UK Green Investment Bank plc Annual Report and Accounts 2015–16

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UK Green Investment Bank plc
Annual Report and Accounts 2015–16

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About this report

This report outlines our performance for the financial year ending 31 March 2016, referred to as 'the reporting period'.

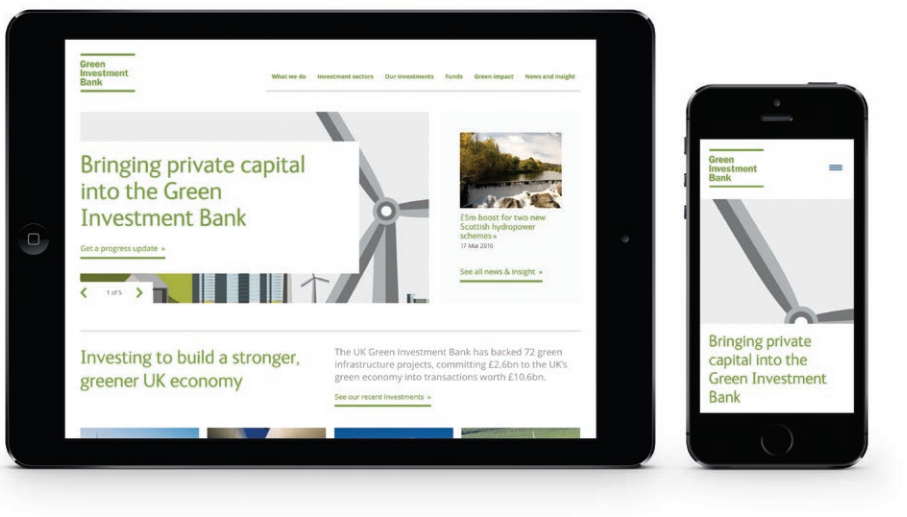
The report is divided into four main sections: strategic report, corporate governance, green impact statements, and financial statements. Within each section, you will find cross-references to further information elsewhere in the report. The overview gives an at-a-glance look at the year. A glossary is included in the appendices.

Find out more

You can learn more about the UK Green Investment Bank online. This and previous annual reports are available to download on our website.

greeninvestmentbank.com

You can also find us on LinkedIn and Twitter.



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Who we are

The UK Green Investment Bank plc (GIB) is the world's first green investment bank. We are proud to have helped finance green projects worth over £10bn in just over three years.

What we do
We are an investor in, and manager of, green infrastructure assets. Our mission is to accelerate the UK's transition to a greener, stronger economy. As we do this, we are working to build an enduring institution.

We invest in infrastructure projects which are both green and profitable. Our core business is investing shareholder capital in UK green infrastructure projects and managing those assets. In addition to that, our subsidiary – UK Green Investment Bank Financial Services Ltd (GIBFS) – manages private capital in UK offshore wind projects invested by the UK Green Investment Bank Offshore Wind Fund (the GIB Offshore Wind Fund). We are also working with the UK Government to invest in green infrastructure projects in developing countries through a joint venture established in May 2015.

A green investor
We invest in projects that deliver a positive green impact as measured against our five 'green purposes' – our green mission. We report on our green impact with market-leading rigour and transparency. We are a leading voice in the development of a worldwide standardised green reporting methodology.

A commercial investor
We invest in projects which will generate a commercial return on market terms. By doing this we mobilise private sector capital to invest alongside us and create a positive demonstrable effect that is beneficial to the wider market.

Our people
GIB employs just over 130 people across the GIB Group (the Group), including more than 85 renewables investment professionals and technical experts. Our team is based in the UK in two offices: our Edinburgh headquarters and our London investment banking hub.

Our shareholders
GIB was established in late 2012 by the UK Government, which provided the business with its initial investment capital. Since its launch in 2012 and for the duration of 2015–16 GIB was wholly owned by the UK Government. In June 2015 the UK Government announced its intention to move GIB into the private sector by selling a majority of its shares and providing access to a greater volume of capital. This transaction was launched in March 2016 and is expected to conclude during the year 2016–17.

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Performance highlights

Investment highlights

£770m Capital committed

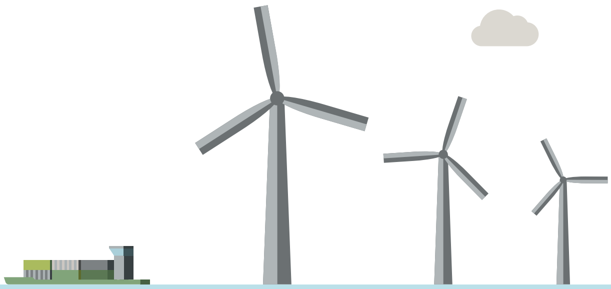
2015–16	£770m
2014–15	£723m
2013–14	£616m

£3.7bn Total transaction value

2015–16	£3.7bn
2014–15	£2.5bn
2013–14	£2.3bn

30 Projects financed

2015–16	30
2014–15	22
2013–14	17



Financial highlights

£9.9m Profit before tax

2015–16	£9.9m
2014–15	£0.1m
2013–14	(£5.7m)

10% Projected portfolio return

2015–16	10%
2014–15	9%
2013–14	8%

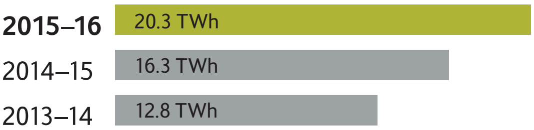
£58.8m Income

2015–16	£58.8m
2014–15	£28.2m
2013–14	£15.4m

Green highlights

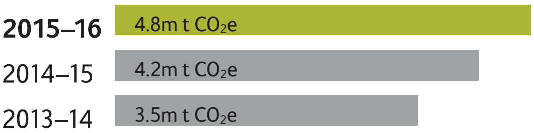
20.3 TWh Renewable energy produced*

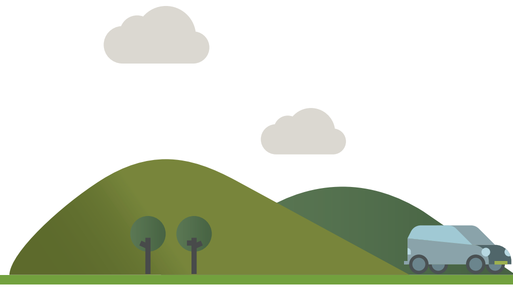
Enough to power 4.9m homes



4.8m t CO_2e Greenhouse gas saved*

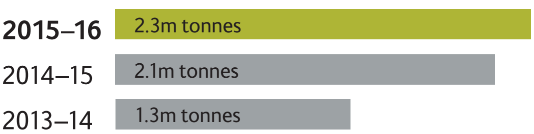
Equal to taking 2.2m cars off the road





2.3m tonnes Landfill avoided

Equal to waste of 2.3m households



*average annual projected

Other highlights

We backed our largest ever project, a £306.5m investment in the construction of the Rampion offshore wind farm

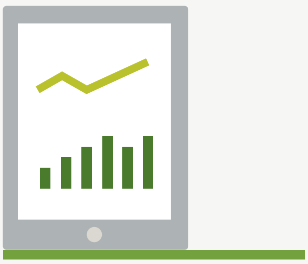
We continued to back smaller projects including a hydro-electric facility in Scotland and a low energy streetlighting project in Southend

With £818m in capital raised the GIB Offshore Wind Fund (the Fund) became the UK's largest renewable energy fund. The Fund owns shares in five operating offshore wind farms in the UK

Performance against our own KPIs

We set ourselves seven targets for the year. Our performance against each is set out in full in this report. We performed strongly against six of these seven, including measures on innovation and corporate culture. On capital commitments, our target range was £726m to £926m. Against this target, actual capital committed in the reporting period was £770m.

We fell short of some of our KPIs, mainly our financial performance target for the year. This was due in large part to lower revenues from falling power prices and a number of transactions which were delayed or did not ultimately require our capital. Our actual profit before tax was £9.9m compared to a target range of £15.8m to £25.8m.



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Section 01:

Strategic report

Chair's report

> GIB has had a year of strong performance as we prepared for a possible change of ownership and move into the private sector.

GIB has had a year of strong performance as we prepared for a possible change of ownership and move into the private sector.

As this report sets out, the business continued to perform strongly throughout the year. It has delivered record levels of investment into UK green infrastructure and further diversified its business model, creating options for future growth. This diversification is now well underway and includes raising third-party capital through our first fund and working overseas in partnership with the UK Government.

The core business performance has been achieved during a period of change in the UK market. The UK general election in May 2015 brought a new government and with it some changes to policy support for certain technologies and parts of the renewable energy market. GIB has been relatively unaffected, directly, by these changes and we have been reassured by the UK Government's overarching commitment to its climate change targets and its ongoing support for key technologies such as offshore wind.

More recently, on 23 June 2016 the UK voted to leave the European Union. While this creates a number of near-term risks and uncertainties for our markets and our funding, GIB is a robust and adaptable business with a strong portfolio of investments.

During the reporting period the Board's focus has been on overseeing business-as-usual activity and close involvement in the work to prepare GIB for a potential change of ownership and raising additional capital.

The Board has been considering options for GIB's long-term funding for some time. Following the UK general election, the Secretary of State for Business, Innovation and Skills announced the intention to sell down the UK Government's ownership of GIB and to move GIB into the private sector. The Board is supportive of this as it provides the organisation with the best route to securing the capital GIB needs for its long-term growth and the achievement of a greater and growing green impact.

The UK Government is the owner of the business and will have the final say in the decision over new owners; however, GIB's Board has an important role to play in the process. In particular our Board will consider the impact of the sale on GIB's green mission, future funding and governance and the impact on staff and wider stakeholders.

The Board has also been supportive of the creation of a 'special share' in GIB to ensure the continued protection of GIB's 'green purposes' and has assisted in its implementation.

While we are working towards a successful conclusion to the change of ownership and capital raising we cannot, of course, be certain. Should the transaction not proceed there are alternative good options available to the business to secure its future.

Lord Smith of Kelvin KT CH
Chair

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Overview
Strategic report
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Appendices

This year, in line with good practice, the Board has produced a viability statement. This statement is contained within the principal risk section of the report and sets out the Board's assessment of the viability of the Group over a three year time horizon.

Turning to the Board itself, membership of GIB's Board remained unchanged throughout the year. We remain committed to diversity with more than a third of our Board being female. In addition, for the second year running, we supported the UK Government's Women on Boards initiative where an individual has an opportunity to attend Board meetings for a year as an observer.

In summary, we are planning for the GIB privatisation to conclude over the course of the coming year. We believe that this should be a positive development for the business and is an important step in securing the long-term future of the business. In the meantime, GIB will remain as committed to its day-to-day business of investing in and managing green infrastructure as it has been over the past three years of successful operations.

Lord Smith of Kelvin KT CH
Chair

Transparency statement

Openness is one of our founding values. We believe that being transparent is a good way to do business and an important way of maintaining the trust of our stakeholders.

We apply this value in a number of very practical ways.

We publish our investment strategy and announce details of all our investments as we make them. We have published our approach to assessing and reporting green impact and continue to actively and practically support the wider movement towards greater market clarity and transparency in the area of green investment.

We are transparent about how we have set-up and run our business and publish Board minutes, corporate policies, remuneration, significant expenditure through suppliers, and Board and employee hospitality.

We hold stakeholder events which were attended by over 600 people in Edinburgh and London in 2015. This year we developed our approach further by publishing a summary of the key issues raised with us throughout the reporting period by our stakeholders and publishing details of these in this report.

Lord Smith of Kelvin KT
Chair

Shaun Kingsbury
Chief Executive

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Chief Executive's review

This year we have achieved strong business-as-usual performance, further diversification of our business model and the advancement of plans to move GIB into the private sector.

Shaun Kingsbury
Chief Executive

This year we have achieved strong business-as-usual performance, further diversification of our business model and the advancement of plans to move GIB into the private sector.

During the year we committed more capital (£770m) and mobilised more third-party private capital (an additional £3bn) than any other previous year. We were involved in 64% of the transactions in our investment sectors and we supported important innovations and a number of 'firsts' in all of our key markets: offshore wind, waste and bioenergy, energy efficiency and onshore renewables.

Across almost all key measures of activity we demonstrated our strongest single year performance so far and delivered significant portfolio growth. We have improved our results against our double bottom line measures: green impact and financial returns.

On green impact, our investments during the year will see the renewable energy generation capacity of our portfolio grow from 2.7 GW to 3.8 GW; a 40% increase to a portfolio capable of meeting the entire, combined household electricity consumption of Scotland, Wales and Northern Ireland.

On financial returns, our investments are projected to provide a rate of return of 10.3%. Our profit before tax for the year was £9.9m. With a large part of the portfolio due to complete construction and go into operation we expect profitability to increase significantly in the years ahead. Our income rose to £58.8m and will continue to grow steadily as existing, contracted revenues flow through. Our costs remain competitive, comparing well to similar types of organisations.

While our year on year performance was improved across all measures we fell short of some of our own targets. We were at the lower range of our capital commitment target due to targeted transactions which did not require our capital in the period. The loss of expected income from those transactions, together with lower than expected power prices across the UK, resulted in a profit before tax for the year which fell below our initial forecast.

During the year we recorded our first impairments with a £4.4m write down on the value of two assets managed by third-party fund managers. Both projects are now operating well but financial returns have been affected by lower power prices and a change in the levy exemption support mechanism. Additional details are provided in the financial performance section of this report.

We continued the diversification of our business model this year.

The GIB Offshore Wind Fund (the Fund), operated by our subsidiary GIBFS, has £818m of capital under management to date; making it the UK's largest renewable energy fund. It has invested in five assets – all operating offshore wind farms in the UK.

The Fund's investors include pension funds, insurance funds and a sovereign wealth fund.

We have started to build our international business through our joint venture with the UK Government's Department of Energy and Climate Change. The year was spent developing a pipeline of projects, mainly in solar PV and onshore wind, predominantly in India with some emerging opportunities in east Africa and South Africa.

We were also active internationally in sharing our approach to green investment through our Green Investment Handbook. The handbook, which sets out 'how we do green', is now being used by investors in the UK, China and Mexico and is playing an important role in our activities in Africa and India.

Finally, in June 2015, the UK Government announced its intention to begin the process of moving GIB from public ownership into the private sector. The process is expected to involve the UK Government reducing its shareholding, allowing GIB to raise capital for the future growth of the business. The transaction was launched in March 2016.

As I look forward, the expected privatisation of GIB will be the defining event of the year ahead for us. We have a market-leading team and a high performing business capable of significant growth, at home and abroad.

We have a number of options to further diversify our business, enhance our portfolio and strengthen our financial returns. GIB's move into the private sector provides us with the best means of realising these ambitions and delivering a greater and growing green impact.

While we are positive about the privatisation process and its outcome we have developed contingency plans should the process not proceed as currently planned, and we have a number of alternative options open to us for funding our future business growth. While the privatisation process inevitably brings some short-term uncertainty to the business we have worked hard to ensure it does not disrupt business-as-usual activity.

More broadly, I am encouraged by positive developments in the wider market outlook. The Paris Agreement creates an ambitious and highly supportive policy context which governments will now move to fulfil with detailed policy measures. The market is well placed to respond. There should now be no doubt about the future growth of the low carbon infrastructure sector, and GIB, as a leading expert investor in that sector, is set to play an important role in it.

S. Kingsbury

Shaun Kingsbury
Chief Executive

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Introducing private capital to GIB

25 June 2015
UK Government announces its intention to move GIB into the private sector

15 October 2015
To satisfy its declassification objective the UK Government announces its intention to repeal the legislation which states that GIB's 'green purposes' can only be amended with parliamentary approval

2 February 2016
UK Government announces the creation of a special share in GIB, the holder of which would have to agree to any change to GIB's 'green purposes'

3 March 2016
UK Government invites expressions of interest in GIB, launching the formal process to sell down their shareholding, moving GIB into the private sector

By end 2016–17
Expected conclusion of the transaction process

2015–16 saw GIB take significant steps towards a change of ownership and a move into the private sector. Our Chair, Lord Smith of Kelvin, has set out the background to the privatisation process in his report. This process will continue through the coming financial year. This section aims to explain progress towards this goal and the way in which our green mission will continue to be safeguarded.

Announcing our privatisation

The intention to inject private capital into GIB was signalled when the organisation was in its infancy and is intended to bring important advantages. It will give us a stable long-term funding strategy; it will allow us to borrow; and it will free us from state aid constraints thereby enabling us to invest in the full range of the UK's green infrastructure projects. Taken together, these advantages mean that privatisation gives us the foundation for creating an even greater green impact.

GIB's possible transfer into private ownership was first signalled by the UK Government as early as 2011 in its policy statement on the design and set-up of GIB. The UK Government reaffirmed this intention in successive Autumn Statements and Budget Statements.

At last year's GIB Annual Review in June 2015, the Secretary of State for Business, Innovation and Skills, Rt Hon Sajid Javid MP, announced that the UK Government had been reviewing options for bringing private capital into GIB. The UK Government had come to the view that the best approach was to move GIB into private ownership as long as it could make sure that a value-for-money sale of the UK Government's shareholding could be achieved.

We welcomed this statement from the UK Government.

On the decision to privatise GIB:

"The decision announced by the Business Secretary is the right one. It is the option that gives us the best chance of creating the greatest green impact." **Shaun Kingsbury, Chief Executive**

"In two and a half years of operations, GIB has established a successful business model. We have played an important role in strengthening energy supply and security, reducing energy demand and decarbonising our economy. We have achieved all of this by investing profitably. Our challenge now is to build a funding strategy which provides us with the capital to match our investment ambitions. We are delighted to have [the UK Government's] support as we enter a new phase and seek additional investors in our business." **Lord Smith of Kelvin, Chair**

The legislative process

A key aim for the UK Government has been to ensure that GIB could be formally classified as a private sector institution following a sale. This would mean that, for example, we would have the freedom to borrow and raise equity without this impacting on public sector debt levels. To ensure that this objective could be met, the UK Government undertook discussions with the Office for National Statistics (ONS).

In those discussions, it became clear that, even if GIB was no longer owned by the UK Government, the existence of legislation which provided for parliamentary control over the 'green purposes' would likely be seen by ONS as constituting government control over GIB. Such specific legislation, along with the associated governmental and parliamentary control, could prevent us from being classified as a private sector institution.

Consequently, it was considered necessary to repeal the legislation which provided for parliamentary control over the 'green purposes' in order to ensure the re-classification objective would be more likely to be met. This proposed repeal was introduced in the Enterprise Bill (now the Enterprise Act 2016).

The proposed repeal led to substantial political, parliamentary and stakeholder debate about how best to safeguard GIB's 'green purposes'. This included parliamentary debates in the House of Lords and House of Commons and an inquiry by the House of Commons Environmental Audit Committee.

The creation of a 'special share'

Following further discussions with ONS, the UK Government agreed in February 2016 that we should provide for a 'special share' in GIB. This share will be held by a company limited by guarantee (Green Purposes Company Limited) which will be owned and operated by independent trustees, appointed by a nominations committee independent of GIB and of the UK Government. The share will ensure GIB's 'green purposes' could only ever be changed with the agreement of that company.

The Articles of Association of GIB were amended on 10 March 2016 to allow for this 'special share'. The Nomination Committee was appointed on 21 March 2016, and the search for independent trustees began on 17 May 2016. The expectation is that the trustees will be selected by the end of July 2016.

GIB supports the creation of this 'special share' as it means that our green mission will continue to be protected independently.

Transaction launch

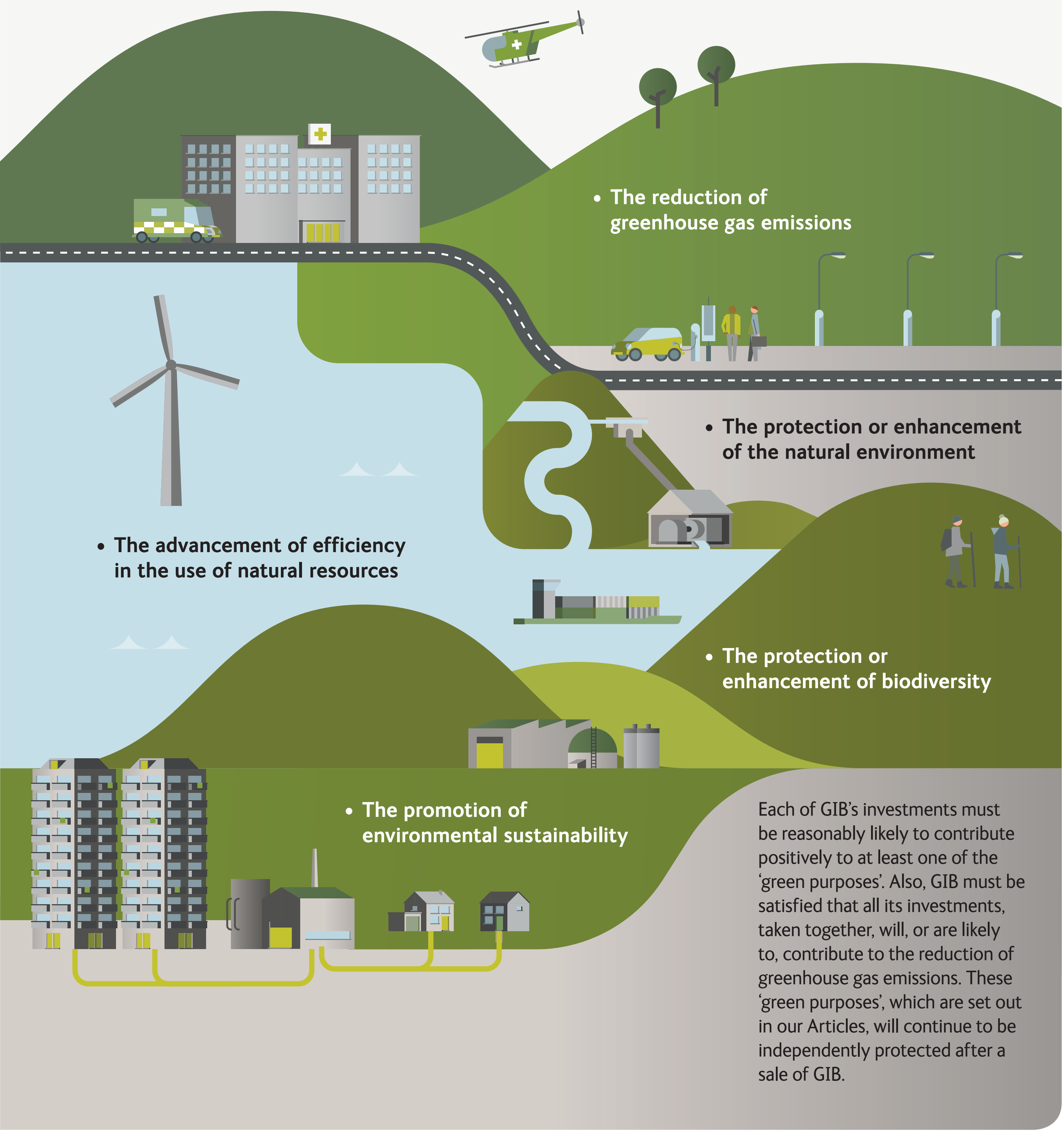
The UK Government announced on 3 March 2016 that it was inviting offers from bidders to invest capital in GIB. The sale would be a two-stage sale auction process which the UK Government described as follows:

"In the first round, bidders will be asked to submit non-binding initial bids based on the confidential Information Memorandum. The proposals received will be evaluated and selected parties will be invited to proceed to the second round of the process. At that stage, potential bidders will be provided with additional information to enable them to carry out due diligence on GIB. They will be given access to confidential data with further detailed due diligence reports, transaction documents and will receive presentations about the business from GIB's management team. Following due diligence, interested parties will be invited to submit formal, final and binding offers."

Our reaction to the announcement of a 'special share': "I have always been confident that any new investor in GIB will be strongly committed to our green mission – our commitment to, and expertise in, green investment is the very reason they would be investing in us. That said, I understand the concern among some of our stakeholders over the legislative changes, so I am delighted we have been able to offer them the additional commitment that a special share will bring."

