters and Parcels and International unit (UKLPI). Royal Mail Group Ltd has a number of wholly-owned subsidiaries, including Post Office Ltd and General Logistics Systems (GLS). Following the passage of the Postal Services Act 2011, the Government intends to separate Post Office Ltd from Royal Mail and to undertake a sale of shares in Royal Mail.

Objectives

- Secure the future of the universal postal service
- Introduce private sector disciplines to Royal Mail, and the ability to raise private finance, to enable its rapid modernisation

Financial Performance

£m	2011	2010	2009
Turnover (including Network Subsidy Payment)	9156	9349	9560
Operating Profit (before exceptional items)	218	363	274
Profit/(Loss) for the year	-259	-321	-232
Cash flow before financing	-111	-573	-621
Net Operating Assets ^[1]	1245	1381	1178
RONA ^[2]	18%	26%	23%
Shareholders' Funds	-3107	-6281	-4656

Notes:

1. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings, investments in JV/associates, cash, current asset investments and current pension liabilities).
2. RONA is calculated as operating profit over net operating assets

Dividend policy

The dividend policy has been suspended since 2002 while Royal Mail undertakes its Modernisation Plan and continues with its transformation.

Performance targets

Royal Mail is monitored against a mixture of operational and financial measures, a number of which are externally regulated. Key operational measures include safety performance and quality of service. Primary financial measures include cost reduction (and progress of the modernisation programme), profitability and cash-flows.

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The Royal Mint



Purpose

The Royal Mint's primary purpose is to manufacture and distribute coins for the United Kingdom, as well as to supply blanks and official medals. It is also the world's leading export mint, making coins and medals for an average of 60 countries every year.

Legal Status and Ownership

The Royal Mint is a Limited Company and a subsidiary of the Royal Mint Trading Fund which is an HMT trading fund.

Objectives

The primary responsibility of the Royal Mint is the provision and maintenance of UK coinage.

Other objectives include:

Circulating Coin

- Develop the Royal Mint's brand and reputation as the world's leading exporting mint
- Increase market share via aRMour™ plating technology
- Increase operational flexibility to be able to react quickly to variations in demand
- Continue to improve the Royal Mint's competitive position
- Create differentiation through the quality of the Royal Mint's products and services
- Increase operating efficiency and capacity to reduce customer lead-times.

Commemorative Coin

- Take advantage of the unique opportunity presented by the Olympic and Paralympic Games and HM The Queen's Diamond Jubilee
- Achieve consistent growth in sales and profitability through building the Royal Mint brand, product development and growth of the customer database
- Promote the Royal Mint's presence in the gift market
- Reduce dependence on the UK market through international development
- Maintain a high level of customer service
- Improve productivity and reduce costs.

Financial Performance ^[1]

£m	2011	2010	2009
Turnover	215	173	159
Operating Profit (before exceptional items)	4	8	8
Profit/(Loss) for the year	3	4	4
Cash flow before financing	-92	18	5
Net Operating Assets ^[2]	84	42	53
RONA ^[3]	4%	20%	15%
ROACE ^[4]	6%	11%	7%
Shareholders' Funds	55	59	56

Notes:

1. These figures are not directly comparable as the Royal Mint was vested into a limited company on 31st December 2009, from which point it faced incremental costs associated with being a company that were previously carried elsewhere in Government.
2. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings and cash)
3. RONA is calculated as operating profit over net operating assets
4. Return on average capital employed (ROACE) as published by Royal Mint. Average capital employed is taken as the average of the monthly balance sheet capital employed plus loans less cash, including the bullion overdrafts.

Dividend policy

Royal Mint dividend policy is to maintain stable dividends to its shareholder, HM Treasury, equivalent to approximately 50% of net profits over the business cycle.

Performance targets

Key measures of performance include revenue growth, profit margins, working capital efficiency, and key targets cover return on capital employed, order fulfilment and coin quality.

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UK Hydrographic Office



Purpose

The UKHO is a government organisation responsible for providing marine navigational products and services, and related safety information. The hydrographic information it provides is crucial not only to support operations by the Royal Navy around the world but also to the majority of commercial shipping. The UKHO also plays a central role in discharging the UK's 'Safety of Life at Sea' Treaty obligations to provide hydrographic services for waters of UK national responsibility, as required under the United Nations International Convention for the Safety of Life at Sea (SOLAS).

Legal Status and Ownership

UKHO is a trading fund of MoD.

Objectives

- To provide hydrographic services for waters of UK national responsibility required by the International Convention for the Safety of Life at Sea (SOLAS).
- To maintain and improve hydrographic capability and flexibility to meet MoD operational requirements in peace, crisis or war.
- To extract maximum value from its capabilities by providing customers with readily accessible hydrographic information and services.

Financial Performance

£m	2011	2010	2009
Turnover	125	117	108
Operating Profit (before exceptional items)	38	28	15
Profit/(Loss) for the year	38	34	9
Cash flow before financing	43	19	13
Net Operating Assets ^[1]	44	44	47
RONA ^[2]	87%	63%	31%
Shareholders' Funds	104	82	62

Notes:

1. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings and cash)
2. RONA is calculated as operating profit over net operating assets

Dividend policy

The dividend policy will be agreed by the MoD with the UKHO on an annual basis.