Lord Smith of Kelvin, Chair

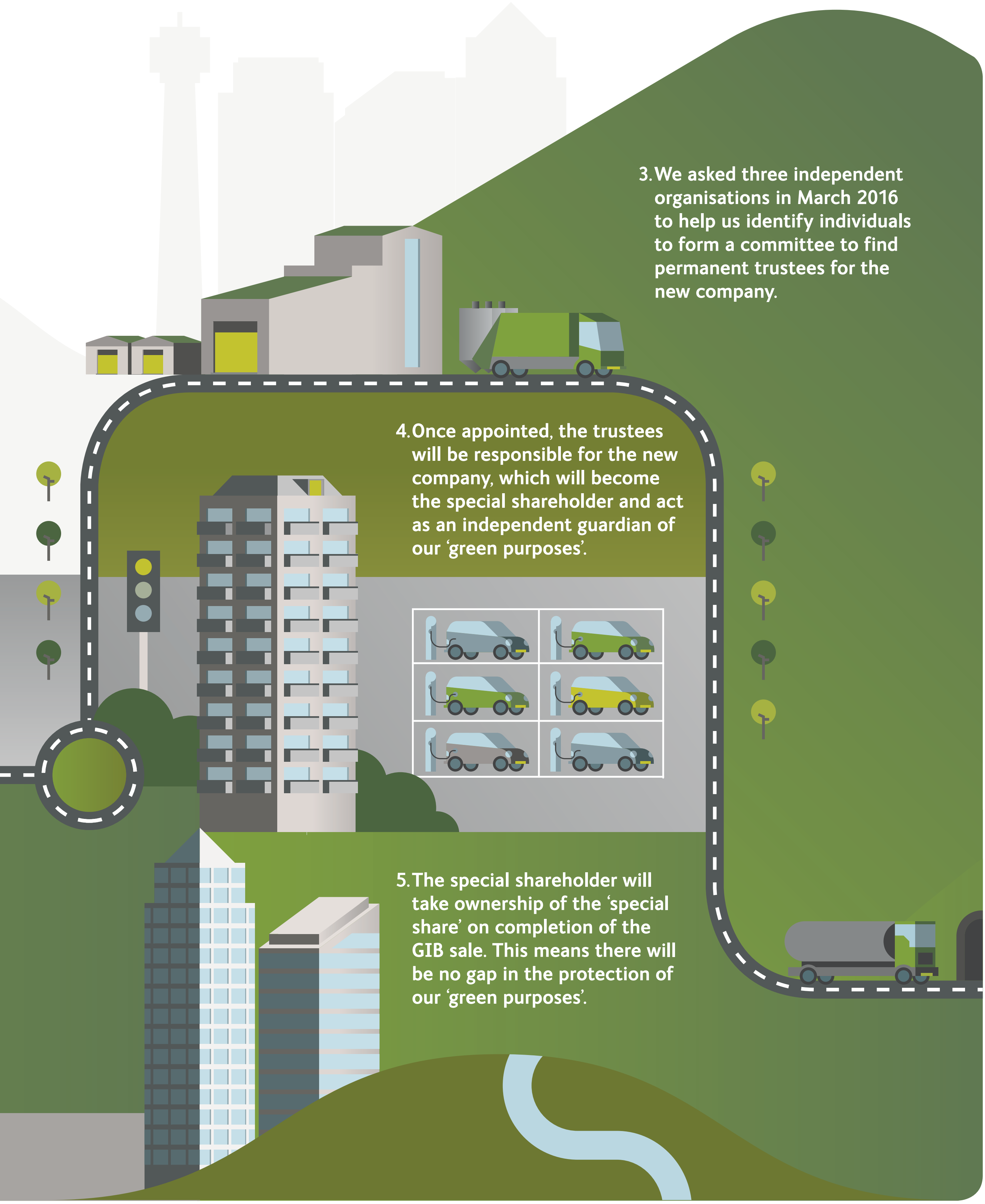
GIB's 'green purposes'



Each of GIB's investments must be reasonably likely to contribute positively to at least one of the 'green purposes'. Also, GIB must be satisfied that all its investments, taken together, will, or are likely to, contribute to the reduction of greenhouse gas emissions. These 'green purposes', which are set out in our Articles, will continue to be independently protected after a sale of GIB.

The ‘special share’

Here are the steps towards the creation of a ‘special share’ to ensure continued protection of our ‘green purposes’. Three of these steps have already been taken with the remaining two to be taken by the conclusion of the sales transaction.



3. We asked three independent organisations in March 2016 to help us identify individuals to form a committee to find permanent trustees for the new company.

4. Once appointed, the trustees will be responsible for the new company, which will become the special shareholder and act as an independent guardian of our 'green purposes'.

5. The special shareholder will take ownership of the 'special share' on completion of the GIB sale. This means there will be no gap in the protection of our 'green purposes'.

Our strategy

This section provides an overview of our business model, the markets we operate within, our investment strategy and the outlook for our markets.

Our business model

We are an investor in, and manager of, green infrastructure assets. Our mission is to accelerate the UK's transition to a greener, stronger economy. As we do this, we are working to build an enduring institution.

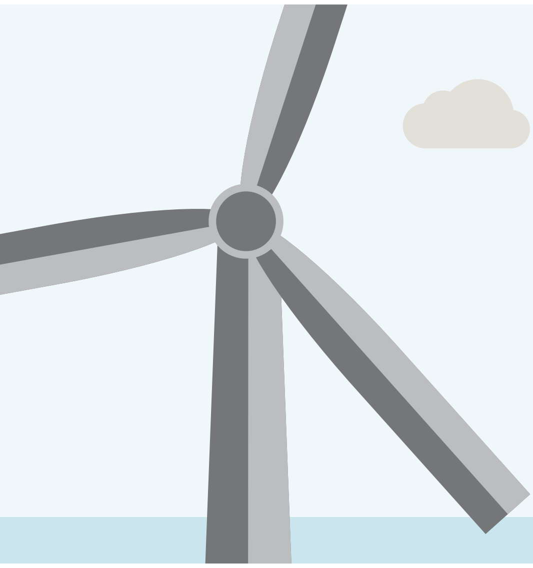
We have established a flexible Group structure which allows us to invest in different ways to maximise our direct impact and mobilise private sector investment in green infrastructure:

- **We act as a principal investor in green infrastructure assets in the UK.** This is our primary activity. Examples of this include the eight direct transactions we committed capital to in the reporting period such as the Belfast energy from waste plant.
- **We act as the limited partner of funds managed by third parties appointed to invest in green infrastructure assets.** This 'fund of funds' business is designed to provide us with the capability and capacity to invest in a higher volume of smaller projects. Examples of this include the Sheffield combined heat and power (CHP) plant where the investment was managed by the fund general partner, Equitix.
- **We act as a fund manager and general partner in a fund management business which manages the investment of third-party capital in green infrastructure projects.** This allows us to raise and manage capital from other investors, many of whom are new to the green infrastructure market. The only such fund that is currently managed by the GIB Group is the GIB Offshore Wind Fund managed through our subsidiary GIBFS.
- **We participate in a joint venture set-up to make direct investments in green infrastructure projects outside the UK.** Our partner in this joint venture – UK Climate Investments LLP (UKCI) – is the UK Government's Department of Energy and Climate Change. The joint venture was established with particular focus on investing in India, South Africa, Kenya, Tanzania and Rwanda.

This range of activity is underpinned by four key characteristics of our business model which differentiate GIB as an investor and asset manager:

- **We are a subject matter expert in a specialist field.** Our sole focus is green infrastructure investment and asset management.
- **We have a market-leading team.** Our team of investment and technical specialists are one of the largest and most experienced green economy focused teams in the world.
- **We have a flexible approach.** Our ability to invest in different financial products, different sectors and through different structures gives us a unique position in the market.
- **We have built a robust, flexible and scalable business platform.** Our governance, systems and processes are fit for a large public company and offer a strong platform for rapid business diversification into new parts of the green infrastructure market and new geographies.

These characteristics have defined the GIB business model over the first years of operations and form the basis of the investment case we are putting to potential new investors in the business.



The GIB Offshore Wind Fund

GIB, through its Financial Conduct Authority (FCA) regulated subsidiary GIBFS, has established an offshore wind fund. The objective of the Fund is to provide long-term institutional investors with the opportunity to invest in unlevered operating offshore wind farms in the UK.

So far the Fund has raised £818m – with £200m from GIB and £618m from other private investors – making it the UK's largest renewable energy fund. Investors include life insurance companies, pension funds and a sovereign wealth fund.

The Fund has invested in five assets so far, including the most recent acquisition of the Lynn and Inner Dowsing projects, marking the first time that a UK offshore wind project has been fully owned by non-utility investors.

The UKCI joint venture

GIB has entered a joint venture with the UK Government's Department of Energy and Climate Change. The objective of the partnership is to make a number of investments totalling up to £200m in renewable energy and energy efficiency projects in India, South Africa, Kenya, Tanzania and Rwanda.

A project pipeline is now in place that includes new investments in solar PV and onshore wind construction. Projects are expected to be additional and have a transformational local impact; for example, by providing communities with reliable, sustainable, affordable and clean off-grid power often replacing fuels such as kerosene and diesel.

UK Climate Investments

Department of Energy & Climate Change

GIB's investments in funds

Since our inception, GIB has had a strategy of providing capital to third-party fund managers with the objective of investing in smaller projects. GIB has invested through fund managers mainly in the energy efficiency, waste and biofuels and onshore renewables sectors. GIB is also a limited partner in the GIB Offshore Wind Fund, with a £200m investment.

Investments by our third-party fund managers in the past year included: NHS energy efficiency through our fund manager Aviva; LED lighting, heat pumps and CHP projects through Equitix; on-farm anaerobic digestion projects through Foresight; and a range of energy efficiency projects through SDCL. Details of investments made on behalf of the GIB Offshore Wind Fund can be found on p.32.

Our market

Green infrastructure investment and renewable generating capacity in the UK continue to grow. As an investor in this market which works in partnership with project developers and co-investors, GIB's performance is sensitive to these market conditions.

2015 saw share of electricity generation from renewable energy in the UK reach 24.7%, up 5.6% on 2014. This increase was primarily due to growth in installed renewable energy generating capacity, which grew by 22% over the preceding 12 months to reach 30 GW. Share of generation from renewable energy was also boosted by a fall in overall electricity generation as demand fell by 0.4% on 2014. At the same time share of generation from coal fell from 29.7% to 22.6% due to conversion of a unit at Drax to biomass, temporary plant closures and an increase in the carbon price floor. Share of generation from gas was unchanged, falling marginally from 29.8% to 29.5%.

In 2015, investment in the construction of UK renewable generating capacity was £13.4bn; a record year and up 24% on 2014. This was driven in part by several offshore wind projects reaching Final Investment Decision and an increase in onshore wind build-out ahead of the anticipated early closure of the Renewables Obligation scheme. This was offset somewhat by decreased solar PV build-out following closure of the Renewables Obligation scheme to larger solar PV projects in March 2015.

Over the financial year 2015–16 there were £6.4bn of addressable transactions in our core renewable energy sectors of offshore wind, waste and bioenergy, an increase on the previous financial year's total of £3.2bn. This was primarily driven by investments into the Rampion, Galloper and Burbo Bank offshore wind farms as developers looked to bring greater volumes of external capital into projects and to do so earlier in the project lifecycle, creating new opportunities for GIB.

Of those addressable transactions, GIB was involved in 64% by value (12 transactions). This is broadly in line with the 60% of addressable transactions by value in the previous financial year.

64%

Addressable transactions GIB was involved in (by value) in 2015–16

Our investment strategy

Our sector investment teams each follow an individual investment strategy suited to their market. However, we apply some common principles across all markets.

- We provide flexible capital, investing across the full capital structure, from debt to mezzanine debt and equity.
- We invest in the construction of new projects or in the refinancing of existing projects where there is a benefit in creating a secondary market.
- We invest directly in large projects or programmes and indirectly in smaller projects through funds or developer partnerships.
- We typically engage early in the project lifecycle, working with developers to ensure projects are well structured and bankable.
- We use our sector expertise and focus to understand fully the risks associated with each project and price them appropriately. We believe our ability to do this well is building confidence amongst investors, reducing perceptions of risk, encouraging investment at scale and driving down costs.
- We aim to mobilise investment on a project by project basis but also, through a positive demonstration effect, to improve the attractiveness of the wider sector.
- We take a proactive approach to managing risk across our business, including investment, operational, green, and reputational risk.

GIB continues to evolve and adjust to help shape and meet the needs of a changing market. 2015–16 has seen two significant developments for the business's investment strategy and activity:

1. **Acceptance of new technologies in the waste and bioenergy sector.** In previous years GIB was instrumental in bringing new gasification technologies, which had been proven elsewhere, to the UK for the first time. In 2015–16 this momentum gathered pace to the point that the technology is now becoming accepted as a new technology class capable of accessing long-term project finance.

   GIB was at the forefront of this market development through support for early, first of a kind projects in the UK including Birmingham Bio Power Ltd, helping to demonstrate the viability of these projects. GIB has continued to back this technology class through new projects in Hoddesdon, Derby and Belfast where our expertise and experience has given other investors confidence to become involved in these transactions.

2. **A broadening of the UK offshore wind financing market.** 2015–16 saw a further maturing of the market with the introduction of new investors and increased appetite for investors and financiers to become involved earlier in the project lifecycle.

   We believe that GIB's involvement in the market is serving to demonstrate the strength of the investment opportunity and has accelerated the progress of the sector towards the financial mainstream. More specifically GIB contributed to this in two ways in 2015–16.

   First, through the GIB Offshore Wind Fund, a first step into the market has been provided for investors who would otherwise not have had the direct investment expertise.

   Secondly, through our direct investment activity. GIB invested earlier in the project lifecycle, at Final Investment Decision stage, through our unlevered equity investment in the Rampion offshore wind project. GIB was also a cornerstone equity investor in the Galloper project, the UK's first construction-ready project finance debt transaction at Final Investment Decision.

Find out more

29 – Investment performance

Our outlook for our markets

The UK's green infrastructure market has been subject to considerable change throughout the year, reflecting the rapid pace of technological advances, the evolving strategies of energy utilities and the policy priorities of a new UK Government.

In the near term, we expect to see continued growth in renewable energy investment and capacity driven by projects already under construction, and a strong pipeline of projects which have already secured access to a UK Government support mechanism ensuring a continued investment opportunity for GIB. At the same time we are seeing a growing number of opportunities that do not require subsidies, such as those in energy efficiency.

In the long term, the fundamentals of the UK market remain in place. The UK Government continues to maintain focus on the 'trilemma' of energy policy goals: a secure and resilient energy system, affordable energy supplies for households and business, and action to tackle climate change through international initiative and cost-effective carbon abatement.

The UK Government has reaffirmed its commitment to the UK's climate change targets and demonstrated this through its support for the United Nations Framework Convention on Climate Change's (UNFCCC) landmark Paris Agreement, reached in December 2015. Central to this agreement is the long-term goal to keep global average temperatures to well below 2˚C above pre-industrial levels. This will define the institutional framework underpinning investment from 2020 and heightens ambition for GIB's target sectors overall.

In the medium term, we can expect to see a changing emphasis in support for specific policy measures and technology options, as the UK Government's approach increasingly aims to promote competition, support innovation and mobilise international action. It also reflects a growing recognition of the need for a comprehensive, systemic approach to decarbonisation, ramping-up efforts to cut carbon emissions beyond the power sector while maintaining the reliability of a power system where low carbon technologies meet a growing proportion of the country's electricity needs.

This new approach is already evident in a reduction in subsidy support for established technologies such as onshore wind and solar PV, meaning that future deployment will depend on continuing innovation in technology to reduce costs and in business models that are independent of subsidy. As these changes occur there will be an opportunity for investors able to participate in this evolving market.

By contrast, technologies at an earlier stage of development are expected to maintain government support, where they have the potential to deliver a long-term, cost effective impact and support UK economic development. This ongoing government commitment to these sectors provides greater certainty for GIB's future investment activities in offshore wind, waste and bioenergy. The UK Government has made a long-term commitment to offshore wind, suggesting that a further 10 GW of capacity will be built in the decade to 2030, over and above the 10 GW expected to be operating by 2020. This commitment is dependent on the industry moving to cost-competitiveness. We continue to see the cost of offshore wind falling in both the UK and overseas.

Support for new investments through the competitive Contract for Difference (CfD) framework is expected to be maintained, on the basis that costs continue to fall to a point where offshore wind becomes competitive with other low carbon options.

The need to maintain secure electricity supplies is progressively opening new markets, as flexibility is recognised as an increasingly valuable commodity. Infrastructure that delivers this flexible capacity – from electricity interconnectors to storage and responsive demand resources – may offer a lower-cost alternative to new power generation and networks. As these markets mature we expect them to offer increasingly attractive and diverse investment opportunities.

Beyond electricity, the UK Government and the independent Committee on Climate Change acknowledge that long-term decarbonisation goals depend upon major transformations in the heat and transport sectors. As a consequence, priority is increasingly focussed on promoting investment across these sectors, including energy efficiency, heat, electric vehicle fleets and charging infrastructure.

Ongoing government support for these non-power sectors is already evident in policy decisions, with the UK Government's Comprehensive Spending Review including an increase in funding for the Renewable Heat Incentive as well as funding for energy efficiency in public sector buildings and heat networks. Meanwhile January 2016 saw the deadline for completion of company energy efficiency audits under the ESOS scheme, which is expected to accelerate businesses' adoption of energy efficiency measures.

Beyond the impact of policy measures, the market outlook is also affected by wider developments across the energy and financial markets and in the development of technology.

In global energy markets the oil price collapse – from $120bbl in 2014 to lows of ˜$30bbl seen in early 2016 – has served to depress gas prices and wholesale power markets in the UK. However, other revenue streams within our markets, such as gate fees for waste, remain strong and the limited correlation between retail and wholesale power prices means that the emerging market in on-site generation for corporate hosts will continue to grow.

In financing markets, there has been growing institutional equity investment into European renewable energy projects as these investors look to grow infrastructure allocations in their portfolios. However, many investors struggle to access infrastructure deals, with target allocations consistently outstripping actual allocations and funds rather than direct investment remaining the dominant route to market. This may be a result of the continued complexity of these markets making it difficult for non-specialist investors to participate. However, the availability of project debt remains strong, with European project finance volumes growing over the last two years.

In technology, solar PV generation costs are forecast to continue declining, driving greater uptake of the technology for both large-scale and distributed energy projects. In offshore wind there remain important opportunities for incremental cost reduction, in major components but also across the value chain, which may be accelerated by the targets set by the UK Government as part of the upcoming CfD rounds. For more established technologies, the effect of removing subsidy is expected to drive cost reduction through a combination of technical and supply chain efficiencies. In addition to cost reductions in energy generation, increased production capacity for lithium ion batteries is already driving down costs which will further support build-out of energy storage projects as well as uptake of electric vehicles.

Performance: Overview

We work to a number of key performance indicators (KPIs) which allow us to measure our performance and progress as a business. Our KPIs are linked to our corporate strategy and are set annually by our Board of Directors.

These measures demonstrate our focus on investment performance, green performance, financial performance and organisational development. Full details on each are provided in the sections that follow.

KPI	Measure	Target	Performance
Capital commitment	Amount of GIB capital committed to green, profitable projects.	Capital commitment target range of £726m to £926m, adjusted for market conditions, with further sector-related sub-targets.	£770m total capital committed; within the target range. Sector-related sub-targets achieved in offshore wind and missed in other sectors.
Financial performance	Profitability delivered through a combination of revenue growth from investments and strong cost discipline.	Full financial year positive net profit before tax range of £15.8m to £25.8m from continuing operations.	Profit before tax of £9.9m achieved. Shortfall to target mainly a result of delayed deals, falling power prices and transactions which had been anticipated but did not require our capital in the period.
Innovation – GIB Offshore Wind Fund	Introduction of additional private capital in GIB Offshore Wind Fund.	£1bn close on GIB Offshore Wind Fund achieved by 31 March 2016.	Second close of £355m taking total capital committed to £818m and making this the UK's largest renewable energy fund.
Innovation – products	Innovation in financial products and specific investments to develop green economy.	New or novel approach to investments to foster market innovation, including introduction of new financial products and use of innovative deal structure.	Cornerstone investor in Galloper offshore wind farm, UK's first construction-ready offshore wind project finance deal. Co-financed Northern Ireland's biggest energy from waste plant which uses early-stage gasification technology. Helped bring liquidity to onshore wind market by committing £49.5m to Blackcraig wind farm. Closed first Green Loan with English local authority to finance LED streetlighting replacement programme in Southend.
Innovation – green metrics	Demonstration of leadership and innovation in green reporting and policies.	Publication of Green Investment Handbook. Development of tool for assessing non-financial impacts in GIB deals.	Green Investment Handbook published in English, Mandarin and Spanish. Green ratings and resource efficiency tool in use on our projects from May 2015.
Compliance	All staff compliance training up to date and completed by deadline set by Head of Compliance.	Staff compliance processes and training up to date, as part of ensuring strong risk and compliance governance.	Annual compliance training and Code of Conduct attestation completed by all staff. No material or significant breaches of compliance and risk management policy framework.
Culture Report recommendations	Evidence of implementation of, or targeted progress towards, recommendations of 2014–15 culture audit.	Evidence of implementation of, or targeted progress towards, recommendations of 2014–15 culture audit.	Our Culture Working Group provided a report on progress with its recommendations provided to the Board in May 2015. The group made 20 recommendations including: • Establishing a 'GIB Community' staff volunteering programme • Establishing a wellbeing and resilience lunch and learn programme • Delivering company-wide training on unconscious bias

Performance:
Investment performance

GIB and its associated funds invested in 30 green infrastructure projects across the UK in 2015–16. This section sets out detail of investments made during the reporting period and a summary of investments made in previous years.

The detail set out in this section is directly linked to our performance against KPIs on capital commitments, financial performance and innovation. A full list of our investments is available at the end of this report.

Overall performance for the year

During the reporting period the GIB Group invested in 30 transactions, directly committing £770m to transactions with an overall value of £3.7bn. This delivered strong year on year growth within the range of our KPI on committed capital.

Construction is progressing well on all assets in the portfolio and those now operating are generally generating power ahead of budgets. However, in line with the wider UK market, operating asset revenues have been negatively impacted by falling power prices and the removal of certain renewable incentives such as Levy Exemption Certificates. This is addressed further on p.37.

£770m Capital committed

30 Projects financed

£3.7bn Total transaction value

During the year we were involved in a number of innovative transactions

Financial innovation in offshore wind

We were a cornerstone investor, acquiring a 25% equity stake in Galloper offshore wind farm. The project attracted £1.37bn of debt from a consortium of 12 commercial banks plus the European Investment Bank, making it the UK's first construction-ready offshore wind project finance deal.

Financing innovative new technologies

We committed £47m to the largest energy from waste project of its kind to be financed in Northern Ireland – a merchant waste project utilising early-stage gasification technology. Legislative complexity resulted in the redevelopment of the financial structure of the transaction, leaving GIB as one of three final financiers.

Bringing liquidity to the onshore wind market

We committed £49.5m to Blackcraig wind farm. It marked GIB's first investment in large-scale onshore wind, a sector significantly affected by legislative changes which resulted in a shortage of available capital.

Closing our first streetlighting transaction with an English local authority

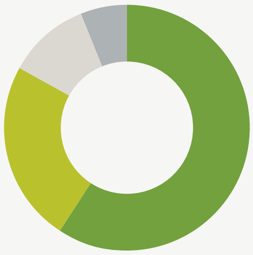
We provided Southend-on-Sea Borough Council with £8.7m as part of a £13.8m refurbishment programme that will see 14,000 streetlights replaced with energy-saving LED lanterns. The council was the first local authority in England to utilise the Green Loan.

Overall portfolio

We have a well-diversified portfolio. The charts below show the overall make-up of our cumulative investment portfolio split by the sectors we have invested in, the types of investments we have made and the stage of those investments. These figures represent the situation at the point of investment. We have adjusted figures from previous years where projects have been cancelled.

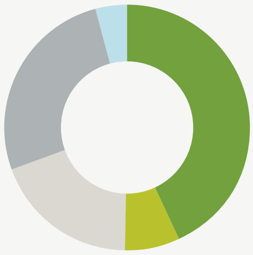
Our investment portfolio (cumulative)

Commitment by sector



- Offshore wind – 60%
- Waste and bioenergy – 23%
- Energy efficiency – 11%
- Onshore renewables – 6%

Commitment by product



- Unlevered equity – 43%
- Levered equity – 7%
- Debt – 19%
- Fund – 27%
- Managed account – 4%

Commitment by stage

- Construction – 75%
- Operational – 25%

Investment performance by sector

The commentary below mainly focuses on the investments made during the reporting period (a list of which can be found overleaf) but also includes updates on projects from previous years.

Offshore wind

In May 2015 GIB acquired a 25% stake in the 400 MW Rampion offshore wind farm, located off the coast of Sussex. The project is a joint venture with E.ON and Enbridge and is expected to generate 1,333 GWh of renewable energy annually, enough to power approximately 300,000 homes, and reduce greenhouse gas emissions by the equivalent to taking over 75,000 cars off the road for the lifetime of the project. Onshore construction works for the project began in June 2015.

In October 2015, GIB acquired a 25% stake in Galloper offshore wind farm. The project is expected to generate enough renewable energy to power around 330,000 homes annually and reduce greenhouse gas emissions by more than 190 kt CO_2e per annum – the equivalent of removing 85,000 cars from the road for the lifetime of the project. Onshore construction works for the project began in November 2015.

Westermost Rough offshore wind farm was the first offshore wind project that GIB invested in during the construction stage in March 2014. The project reached commercial operation in March 2015 and has generated 759 GWh of renewable electricity this financial year.

In October 2015, the GIB Offshore Wind Fund acquired a 10% stake in Gwynt y Môr offshore wind farm. The 576 MW wind farm, located in Liverpool Bay, was officially inaugurated in June 2015.

In March 2016, the GIB Offshore Wind Fund invested in the 194 MW Lynn and Inner Dowsing wind farms, acquired from Centrica, through a joint venture with BlackRock.

The GIB Group – including our subsidiary GIBFS on behalf of the GIB Offshore Wind Fund – has now invested in ten offshore wind farms.

Waste and bioenergy

In September 2015 GIB and John Laing Group plc committed £48m to the 27.7 MW Cramlington CHP plant. The plant will use locally sourced sustainable biomass as fuel to generate 213 GWh of renewable electricity annually – enough to power 52,000 homes. It is also expected to reduce greenhouse gas emissions by circa 56 kt CO_2e annually, the equivalent of taking 25,000 cars off the road during its lifetime. Electricity will also be directly supplied to a local industrial estate.

In November 2015 GIB committed £47m of equity to a new £107m energy from waste plant in Belfast. The plant, which will be fuelled by feedstock derived from household and commercial waste, is the largest energy from waste project to be financed in Northern Ireland. It will generate approximately 61 GWh of renewable electricity annually – enough to power more than 14,500 homes.

In August 2014 GIB invested in the Speyside CHP plant, and this plant is expected to commence commercial operations in summer 2016. The plant is fuelled with sustainable biomass, the majority sourced from local forestry, and will generate enough renewable energy to power more than 20,000 homes. A neighbouring business is expected to use the heat generated by the plant in the form of steam.

During the reporting period, Foresight (a GIB backed fund manager) made an investment in an on-farm anaerobic digestion facility in Northern Ireland.

In total and by the end of the reporting period, GIB had invested directly in 16 waste and bioenergy projects.

Onshore renewables

In December 2015 GIB, together with KKR, committed £82.7m finance to the 52.9 MW Blackcraig wind farm in Dumfries and Galloway via the Temporis-managed lending programme. Construction of the wind farm commenced in January 2016 with completion scheduled by the end of March 2017.

Albion Community Power Plc, a company in which GIB and Strathclyde Pension Fund are the principal investors, made six investments in the reporting period, totalling £9.4m. Projects include three river-powered hydro-electric projects in the Scottish Highlands.

In addition, in previous reporting periods, GIB has made three other investments in onshore wind projects.

Energy efficiency

During the reporting period two direct investments were made in low energy streetlighting projects, in Southend-on-Sea and Stirling, and an investment in a CHP project for Salford Royal NHS Foundation Trust.

GIB's third-party fund managers invested in 12 projects. These included CHP plants in Sheffield and Nottingham using waste wood as a fuel source; and more than 90,000 LED lamps in Santander's 800 branches and 14 office buildings in the UK.

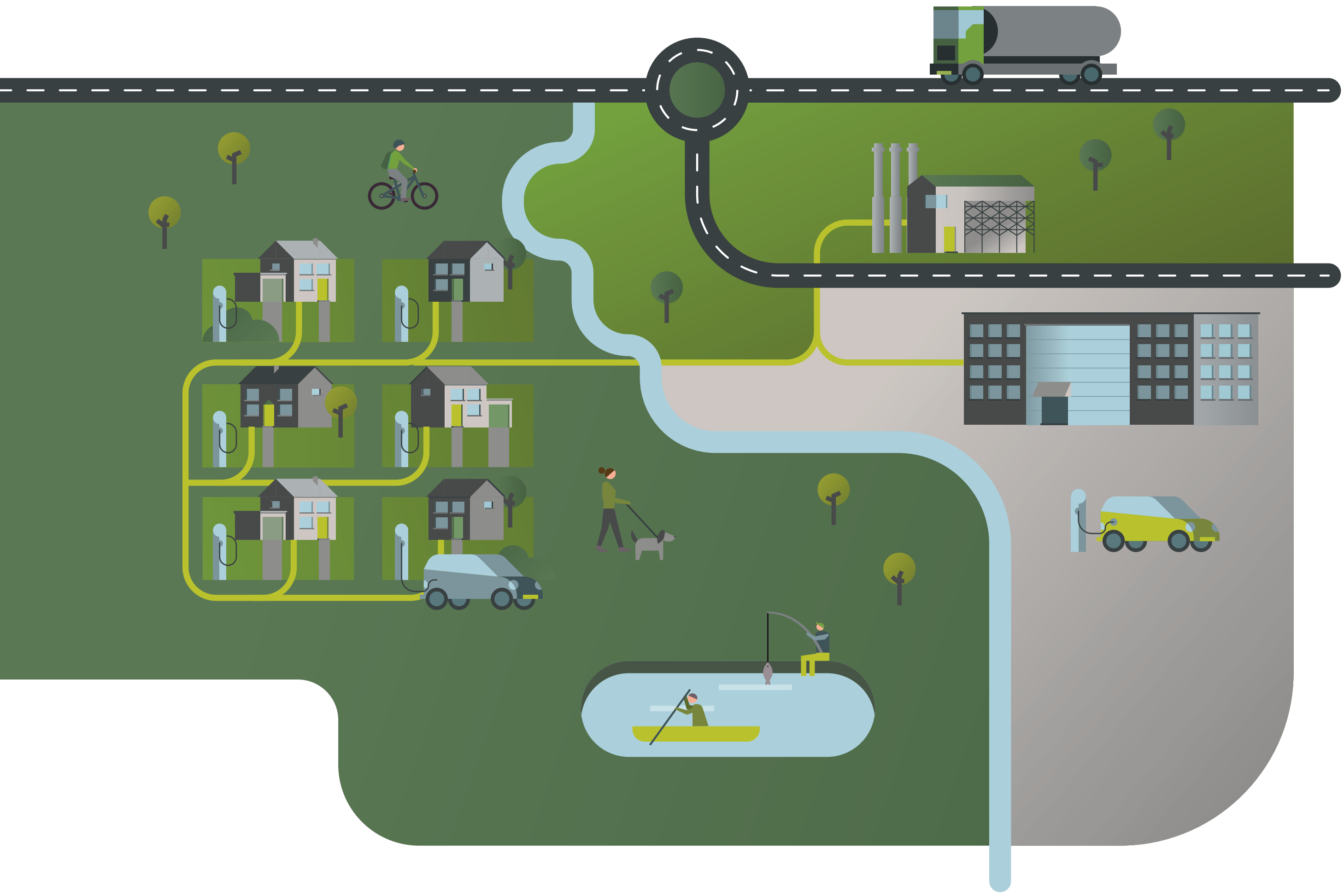
Transactions closed in 2015–16 by investment sector[1]

Project name	Number of projects	Direct investments (£m)		Fund investments (£m)		Fund manager
		GIB investment	Total transaction size	GIB investment	Total transaction size	
Offshore wind						
Lynn and Inner Dowsing offshore wind farms[2]	2	241.9	423.3	–	–	–
Galloper offshore wind farm	1	119.0	1790.2	–	–	–
Rampion offshore wind farm[3]	1	306.5	1184.7	–	–	–
Waste and bioenergy						
Oakleaf recycling	1	–	–	1.9	19.2	Foresight
Gloucester Waste PPP extension[4]	0	15.4	30.6	–	–	–
Northern Ireland on-farm anaerobic digestion: Edenmore	1	–	–	1.7	3.5	Foresight
Belfast energy from waste plant	1	47.1	107.3	–	–	–
Cramlington CHP plant	1	21.3	138.0	–	–	–
Energy efficiency						
NCP low energy lighting project II	1	–	–	0.3	0.5	SDCL
Stirling Council streetlighting project	1	10.0	10.0	–	–	–
Wick district heating network	1	–	–	4.8	9.8	Equitix
De Lage Landen funding alliance[5]	1	–	–	–	–	–
NHS Grampian energy efficiency programme	1	–	–	4.3	8.5	Aviva
NHS Tayside energy efficiency programme	1	–	–	7.7	15.4	Aviva
Santander LED retrofit programme	1	–	–	8.4	17.5	SDCL
Huntsman boiler installation	1	–	–	6.2	13.0	SDCL
UK-wide energy efficiency platform	1	–	–	1.4	3.0	SDCL
Nottingham CHP plant	1	–	–	14.7	30.0	Equitix
Southend streetlighting project	1	8.7	13.8	–	–	–
Sheffield CHP plant	1	–	–	14.6	30.0	Equitix
Scotland-wide heat pump installation programme	1	–	–	1.9	4.0	Equitix
UK-wide LED lighting installation programme	1	–	–	2.4	5.0	Equitix
Oxford NHS energy efficiency programme	1	–	–	7.4	15.0	Aviva

1. *Includes investments made by the GIB Offshore Wind Fund.*
2. *Total transaction value includes the acquisition of Glens of Foudland onshore wind farm by BlackRock.*
3. *GIB's initial investment of £236m in Rampion offshore wind farm was subsequently increased to £306m in July 2015.*
4. *Additional investment in Gloucester Waste PPP first capitalised in 2012–13.*
5. *Investments made by De Lage Landen funding alliance capitalised in 2014–15.*

Transactions closed in 2015–16 by investment sector *continued*

Project name	Number of projects	Direct investments (£m)		Fund investments (£m)		Fund manager
		GIB investment	Total transaction size	GIB investment	Total transaction size	
Onshore renewables						
Blackcraig wind farm	1	–	–	49.5	103.8	Temporis
Albion Community Power[6]	6	–	–	–	–	–
2015–16 total	**30**	**769.9**	**3697.9**	**127.2**	**278.2**	–



6. *Investments made by Albion Community Power, capitalised in 2014–15.*

Find out more

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Performance:
Green performance

The green impact of our portfolio has increased this year. We have also expanded our reporting against all five of our 'green purposes'.

We measure our impact according to our 'green purposes'. Where possible we use quantified metrics to explain performance and these are presented in our green impact statements (see p.93). Our portfolio continues to deliver improved green impact performance on both forecast and reported actuals. Every project we invest in meets at least one of our 'green purposes', in line with our capital commitment KPI (see p.28):

The reduction of greenhouse gas emissions

The forecast greenhouse gas emissions reduction for our investments increased by 16% to 78.2m tonnes CO_2e from 67.3m tonnes. This was as a result of investments into 30 new projects during the reporting period. The GIB Offshore Wind Fund is expected to contribute 3.9m tonnes CO_2e reduction towards this total.

The advancement of efficiency in the use of natural resources

The renewable energy forecast to be generated across our assets increased by 31% from 246 TWh to 321 TWh. This increase was entirely down to new investments signed in 2015–16. The GIB Offshore Wind Fund is expected to contribute 21 TWh towards GIB's forecast renewable energy generated. Due to new investments into waste projects in 2015–16, our portfolio is forecast to recycle 18.5m tonnes of waste and prevent 56.5m tonnes of waste from landfill, up 4% and 7% respectively from last year.

Other environmental factors are less easy to quantify.

All our investments are subject to a rigorous qualitative evaluation. This includes assessment of the standard of environmental management, and whether the project meets expectations summarised in our Green Investment Handbook.

Most of the projects in which we invest directly are subject to Environmental Impact Assessment (EIA). These documents provide detailed evaluations by third-party experts of potential environmental impacts of the project and set out ways in which those impacts will be managed or reduced. As with other types of risk assessment, there is a standardised approach to carrying out an EIA, which assesses impacts using a positive-neutral-negative classification.

Our investment decisions are made on the relative merits of a project and this may require trade-offs between positive and negative impacts.
The following commentary on our portfolio projects' contributions to the protection or enhancement of the natural environment and biodiversity are based on projects' EIAs and our assessment of environmental management approaches.

The protection or enhancement of the natural environment

Of the direct investments that we have made to date, 29% are expected to contribute positively to the natural environment, for example by improving contaminated land quality, and 14% are expected to have a negative contribution, for example due to their visual impacts. The remaining 57% are expected to have a neutral or no significant effect on the natural environment.

The protection or enhancement of biodiversity

11% of our direct investments to date are expected to contribute positively to biodiversity, for example by removing invasive species or increasing the biodiversity of brownfield sites. 14% are expected to contribute negatively, for example by disturbing species during operation, or temporarily during construction. The remaining 75% are not expected to have significant effects on biodiversity.

The promotion of environmental sustainability

Projects in our portfolio contribute to this green purpose by developing innovative ways of financing green projects, mobilising significant private sector capital, and demonstrating the successful financing of new commercial-scale technologies.

The low energy streetlighting projects are examples of projects that contribute positively to environmental sustainability. This is due to the innovative Green Loan financing mechanism, which is highly replicable and has proven to be successful in helping local authorities across the UK reduce energy consumption.

Green impact of GIB's portfolio in year

	Year ended 31.03.16	Year ended 31.03.15
Greenhouse gas emissions reduction (t CO_2e '000)	6,463	3,568
Renewable energy generated (GWh)	13,428	8,829
Energy demand reduced (MWh)	45,992	36,474
Materials recycled (t)	98,704	33,736
Waste to landfill avoided (t)	124,017	27,032

Future estimated remaining lifetime green impact of GIB's portfolio at year end

	Year ended 31.03.16	Year ended 31.03.15
Greenhouse gas emissions reduction (t CO_2e '000)	78,170	67,253
Renewable energy generated (GWh)	320,914	245,527
Energy demand reduced (MWh)	3,247,607	535,119
Materials recycled (t)	18,518,952	17,736,861
Waste to landfill avoided (t)	56,548,113	52,740,165

Future estimated average annual green impact of GIB's portfolio at year end

	Year ended 31.03.16	Year ended 31.03.15
Greenhouse gas emissions reduction (t CO_2e '000)	4,799	4,220
Renewable energy generated (GWh)	20,282	16,334
Energy demand reduced (MWh)	231,672	61,363
Materials recycled (t)	772,177	726,845
Waste to landfill avoided (t)	2,317,603	2,122,337

Find out more

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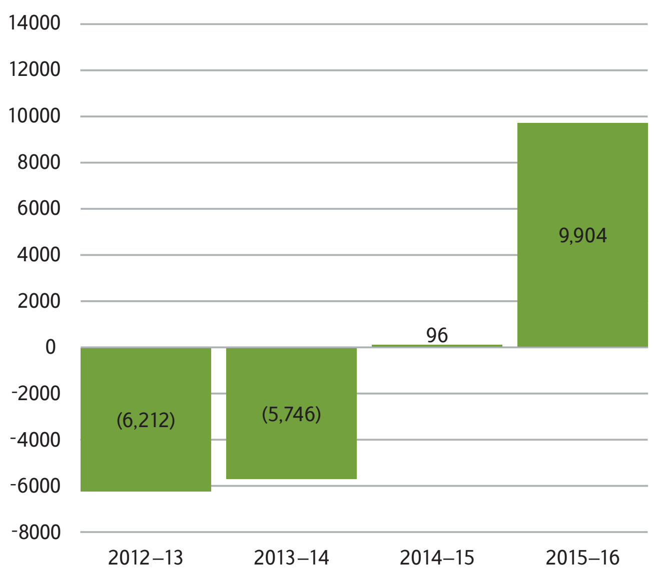
Performance:
Financial performance

Profitability has improved as we have increased revenues from our maturing portfolio.

Consolidated income statement
for the year ended 31 March 2016

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
Total income	58,819	28,193
Direct investment costs	(6,443)	(4,209)
Impairment charge	(4,410)	–
Net operating income	**47,966**	**23,984**
Operating expenses	(38,062)	(23,888)
Profit before tax	**9,904**	**96**
Income tax expense	(1,947)	(2,542)
Profit/(loss) for the year	**7,957**	**(2,446)**

Profit/(loss) before tax £'000s



Financial performance summary

- Profitability at the Group level improved on last year as some of our investments became operational. Our full year financial results show a Group profit before tax of £9.9m.
- Our income increased to £58.8m, from £28.2m in 2014–15, reflecting the increase in capital deployed to existing and new projects and revenues being earned from projects which have been completed and are now operational. Income and therefore profitability were, however, less than budget mainly as a result of the reduction in average day ahead wholesale power prices, which fell 5% year on year, and a number of investments either being delayed or not requiring our capital during the period.

£9.9m

Profit before tax
(2014–15: £0.1m)

£58.8m

Income
(2014–15: £28.2m)

- During the year, we earned £4.0m management fees from the GIB Offshore Wind Fund. We also earned £3.1m of revenues from providing investment management and operational services to UKCI.
- Under our accounting policies, we are consolidating the results of the GIB Offshore Wind Fund. One investment, Gwynt y Môr, an unincorporated joint venture which is consolidated on a line-by-line basis, accounts for £10.6m of revenues, £3.7m of costs and £3.3m of depreciation.
- Our direct investment costs were £6.4m, up from £4.2m in 2014–15. This reflects the payment of fund management fees to the managers of the small-scale investment funds and some transaction costs which have not been capitalised or relate to deals which have not proceeded.
- Operating expenses were £38.0m (2014–15: £23.9m) in the period. This reflected the inclusion of £7.0m (2014–15: nil) for the consolidation of the GIB Offshore Wind Fund's share of the cost base and depreciation of the Gwynt y Môr investment. It also included costs of £4.5m (2014–15: £2.9m) in respect of strategic projects, including the sale of the UK Government stake and the establishment of the GIB Offshore Wind Fund. Staff and Board-related expenses were £17.9m (2014–15: £15.9m) reflecting an increase in staff costs for the headcount for the GIB Offshore Wind Fund management business and the international investment joint venture with the Department of Energy and Climate Change. 80% of the staff cost relates to staff who are directly engaged in investment origination or portfolio management.
- All of our investments have been made on fully commercial terms and the expected rate of return across our current portfolio averages 10.3%. In the period we have experienced impairments on two investments, both of which are through our small-scale fund managers. We have taken an impairment of £0.8m on the investment in a biogas plant which required an injection of capital to overcome an operational deficiency. This injection was made by other investors and our equity holding was diluted. We are pleased to note that the operational performance of the plant has subsequently improved. We have also taken an impairment of £3.6m on our investment in an energy from waste wood facility, which is operating in line with expectations but has been impacted by lower power prices, higher fuel costs and the removal of the Levy Exemption Certificate support mechanism.
- Average day ahead wholesale power prices reduced by 5% during the period and this impacted the variable earnings of our power generating equity investments. However, these assets are assisted by UK Government support which ensures some fixed revenue per kWh produced through the Renewable Obligation Certificates (ROCs).
- In the year to 31 March 2016 we issued 60m shares (2014–15: 673m) to the Secretary of State for Business, Innovation and Skills to match the drawdown of capital for investment purposes. This brought the total number of shares in issue at 31 March 2016 to 1,034.85m (31 March 2015: 974.85m).
- Under our accounting policies, as outlined in Note 3 to the Financial Statements, the only investments to be valued at fair value are hedged and available-for-sale assets. The carrying value of our direct equity investments may therefore not reflect the true economic value of these investments. The difference between the economic value and the carrying value is particularly significant in projects which have passed the Commercial Operations Date (COD) and become operational. As our portfolio matures and more investments move from construction to operational phase, we expect the economic value of the portfolio to exceed the carrying value by an increasingly significant margin. We will continue to keep this accounting policy under review.

Find out more

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Principal risks

At GIB, our risk culture is fully integrated in how we operate and manage our business. Decisions made within the Boardroom and across the organisation are aligned with our risk appetite. The Board is responsible for determining the nature and extent of the risks the organisation should be prepared to take in achieving its strategic objectives.

Our principal risks

The broad categories of risk that are faced by the GIB Group, which include investment, operational, green, liquidity and reputational risk, have remained consistent throughout the reporting period and these are not likely to change.

We have identified the principal risks facing the GIB Group. These should not be considered exhaustive and may change, as will the impacts of the risks, as markets and business models continue to evolve. The Audit and Risk Committee, which has delegated authority from the Board for identifying, assessing and managing risk exposures inherent in the company, has subjected these principal risks to a robust assessment at various points through the reporting period.

The outcome of this assessment was reported to the Board. Sensitivity testing of exposure to systemic risk factors which could affect our portfolio, such as UK power prices are updated periodically.

The principal risks identified overleaf are those that pose a significant threat to achieving the strategy of the business and they are linked to the key risk themes of access to capital, deployment of capital and performance of the underlying portfolio. Mitigants are in place to ensure these exposures are appropriately managed and controlled.

Find out more

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Principal risks	Trend	Risk to our business	Key mitigants
Access to capital	Increasing	There is a risk that the necessary funding to support the investment strategy is not available. This risk increases if the current sale process is delayed beyond the timetable currently anticipated and alternative funding plans need to be put in place in a short period of time.	• Fall back financing plan in place to raise additional funds if this is necessary, or recycle cash through selected asset sale • Raise additional capital into funds such as the GIB Offshore Wind Fund
Capital deployment	Stable	Changes in energy policy, leading to reduced CfD allocations for offshore wind and reduced regulatory support generally, could change the profile of the GIB pipeline, putting greater reliance on projects that have already won regulatory support (and will take several years to complete). This could lead to higher risk counterparties, asset impairment and changes in our commercial position.	• We engage constructively with key policy makers on changes that could impact our company • Political risks have been considered by looking at the expected profile of investments going forward • We seek to diversify our portfolio to reduce reliance on specific policy instruments or technology
Portfolio performance	Stable	In the case of deployed capital, an asset impairment could occur which has a large impact on the asset and portfolio. Given the size of investments within the portfolio, asset impairment could impact the business plan and the reputation of the company. Across the company, GIB is exposed to concentration risk to specific counterparties or technologies. Failure in a key counterparty or technology could lead to asset impairment or changes in our commercial position.	• Oversight of all assets conducted by the Portfolio Investment Management team • Our concentration risk limits are designed to limit sectoral concentrations and achieve the benefits of diversification • Portfolio Management Committee in place to ensure the effective management of the company's investments
Operations	Stable	Given the number of concurrent projects being managed within GIB and its subsidiaries e.g. international joint venture, first role as operator of an offshore wind farm and the privatisation process, there is increased pressure on staff and systems.	• Senior members of staff have been appointed to manage each of these change initiatives supported by a robust business/product approval process with regular updates reported to the Leadership Team

Viability statement

The Directors have assessed the viability of the GIB Group, in accordance with the UK Corporate Governance Code, and have selected a period of three years for the assessment.

The Directors consider three years to be an appropriate time horizon to consider the viability as this timeframe aligns to the formal funding period which has been agreed. The Directors' assessment has been made with reference to GIB's current position and prospects, its strategy, the Board's risk appetite as expressed in the risk appetite statement noted within the risk management and internal control section on p.88, and the organisation's principal risks and how these are managed.

The organisation's strategic plan is built on an asset by asset basis using a bottom-up model and makes certain assumptions about the principal risks which are: access to capital, the deployment of capital, and the performance of the underlying portfolio. The strategic plan is further assessed and tested in a series of downside financial scenarios as part of the annual portfolio stress testing process. An assessment of these principal risks was conducted by the Audit and Risk Committee in November 2015. The stress tests model a variety of extreme but plausible events including the impact of lower power prices and the impact of higher interest rates in relation to the current portfolio of equity assets.

The particular factors the Directors have considered in making their viability assessment are set out overleaf.

- GIB invests primarily in long-term illiquid investments which are not publicly traded. All our investments are made on fully commercial terms and each one is carefully considered through a five-stage investment process and approved by the Investment Committee. The anticipated holding period of investments can be ten years or more.
- We continue to fund operational costs and capital investments from cash earnings and contributions from our shareholder. The expenses of GIB are broadly predictable and commensurate with the size of the portfolio and nature of the business. There are no capital commitments foreseen which would alter that position.
- The Valuations Committee oversees a regular valuation process which is carried out by a team independent of those who originate the deal. Typically, the medium-term prospects of each portfolio company form an important part of the valuation process.
- GIB is wholly owned and funded by the UK Government. In the November 2015 Spending Review, funding of £1.15bn was secured from the UK Government to cover the current forecast of capital deployment up to 30 September 2019, including completed and pipeline transactions. The total funding over this period is based on an anticipated sale by the Department for Business, Innovation and Skills (BIS) of at least a 75% stake in GIB by 30 September 2016. The privatisation of GIB is a key objective for the shareholder and for the business for 2016–17 and, on the assumption of a successful sale, additional capital would be available from the new shareholders to supplement the existing portfolio.
- If privatisation does not proceed or is delayed beyond the current timetable, there will be a need to renegotiate the funding plan. In the event of there being no additional capital commitment from the UK Government, there are a number of available options to maintain the ongoing viability of the business, albeit in a reduced capacity. These options include:

i. Reduce the pace of new investments and focus on completion of the existing construction projects to reach commercial operations. In stress testing this scenario with project and macroeconomic factors, such as lower power prices or the withdrawal of market support mechanisms, we have concluded that the business remains viable in the longer term even in a severe downside scenario.

ii. Recycle the existing portfolio assets into funds, similar to the GIB Offshore Wind Fund, and act as a general partner to manage these funds.

iii. Dispose of portfolio assets once they have become commercially operational and either re-invest the proceeds or repay capital to the shareholder.