Performance targets

In assessing the performance of the UKHO, the MoD (advised by the Owner's Council) uses a number of key targets. These key targets are as follows: Safety; Defence; Finance (to achieve a Return on Capital Employed of 9% on a 3 year rolling basis); Organisational Excellence; and Organisational Efficiency and Value for Money.

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Urenco



Purpose

URENCO is a leading global provider of services to enrich uranium for the civil nuclear generation industry worldwide. It operates in a pivotal area of the nuclear fuel supply chain for the generation of electricity for consumers around the world.

Legal Status and Ownership

URENCO is a UK registered private limited company in which the UK Government has a 33.3% shareholding which is held by the Department of Energy and Climate Change. The other shareholders are the Dutch Government with 33.3%, and the German utilities RWE AG and E.ON AG, with 33.3%.

Objectives

The Government's objectives for the URENCO business include:

- Ensuring the Group remains a leading supplier of global enrichment services and maintains its position as a reliable, long-term supplier, with future business based on long-term contracts;
- Successful specification and execution of the Group's expansion programmes and capital investments;
- Profitable and sustainable long-term growth;
- Ensuring a capital structure is maintained that enables URENCO to invest in its business, provide returns to its shareholders and retain financial flexibility;
- Maximising operational efficiency and minimising costs across the Group;
- Maintaining high levels of compliance with health, safety, environmental and security standards (including compliance with international treaties) demanded by the type of industry in which URENCO operates; and
- Investing in the Group's employees upon whom future success depends

Financial Performance ^[1]

£m	2010	2009	2008
Turnover	1,088	1,003	888
Operating Profit (before exceptional items)	508	448	361
Profit/(Loss) for the year	332	307	204
Cash flow before financing	-57	-346	-206
Net Operating Assets ^[2]	3,874	3,318	2,244
RONA ^[3]	13%	13%	16%
Shareholders' Funds	1,201	978	540

Notes:

1. URENCO has a financial year end of 31 December and reports in €. These figures are converted into sterling using average exchange rate during the year.
2. Net operating assets are calculated as total assets less current liabilities (excluding short-term borrowings and cash)
3. RONA is calculated as operating profit over net operating assets

Dividend policy

The Group's policy is to target a dividend payout of 50% of its annual net recurring income. However, it has significant capital investment plans and is seeking to increase the cash reinvested in the business. As such, the dividend for 2010 is 19% of net recurring income.

Performance targets

Targets focus on maintaining uninterrupted operational output, minimising operational costs and the delivery of planned capacity expansion, to drive growth in operating cash flow. Targets also focus on strong safety performance and culture.

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Working Links



Purpose

Working Links operates in Britain and internationally. It bids for and manages regional contracts from the Department for Work and Pensions (DWP) and other Government Departments and agencies to work with long-term unemployed people, ex-offenders, those with skills gaps and disadvantaged young people. With the aim of enabling customers to up-skill, achieve apprenticeships, obtain, sustain and progress in employment. It also provides similar services in the Middle East and Poland.

Legal Status and Ownership

Working Links (Employment) Ltd is a limited company registered in England and Wales. Mission Australia (an Australian charity), and the Secretary of State for Work and Pensions each own one-third of the share capital, with Manpower plc and CapGemini UK plc holding a sixth each.

Objectives

As a shareholder, the Government's interest is to maintain and enhance the long-term value of Working Links. To this end the Government's objectives are to:

- see sustained growth in value and free cash flow based on a level of margins that allows for the costs and risk of the contracts undertaken to ensure the growth and sustainability of the company;
- respect the founding public-private culture and values of the business;
- preserve the entrepreneurial vigour and social purpose of Working Links

Financial Performance ^[1]

£m	2010	2009	2008
Turnover	123	86	77
Operating Profit (before exceptional items)	6	1	1
Profit/(Loss) for the year	4	1	1
Cash flow before financing	20	5	0
Net Operating Assets ^[2]	2	0	3
RONA ^[3]	374%	1826%	49%
Shareholders' Funds	8	5	4

Notes:

1. Working Links financial accounts for the 18 months ended 30 September 2011 is expected to be finalised by December 2011.
2. Net operating assets are calculated as total assets less current liabilities (excluding cash)
3. RONA is calculated as operating profit over net operating assets

Dividend policy

The current policy is to distribute 50% of retained net profit to shareholders, unless there are compelling investment propositions.

Performance targets

Targets are based on financial measures such as revenue, profits, cash flow, asset values and gearing. Other non-financial targets focus on areas such as quality of service and employee related measures.

Public Data Group

In March 2012 government announced the [response to the consultation on a Data Policy for a Public Data Corporation \(PDF, 483 Kb\)](#) and [the terms of reference for the Public Data Group and Data Strategy Board \(PDF, 269 Kb\)](#).

At the same time Cabinet Office announced the establishment of the [Open Data User Group](#) and the recruitment of an independent chair.

Claudia Arney is the Chair of the Public Data Group.

Stephan Shakespeare is the Chair of the Data Strategy Board.