In conclusion, the Directors confirm that they have a reasonable expectation that the GIB Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

Find out more

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Green finance innovation

This year has seen global institutions recognise and adopt our market-leading approach to assessing, monitoring and reporting our green performance.

Our Green Investment Handbook

The transition to a low carbon future will require an improvement in, and greater standardisation of, green impact assessment. We are playing a leading role in driving that process of change and improvement. The Green Investment Handbook – a practical guide to 'how we do green' at GIB – is part of that.

We hope the handbook will be used by others, including mainstream investors, seeking a robust yet simple approach to achieving greater consistency in standardising green investment impact assessment, monitoring and reporting.

This year we have been working with institutions across the world to share its content.

Amber Rudd, the Secretary of State for Energy and Climate Change, used a UK Government trade mission to China in September 2015 as an opportunity to present the China Clean Development Mechanism Fund (CDM Fund) with a Mandarin translation of the handbook.

The Mandarin version of the handbook was officially launched later in the year at the third China Social Investment Forum (China SIF) Annual Conference in Beijing, where it was welcomed by Ma Jun, Chief Economist at the People's Bank of China Research Bureau and Director at the Green Finance Committee of China Society of Finance and Banking.

We also launched a Spanish version of the handbook in conjunction with the Mexican development bank Nacional Financiera, S.N.C., I.B.D. (NAFIN) as part of a wider agreement between our organisations to share knowledge on green finance, and renewable energy and energy efficiency projects.

The handbook is now available in the three most widely spoken languages in the world.

Our team of sustainable finance professionals has held a number of seminars in support of the initiative throughout the year, including a workshop in Beijing on risk control, impact assessment and application of the handbook. Attendees leave these seminars with the means to apply the handbook methodology in their own businesses.

The handbook was also endorsed throughout the reporting period by leading investment figures, think tanks and politicians from the UK. The UK Prime Minister, David Cameron, described it as a "market-leading tool". The Aldersgate Group, an alliance of leaders from business, politics and civil society that drives action for a sustainable economy, said the handbook "fills an urgent gap" giving value to the term 'green'.

Significantly, global asset manager Aviva Investors adopted the handbook methodology to help meet its annual carbon savings target. Albion Community Power also highlighted the role that the methodology promoted by the handbook had in attracting new investment in renewable energy infrastructure from government and private sector pension funds.

At the 2015 United Nations Climate Change Conference (COP21) 195 participating member states and the European Union pledged to reduce their carbon output with the objective of keeping global warming well below 2˚C. This outcome reinforces the need for robust green appraisal techniques, such as those contained in the handbook, to support the necessary low carbon transition.

Find out more

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The Green Bank Network

We announced the creation of a Green Bank Network at COP21 in December 2015 with five other like-minded institutions: the Clean Energy Finance Corporation (Australia), the Green Fund (Japan), the Malaysian Green Technology Corporation, the New York Green Bank, and the Connecticut Green Bank.

Leading non-profit groups the Natural Resources Defence Council (NRDC) and the Coalition for Green Capital (CGC) have been appointed to oversee the formation of the network, while the ClimateWorks Foundation will provide seed funding.

The aim of the network is to help increase and accelerate investment in renewable energy and energy efficiency projects worldwide. The network is now in the set-up phase and we will report on its development via our website.

Harmonising global carbon accounting

We have been working with a group of International Financial Institutions (IFIs), who have convened with the aim of developing a harmonised approach to determining the greenhouse gas savings of the climate mitigation projects in which they invest.

In December 2015, the group issued proposed approaches to greenhouse gas accounting for renewable energy, energy efficiency and transport projects. Once the accounting methodologies have been finalised, we will seek to align the greenhouse gas accounting approach used on our own portfolio projects to the IFI group's approach.

This is expected to result in significant changes to the forecast greenhouse gas emissions reduction of our portfolio as reported in our green impact statements (see p.93). We will provide further information on this change in 2016–17.

The IFIs recognise the relevance and importance of the statement 'what gets measured gets managed' and, in developing a consistent and rigorous approach to carbon accounting, can bring increased financial rigour to the emerging disciplines of green impact and green risk assessment.

We are at the forefront of this global initiative along with institutions including the European Investment Bank, the European Bank for Reconstruction and Development, the World Bank Group, the Nordic Investment Bank, the Asian Development Bank, and the African Development Bank.

We anticipate that this work will feed into the efforts of the Task Force on Climate-Related Financial Disclosures, which has been established by Mark Carney, Governor of the Bank of England, and chaired by the founder, CEO and owner of Bloomberg L.P., Michael Bloomberg.

The task force has been created with the aim of developing consistent climate-related financial risk disclosures that companies can voluntarily produce when engaging with investors, lenders, insurers and other stakeholders.

Our responsibilities

At GIB we take our corporate responsibilities seriously and work hard to balance the needs of our shareholder, employees, investment partners and other stakeholders. As part of this we are committed to understanding the views of our stakeholders and reporting on them transparently.

In this section of the report we explain how we meet these responsibilities. A new addition to this year's report is a section identifying the key issues raised with us by our stakeholders during our engagement with them.

Our responsibility to our staff

Recruitment and retention

Recruitment and retention of the very best talent remains an ongoing challenge and risk for GIB. As a relatively small, but fast growing organisation with ambitious plans, we place significant demands on our staff. As a publicly owned organisation, however, we are not able to match remuneration levels offered elsewhere by comparable organisations in our market. We therefore have a responsibility to ensure we offer a strong employee proposition built on our unique status in the market, a commitment to personal and professional development, and a strong positive culture.

A great place to work

As an employer, we have a responsibility to ensure that GIB is a positive, safe and sustainable place to work. We do this through the working practices we promote and the environment we provide.

We take an active approach to understanding and developing GIB's corporate culture. We continue to work hard to protect areas of our culture which are our major attributes and to develop those areas we have identified for improvement. Our culture was the focus of a KPI for the year and resulted in a programme of activity.

We continue to conduct a full annual appraisal process to give our employees clarity on their role, their contribution to our business, and opportunities for development and career progression. Performance is assessed on a consistent basis across the business.

We support flexible working across our business to help our employees manage their work/life balance and we use technology to promote and allow flexible working practices.

In addition, we offer a range of employee benefits including pension, private medical care, life assurance, permanent health insurance and salary sacrifice options, including childcare vouchers.

Diversity

GIB actively supports diversity in the workplace. Our recruitment and retention policies ensure we benefit from a diverse team with a broad range of experience. As an equal opportunities employer, we strive to treat everyone fairly regardless of age, gender, race, ethnic affiliation, disability, religion, sexual orientation or marital status.

Charitable activities

GIB does not currently make corporate contributions to charity, however we actively support staff participation in charitable activities. During the reporting period, our staff have participated in a number of fundraising activities for chosen charities, including Rainforest Foundation UK, the Woodland Trust and WWF. All GIB employees are encouraged to take up to two days each year to volunteer. Volunteering activities this year have included tree planting and aid work for Syrian refugees.

Find out more

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Our responsibility to our stakeholders

GIB is committed to engaging extensively with our stakeholders, particularly non-governmental organisations (NGOs) with a shared interest in the UK green economy. This engagement is important on two fronts. First, where we agree on issues we can make progress more quickly than we could on our own. Secondly, where we disagree we can have an open conversation to ensure that everyone's position can be tested and challenged.

This year we asked these stakeholders to identify what they believed to be the key issues affecting GIB during the reporting period. We have listed a summary of these responses here and identified where, in this report, we address them.

1. **GIB privatisation**	This included a wide range of issues including retaining our green mission, our future investment strategy, the future of our Edinburgh headquarters and wider staffing issues. We address this issue in the section beginning on p.17.
2. **Green investment policy and procedures**	This included a range of issues including the Green Investment Handbook, individual investment decisions and biomass sustainability. We address this issue on p.34, p.41, p.47 and in the section beginning on p.93.
3. **Current investment strategy**	Partly focused on GIB's position within the market and a concern over support for early-stage technologies and partly focused on options for GIB expansion into new parts of the UK green economy (e.g. low carbon transport). We address this issue in the section beginning on p.22.
4. **UK policy environment**	This relates to the impact of UK policy changes on the GIB business and future pipeline. We address this issue on p.26.
5. **Remuneration**	This relates to interest in and issues associated with remuneration policy at GIB. We address this issue in the section beginning on p.65.

Find out more

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Our responsibility in our investments

We are committed to investing our capital responsibly. We consider environmental and social risks in our assessment of every investment we make. In addition to ensuring all our investments comply with our own Responsible Investment Policy, we are also signatories to the Equator Principles and the UN Principles for Responsible Investment (UNPRI).

The tables to the right summarise the number of transactions closed in the reporting period to which the Equator Principles apply. The Equator Principles do not apply to equity investments, which made up the majority of our investments in the reporting period.

The two projects reported are classified as project finance and were both within the UK (a 'designated' country under the Equator Principles). For both projects an independent review of environmental and social assessment documentation was undertaken in accordance with Principle 7.

Equator Principles	Founded in 2003, the Equator Principles provide a globally consistent governance model to assess and manage environmental and social risk in debt financing. GIB joined over 75 signatories to the framework in 2013. See 2015–16 reporting below.
UNPRI	GIB is one of over 1,300 signatories to the UNPRI initiative. In 2016 GIB completed its first year of reporting to UNPRI. Our transparency report for the year is available on the UNPRI website.

Equator Principles reporting on GIB transactions closed in the 2015–16 reporting period

	Category A	Category B	Category C
Waste	0	1	0
Offshore wind	0	0	0
Energy efficiency	0	0	0
Onshore renewables	0	1	0

Independent review of assessment documentation in accordance with EP Principle 7

	Category A	Category B	Category C
Yes	N/A	2	N/A
No	N/A	0	N/A

Environmental, health and safety incidents

As a responsible business, we are committed to ensuring the highest standards of environmental, health and safety governance in both our own operations and in our investment portfolio. We aim to manage risks and incidents in a fair and transparent manner with appropriate action to reduce risk wherever possible. We are also transparent in our reporting of any material incidents as presented in the table below. The incidents in this table all relate to incidents that occurred within portfolio companies in which the GIB Group has investments. No reportable incidents arose in the GIB Group itself.

Reportable health and safety incidents during the period were:

- Injuries sustained on construction sites, resulting in time off work.
- Equipment incidents, failure or damage resulting in lost time incidents either through injury or temporary site shut down, or resulting in dangerous occurrences.

Other (non-reportable) lost time incidents, near misses and hazardous observations are also monitored internally alongside technical and financial performance of assets.

Material environmental incidents reported during the period were:

- A breach of environmental law when works were erroneously carried out after the expiry of the relevant Marine Licence. Investigation identified no environmental impacts arising from this breach, and a new licence has subsequently been issued by the regulator.
- A permit breach relating to piling depth at one of our sites, which was resolved and closed out in consultation with the Environment Agency.

Other, non-material environmental incidents reported during the period were primarily small spills, which were suitably managed with no adverse environmental impact.

When material incidents are reported to GIB we obtain an incident report and action plan designed to reduce the risk of similar incidents happening in future, and often this will allow us to close out the issue. Where further concerns remain GIB will liaise with the project and provide support to improve health, safety and environmental management.

Human rights

We respect human rights and avoid causing or contributing to adverse human rights situations. We expect entities and projects in which we invest to comply with all applicable social laws (including health and safety laws) and to demonstrate that they have the commitment, capacity and management systems to identify, monitor and manage the social risks facing their business. We require that projects report any community or social issues to us and, where appropriate, implement an approved action plan. Information on our position on the Modern Slavery Act can be found on our website.

Environmental, health and safety incidents

	2015–16	2014–15
Material health and safety incidents	19	17
Materially adverse environmental incidents	11	4
Other incidents	33	0

Note: Lost time incident frequency rate (per 100,000 hours) for direct equity assets under construction is 0.1.

Find out more

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Our responsibility in our operations

Our operations are underpinned by our Corporate Environmental Policy, which sets out how we consider and manage the environmental impact of our own corporate operations. While responsibility for the implementation of this policy and reporting to our Board rests with our Green Team, this policy is relevant to all teams and all GIB employees are provided with information and training to increase our individual environmental awareness.

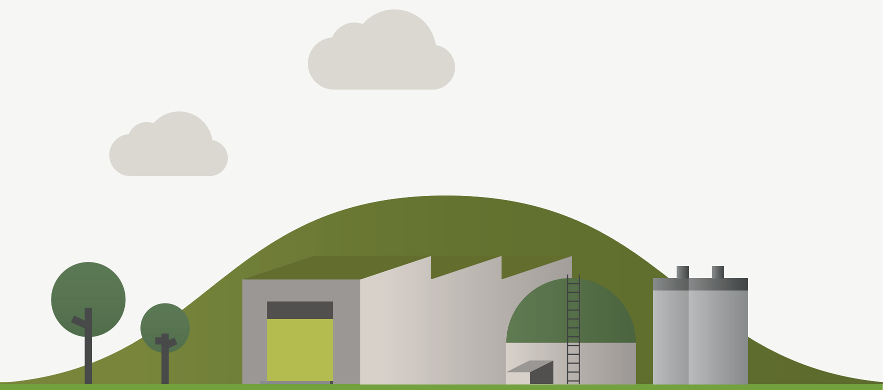
We report annually on our organisation's carbon footprint and offset our travel emissions through the purchase of UK tree planting and international carbon credits.

Corporate greenhouse gas footprint 2015–16

	Scope 2 greenhouse gas (t CO_2e)	Scope 3 greenhouse gas (t CO_2e)	Intensity metric
Offices	183.7	133.3	370 kg $CO_2e/m^2/yr$
Travel	0.0	612.7	5,002 kg CO_2e/employee
Total (t CO_2e)	183.7	746.0	7,590 kg CO_2e/employee

Biomass sustainability

Identified as an area of concern for our stakeholders, GIB continues to actively monitor sustainability and greenhouse gas emissions issues associated with the bioenergy projects in its portfolio – particularly those related to biomass. In 2015, with encouragement from GIB, Drax Group plc publicly released its first Biomass Supply Report, providing public disclosure of the origin and type of biomass used by Drax power station.



Find out more

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Our team

We have one of the most experienced teams of specialist green infrastructure professionals in the world. This team is the key differentiating factor for the business.

On 31 March 2016, the GIB Group employed 134 people. This is an increase of 21 from a year earlier due to continued expansion of the business and specialist projects. Over the course of the year we hired 36 new staff, a combination of new hires and replacements for staff who decided to leave. Our turnover is 11.3% and we continue to recruit on an ad hoc basis to meet our needs.

Our team

The Leadership Team is responsible for day-to-day leadership of the business and for delivering the agreed strategy.

The GIB team is structured into three broad groups: investment specialists, asset managers, and support and control staff.

Investment specialists

We have investment specialists spanning the Investment Banking, Capital Markets and Strategy teams.

The Investment Banking team is responsible for sourcing and executing investments and is made up of four teams:

- Offshore wind
- Waste and bioenergy
- Energy efficiency and onshore renewables
- Investment banking team of UKCI

GIBFS also has a dedicated team of investment specialists. This team reports to the Head of Investment Banking for HR purposes with investment decisions taken by the fund investment committee.

The Capital Markets team is responsible for corporate level solutions as regards accessing capital markets across products, as well as supporting the Investment Banking team and other GIB Group entities on specific transactions. This includes managing the process of setting up the GIB Offshore Wind Fund business and raising capital with third-party investors (including pension funds, sovereign wealth funds and insurance companies).

The Strategy team is responsible for working with the Leadership Team to set overall corporate investment strategy, both within GIB's core sectors and also more broadly within new sectors of the green economy.

The Strategy and Capital Markets teams are co-ordinating the process for GIB's move into the private sector.

Asset managers

On the successful completion of an investment by the Investment Banking team, the management of the investment is transferred to the Portfolio Investment Management (PIM) team after a transition period.

The PIM team is structured between sector specialists covering the targeted investment sectors and product specialists (debt, equity and fund investing), with backgrounds including structured finance, modelling and valuation, engineering and construction. The team is responsible for the ongoing management of the assets making up the GIB investment portfolio.

Support and control staff

We have specialist staff working within our teams in Finance, Risk Management, Legal, Corporate Affairs and the Chief Executive's Office (including HR).

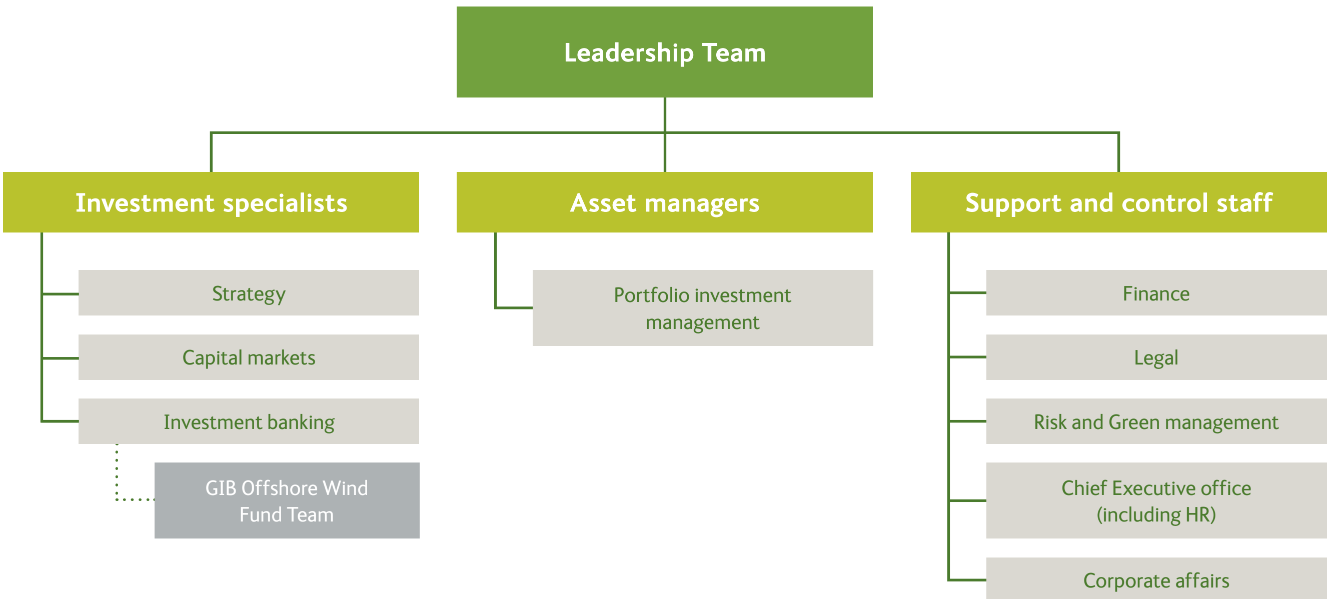
The Finance team is responsible for the financial and management accounting requirements of GIB. It includes dedicated resources to support the GIB Offshore Wind Fund and international joint venture. It is also responsible for capital, liquidity, revenue and cost forecasting. During the course of the reporting period, a significant focus for the Finance team has been the design and implementation of a transformation programme to ensure the function is suitably resourced to support the growth of the business. This includes the introduction of a new general ledger platform in association with a managed service provider.

The Risk Management team is responsible for the three key areas of risk governance – investment and technical risk, compliance risk and operational risk. The Risk Management team takes a strategic view of the entire GIB organisation and provides insight into emerging issues and trends that could affect our objectives. In addition our Chief Risk Officer oversees the Green team, which is responsible for all of GIB's external and internal engagement on green issues and leads on sustainability.

The Legal team is responsible for the legal affairs of GIB and managing legal risk appropriately. This ensures that GIB has accessible legal advice in order to manage its strategic planning, governance arrangements and corporate policies and can conduct business in accordance with all relevant regulatory, constitutional and other legal requirements.

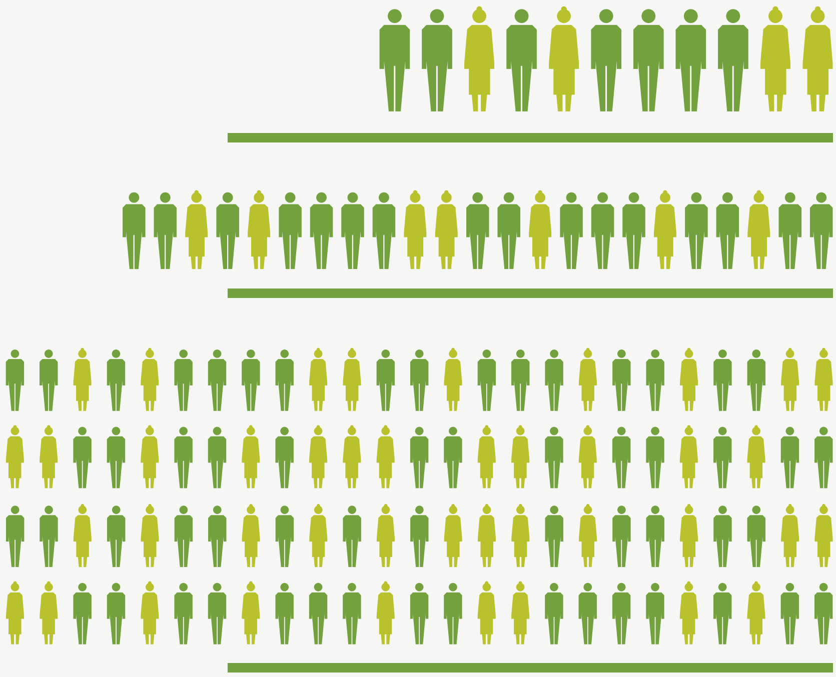
The Corporate Affairs team is responsible for providing strategic communications and policy advice to the business and managing all communications activity. It covers media relations, government and public affairs, stakeholder engagement, policy, brand and marketing, and employee communications.

The Chief Executive's Office team is responsible for the overall management of the business and drives the strategy and oversight of day-to-day activity. It also includes the HR team which is responsible for all aspects of the employee lifecycle and people management.



Diversity

There are 11 members of the Board of whom 36% are female and 64% male. There are currently 23 members of staff in senior manager positions of whom 30% are female and 70% are male. For employees not on the Board or in senior manager positions 41% are female and 59% are male. GIB's statement on diversity is set out on p.43.



Recruiting and retaining GIB staff
Our structured and open approach to recruitment means we are able to attract skilled individuals. We consider many different industries to ensure we have a broad range of knowledge and skills. We openly advertise the majority of positions on our website and work with specialist recruiters.

Our selection process is thorough and incorporates meetings with a wide range of individuals and will always include a meeting with a member of the HR team.

All appointments that we have made are based on merit, taking into account the specific needs of the business at the relevant time and for the overall benefit of the company and its stakeholders.

The Board and Leadership Team believe that an efficient workforce requires a blend of diverse and relevant skills and backgrounds to ensure measured and informed decision-making. The quality of our people is critical to our success and it is vital that we recruit those with the right skills, ability and experience.

Find out more

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Section 02:
Corporate governance

Overview

GIB is committed to best practice in corporate governance. Our stakeholders expect this and we know good governance provides the right checks and balances and encourages the correct organisational behaviours.

Corporate governance statement

The constitution of GIB consists of its Articles of Association and a Shareholder Relationship Framework Document (together the "Constitution"). The Shareholder Relationship Framework Document provides that GIB shall operate a corporate governance framework which, so far as practicable, accords with the best practice in corporate governance and in compliance with the provisions of the UK Corporate Governance Code (the "Code") as it applies to small quoted companies (other than in respect of Section E (Relations with Shareholders)) or specify and explain any non-compliance in its annual report. Accordingly, this section outlines our governance structure and demonstrates how our arrangements align with the guidelines and principles set out in the Constitution and the Code. The Board believes that it complies with the Code (where relevant) and its Constitution in all material respects.

The Code acts as a guide to a number of key components of effective Board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term. GIB considers these values to be important to the success of our operations.

One of the requirements of the Code is for the Directors to make a statement that they consider the annual report and financial statements, taken as a whole, to be fair, balanced and understandable. As part of this process, the Board received an early draft of the annual report to enable time for its review and consideration.

The Board Committees have considered, as appropriate, the criteria for a fair, balanced and understandable annual report and have reviewed the processes upon which the compilation and assurance of the report have been based. As with last year, there is a fair, balanced and understandable (FBU) Working Group drawn from across the business and chaired by the Chief Risk Officer to keep the report under review as it has developed and prior to finalisation. Following the meetings of the Board Committees, the Board then considered the annual report and financial statements as a whole being mindful of the requirements of the Code and the need for consistency between the narrative sections and the financial statements.

The Board reviewed the internal processes of GIB that form the reporting governance framework, including the role of the Board Committees and legal and auditor review. The Board's statement on the report is outlined on p.92.

GIB is not subject to the FCA Listing Rules or Disclosure and Transparency Rules as it is not listed, nor is it authorised and regulated by the FCA. However, GIB may become FCA regulated over time and GIBFS, a wholly owned subsidiary, is authorised and regulated by the FCA and has permission to carry out the following activities: (i) advising on investments (except on pension transfers and pension opt-outs); (ii) agreeing to carry on a regulated activity; (iii) arranging (bringing about) deals in investments; (iv) making arrangements with a view to transactions in investments; (v) managing an unauthorised Alternative Investment Fund (AIF); (vi) managing investments; (vii) dealing in investments as agent; and (viii) establishing, operating or winding up a collective investment scheme.

GIBFS is also authorised as an AIF Manager for the purposes of the AIF Management Directive.

Find out more

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Role and responsibilities of the Board

The names of the current Directors and their relevant experience and brief biographical information are set out on p.59–62 of this report.

The Board is responsible collectively for the long-term success of the company and in particular to its shareholder to set the strategy to maximise value for the shareholder. The Board has a schedule of matters reserved to it for its decision.

This schedule is reviewed regularly and includes approving, overseeing and challenging:

- Strategic direction
- Significant investments
- Portfolio management
- Dividend policy
- Remuneration policy
- Financial statements
- Green impact statements
- Annual budget
- Changes to the management and control structure
- Risk management, strategy and the system of internal control
- Major Group policies
- Terms of reference of Board Committees
- Board and Board Committee appointments

All of the Directors bring their own judgement to the major matters affecting GIB and each of the Non Executive Directors is considered by GIB to be independent, with the exception of Anthony Odgers who is the Shareholder Representative on the Board.

Composition of the Board

The Board and each of its committees have the appropriate balance of skills, diversity, experience, independence and knowledge of GIB to enable them to discharge their respective duties and responsibilities effectively.

The Constitution provides that the Board is to consist of no fewer than eight Directors and that the Chair and independent Non Executive Directors are to constitute a majority of the Board.

Roles of the Chair and the Chief Executive

There is a clear division of responsibility between the Chair and the Chief Executive.

The Chair's responsibilities are to:

- Lead the Board and be responsible for its operation and governance
- Encourage open debate and constructive discussion
- Speak on behalf of the Board and represent the Board to the shareholder

The Chief Executive's responsibilities, as delegated by the Board, are to:

- Lead the Leadership Team in the day-to-day running of GIB
- Make and execute operational decisions
- Implement the strategy agreed by the Board
- Represent GIB to external stakeholders, including customers, suppliers, regulatory and governmental authorities and the community

Senior Independent Director

The Senior Independent Director is Tony Poulter, whose responsibilities are to:

- Work closely with the Chair
- Act as an intermediary for other Directors, as and when necessary
- Meet with other Non Executive Directors to review the Chair's performance

Chief Financial Officer

The Chief Financial Officer's responsibilities are to:

- Work with the Chief Executive and Board to deliver GIB's strategic vision
- Provide leadership of the financial business strategy, policies and processes
- Manage and direct the Finance and Portfolio Management functions
- Provide overall management accountability for operations and IT

Non Executive Directors

The Non Executive Directors assist the Chief Executive by scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. They are responsible for determining appropriate levels of remuneration of the Chief Executive and the Leadership Team and have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning.

Their views are essential in overseeing the performance of GIB and ensuring the integrity of the financial information, controls and risk management processes.

Board information and development

All Directors are provided with updates on corporate governance developments, legislative and regulatory changes and relevant industry and technical information. This programme of updates in the relevant period included an overview of corporate governance and compliance developments and sector updates.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties and any further back-up papers and information are readily available to all Directors on request to the Company Secretary. The Chair ensures that Non Executive Directors are properly briefed on any issues arising at Board meetings and Non Executive Directors have access to the Chair at any time.

The Board and each of its committees annually carry out a review of their performance, constitution and the appropriateness of the relevant committee's terms of reference. The review in relation to the financial year was carried out internally after the end of the financial year by the Company Secretary and reviewed by the Chair. The Board is to consider the key findings, lessons learned and follow up actions at its next meeting.

Independent advice

There is an agreed procedure for Directors to take independent professional advice, where appropriate, on any matter and at GIB's expense. The Company Secretary is responsible for ensuring that Board procedures are followed and all Directors have direct access to the advice and services of the Company Secretary.

Terms of appointment

Both the Chief Executive and Chief Financial Officer have permanent contracts of service, terminable by six months' notice. Non executive appointments are for a period of three years. Details of the service contract and remuneration of the Directors and Leadership Team are set out in the Remuneration Committee report.

Annual Director election

At the 2016 Annual General Meeting (AGM) all of the current Directors, who were each either elected or re-elected at the last AGM held in 2015 will retire and offer themselves for re-election. All Directors hold office subject to annual re-election by the shareholder.

Outside appointments

The Board believes that it is beneficial to both GIB and the individual for Executive Directors of the Board to accept one outside non executive directorship where appropriate. The Board's policy is to limit this to one non executive directorship, with the Director retaining the fees.

Directors' conflicts of interests

Each Director has a duty under the Companies Act 2006 (the "2006 Act") to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with GIB's interests. GIB has adopted a formal procedure for the disclosure, review, authorisation and management of Directors' conflicts of interest and potential conflicts of interest in accordance with these provisions. The procedure requires Directors to notify formally the Chair or the Company Secretary as soon as they become aware of any actual or potential conflict of interest with their duties to GIB, or of any material change in existing or potential conflicts that may have been authorised by the Board. The Board monitors and reviews potential conflicts of interest on a regular basis. A register is maintained of all such disclosures and the terms of any such authorisation.

Board Committees

Where appropriate, matters are delegated to committees of the Board, all of which have written terms of reference which are available on the GIB website. The Company Secretary acts as secretary to each of these committees. The minutes of all their meetings are circulated to the Board.

Board and Executive Committees

Executive Committees
Investment
Portfolio Management
Risk and Compliance

Chief Executive and Leadership Team

Board Committees
Audit and Risk
Chair's
Nomination
Remuneration
Valuation

Board

Chair's Committee

The members of the Chair's Committee during the period were Lord Smith (Chair), Anthony Odgers and Tony Poulter (Senior Independent Director). Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The committee is authorised by the Board to deal with any matter reserved to the Board which needs to be addressed prior to the next Board meeting and which, in the opinion of the Chair, is not a matter which requires to be determined by the full Board.

Nomination Committee

The members of the Nomination Committee during the period were Lord Smith (Chair), Anthony Odgers, Professor Isobel Sharp and Tony Poulter. Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The Nomination Committee has not used any external recruitment consultants in the reporting period. All appointments to the Board are based on the diversity of contribution, experience and required skills, irrespective of gender. There are four female members of the Board which represents 36% of the total as at 31 March 2016.

Female membership of the Board Committees at 31 March 2016 is as follows:

- Audit and Risk 33%
- Chair's 0%
- Nomination 25%
- Remuneration 66%
- Valuation 20%

GIB is committed to the approach on diversity set out in the Davies Report 'Women on Boards' and will continue to take diversity matters into account for future Board appointments while appointing on merit. GIB's statement on diversity is set out on p.43. The Nomination Committee considers this approach in discharging its duties.

Find out more

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65 – Remuneration Committee report

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The Nomination Committee's key roles are to:

- Identify candidates for executive and non executive Board positions
- Regularly evaluate the structure, size and composition of the Board including skills, knowledge, diversity and experience
- Review recommendations from the Chief Executive for senior management positions reporting directly to him
- Have oversight of the Group's diversity policy

The activities of the Nomination Committee in the period are described in more detail in the Nomination Committee report on p.64.

Remuneration Committee

The Chair of the Remuneration Committee is Professor Isobel Sharp. The other two members of the Remuneration Committee are Anthony Odgers and Julia King, Baroness Brown of Cambridge. They are all Non Executive Directors, who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except Anthony Odgers, the Shareholder Representative Director. Their diverse backgrounds and experience bring a balance to discussions. The Remuneration Committee has access to independent advice as required.

The responsibilities of the Remuneration Committee are as follows:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Chair of GIB, the Executive Directors and other members of the Leadership Team
- Take account of, in determining such a policy, all factors which it deems necessary and, in particular, to ensure that the executives are encouraged to enhance the Group's performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Group
- Monitor the level of remuneration, including bonus arrangements, for senior management, and all other employees, below Board and Leadership Team
- Review the ongoing appropriateness and relevance of the overall remuneration policy
- Within the terms of the agreed policy determine the total individual remuneration packages of each executive
- Ensure that all UK Government regulations and policies on remuneration are adhered to

The activities of the Remuneration Committee in the period are described in more detail in the Remuneration Committee report on p.65.

Audit and Risk Committee

The Chair of the Audit and Risk Committee is David Nish. During the period other members of the committee were Tessa Tennant and Tony Poulter. All members of the Audit and Risk Committee are Non Executive Directors independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

In addition, the Chair, Chief Executive, Chief Financial Officer, Chief Risk Officer, Head of Internal Audit and external auditors are invited to attend each meeting. The internal audit function and the external auditors also have access to the Chair of the Audit and Risk Committee outside formal committee meetings. The Board is satisfied that David Nish has recent and relevant financial experience. The Audit and Risk Committee has the ability to call on Group employees to assist in its work and also has access to independent advice. The Board has delegated to the Audit and Risk Committee responsibility for overseeing the financial reporting and internal risk management control functions and for making recommendations to the Board in relation to the appointment of the Group's external auditors.

The Audit and Risk Committee is charged with responsibility to the Board for satisfying itself, on behalf of the Board as a whole, that the financial affairs of the Group are conducted with openness, integrity and accountability and in accordance with such existing statutory and regulatory provisions and codes as are applicable to the Group and to report on these matters to the Board. Its duties include the following:

- Consider the appointment, resignation or dismissal of the auditors and the level of audit fee
- Review the financial statements before submission to the Board for approval
- Discuss any problems and reservations arising from the annual audit and any matters the auditors may wish to raise
- Oversee the implementation of systems for financial control and risk management including the management of green risk
- Review the internal audit programme and its implementation
- Receive and review internal audit reports
- Review accounting policies and tax policy

The Audit and Risk Committee maintains a formal calendar of items for consideration at its meetings and within the annual audit cycle.

The activities of the Audit and Risk Committee in the period are set out in more detail in the Audit and Risk Committee report on p.80.

Valuation Committee

The Chair of the Valuation Committee is Lord Smith. The other members during the year were the Chief Executive Shaun Kingsbury, David Nish, Professor Isobel Sharp, Jeremy Burke in his capacity, at that time, as Director of Finance (until 16 June 2015) and the Chief Financial Officer Peter Knott (from 16 June 2015). The Non Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Valuation Committee is authorised by the Board to:

- Review the valuation policies of GIB from time to time and recommend any changes to the Audit and Risk Committee and the Board
- Determine and recommend to the Board, valuations to be placed on the investment assets of GIB for the purposes of financial reporting
- Consider and make recommendations to the Audit and Risk Committee and the Board in relation to all other matters relating to valuations for the purpose of the financial statements of GIB

Investment Committee

The Investment Committee does not report directly to the Board, but reports to the Chief Executive. However, investments or divestments in excess of £50m require Board approval and over £300m require shareholder approval. The executive members are the Chief Financial Officer, Chief Risk Officer, General Counsel, Deputy General Counsel, Head of Investment Banking, and Head of Sustainable Finance. The non executive members during the period were Anthony Odgers, Tom Murley and Laurence Mulliez.

The role of the committee is to advise the Chief Executive in exercising his decision-making authority delegated to him by the Board.

The execution of this authority, however, is subject to there being “no objection” noted by the Chief Risk Officer and to the endorsement of at least one of the nominated non executive Board members.

The Investment Committee’s duties include the following:

- Making decisions or recommendations in relation to specific investments or divestments on behalf of GIB or entities which have appointed GIB as manager
- Examining the economic context in each geography and sector in which GIB invests and agreeing market focus with the relevant sector teams
- Reviewing detailed investment strategies and mandates proposed by the investment teams
- Ensuring a consistent quality of decision-making processes within business lines

UK Green Investment Bank Financial Services

The Board of GIBFS comprises five Executive Directors who are employees of GIB (Shaun Kingsbury, Peter Knott, Euan McVicar, Rob Mansley and Edward Northam) and three independent Non Executive Directors who are not GIB employees (Rosamund Blomfield-Smith, Anthony Marsh and Richard Squires).

GIBFS also provides an investment committee for the GIB Offshore Wind Fund. That investment committee is made up of four of the five Executive Directors referenced above together with the Managing Director, Investment Director and Risk Officer of the GIB Offshore Wind Fund. In the event of any conflict of interest between the GIB Group and the GIB Offshore Wind Fund the four Executive Directors and Risk Officer are replaced by the three Non Executive Directors.

Find out more

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65 – Remuneration Committee report
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Attendance at Board and Committee meetings

Attendance	Board	Audit and Risk	Chair's	Nomination	Remuneration	Valuation
Total number of meetings						
Chair						
Lord Smith	7/8	–	2/3	2/2	–	3/3
Non Executive Directors						
Julia King, Baroness Brown of Cambridge	8/8	–	–	–	6/6	–
Laurence Mulliez	7/8	–	–	–	–	–
Tom Murley	8/8	–	–	–	–	–
David Nish	6/8	6/7	–	–	–	3/3
Anthony Odgers	7/8	–	3/3	2/2	6/6	–
Tony Poulter	8/8	7/7	3/3	–	–	3/3
Professor Isobel Sharp	8/8	–	–	2/2	6/6	3/3
Tessa Tennant	8/8	7/7	–	–	–	–
Executive Directors						
Shaun Kingsbury	8/8	–	–	–	–	3/3
Peter Knott	8/8	–	–	–	–	3/3

Board of Directors

GIB is governed by an independent Board of Directors, chaired by Lord Smith of Kelvin. Members of our Board have a broad spectrum of skills and backgrounds to provide the necessary support and challenge to the Chief Executive and the Leadership Team.

All members of the Board are contracted directly by GIB, other than Anthony Odgers who is the UK Government Investments (formerly the Shareholder Executive) representative on the Board. All Board members are appointed on a 36-month term. As at 31 March 2016 there were 11 Board members of whom 36% are female and 64% male.

During the year there were no changes to the main Board members. As part of the UK Government's Women on Boards programme Tera Allas acted as a Board observer until 31 January 2016, concluding her year-long programme. In January 2016 Andrea Echberg joined through the same programme.

Key to Committees

A – Audit and Risk Committee
C – Chair's Committee
I – Investment Committee (this is not a committee of the Board)
N – Nomination Committee
R – Remuneration Committee
V – Valuation Committee
*Committee Chair

Lord Smith of Kelvin KT CH
Chair

Committees
C*, N*, V*

Appointed to the Board
May 2012; reappointed May 2015

Current external appointments
Chair, Alliance Trust, IMI and Forth Ports; Chancellor, University of Strathclyde

Background and experience
One of the UK's most experienced chairs, Lord Smith has led organisations in the private, public and voluntary sectors. He was chair of SSE until July 2015. In 2014 he chaired the Organising Committee for Glasgow 2014 (Commonwealth Games) and the Smith Commission on further powers for the Scottish Parliament. A chartered accountant by profession and former President of the Institute of Chartered Accountants of Scotland, Lord Smith was knighted in 1999, appointed to the House of Lords as an independent cross-bench peer in 2008, appointed Knight of the Thistle in 2013, and awarded the Companion of Honour in 2016.

Shaun Kingsbury
Chief Executive, Executive Director

Committees
I, V

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Advisory Board member, Envision Energy

Background and experience
Shaun Kingsbury was previously responsible for European activities at Hudson Clean Energy Partners, a leading US clean energy private equity firm, and was a founding partner of Pulsar Energy Capital. He advised 3i on a number of European renewable energy transactions including its €170m acquisition of GES, where he was a Non Executive Director. Shaun previously worked at Shell in Europe, the US and Asia, and for Centrica's retail power business in the US. He also founded and chaired the Low Carbon Finance Group, a group of the leading investors in the clean energy sector.

Julia King, Baroness Brown of Cambridge
Non Executive Director

Committees
R

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Vice Chancellor, Aston University; Non Executive Director, Offshore Renewable Energy Catapult; Council Member, Engineering and Physical Sciences Research Council; Deputy Chair, Committee on Climate Change; Chair, Sir Henry Royce Centre for Advanced Materials Research; Non Executive Director, Innovation Birmingham; Non Executive Director, Marketing Birmingham

Background and experience
Baroness Brown has had a career in academia and industry, including senior engineering and manufacturing roles at Rolls-Royce plc in marine, energy and aerospace. She is a Fellow of the Royal Academy of Engineering and has been the UK's Low Carbon Business Ambassador since 2009. She received her DBE in 2012 and was made a crossbench peer in the House of Lords in 2015.

Peter Knott
Chief Financial Officer, Executive Director

Committees
I, V

Appointed to the Board
January 2015

Current external appointments
None

Background and experience
Peter Knott has previously held a number of senior roles at Standard Chartered, including Group Treasurer, Consumer Banking Group Chief Risk Officer and Group Head of Operational Risk. Prior to that, he qualified as a Chartered Accountant with Deloitte before joining Jardine Fleming in Hong Kong and Tokyo and then moved to New York with JPMorgan Chase as CFO for the global M&A and Investment Banking Coverage groups.

Laurence Mulliez
Non Executive Director

Committees
I

Appointed to the Board
January 2015

Current external appointments
Non Executive Director, Aperam, SBM Offshore and Morgan Advanced Materials (from 6 May 2016); Chair, Voltalia

Background and experience
Laurence Mulliez is an experienced chief executive with over 20 years' general management and commercial experience in a range of industries and firms, from large multi-nationals to start-ups. Most recently, Laurence was Chief Executive at Eoxis Renewable Energy. She previously held a number of roles at BP including CEO of Castrol Industrial Lubricants and Services, and Head of Strategy and Planning for all of BP's Gas Power and Renewables.

Tom Murley
Non Executive Director
Committees
I

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Head of Renewable Energy, HgCapital

Background and experience
Tom Murley leads the renewable energy team at HgCapital and is responsible for HgCapital Renewable Power Partners' funds. Tom joined HgCapital in 2004 and has more than 20 years' experience in providing equity finance to the US and European conventional and renewable power sectors.

David Nish
Non Executive Director
Committees
A*, V

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Non Executive Director, London Stock Exchange Group plc, Vodafone Group plc and Zurich Insurance Group; member of the Council of the Institute of Chartered Accountants of Scotland; Non Executive Director, HSBC (from 1 May 2016)

Background and experience
David Nish was Chief Executive Officer of Standard Life plc from 2010 to 2015 after joining as Group Finance Director in 2006. David was previously the Group Finance Director of Scottish Power plc and a former Partner at Price Waterhouse. Previously, he was a Non Executive Director of Northern Foods plc, Thus plc and HDFC Life (India); Deputy Chairman of the Association of British Insurers; a member of the City UK Board Advisory Committee; and of the Financial Services Advisory Board of the Scottish Government.

Anthony Odgers
Shareholder Representative Director
Committees
C, I, N, R

Appointed to the Board
N/A; appointed by shareholder

Current external appointments
None

Background and experience
Anthony Odgers is Deputy Chief Executive of BIS's UK Government Investments. He has over 20 years' banking experience at Deutsche Bank, Lehman Brothers and Morgan Grenfell. His experience includes project finance, corporate finance, restructuring advisory and general management. At UK Government Investments, Anthony has overall responsibility for corporate finance.

Tony Poulter
Senior Independent Director

Committees
A, C, N

Appointed to the Board
July 2013

Current external appointments
Partner, PwC (until 30 June 2016)

Background and experience
Tony Poulter was a partner and Global Head of Consulting at PwC until 30 June 2016. He was originally a UK civil servant and then a leading advisor on infrastructure financing and PPPs. He has 25 years' experience of working with governments and developers in the UK and internationally, during which he has helped to develop new industry and contractual structures and to raise equity and debt for over £15bn of infrastructure investment.

Professor Isobel Sharp CBE
Non Executive Director

Committees
N, R*, V

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Non Executive Director and Audit Committee member, IMI; Non Executive Director and Audit Committee Chair at Winton Capital Group; Non Executive member of the Audit Advisory Board at The Scottish Parliament Corporate Body; Honorary Professor and member of the International Advisory Board at Edinburgh University Business School

Background and experience
Isobel Sharp has extensive accounting, auditing and corporate governance experience. She was Senior Technical Partner at Deloitte LLP until 2012. Isobel has served as President of The Institute of Chartered Accountants of Scotland and on the UK Accounting Standards Board and the Financial Reporting Review Panel. She received the CBE in 2009.

Tessa Tennant
Non Executive Director

Committees
A

Appointed to the Board
October 2012; reappointed October 2015

Current external appointments
Non Executive President, The Ice Organisation; Advisor, CarbonTracker, CDP and Influence Map; Project Originator, @Money4NDCs

Background and experience
Tessa Tennant has over 25 years' experience in the financial services industry and co-founded the Jupiter Ecology Fund, the UK's first green equity investment fund in 1988. She has been centrally involved in the development of the green investment industry in the UK and overseas especially in Asia. She has served on fund, company and not-for-profit boards.

Directors' report

The Directors have pleasure in submitting their annual report and financial statements for the year to 31 March 2016.

Principal activity and business review

The principal activity of GIB is the making of investments and loans which gives effect to its 'green purposes' as set out in its Articles of Association.

Further information on the Group's business, which is required by the 2006 Act, can be found in the strategic report section of this annual report, in particular the Chair's report and the Chief Executive's review.

Finance

The results for the year are shown in the consolidated income statement on p.109 and analysed in the strategic report on p.36.

Audit information

So far as each of the Directors is aware, there is no relevant audit information of which GIB's auditors are unaware and each Director has taken all the steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that GIB's auditors are aware of that information.

Find out more

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Directors

The names and biographical details of the present Directors of GIB are set out on p.59–62. Details of changes in the composition of the Board and details of the arrangements for re-election of Directors are set out in the corporate governance section of our annual report, in particular in the corporate governance overview. Subject to the prior written consent of the shareholder, the Directors of GIB have authority to allot shares in the capital of GIB or grant rights to subscribe for or to convert any security into shares in the capital of GIB up to an aggregate nominal amount of £3bn, which unless renewed, varied or revoked shall expire on 31 March 2018.

Directors' indemnities

GIB has granted indemnities to each of its Directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors to the extent permitted by the 2006 Act and GIB's Constitution. In addition, Directors of GIB are covered by Directors' and Officers' liability insurance.

Share capital

Details of changes in share capital are set out in Note 21 of the financial statements.

Report on greenhouse gas emissions

Details of GIB's emissions in the financial year to 31 March 2016 are set out on p.47.

Material developments since 31 March 2016

On 23 June 2016 the UK voted to leave the European Union. At this moment we are unable to quantify the potential impact that this may have on our business.

Financial instruments

GIB uses financial instruments to manage interest rate risk. Where GIB enters into an investment that results in the receipt of fixed rate cash flows, our objective is to manage the risk that exposure to interest rates could lead to a decrease in the value of the investment or income deterioration. Further details of the objectives and management of these instruments and an indication of the Group's sensitivity to such risks are contained in Note 19 to the financial statements.

Company information

GIB is registered in Scotland (No. SC424067) and its registered office is located at:
Atria One, Level 7,
144 Morrison Street,
Edinburgh EH3 8EX.

By order of the Board

Euan McVicar
Company Secretary

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Nomination Committee report

The make-up and key responsibilities of the Nomination Committee are set out on p.64.

During the period the Nomination Committee met twice and the individual attendance by the members is set out on p.58.

The committee considered the structure, size and composition of the Board and its committees during the period and agreed that they remained appropriate to GIB's activities.

The committee also noted that the sole shareholder had re-appointed the Chair for a further three-year term and recommended the terms of his re-appointment to the Board.

During the period the committee also considered the effectiveness of GIB's approach to diversity; details of which can be found at p.50.

Details of the GIB Chair's other significant commitments and all changes to them are set out on p.59. The committee also examined GIB's succession planning for key roles including those of Chair, Chief Executive and Chief Financial Officer and have ensured that suitable succession plans are in place.

Signed and approved for and on behalf of the Board 5 July 2016

Lord Smith of Kelvin KT
Chair of Nomination Committee

Find out more

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Remuneration Committee report

I present the remuneration report for the year to 31 March 2016, prepared in accordance with the relevant regulations governing the disclosure and approval of Directors' remuneration.

This report provides detailed information on the remuneration of all GIB Directors as well as that of its Leadership Team. Those sections of the report that have been audited by the National Audit Office have been identified as such.

The report is divided into two parts. The first part outlines our policy on Directors' remuneration. This policy will be subject to a binding shareholder resolution at the forthcoming AGM. The second part of this report provides an annual report on remuneration, detailing how the policy has been applied during the reporting period. This report will be subject to an advisory resolution at the forthcoming AGM.

There are three main principles of GIB's remuneration policy as outlined below.

1. Remuneration is set at a level to attract, motivate and retain executives with the appropriate level of skill and determination to deliver the organisation's business goals, while recognising the unique nature of the organisation and the requirements of the shareholder.
2. The policy will allow for some change as the business develops and adapts with the current shareholder.
3. GIB is committed to providing transparency in the quantum, timing and conditionality of all remuneration of the Board and Leadership Team.

The make-up and key responsibilities of the Remuneration Committee are set out on p.56. During the period the Remuneration Committee met on six occasions and the individual attendance by the members is set out on p.58.

The key decisions, made by the Remuneration Committee during 2015–16 and approved by the Board, on current and future remuneration were:

- Scoring of the business objectives for the period 2014–15
- The setting of business objectives for the period 2015–16
- A review of the market position of all GIB executive pay
- A review of the suitability of current remuneration structures for the business in the longer term. This is in line with the current shareholder's plan to sell some or all of its holding and a full review of remuneration policy and service contracts with new shareholdings is likely in due course
- Agreement that GIB continues to meet all relevant remuneration conditions set by its shareholder
- The development of business objectives for the period beginning 1 April 2016

Find out more

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The Remuneration Committee recommended to the Board that 63% of the business performance element of the incentive plans be paid for 2015–16 (88.5% was paid in 2014–15) in recognition of meeting the key business objectives for the year. Further information on the business and individual performance relating to the incentive plans is provided on p.74.

The remuneration of the Board and Leadership Team is set out on p.76–78. In short, the remuneration of the Chair and Non Executive Directors remained unchanged. Basic pay for the Chief Executive remained unchanged at £325,000, with an amount of £111,150 awarded under the LTIP based on the above assessment. Basic pay for Peter Knott, the Chief Financial Officer, also remained unchanged. His salary is £280,225, with £95,837 awarded under the LTIP.

Peter has an ongoing allocation under the GIB OWF Carried Interest Plan which was awarded to him prior to his appointment to the Board. Any payments under this plan are capped at 20% of salary annually. No payment is due under this plan for the year 2015–16 and the amount of any payment due in the future will be dependent on the performance of the GIB Offshore Wind Fund.

The Remuneration Committee's current focus for 2016–17 will ensure remuneration practices are in place that will meet the obligations of a publicly funded organisation as appropriate.

The committee recognises the probable need to move to a different remuneration approach as a result of the likely change in the Company's shareholdings.

The Remuneration Committee continues to be aware of trends in the market and will consider their impact on both quantum and structure of remuneration across GIB. In addition, focus remains on the need to balance GIB's ability to secure and retain talent and manage our cost base.

Signed and approved for and on behalf of the Board 5 July 2016

I N Sharp

Isobel Sharp
Chair of Remuneration Committee

Directors' remuneration policy

This part of the remuneration report sets out the binding remuneration policy for Directors and also includes details in respect of members of the Leadership Team. It has been prepared in accordance with the relevant provisions in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the Code and the views of the shareholder.

Policy overview

The Remuneration Committee determines on behalf of the Board, GIB's policy on the remuneration of the Chair, Executive Directors, Non Executive Directors and the Leadership Team, which is then submitted to the Board for approval. The Remuneration Committee's terms of reference are available on the GIB website.

In respect of the remuneration of the Chair, the Executive Directors and the Non Executive Directors, it has been recommended that there is no change for the year 2016–17. In setting the remuneration policy for the Executive Directors and the Leadership Team, the Remuneration Committee takes into account the following principles:

- The need to attract, retain and motivate talented Executive Directors and senior management, and to ensure that our investments are selected and managed by a team with expertise and quality
- Alignment with the interests of the shareholder and the Group strategy and objectives
- Structuring remuneration to drive the correct behaviours and cognisance of trends in the market driven by regulation and commercial pressures

Find out more

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Remuneration policy for Executive Directors and Leadership Team

Element and purpose	Operation, opportunity and performance framework
Base salary To provide a base salary to attract and retain talented leaders.	Base salaries are reviewed annually by reference to roles and responsibilities and, in roles below Board level, comparable roles in the private sector. The Remuneration Committee also takes account of the economic environment and employment conditions. The committee will normally award increases in line with the wider work force although higher or lower increases may be awarded to specific individuals in specific circumstances.
Long Term Incentive Plan (LTIP) To reward performance and to encourage loyalty and long-term accountability in members of the Leadership Team.	Executive Directors and some members of the Leadership Team are eligible to participate in the LTIP. The incentive is an annual cash award of up to 50% of base salary, which is deferred for two years after award date. The amount awarded is calculated for executive members of the Board with a weighting of 80% based on the business performance in that year and 20% on personal performance in accordance with specific personal objectives. For the remainder of the Leadership Team the weighting is 70% business performance and 30% personal performance in accordance with specific personal objectives. In the event of both business performance targets and individuals' objectives not being met, no LTIP would be awarded. The Remuneration Committee defines the business objectives, based upon the Board approved business plan, at the start of the year and measures this after the end of each year, with appropriate input from other committees of the Board. Performance incentives are not awarded if the employee: (i) has left GIB or is working their notice, except where the Remuneration Committee determines the employee to be a good leaver under the terms of any relevant performance pay scheme (for example where the employee leaves in circumstances akin to redundancy); or (ii) has been designated a bad leaver under the terms of any relevant performance pay scheme.
Other incentive plans To encourage the retention and incentivisation of key staff involved in specific key strategic initiatives.	Executive Directors and members of the Leadership Team may be eligible to participate in specific incentive plans linking to particular strategic initiatives. One such plan (the GIB OSW Carried Interest Plan) is now in place in relation to the GIB Offshore Wind Fund. The Chief Executive does not participate as a beneficiary of this plan. Under the plan, a proportion of the 'total pool' available under the GIB Offshore Wind Fund will be received by participants annually over three financial years, based on their individual allocation percentage awarded under the plan. The 'total pool' for all participants will be a maximum of half of GIB's entitlement to participate in founder partner profit in relation to the GIB Offshore Wind Fund, an amount which will vary according to the performance of that fund. Any payments will be subject to the GIB Offshore Wind Fund's operational performance and the plan rules. Any payment under this plan will also not be made if the employee has left GIB or is working their notice, except where the Remuneration Committee determines the employee to be a good leaver under the terms of the plan. If the employee is a good leaver, they may receive any payments relating to plan year's ending prior to the date on which they gave/received notice or ceased employment, but further payments would not be made. The value of awards under this plan is unknown at point of allocation, as any payments will be subject to fund performance. Any payments under the plan are capped at 20% of an individual's salary annually. We commit to reporting all payments made for Executive Directors and members of the Leadership Team at the time of payment.
Pension and other benefits To provide a competitive package to attract and retain talented leaders.	The contribution by GIB of 10% of base salary to a defined contribution scheme is subject to a minimum personal contribution of 3%. Individuals may receive a payment equal to some or all of the amount they would contractually as a company pension contribution. Other benefits provided are private medical cover, permanent health insurance and life assurance.
Loss of office payments To provide fair but not excessive contract features.	The terms of loss of office are governed by the relevant service contract. There is no provision for compensation as a result of termination of contract, except redundancy pay in accordance with GIB's Board approved policy. Payment may be given in lieu of notice, which is six months for the Executive Directors and three months for the members of the Leadership Team.
New Executive Director remuneration To provide a remuneration package to attract and retain talented leaders.	Remuneration for new appointments will be set in accordance with the policy detailed in this table.

Remuneration policy for the Chair

Element and purpose	Operation, opportunity and performance framework
Base fee Remuneration is in the form of cash fees. Remuneration practice is consistent with recognised best practice standards for a Chair's remuneration and the quantum and structure of the Chair's remuneration will primarily be compared against best UK practice.	The quantum and structure of the Chair's remuneration is reviewed annually by the Remuneration Committee, which makes a recommendation to the Board.

Remuneration policy for Non Executive Directors

Element and purpose	Operation, opportunity and performance framework
Base fee Remuneration is in the form of cash fees. Remuneration practice is consistent with recognised best practice standards for Non Executive Directors' remuneration and the quantum and structure of the Non Executive Directors' remuneration will primarily be compared against best UK practice.	The quantum and structure of the Non Executive Directors' remuneration is reviewed annually by the Chair and the Executive Directors. The Non Executive Directors do not vote on their own remuneration.
Committee fees and allowances **Committee chairmanship fees** Those Non Executive Directors who chair a committee receive an additional fee. The committee chairmanship fee reflects the additional time and responsibility in chairing a committee of the Board.	Fees for committee chairmanship will be determined from time to time and paid in cash.
The Senior Independent Director In the light of the Senior Independent Director's broader role and responsibilities, the Senior Independent Director is paid a single fee and is entitled to other fees relating to committees whether as Chair or member.	The fee for the Senior Independent Director will be determined from time to time and paid in cash.

Recruitment

The Remuneration Committee expects any new Executive Director to be engaged on terms that are consistent with the policy as described on the preceding pages. The Remuneration Committee recognises that it cannot always predict accurately the circumstances in which any new Directors may be recruited. The Remuneration Committee may determine that it is in the interests of GIB and its shareholder to secure the services of a particular individual which may require the Remuneration Committee to take account of the terms of that individual's existing employment and/or their personal circumstances.

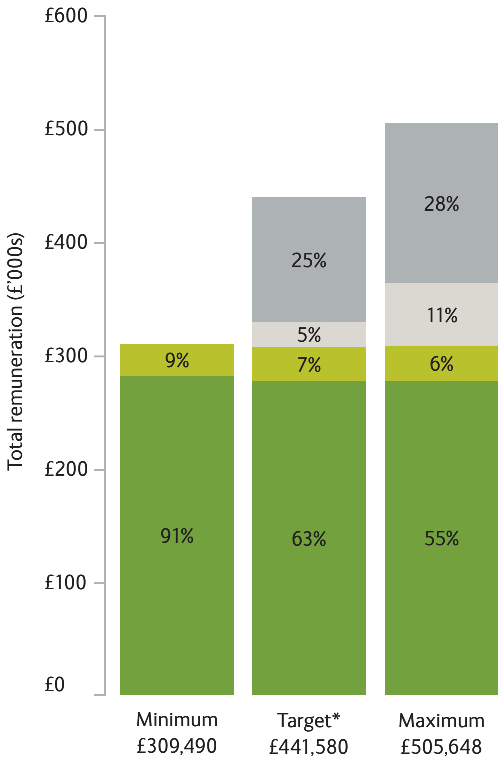
Accordingly, the Remuneration Committee will ensure that: (i) salary levels of any new Executive Director are competitive relative to peer group; and (ii) variable remuneration will be awarded within the parameters outlined on p.68. In making any decision on any aspect of the remuneration package for a new recruit, the Remuneration Committee would balance shareholder expectations, current best practice and the requirements of any recruit and would not strive to pay more than is necessary to achieve the recruitment. The Remuneration Committee would give full details of the terms of the package of any new recruit in the next annual report.

Scenario chart for total remuneration opportunity for the Executive Directors

The charts below provide a scenario for the total remuneration opportunity for the Chief Executive and Chief Financial Officer as Executive Directors. The fixed component in the chart includes current salary, taxable benefits and pension.

Chief Executive

Chief Financial Officer



* At on-target performance, 80% of the maximum LTIP is paid.

** The value of awards under this plan is unknown at point of allocation as any payments will be subject to fund performance. Payments under the plan are capped at 20% of salary annually.

- LTIP
- GIB OSW Carried Interest Plan**
- Benefits: healthcare, pension contribution
- Annual salary

Shareholder views

GIB is wholly owned by the Secretary of State for Business, Innovation and Skills. Our shareholder has set some rules within which our overall remuneration policy must operate. Those rules require us, inter alia:

- To report annually to our shareholder on how we are showing best practice and leadership on remuneration in the financial services industry
- To ensure that the approval of terms and conditions for remuneration of Directors and Leadership Team or the payment of remuneration to any executive officer that is higher than the remuneration of the highest paid Director be subject to prior shareholder consent

We keep these requirements under review in all remuneration discussions and remain fully compliant with them.

GIB has an obligation to report back to the shareholder on the remuneration of GIB staff below Board level and to provide a comparison against comparable roles in the private sector. This is done on an annual basis using external data, provided by McLagan, part of the Aon group. McLagan has no other connection with GIB. We have benchmarked every job against our peer group and following further analysis in Q3 2015 the results were shared with the shareholder.

As an additional control the Secretary of State for Business, Innovation and Skills has to approve all remuneration for the Executive Directors. The remuneration report and remuneration policy for the year to 31 March 2016 will be proposed to the shareholder at the next AGM.

GIB wide remuneration

GIB seeks to apply its remuneration policy in a consistent way. All staff receive pension contributions, medical and life assurance alongside their base salary. A discretionary performance incentive of up to 20% of base salary is available for the majority of staff, unless they are employed on very short-term contracts or are members of the LTIP scheme.

The Leadership Team and the Remuneration Committee receive updates from both the Head of HR and the organisation's external advisors on trends in the market and issues that may need to be addressed to ensure we attract and retain the staff we need to deliver our immediate business goals and our longer-term strategic goals.

Service contracts

It is GIB's policy that Executive Directors should have a service contract. The key terms of the executive contracts are:

- Notice period – three months by either party during the first six months of employment and six months' notice by either party thereafter
- Termination payment – no provision for compensation (except for redundancy, where a compensation payment can be made equal to one month's pay per year of completed service) other than that payment may be given in lieu of notice
- Remuneration – salary, pension, benefits and participation in LTIP
- Non-compete – during employment and for six months after the agreed departure date

External appointments

Executive Directors of the Board are able to accept one non executive appointment outside GIB with the consent of the Chair, as such appointments can broaden the Directors' experience and bring a new perspective to the business. Any fees received are retained by the Director.

In 2015–16 Shaun Kingsbury was a advisory Board member with Envision Energy Ltd and is entitled to receive an annual fee of £75,000.

Current incentive plans

GIB has in place two mutually exclusive incentive plans, which are designed to reward performance and align behaviour to business strategy. These plans are paid wholly in cash, reflecting the fact that GIB is wholly owned by the Secretary of State for Business, Innovation and Skills and therefore cannot issue any shares to its Directors and employees.

A specific fund incentive scheme is also in place to reward individuals directly involved in the management of the GIB Offshore Wind Fund and those employees of the Group who provide additional services to that entity. The Chief Executive is unable to participate in this plan. No payment has been made under this scheme for the year ending 31 March 2016.

Short Term Incentive Plan

The purpose of the Short Term Incentive Plan (STIP) is to reward members of GIB for their performance during the year based on an assessment of both business and personal objectives. Any awards under this scheme are paid in June of each year following completion of the annual audit and Board approval of the financial statements. Performance is considered in the context of targets set for the financial year.

Participation in the STIP was extended for 2015–16 to the majority of staff and the maximum annual incentive payable now varies by role from 10% to 20% of base salary. This performance incentive is subject to personal performance, the performance of the business and other relevant considerations with personal objectives comprising 30% to 70% and business objectives comprising the balance, depending on the role. The annual incentive is paid wholly in cash. Those participating in the STIP are not eligible for the LTIP.

Long Term Incentive Plan

The purpose of the Long Term Incentive Plan (LTIP) is to reward Executive Directors and some members of the Leadership Team for delivering performance criteria and to encourage loyalty and long-term accountability amongst participants. All awards made under this scheme are discretionary and are conditional upon approval by the Board on the recommendation of the Remuneration Committee. Those participating in the LTIP are not eligible for the STIP.

Awards, which may total up to 50% of base salary, are calculated based on personal and business performance with the element attributable to business performance being 80% for Executive Directors and 70% for others, with the balance being attributable to personal performance.

Adjustment period

Any awards under the LTIP are subject to a two-year adjustment period, which commences on 1 April following the year being assessed (the "Vintage Year"). At the end of the adjustment period the Remuneration Committee will assess the performance of the business against the applicable criteria. The criteria may include the following where applicable:

- Loan book – there should be no material write downs or impairment of loans during the adjustment period related to the year in which the award was made
- Equity – there should be no material write downs or impairment of equity positions during the adjustment period related to the year in which the award was made
- GIB should be on target with respect to its budget and business plan including management of costs
- The investments made during the relevant Vintage Year have satisfied the green objectives as set out in each Investment Committee or Board final investment paper
- The performance of the investments made in the relevant Vintage Year over the adjustment period
- Emerging risks which have either come to light or had an adverse impact during the adjustment period
- Any other financial, business or green considerations which the Remuneration Committee may consider in its absolute discretion to be relevant

Once business performance has been assessed the Remuneration Committee may adjust downwards the business element of the award. Following adjustment of the business element, the Remuneration Committee will determine any final award which will then require Board approval. Only the business performance element of the award will be subject to assessment during the adjustment period.

The adjustment period is considered by the committee to be akin to a malus provision.

STIP/LTIP business objectives

The business objectives elements in both incentive plans are measured on an identical basis. The business objectives are set by the Remuneration Committee and performance against those objectives is determined by the Remuneration Committee.

In setting the detailed objectives, the Remuneration Committee seeks to incorporate key business objectives for GIB for the year ahead, which are reflected in the KPIs and other performance indicators.

Specific GIB Offshore Wind Fund incentives

Where a member of a Group subsidiary provides the GIB Offshore Wind Fund management with services, they receive some specific employee incentives linked to performance of the relevant fund. It has been agreed that separate incentive pools are appropriate for such staff in direct fund management roles and for other Group staff taking on additional workload in addition to their existing commitments. Any specific proposals are subject to committee and Board approval and oversight.

There are two such incentive schemes currently in place, both relating to the GIB Offshore Wind Fund: one for relevant GIB employees and one for relevant employees of the fund manager GIBFS.

Annual report on remuneration

This part of the report has been prepared in accordance with the relevant provisions within the Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013. The annual report on remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

Remuneration Committee

The membership of the Remuneration Committee comprises Professor Isobel Sharp (Chair), Julia King, Baroness Brown of Cambridge, and Anthony Odgers representing a variety of backgrounds and experience designed to promote balance and diversity within the Remuneration Committee and to facilitate liaison with the shareholder. Informal consultation among the Remuneration Committee members, and also with other Non Executive Directors, takes place outside the scheduled meetings as necessary.

In addition, the Chair, the Senior Independent Director, the Chief Executive, the Chief Financial Officer, the Chief of Staff and the Head of HR accepted invitations to attend meetings in 2015–16. The Company Secretary acts as Secretary to the Remuneration Committee.

The committee continued to work with its external advisors (Deloitte LLP) who were appointed by the Committee in 2014. Deloitte LLP is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The committee has reviewed the advice received during the reporting period and is satisfied that it is independent and objective.

The fees paid to Deloitte during 2015–16 were £108,100, reflecting the time spent in the provision of advice to the committee on a number of business-as-usual matters, as well as possible future remuneration structures. Deloitte also provided assurance services to GIB in respect of green impact data.

Remuneration Committee agenda 2015–16

Month	Key agenda items
May 2015	Approval of 2014–15 business objectives scores and all Performance Related Pay Setting of the 2015–16 business objectives
July 2015	Approval of previously allocated LTIP awards Review of future planning for remuneration
September 2015	Approval of the remuneration report for the Information Memorandum Final approval for business objectives 2015–16
November 2015	Approval of Secretary of State for Business, Innovation and Skills letter in regards to GIB relevant remuneration conditions Review of effectiveness of staff evaluation systems Review of senior staff terms and conditions of employment
January 2016	Agreement for year end process Discussion on incentive structure for forthcoming process for year including probable impact of potential investment of private capital
March 2016	Recommendation of the Executive Director and Chair salaries Review of staff salary proposals Setting of the 2016–17 business objectives

Business performance

Performance of the business for the 2015–16 period has been measured against the objectives which can be found overleaf and have been approved by the Remuneration Committee. These objectives were intended to be stretching and designed to promote the long-term success of GIB.

On the basis of performance outlined in the table overleaf, the Board, on the Remuneration Committee's recommendation, awarded GIB 63% of the maximum against the business objectives that had been set for the relevant period.

Personal performance

The Remuneration Committee reviewed the personal performance of the Executive Directors and agreed to allocate both a score of 90% for the personal element of their bonus, recognising their achievements in delivering the business objectives and their management of the organisation through the year.

Bonus outcomes

The combination of performance against the business objectives (80%) weighting and personal objectives (20%) weighting equates to a payment for the 12 month period from 1 April 2015 to 31 March 2016 of £111,150 (34% of salary) for the Chief Executive and £95,837 (34% of salary) for the Chief Financial Officer, both of which will be paid in 2018 subject to shareholder approval and the terms, conditions and provisions of the LTIP.

For other members of the Leadership Team, a total of £267,535 in LTIP was awarded. For these individuals, 70% of the bonus was based on the business objectives and 30% on personal objectives. Those participating in the LTIP will have the awards paid in 2018 subject to the terms, conditions and provisions of the plan.

For members of the Leadership Team entitled to STIP, a total of £112,240 was awarded. For these individuals, between 50% and 70% of the bonus was based on business objectives, with the balance on personal objectives.

Performance against business objectives

The specific business objectives for 2015–16 period and performance against them are set out in the table below.

KPI	Measure	Target	Performance	% weighting	Final allocation
Capital commitment	Amount of GIB capital committed to green, profitable projects.	Capital commitment target range of £726m to £926m, adjusted for market conditions, with further sector-related sub-targets.	£770m total capital committed; within the target range. Sector-related sub-targets achieved in offshore wind and missed in other sectors.	58.8%	41%
Financial performance	Profitability delivered through a combination of revenue growth from investments and strong cost discipline.	Full financial year positive net profit before tax range of £15.8m to £25.8m from continuing operations.	Profit before tax of £9.9m achieved. Shortfall to target mainly a result of delayed deals, falling power prices and transactions which had been anticipated but did not ultimately require our capital.	17.6%	0%
Innovation – GIB Offshore Wind Fund	Introduction of additional private capital in GIB Offshore Wind Fund.	£1bn close on GIB Offshore Wind Fund achieved by 31 March 2016.	Second close of £355m taking total capital committed to £818m and making this the UK's largest renewable energy fund.	5.9%	4.2%
Innovation – products	Innovation in financial products and specific investments to develop green economy.	New or novel approach to investments to foster market innovation, including introduction of new financial products and use of innovative deal structure.	Cornerstone investor in Galloper offshore wind farm, UK's first construction-ready offshore wind project finance deal. Co-financed Northern Ireland's biggest energy from waste plant which uses early-stage gasification technology. Helped bring liquidity to onshore wind market by committing £49.5m to Blackcraig wind farm. Closed first Green Loan with English local authority to finance LED streetlighting replacement programme in Southend.	5.9%	5.9%
Innovation – green metrics	Demonstration of leadership and innovation in green reporting and policies.	Publication of Green Investment Handbook. Development of tool for assessing non-financial impacts in GIB deals.	Green Investment Handbook published in English, Mandarin and Spanish. Green ratings and resource efficiency tool in use on our projects from May 2015.	5.9%	5.9%
Compliance	All staff compliance training up to date and completed by deadline set by Head of Compliance.	Staff compliance processes and training up to date, as part of ensuring strong risk and compliance governance.	Annual compliance training and Code of Conduct attestation completed by all staff. No material or significant breaches of compliance and risk management policy framework.	2.95%	2.95%
Culture Report recommendations	Evidence of implementation of, or targeted progress towards, recommendations of 2014–15 culture audit.	Evidence of implementation of, or targeted progress towards, recommendations of 2014–15 culture audit.	Our Culture Working Group provided a report on progress with its recommendations provided to the Board in May 2015. The group made 20 recommendations including: • Establishing a 'GIB Community' staff volunteering programme • Establishing a wellbeing and resilience lunch and learn programme • Delivering company-wide training on unconscious bias	2.95%	2.95%

Board of Directors and Leadership Team remuneration

The following table sets out the remuneration received by the Board and Leadership Team during the period, including a single total figure. The table and accompanying notes are subject to audit.

Board of Directors remuneration

Chair and Non Executive Directors	Fee 2015–16 £	Fee 2014–15 £	Annual equivalent fee 2015–16 £
Lord Smith	120,000	120,000	120,000
Julia King, Baroness Brown of Cambridge	25,000	25,000	25,000
Laurence Mulliez	25,000	4,647	25,000
Tom Murley	25,000	25,000	25,000
David Nish	30,000	30,000	30,000
Anthony Odgers	No fee	No fee	No fee
Tony Poulter	40,000	40,000	40,000
Professor Isobel Sharp	30,000	30,000	30,000
Tessa Tennant	25,000	27,083	25,000

– *Non Executive Directors do not receive any pension, benefits or long-term incentives.*
– *Anthony Odgers is the Shareholder Representative and employed by BIS.*

Executive Director remuneration

	Actual remuneration					Annual equivalent
Executive Director	Salary £	Pension £	Taxable benefits £	LTIP £	Total £	Salary £
Shaun Kingsbury 2015–16	325,000	32,500	1,103	111,150	469,753	325,000
Shaun Kingsbury 2014–15	325,000	32,500	964	147,560	506,024	325,000
Peter Knott 2015–16	280,225	28,023	1,242	95,837	405,327	280,225
Peter Knott 2014–15	53,171	5,317	202	24,141	82,832	280,225

– *Shaun Kingsbury and Peter Knott's LTIP awards remain subject to shareholder approval in July 2016.*
– *Peter Knott became an Executive Director on 22 January 2015.*

Leadership Team remuneration

Members at 31 March 2016	Salary £	Pension £	Taxable benefits £	STIP £	LTIP £	Total £	Annual equivalent Salary £
	Actual remuneration 2015–16						
Shaun Kingsbury	325,000	32,500	1,103	–	111,150	469,753	325,000
Jennifer Babington	86,088	7,994	700	13,031	–	107,813	131,000
Peter Knott*	280,225	28,023	1,242	–	95,837	405,327	280,225
Robert Mansley*	260,000	26,000	821	36,972	–	323,793	260,000
Euan McVicar*	281,066	28,107	374	–	104,135	413,682	281,066
Stephen Moir*	155,000	15,500	821	25,265	–	196,586	155,000
Edward Northam*	300,000	30,000	1,008	–	106,650	437,658	300,000
Jacqueline Redmond	166,667	16,667	751	–	56,750	240,835	250,000
Bill Rogers	260,000	26,000	821	36,972	–	323,793	260,000
Members during the year							
Jeremy Burke	53,910	5,391	250	7,563	–	67,114	145,000
Oliver Griffiths	39,589	3,959	–	–	–	43,548	160,000

- *Shaun Kingsbury and Peter Knott are Executive Directors and members of the Leadership Team. Their remuneration is shown in both tables.*
- *Remuneration disclosure is for the period of membership of the Leadership Team only.*
- *Pension benefit includes any cash allowances made in lieu of pension for Edward Northam.*
- *Jacqueline Redmond joined the Leadership Team on 3 August 2016.*
- *Taxable benefits include private health insurance.*
- *Jeremy Burke left the Leadership Team with effect from 13 August 2015.*
- *Oliver Griffiths left the business with effect from 17 July 2015, having worked part time from 1 June 2015.*
- *The LTIP award is subject to a two-year adjustment period, as outlined earlier in the Remuneration Committee report.*
- *Jennifer Babington, Robert Mansley, Stephen Moir and Bill Rogers are members of the STIP.*
- *Jennifer Babington returned from maternity leave in May 2015 and works part time. She received a maternity return to work bonus in the reporting period.*

**Has also received an initial allocation under the GIB OWF Carried Interest Plan. Any payments under this plan are capped at 20% of salary annually. No payment is due under this plan for the year 2015–16 and any payments due in the future will be dependent on the performance of the GIB Offshore Wind Fund.*

History of Chief Executive's remuneration

Year	Chief Executive	Salary £	Pension £	Taxable benefits £	LTIP £	Total remuneration £	Performance incentive plan as percentage of maximum
2015–16	Shaun Kingsbury	325,000	32,500	1,103	111,150	469,753	68%
2014–15	Shaun Kingsbury	325,000	32,500	964	147,560	506,024	91%
2013–14	Shaun Kingsbury	325,000	32,500	858	128,700	487,058	79%
2012–13	Shaun Kingsbury (annualised)	325,000	32,500	828	125,125	483,453	77%
2012–13	Shaun Kingsbury (actual)	139,167	13,917	286	52,000	205,370	77%

- *The Chief Executive is not entitled to an annual bonus. The Chief Executive is only eligible for awards under the LTIP (details of which are set out earlier in this report).*
- *Shaun Kingsbury received no long-term incentive payment in 2012–13, 2013–14 or 2014–15. The long-term incentive awarded is subject to shareholder approval and a two-year adjustment period.*
- *Shaun Kingsbury received his deferred bonus, awarded in 2012–13 of £52,000 in July 2015, following approval by the Remuneration Committee.*
- *Shaun Kingsbury's salary did not increase between 2012 and 2016.*

Percentage change in Chief Executive remuneration

The following table sets out the percentage change in the Chief Executive's remuneration compared to the average percentage change in remuneration for the wider employee population.

% change 2014–15 to 2015–16	Salary	Benefits	Variable pay (STIP/LTIP)
Chief Executive	0%	14%	-25%
All employees	5%	13%	-13%

There was an average change in the annual equivalent salary for the 2015–16 period of 5% for all GIB employees taken as a whole, relating to increases as a result of promotion, change of role or cost of living. The standard increase for staff was 0.3%, in line with Consumer Price Index. There was an overall increase in the cost of benefits provided entirely as a result of increased premiums charged for private medical insurance which affects all staff who take this benefit.

Relative importance of spend on pay

The following table shows the change in total spend on employee remuneration and distributions to shareholders between the 2014–15 and 2015–16 financial years.

% change 2015–16 to 2014–15	2015–16	2014–15	% change
Distributions to shareholders*	n/a	n/a	n/a
Employee remuneration	17,849,000	15,881,000	12%

**GIB is 100% owned by the UK Government and as such makes no distributions to shareholders. The increased cost of employee remuneration is predominantly the result of an increase in staff employed.*

Non Executive Directors

The Non Executive Directors are engaged under letters of appointment and are appointed for fixed terms of three years. The appointment letters provide for no entitlement to compensation or other benefits on ceasing to be a Director. Travel and other expenses necessarily incurred in the course of their duties are reimbursed.

The Shareholder Representative Director, appointed by BIS, receives no remuneration from GIB in respect of his role as a Director.

Public sector remuneration disclosure

Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The annual salary of the highest paid employee (the Chief Executive) in GIB is £325,000. This is 3.9 times the median salary of the GIB workforce, which is £82,500. In 2014–15 this ratio was 3.8 times. Including performance related pay, the total remuneration earned by the highest paid employee for the year 2015–16 will be £436,150. The total remuneration received by the median member of the GIB workforce will be £94,487, giving a multiple of 4.61 times. The multiple in 2014–15 was 5.06. The decrease is due to a lower score awarded for the achievement of business objectives in 2015-16.

No employees receive a salary in excess of the Chief Executive (who is the highest paid employee). Annual full time equivalent salaries range from £22,485 to £325,000.

The majority of GIB employees received an increase in their base salaries of 0.3% in line with the Consumer Price Index with effect from 1 April 2016.

2016–17 focus

The current focus for the Remuneration Committee in 2016–17 will be to:

- Sign off of the scoring metrics for the measurement of business performance in 2016–17. These will be based on capital commitments, income and costs and will handle, as appropriate, the implication of any changes in the Company's shareholding
- Begin the review of the market position of all GIB executive pay

Implementation of Remuneration Policy for 2016–17

The implementation of the Policy for Executive Directors remains broadly unchanged, as follows:

Salary
The salaries for the Chief Executive and Chief Financial Officer will remain at the same level as 2015–16. The Chief Executive will therefore receive a salary of £325,000 and the Chief Financial Officer £280,225.

Benefits
The Executive Directors will continue to be provided with the same benefits package consisting of private health insurance.

Pension
The Chief Executive and Chief Financial Officer receive a pension benefit of 10% of salary.

LTIP
The Chief Executive and Chief Financial Officer will participate in the 2016–17 LTIP with a maximum opportunity of 50% of base salary. The amount earned will be based on performance against the business objectives outlined in the 2016–17 focus section above (80% weighting) and personal performance objectives (20% weighting).

The specific targets are currently considered commercially sensitive. However it is expected that these will be disclosed when this is no longer the case.

The fee levels for the Chair and Non Executive Directors also remain unchanged for 2016–17.

Share ownership

GIB is wholly owned by the Secretary of State for Business, Innovation and Skills. The shareholder approved the 2015–16 Directors' remuneration policy and annual report on remuneration.

Audit and Risk Committee report

The Audit and Risk Committee, under delegated authority from the Board, oversees financial reporting, risk management and internal and external audit. It ensures that GIB operates in a prudent manner and conducts itself appropriately.

The Audit and Risk Committee (ARC) adheres to the principles of the UK Corporate Governance Code. We have reflected these principles and the guidance on committee activities in the ARC's terms of reference, which are published on the GIB website.

The ARC is chaired by David Nish. Two other independent Non Executive Directors, Tony Poulter and Tessa Tennant, are members. The Board is satisfied that the ARC has been established with an appropriate level of competence in business, risk management, financial, and audit matters.

The Chair and the Chief Executive regularly attend ARC meetings and the Chief Financial Officer, Chief Risk Officer, Head of Internal Audit, General Counsel and other members of the Board and management team, as well as the external auditors, are invited to attend as appropriate. The ARC has met privately and separately with the external auditors and the Head of Internal Audit. The ARC is authorised by the Board to have unrestricted access to any information it requires from any employee. Furthermore, the ARC is authorised to seek independent professional advice at GIB's expense where it considers this necessary. External advisors may be invited to present findings to the ARC.

The ARC receives regular structured reports on key aspects of the organisation including finance, risk, internal audit and policy. It also receives in-depth analyses of specific issues that arise.

The ARC meets according to the requirements of GIB's financial calendar. There were seven meetings of the ARC in the financial year 2015–16. The table on p.58 identifies the attendance record of individual Directors at the ARC meetings held during the year.

The ARC supports the Board in reviewing internal controls to ensure we adhere to our mission to accelerate the UK's transition to a greener economy and to create an enduring institution, operating independently of Government. Working in conjunction with the Investment and Valuation Committees, this assessment includes ensuring we invest in line with our constitutional, framework and legal obligations, including the obligation to invest only in UK projects which are both green and profitable, where our capital is additional to available private sector finance.

Terms of reference for the ARC are reviewed annually by the committee and subsequently reviewed and approved by the Board.

We explain here the main areas of responsibility of the ARC, including the duties delegated from the Board and issues the committee dealt with during the year.

The ARC has been engaged in the design and implementation of a transformation programme in the Finance function to ensure that it is suitably resourced to support the growth of the business. This has included the introduction of a new general ledger platform in association with a managed service provider.

The ARC has also overseen the preparation for privatisation and establishment of new business, including GIBFS and UKCI. It received comments on operational readiness monitoring and risk reports containing commentary on challenges to projects.

Find out more

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Oversight of risk management and internal control

A fundamental objective of the ARC is to ensure that risks which could harm GIB and its objectives are appropriately managed. Specific accountabilities of the committee are:

- Recommending risk appetite to the Board for approval and approving risk limits under the risk appetite
- Recommending to the Board new and updated policies in risk, compliance, operations and other matters
- Overseeing maintenance and enhancement of the GIB risk management framework
- Reviewing terms of reference for the executive-level Risk and Compliance Committee
- Receiving regular risk reports encompassing all risk types and deeper analysis of specific issues
- Reviewing new approaches to communicating risk policies and risk information to staff and Directors

The following sections provide additional detail on issues of interest overseen by the ARC during the year.

Interaction with the external auditor

The committee had regular interaction with the external auditor during the period and was satisfied that it was appropriate. The duties of the ARC in relation to interaction with the external auditors are as follows:

- Recommending the reappointment of the National Audit Office as external auditors to the Board
- Agreeing the scope of the external audit work and overseeing the quality of delivery
- Discussing the conclusion of the external audit work and the opinion given on the financial statements
- Reviewing the effectiveness of the external audit function
- Overseeing appropriate liaison between the internal and external audit functions

Green risk

Responsibility for oversight of green risk is within the mandate of the ARC. This ensures that green risk is considered alongside other risk types as one of the principal risk types facing GIB.

The committee received periodic ‘deep dive’ reviews of green risk, focusing on the system for managing green risk and on specific risks that had been given a high likelihood or impact rating. Specific risks considered in detail by the committee included:

- The risk of unsuitable biomass entering supply chains and the mitigation of this risk through extensive due diligence
- The risk of changes in biomass legislation leaving specific assets unable to meet the new requirements
- Health and safety issues affecting smaller developers in certain of our priority sectors
- Issues relating to the timeliness and accuracy of green data from certain investments
- The risk of a severe impact on the natural environment or biodiversity due to a major pollution event relating to an investment

The committee was satisfied that a robust and rigorous framework is in place for managing green risk and that current risks are mitigated to within the risk appetite of GIB. Specifically, it concluded that the technical assessments of the Green team in respect of the above risks and their mitigation were robust.

Protecting GIB’s reputation

The committee considered the processes we have put in place to identify, assess and mitigate reputational risks that could affect the ability of GIB to do business. Through periodic reports, it also examined in detail key risks that occupy the high impact, high likelihood categories in our Reputational Risk Matrix.

Specific reputational risks considered by the committee included:

- Risks arising from management of the privatisation process
- Risks arising from political and constitutional change in the UK
- Ongoing issues relating to external perception of biomass investments

The committee was satisfied that we have processes in place to identify reputational risks and escalate them appropriately through the organisation.

Managing investment risk

The committee does not oversee investment risk on a deal-by-deal basis. Rather, it has reviewed aggregate reports of investment risk and approaches to its management, including:

- Measures of direct and indirect counterparty risk across the GIB portfolio
- Significant risks reporting, including risks affecting new capital raising
- Approaches to risk rating of fund investments

Operational risk

The committee received regular reports on the status of the operational risk management framework and the level of operational risk of GIB.

Key operational risks considered by the committee included:

- Risks arising from operational preparation for new business activities
- Risks relating to accuracy of payment and accounting information in investment projects and their proposed mitigants
- Risks to successful conclusion of the finance transformation project
- Risks to GIB arising from outsourced services provided to GIBFS

The committee considers the appropriate arrangements are in place for managing and escalating, where necessary, all identified risks and that the framework facilitates the early identification of emerging risks.

Information security and business continuity
During the year, implementation of the Information Security Management System (ISMS) was overseen by a dedicated Information Governance Forum (IGF) and the ARC was updated on progress. In addition, a business continuity plan was maintained and associated communication and data retrieval systems were tested.

Governance of financial models
The committee reapproved, on behalf of the Board, a Models Policy, specifying the standards to be met in controlling financial and other analytical models within GIB. This included classification of models by criticality and a range of independent structures, linked to criticality, for ensuring reasonable economic assumptions and accurate calculations. Reports of specific issues relating to models and proposed mitigants were received and addressed.

Financial crime and anti-money laundering
To comply with regulation and best practice, GIB must establish and maintain effective systems and controls for compliance with applicable financial crime laws and take robust steps to counter the risk that GIB might be used to further financial crime.

An annual Money Laundering Reporting Officer (MLRO) report on the operation and effectiveness of those systems and controls was prepared and reported to the committee. In addition, a Financial Crime Forum operates monthly and supplies reports of key issues and their mitigation to the ARC.

Oversight of financial reporting
The ARC is responsible for ensuring fair, balanced and understandable public reporting by GIB in respect of statutory financial and non-financial reporting and other matters. Specific duties of the committee in this regard are as follows:

- Reviewing the accounting policies adopted to ensure GIB complies with accounting standards and presents accounts that are true and fair
- Reviewing methods used to account for significant or unusual transactions where different approaches are possible
- Overseeing implementation of the tax policy as agreed with the shareholder
- Being satisfied that there are sufficient resources and capabilities within the finance team and appropriate financial systems and processes
- Assessing the extent to which GIB has complied with the financial reporting requirements of BIS
- Overseeing a review process to ensure that the annual report is fair, balanced and understandable

Key accounting matters
After discussion with both management and the external auditor, the committee determined that the key accounting matters and judgements in respect of the Group's financial statements were as follows:

- Group accounting boundary and asset classification
- The consistent application of accounting policies
- Investment valuation and recoverability of debt
- Revenue recognition

These issues were discussed with management during the year and with the auditor at the time. The committee reviewed and agreed the auditor's Group audit plan and subsequently the audit progress report during and at the conclusion of the audit of the financial statements. The committee also reviewed reports from the auditors of the GIB Offshore Wind Fund and associated entities.

Group accounting boundary and asset classification
The Group's business is to invest in projects through a range of financial instruments. How the Group classifies its investments determines the accounting treatment and the financial results.

The financial statements and accompanying notes detail the Group's accounting policies for determining the appropriate investment classification. During the year the committee discussed with management the principles underlying these policies, their implementation and the financial reporting impact of different considerations.

Specific areas considered were: (i) the Group's consolidation of the GIB Offshore Wind Fund, which comprises three separate Limited Partnerships, as well as the small-scale funds to which we have committed capital; and (ii) the continued treatment of shareholder loans to investee companies as available-for-sale assets. These required consideration by management and the committee as consolidation is based on a subjective assessment of control, based on the exposure to variable returns and ability to direct the operations of an entity. Particular discussion was held regarding the GIB Offshore Wind Fund as consolidation of the Limited Partnerships means the disposal of assets by GIB to the GIB Offshore Wind Fund are treated as intra-group transfers.

The committee also considered the accounting treatment of assets purchased by the GIB Offshore Wind Fund during the period.

The committee reviewed the accounting treatment for the return received in respect of management services provided to UKCI. The committee examined management's key assumptions and considered the appropriateness of the final recommendations to understand their impact on the financial statements. The committee was satisfied that the recommended treatment had been appropriately scrutinised, challenged and reflects the nature of the investments being made.

Assurance over component activity and the consistent application of accounting policies

Once the Group has determined the accounting boundary and asset classification, management needs to implement adequate processes and controls to ensure that the financial results of investee entities are appropriately recorded in the Group's financial statements, in line with Group accounting policies.

In some instances the underlying investee entities use different accounting policies or have different period ends, creating an inherent risk that the Group's accounting policies will not be consistently applied. The committee discussed with management and the auditor the proposed approach to ensuring consistent application of Group policies in the planning stage and challenged the robustness of the planned approach.

In particular, management discussed concerns around the timeliness and accuracy of information from investee entities, as well as the steps taken to ensure the application of consistent accounting policies across the Group.

Management presented to the committee on how adequate information had been obtained, including the receipt of audited or draft accounts from the investee entities, accounting policy application reviews, and obtaining supporting calculations and evidence of underlying transactions. One example of this was the additional audit work to gain assurance over the financial results of the investment in the Gwynt y Môr offshore wind farm as it is being consolidated on a line-by-line basis into the group's financial statements. The committee was satisfied that appropriate work was completed to ensure the reported results apply consistent accounting policies.

Investment valuation and recoverability of debt

The Group has to assess the carrying value of investments, including the recoverability of debt investments, as well as fair value investments that have been hedged. To accomplish this, a valuation process, using a discounted cash flow valuation technique, is undertaken and the resulting economic value is compared to the accounting carrying value to consider whether any impairments or adjustments are required to the reported value.

This process requires subjective inputs around macroeconomic assumptions and future operational performance of projects, which are often in the construction stage and have not started generating revenue. The accounting policy for the Group's investments is detailed in Note 3.

The committee considered the approach to the valuation of investments, including how the valuation process is completed. In finalising the accounts the committee received a recommendation from the Valuation Committee on the economic valuations and received a report from management on the related accounting impact, including how appropriate impairment assessments were made.

Management highlighted how it arrived at the key assumptions to estimate future cash flows for the investments, including forward power prices and production, market-based interest rates and discount rates. The committee was content that adequate challenge had been made and was further satisfied with the disclosures in the financial statements.

The committee considered a valuation policy change to fair value certain assets, particularly to reflect the change in value of assets as they move from construction to operational phase. The committee decided that disclosure of the relevant fair value information as supplemental information would be more suitable than a valuation policy change at this time.

Revenue recognition

The Group's accounting policies require management judgement on certain factors which determine the appropriate amount of revenue to recognise, which can materially impact the Group's results. For example, judgement is required over whether a loan facility will be drawn and the period over which it will be drawn, while in other circumstances judgement is required as to whether income from an investment should be recognised under the Effective Interest Rate (EIR) method or deferred until the asset is operational.

The committee received updates on the application of previously agreed policies in respect of the recognition of upfront fees, non-utilisation/undrawn facility fees and interest from loans where interest is rolled up rather than received in cash. Management confirmed to the committee that the accounting treatment was consistent with prior periods.

The committee challenged management's assessment of the appropriateness of recognising any payments arising from contractual claims as part of the share of net profit from associates or joint ventures and in particular discussed how management consider:

- The likelihood that there will be an entitlement to such payments
- How such payments will be measured for the accounts

The committee was satisfied that a sufficiently robust process was followed to assess the appropriateness of entitlement to such payments and that the reported income was appropriate.

Misstatements

Management confirmed that it was not aware of any material misstatements to the financial statements nor that there were any immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The committee confirmed that it was satisfied that the auditors had fulfilled their responsibilities with diligence and professional scepticism.

Judgements and estimates

After reviewing the accounts, and consulting with the auditors, the committee was satisfied that there is appropriate disclosure around the critical judgements and key estimates. The committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities had been appropriately scrutinised, challenged and were sufficiently robust.

Accounting policies

Use of estimates and judgements

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a material impact to the financial statements.

The most critical of these accounting judgement and estimation areas are noted below:

Revenue recognition
The income of the business is generated by fee, interest and dividend income, as well as the recognition of the Group's share of the profit or loss of associates and joint ventures. The revenue recognition policy of the Group can have a significant impact on the timing of the recognition of this income. Specifically the judgements and estimates included are:

- Upfront fees: these are integral to the loan facility and are initially deferred then recognised over the expected term of the loan, as part of the EIR. Judgement is required over whether the loan facilities will be drawn and the period over which they will be drawn. Any changes to the agreed or expected term will impact the rate at which the upfront fee is recognised and early termination of the loan would see any remaining balance of deferred revenue taken to income at the point of termination.
- Non-utilisation fees/undrawn facility fees: the Group provides loan facilities to borrowers to enable them to complete construction projects. In return for providing this the Group receives a fee on the undrawn portion of the facility (with interest received on the drawn portion), calculated in arrears. The Group recognises these fees as they accrue over the commitment period.
- Share of net profit or loss of associates and joint ventures: the Group has several associate or joint venture investments, a number of which are projects under construction. With differing accounting periods and policies, management needs to ensure consistent application of Group accounting policies. Particular judgement is required regarding the recognition of liquidated damages on construction projects and ensuring appropriate application of International Financial Reporting Standards (IFRS) across all projects. If assumptions around the amount of liquidated damages a project will receive were changed there could be a material impact on the reported Group results.

Assessment of impairment
IFRS require companies to carry out impairment testing on any assets which show indications of impairment. In carrying out this assessment, management has exercised judgement in considering future cash flows as well as other information in accordance with the accounting policy to determine the true and fair value of an asset. The assessment includes the analysis of a discounted cash flow model and impairment reviews for all asset types.

Tax
The Group has recognised deferred tax assets in the financial statements. In doing so management has assessed the potential future taxable profits of the Group, including income from current investments and commitments and future plans. This requires judgements and estimates on whether it is likely that the Group will generate sufficient future profits in order to utilise the tax assets. These judgements and estimates are assessed on a regular basis and the recognition of any tax assets amended accordingly.

Oversight of internal audit
Key duties of the ARC in overseeing the internal audit function are:

- Monitoring the effectiveness of the internal audit function
- Approving the remit of internal audit and ensuring that the function has adequate resources, appropriate access to information, and adequate freedom from management or other restrictions
- Assessing the annual internal audit plan
- Receiving reports on the results of the work of internal audit
- Monitoring management's responsiveness to audit findings and recommendations

The internal audit function
As part of its governance, risk and control framework, GIB maintains an in-house internal audit function. The in-house team is supported by a co-sourcing arrangement with an external supplier, through which extra resources or technical expertise can be obtained to support specific audits.

The committee was satisfied that there are appropriate controls in place to maintain the independence of the internal audit function. The committee is comfortable that relevant standards from the Chartered Institute of Internal Auditors are being applied and the internal audit function had adequate resources during the year.

Audits undertaken
17 internal audit assignments were completed during the year, across a range of strategic and operational topics. Findings from these reviews were presented to the ARC, along with remediation plans agreed by management. The tracking of these plans is reviewed at the ARC, with a particular focus on any overdue actions.

During the year, specific topics covered by internal audits included:

- Investment framework and decision-making processes
- Strategic and operational planning
- Framework for monitoring investments in funds
- Monitoring of construction investments
- Information governance
- Accounts payable processes
- Compliance with GIB's Models Policy
- Processes to support operation of GIBFS and the GIB Offshore Wind Fund
- Regulatory compliance and reporting for GIBFS
- Corporate environmental responsibility
- IT security management
- Staff performance management
- Procurement

Key themes in audit findings
Audit findings have been categorised into key themes, including:

- Compliance with policies and procedures
- Planning and timeliness of actions
- Completeness of inventories, logs or registers
- Clarity of targets, responsibilities or authorities
- Potential for breaching the security of systems and data
- Evidencing of checks, reviews and monitoring
- Completeness of documentation

As well as the internal audit function following up on the implementation of management actions to address issues raised, these themes have been reviewed by the ARC, with the internal audit function continuing to monitor and report on the controls framework.

Future internal audit plans
As in previous years, audit planning follows a '6 plus 6' approach, whereby the audit plan is clearly defined for the forthcoming six-month period, while being kept more flexible for the following six-month period. This allows the plan to be adapted in response to emerging risks and business needs.

Evaluation of internal and external audit

The ARC monitors the effectiveness of the internal audit function by reviewing progress against the audit plan, receiving reports from individual audits, and considering KPIs. From this evaluation, the committee has concluded that the internal audit function is performing effectively.

The committee has reviewed the effectiveness of the external auditor and its compliance with relevant regulation and codes of practice. It has deemed the performance of the auditor to comply with these standards. The tenure of the external auditor as at 31 March 2016 has been four years and its continuity will be evaluated in the year 2016–17.

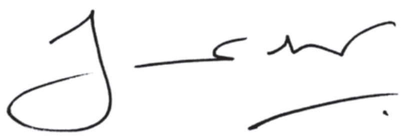
Evaluation of the performance of the ARC

The committee carries out an annual review of its effectiveness, constitution, and terms of reference. Following discussion, the committee concluded that it continued to perform effectively and in line with its terms of reference.

Whistleblowing and financial crime

The committee reviews arrangements by which staff may, in confidence, raise concerns about any improprieties in matters of financial reporting or other matters and this responsibility is reflected in the committee's terms of reference. The committee has completed this review and are satisfied that appropriate arrangements are in place.

Signed and approved for and on behalf of the Board 5 July 2016



David Nish
Chair of the Audit and Risk Committee

Risk management and internal control

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. We maintain sound risk management and internal control systems. GIB is committed to identifying and managing exposure to the full spectrum of risks faced across our operations. We promote awareness of the relationship between value and risk through our governance model.

The governance, risk and control framework

We have embedded the processes for identifying and managing the principal risks that threaten the achievement of GIB's strategic objectives. These apply to the wider GIB Group including the FCA authorised fund management subsidiary. The key elements of our framework are shown conceptually as follows:

Board and Committee structure

The Board continuously reviews the effectiveness of GIB's risk management and internal control systems through formal reporting structures to the Board and Executive Committees. Executive management is accountable to the Board for establishing and monitoring the system of internal controls. All employees are responsible for maintaining effective internal controls.

We have three Executive Committees, whose role it is to implement policy, make decisions, as defined in their respective terms of reference, and oversee the management of risks and performance. The Investment Committee is chaired by the General Counsel and considers all investment decisions of GIB before making recommendations to the Chief Executive. Members of the Investment Committee are three Non Executive Directors and the Chief Financial Officer, together with other senior members of executive management including the Chief Risk Officer who has the power to veto any investment proposal. GIBFS has an independent and separately-constituted Investment Committee.

The Risk and Compliance Committee is accountable for assessing operational, green, and reputational risk, as well as compliance and internal audit matters for the Group, although it may instruct mitigating actions only for GIB, not GIBFS. In addition, it monitors portfolio exposures and adherence to the Board approved limit structure. It is chaired by the Chief Risk Officer. The Portfolio Management Committee is chaired by the Chief Financial Officer and is accountable for assessing risks and trends that arise within GIB's investment assets.

During the period these Executive Committees received input from management on a regular basis to monitor the management of risks. Risk incidents and management's response to them were considered by the appropriate committee and reported to the ARC and Board.

Risk appetite statement

GIB's risk appetite statement is a strategic-level tool that sets out the overall levels of risk that GIB is willing to accept. The development of all other elements of our risk management framework follows logically from our risk appetite.

Investment risk appetite is defined in greater detail through investment criteria and concentration limits for sectors, project type and counterparties. Investments are assigned a risk rating, which, at least annually, is subject to an internal review independent of portfolio managers. In addition an 'early alert' rating is used when there are concerns about the performance of an investment.

Operational, green and reputational risks are assessed on a 5x5 matrix of likelihood and impact, both on an inherent and residual (i.e. post mitigation) basis. GIB has defined standards for which parts of this matrix are within risk appetite.

The risk appetite statement, which has been approved by the Board is as follows:

Primary risk	
Investment risk	GIB ensures that it obtains adequate compensation for risks taken and commensurate with its mandate to accelerate private sector investment into green energy projects. Investments will be in line with the principles of sound finance in order to achieve an aggregate pre-tax return in excess of that which is required by our shareholder.
Operational risk	GIB aims to operate a strong internal control framework but acknowledges that process failures will occur. However, GIB has no appetite to accept risks that would jeopardise the enduring nature of the institution or that would breach relevant legislation or regulation.
Green risk	GIB has clear mandated objectives to achieve green and sustainable benefits and to invest responsibly. Green risk limits are set to achieve these objectives and GIB only has appetite to remain within these limits.
Liquidity risk	GIB has a very limited appetite for liquidity risk. Liquidity should be sufficient to pay all liabilities as they fall due. We seek to ensure appropriate funding and liquidity to fulfil our strategic objectives and to ensure that financial resources are sufficient to protect against economic insolvency.
Reputational risk	GIB has limited appetite for accepting risks that will damage our reputation. We acknowledge the risk of reputational impact in the execution of our strategy and look to ensure mitigants are in place to minimise any exposure. We will not take any risk which is deemed to have a reasonable likelihood of incurring significant reputational damage.

Policies and procedures

Internal policies form the core of the risk management framework of the organisation. They are statements of how we intend to operate and the standards we will apply, taking account of relevant regulation, legislation and industry best practice. In this respect they are distinct from procedures, which represent operational-level statements of how the organisation will implement its policies. We have in place a Group-wide set of policies, approved by the Board covering all major aspects of our business.

Independence and the Three Lines of Defence

We operate a 'Three Lines of Defence' risk governance model in which:

- All teams in the business (the first line) are accountable for managing their own risks in accordance with GIB policy
- Our oversight functions (the second line) operate independently of the first line in providing review, challenge and advice
- Our independent assurance functions (the third line) operate independently of the first and second lines in assessing the effectiveness of the overall framework

Risk and control framework

The risk and control framework establishes processes to identify and manage the risks facing GIB, and requires the implementation of effective controls. All business units within GIB are responsible for their own controls.

Risk identification and management is embedded in GIB's day-to-day management, operational and support processes, with the approach varying according to the types of risks faced. All relevant reports are provided to the Risk and Compliance Committee then to the ARC and, where appropriate, the Board. The aim is to promote sound, compliant and reliable operations.

In addition, we carry out a periodic review of risks and risk management plans at the level of functional teams within GIB as part of the self-assessment framework. If further action is required, we assess and implement the proposed risk mitigations. As part of this framework, specific consideration is given to any open control issues; any outstanding internal and external audit findings; regulatory reviews and any outstanding regulatory compliance matters; compliance with policies; records of operational incidents and loss or near miss events; experience of all types of fraud; and any other material control-related matters that have been raised either by management or via independent or external review.

Communicating the risk management framework

The risk management function has worked with staff to ensure their understanding of elements of the risk framework relevant to them. This has included training sessions and e-learning modules on key compliance and IT security matters, to help embed a robust culture within the GIB Group.

Code of Professional Conduct

We believe that integrity, honesty and high standards of professional behaviour must be part of our culture. We have a Group Code of Professional Conduct to which all employees have confirmed adherence.

Key risks and mitigants

The approach to managing each of our principal risk categories is outlined below.

Risk category	Examples of key risk factors	Example mitigants
Investment risk Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process. In line with our mandate from the UK Government, our portfolio is currently entirely in green and sustainable projects in the UK, with concentrations at the sector level in offshore wind, energy efficiency and waste projects. UKCI has an independent risk appetite and management framework for investment risk. This leaves no residual investment risk for GIB.	• Adverse changes in key policy areas • Technical or product quality issues in a project • Construction-phase risks e.g. project delays • Concentration of risk to specific counterparties or technologies • Improvements in technologies that are alternatives to those used by our projects • Policy or market shifts in favour of alternative technologies • A mandate that restricts our ability to achieve a balanced portfolio • Disincentives to investment arising from policy uncertainty in the UK, which could affect the willingness of other parties to co-invest alongside GIB • Adverse fluctuations in key external variables including wind yield, power prices, interest rates and exchange rates • Specific investment risks associated with our planned investment activity in international markets	• We have a robust five-stage origination and transaction approval process for new investment proposals that is designed to assess and challenge the vulnerability of each proposed deal • We use risk rating methodologies for debt, equity and fund investments • We carry out rigorous sensitivity testing of exposure to risk factors, and have introduced stress testing of wider systemic factors affecting our portfolio, such as UK power prices • Our concentration risk limits are designed to limit sectoral and other concentrations and achieve the benefits of diversification • Our hedging strategy mitigates interest rate risk and other market risks are monitored in order to identify potential needs for hedging
Operational risk Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. Operational risk is an intrinsic aspect of our business model as we have complex business processes in areas such as transaction management, portfolio management, financial reporting and control, maintenance of internal operating infrastructure, assessment of risk and environmental impact and other activities. We employ an operational risk management framework. As part of this framework, functional teams are required to participate in a Risk and Control Self-Assessment (RCSA) in which they map key business processes and report risks, controls and assessments of risk likelihood and impact to an independent operational risk function.	• Failure in the documentation which underpins our rights in respect of our assets • Data or calculation errors in our financial models • Breach of regulatory and legal requirements relating to financial crime, money laundering, conflicts of interest, safe-keeping and disclosure of information • Price-sensitive information being used for personal gain by employees • Loss of or damage to our physical premises, IT systems and staff • Failures in the management of existing portfolio assets e.g. failure to make or monitor payments • Conflicts of interest or confidentiality breaches harming our clients • The inability to execute our desired strategy as a result of a failure to recruit or retain appropriate staff • Failure of outsourced services	• We have a reporting process for operational risk events and near miss events • We have independent second line control functions such as operational risk and compliance • We maintain policies to protect against employee misconduct and test the effectiveness of controls around these policies • We provide risk and compliance training to all staff • We maintain and test a business continuity plan, supported by two independent operating locations • We have introduced a models' governance framework to ensure integrity in analytical models and controls testing to provide assurance based on random sampling of key controls • We have HR policies to enable us to identify appropriate resourcing levels and to recruit and retain suitable staff • We make use of due diligence and monitor outsourcing providers

Risk category	Examples of key risk factors	Example mitigants
Reputational risk Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions. As an organisation which is simultaneously a bank, an instrument of UK Government policy and an investor in renewable energy projects, we are subject to intense public scrutiny. As guardians of taxpayers' money and a key agent of green and sustainable development in the UK, it is appropriate that we are subject to such scrutiny. Our reputation is constantly at risk.	• External parties disagree with our objectives, structure or activities and make adverse public comments e.g. local opposition to construction of energy from waste plants • Withdrawal of political support • Making investments in association with unsuitable counterparties • Funding or investing in a project that does not ultimately meet the green criteria • Being fined for failing to comply with regulatory requirements • Loss or leakage of commercially sensitive information provided by counterparties in a transaction • Proliferation of health, safety and environment issues in our investments	• We are transparent and disclose information about how we operate, manage risk and assess the green impact of our investments • We provide information to interested stakeholders and the media in a clear and understandable fashion • We advise and instruct all employees on their responsibilities in respect of external communication • GIB's Code of Professional Conduct clarifies employees' obligation in relation to managing our reputation • We have a robust client suitability policy that assesses the reputational risks posed by key parties within a transaction • Green due diligence is carried out to ensure that we invest in projects that meet our green criteria • A compliance framework is in place to manage regulatory obligations • Our Information Security Policy puts in place controls to ensure that commercially sensitive information is appropriately managed and protected • Working with our project partners ensures that health, safety and environment issues are given a high priority
Green risk Green risk is the risk that transactions represent an unacceptably low level of green or sustainability benefits. Our fundamental purpose is to invest in green and sustainable projects. Therefore one of our fundamental risks is a failure to meet this objective, by making investments that have lower positive impact than anticipated or which have unforeseen negative impacts.	• A project produces lower than expected greenhouse gas emissions reduction • A project processes less waste than anticipated • A green project adversely affects local or global environment e.g. biodiversity in the area • Biomass feedstock is inappropriately sourced • Our investment inadvertently facilitates increased use of fossil fuels • Challenges in obtaining accurate information from investments that could affect our ability to accurately quantify green impact	• We carry out extensive due diligence of each investment and the associated supply chain • We place covenants in deal documentation relating to sourcing of feedstock and environmental monitoring • We would consider withdrawing support if covenants were breached • We carry out close and continuous monitoring of investments • We update green accounting and reporting in response to new information on specific investments
Liquidity risk Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources. We have a limited exposure to liquidity risk, because of the way we are funded by the UK Government. We draw down on our capital allocation as and when required for our investment commitments.	• Insufficient cash to pay all liabilities as they fall due • An operational failure in UK Government or GIB cash management systems • Failure of our outsourced cash management services in the fund management business	• We have senior executive accountability for forecasting our cash requirements on the basis of operational and investment payments to be made and received • We project planned payments in order to ensure sufficient cash is called to meet them

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Directors' statement of responsibilities

The Directors are responsible for preparing the annual 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, the Directors have prepared the Group and Company financial statements in accordance with IFRS as adopted by the European Union.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRS as adopted by the European Union
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the GIB Group and enable them to ensure that the GIB Group financial statements comply with the 2006 Act and Article 4 of the International Accounting Standards (IAS) Regulations. They are also responsible for safeguarding the assets of the GIB Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Find out more

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Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance section that complies with the 2006 Act and those regulations, all as applicable to GIB taking into account the provisions of the Enterprise and Regulatory Reform Act 2013.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the profit before and after tax of the Group
- The strategic report and Directors' report include a fair review of the development and performance of the business and the profitability position of the GIB Group, together with a description of the principal risks and uncertainties that it faces

Going concern

The Directors have a reasonable expectation that the GIB Group has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis. In forming this view, the Directors have reviewed the GIB Group's budgets, plans and cash flow forecasts, including market downturn sensitivities.

Audit and accounts

The Comptroller and Auditor General was appointed to be GIB's external auditor for the 2015–16 financial period at its AGM on 16 June 2015. Details of auditor remuneration are shown in Note 8 to the financial statements.

Fair, balanced and understandable

In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. These are described on p.52. The Board considers that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position and performance, business model and strategy.

Signed and approved for and on behalf of the Board 5 July 2016

Euan McVicar
Company Secretary

S. Kingsbury

Shaun Kingsbury
Chief Executive

Section 03:
Green impact statements

Reduction of greenhouse gas emissions

Consolidated statement of greenhouse gas emissions reduction of GIB portfolio for the year ended 31 March 2016

	Note 1	Year ended 31.03.16	Year ended 31.03.15
		t CO_2e '000	t CO_2e '000
Offshore wind – UK Green Investment Bank plc		349	225
Offshore wind – UK Green Investment Bank Offshore Wind Fund L.P.		119	0
Waste		142	37
Non-domestic energy efficiency		25	9
Domestic energy efficiency via Green Deal		0	3
Bioenergy		5,826	3,294
Onshore renewables		2	0
Total		**6,463**	**3,568**

Consolidated statement of estimated lifetime greenhouse gas emissions reduction of GIB portfolio at 31 March 2016

	Note 2	Year ended 31.03.16	Year ended 31.03.15
		t CO_2e '000	t CO_2e '000
Cumulative historical greenhouse gas emissions reduction of GIB portfolio			
Total carried forward from last year		6,170	2,602
Net contribution this year		6,463	3,568
Total historical greenhouse gas emissions reduction		12,633	6,170
Estimated remaining lifetime greenhouse gas emissions reduction of GIB portfolio, by sector			
Offshore wind – UK Green Investment Bank plc		14,238	6,919
Offshore wind – UK Green Investment Bank Offshore Wind Fund L.P.		3,930	0
Waste		22,455	21,186
Non-domestic energy efficiency		1,807	389
Bioenergy		35,070	38,674
Onshore renewables		670	85
Total estimated remaining lifetime greenhouse gas emissions reduction		78,170	67,253
Total estimated lifetime greenhouse gas emissions reduction		**90,803**	**73,423**

Consolidated statement of estimated remaining lifetime greenhouse gas emissions reduction of exited transactions, at time of exit

	Note 3	Year ended 31.03.16	Year ended 31.03.15
		t CO_2e '000	t CO_2e '000
Domestic energy efficiency via Green Deal		0	1,688
Total		**0**	**1,688**

Generation of renewable energy

Consolidated statement of renewable energy generated by portfolio for the year ended 31 March 2016

	Note 1	Year ended 31.03.16	Year ended 31.03.15
		GWh	GWh
Offshore wind – UK Green Investment Bank plc		1,138	707
Offshore wind – UK Green Investment Bank Offshore Wind Fund L.P.		384	0
Waste		185	87
Non-domestic energy efficiency		8	1
Domestic energy efficiency via Green Deal		0	3
Bioenergy		11,705	8,031
Onshore renewables		8	0
Total		**13,428**	**8,829**

Consolidated statement of estimated lifetime renewable energy generated by portfolio at 31 March 2016

	Year ended 31.03.16	Year ended 31.03.15
	GWh	GWh
Cumulative historical lifetime renewable energy generated by GIB portfolio		
Total carried forward from last year	12,267	3,438
Net contribution this year	13,428	8,829
Total historical lifetime renewable energy generated	25,695	12,267
Estimated remaining lifetime renewable energy generated by GIB portfolio, by sector		
Offshore wind – UK Green Investment Bank plc	95,024	39,976
Offshore wind – UK Green Investment Bank Offshore Wind Fund L.P.	20,919	0
Waste	33,589	32,521
Non-domestic energy efficiency	2,947	233
Bioenergy	164,566	172,320
Onshore renewables	3,869	477
Total estimated remaining lifetime renewable electricity generated	320,914	245,527
Total estimated lifetime renewable electricity generated	**346,609**	**257,794**

Consolidated statement of estimated remaining lifetime renewable energy generated by exited transactions, at time of exit

	Note 3	Year ended 31.03.16	Year ended 31.03.15
		GWh	GWh
Domestic energy efficiency via Green Deal		0	1,483
Total		**0**	**1,483**

Energy demand reduction

Consolidated statement of energy demand reduced by portfolio for the year ended 31 March 2016

	Note 1	Year ended 31.03.16	Year ended 31.03.15
		MWh	MWh
Electricity		43,906	23,750
Heating fuels		2,086	12,724
Total		**45,992**	**36,474**

Consolidated statement of estimated lifetime energy demand reduced by portfolio at 31 March 2016

	Year ended 31.03.16	Year ended 31.03.15
	MWh	MWh
Cumulative historical energy demand reduced by GIB portfolio		
Total carried forward from last year	36,781	307
Net contribution this year	45,992	36,474
Total historical energy demand reduced	82,773	36,781
Estimated remaining lifetime energy demand reduced, by fuel type		
Electricity	970,426	428,381
Heating fuels	2,277,181	106,738
Total estimated remaining lifetime energy demand reduced	3,247,607	535,119
Total estimated lifetime energy demand reduced	**3,330,380**	**571,900**

Consolidated statement of estimated remaining lifetime energy demand reduced by exited transactions, at time of exit

	Note 3	Year ended 31.03.16	Year ended 31.03.15
		MWh	MWh
Electricity		0	787,640
Heating fuels		0	7,207,855
Total		**0**	**7,995,495**

Recycling of materials

Consolidated statement of materials consumption avoided through materials recycling by portfolio for the year ended 31 March 2016

	Note 1	Year ended 31.03.16	Year ended 31.03.15
		tonnes	tonnes
Compost		14,884	8,127
Digestate (PAS 110)		74,720	25,609
Compost-like output		9,100	0
Plastics – mixed		0	0
Ferrous metals		0	0
Non-ferrous metals		0	0
Paper/card		0	0
Glass		0	0
Mineral aggregates		0	0
Waste electrical and electronic equipment (WEEE)		0	0
Other		0	0
Total		**98,704**	**33,736**

Consolidated statement of estimated lifetime materials consumption avoided through materials recycling by portfolio at 31 March 2016

	Year ended 31.03.16	Year ended 31.03.15
	tonnes	tonnes
Cumulative historical materials consumption avoided by GIB portfolio		
Total carried forward from last year	43,367	9,631
Net contribution this year	98,704	33,736
Total historical materials consumption avoided	142,071	43,367
Estimated remaining lifetime materials consumption avoided by GIB portfolio, by recyclate type		
Compost	865,602	881,591
Digestate (PAS 110)	3,289,907	3,371,725
Compost-like output	2,109,646	2,115,297
Plastics – mixed	879,067	768,667
Ferrous metals	1,070,517	1,010,517
Non-ferrous metals	278,041	263,641
Paper/card	768,463	552,463
Glass	57,626	57,626
Mineral aggregates	8,776,933	8,352,184
Waste electrical and electronic equipment (WEEE)	60,805	60,805
Other	362,345	302,345
Total estimated remaining lifetime materials consumption avoided	18,518,952	17,736,861
Total estimated lifetime materials consumption avoided	**18,661,023**	**17,780,228**

Avoidance of waste to landfill

Consolidated statement of waste to landfill avoided by portfolio for the year ended 31 March 2016

	Note 1	Year ended 31.03.16	Year ended 31.03.15
		tonnes	tonnes
Biodegradable waste		122,644	27,032
Non-biodegradable waste		1,373	0
Total		**124,017**	**27,032**

Consolidated statement of estimated lifetime waste to landfill avoided by portfolio at 31 March 2016

	Year ended 31.03.16	Year ended 31.03.15
	tonnes	tonnes
Cumulative historical waste to landfill avoided by GIB portfolio		
Total carried forward from last year	36,026	8,994
Net contribution this year	124,017	27,032
Total historical energy demand reduced	160,043	36,026
Estimated remaining lifetime waste to landfill avoided by GIB portfolio, by waste type		
Biodegradable waste	39,777,774	37,164,639
Non-biodegradable waste	16,770,339	15,575,526
Total estimated remaining lifetime waste to landfill avoided	56,548,113	52,740,165
Total estimated lifetime waste to landfill avoided	**56,708,156**	**52,776,191**

Notes to the green impact statements

1. GIB's green impact methodology

GIB's reporting metrics for green impact indicate the principal environmental benefits arising from its portfolio of investments. As noted on p.34, the reported green impact metrics primarily reflect performance against two of our green purposes: reduction of greenhouse gas emissions, and advancement of efficiency in the use of natural resources. We are researching options to develop quantifiable metrics by which performance against the other green purposes could be robustly measured and reported.

The green impact statements should be read in conjunction with GIB's methodology for calculating green impact, the details of which are set out in GIB's Green Impact Reporting Criteria 2015–16, a copy of which is published on GIB's website.

In April 2015, GIB's equity ownership in the Rhyl Flats and Sheringham Shoal wind farms was transferred from GIB to the GIB Offshore Wind Fund. This does not affect the reporting of portfolio performance-related green impact data, as GIB continues to report on the forecast and actual performance of assets held by the offshore wind fund in accordance with the GIB Green Impact Reporting Criteria.

Selected totals for data reported in the green impact statements (see p.94–98) in respect of the financial year 2015–16 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p.101.

All estimates and calculations referred to below have been made in accordance with the methodology set out in GIB's Green Impact Reporting Criteria 2015–16.

The table overleaf shows how the remaining lifetime green impact at the end of 2015–16 compares to that at the end of 2014–15, and provides a breakdown of the year-on-year changes. The changes in forecast remaining lifetime green impact were caused by:

- New investments made in the period – GIB invested in 30 new projects in the reporting period, all of which are expected to contribute to increased forecast green impact
- Projects exited or cancelled in the period – no projects were exited or cancelled in the reporting period (see Note 3)
- Actual green impact realised by existing projects in the period – 29 of the projects that were in GIB's portfolio at the end of 2014–15 were operational and producing green impact in the reporting period; this green impact is deducted from the end 2014–15 forecast remaining lifetime
- Existing projects' variation of performance/reforecasts from last year's forecast – for some of the projects that were in GIB's portfolio at the end of 2014–15, green impact produced in the reporting period differed from the end 2014–15 forecast, most notably in the case of the Drax coal-to-biomass conversion project (see Note 2). Additionally, green impact for some projects was reforecast due to permanent operating parameter changes in accordance with GIB's Green Impact Reporting Criteria 2015–16. None of the variances or reforecasts arising from individual projects are material to the overall portfolio remaining lifetime green impact.

2. Forecast of Drax green impact

In 2015, the Drax coal-to-biomass conversion project achieved greenhouse gas emissions reduction that was 27% higher than previously forecast.

This was due to the greenhouse gas emissions associated with the lifecycle emissions intensity of biomass in 2015 (114 kg CO_2e/MWh) being significantly lower than the forecast conservative estimate of 214 kg CO_2e/MWh. In accordance with GIB's Green Impact Reporting Criteria 2015–16, the remaining lifetime greenhouse gas emissions reduction of the project will be revised once there is a demonstrable track record of performance of the biomass supply chain, i.e. after three years of operation of three converted generation units.

3. Estimated remaining lifetime green impact of exited transactions

In accordance with GIB's Green Impact Reporting Criteria 2015–16, remaining lifetime green impact for exited transactions is reported as a separate item from future estimated portfolio green impact. No transactions were exited in 2015–16.

Find out more

greeninvestmentbank.com/green-impact

Future estimated remaining lifetime green impact of GIB's portfolio at year end

Note 1	Greenhouse gas emissions reduction	Renewable energy generated	Energy demand reduced	Materials recycled	Waste to landfill avoided
	t CO_2e '000	GWh	MWh	t	t
Year ended 31.03.15	**67,253**	**245,527**	**535,119**	**17,736,861**	**52,740,165**
New investments made in the period	15,997	88,871	2,776,070	905,440	3,905,320
Projects exited or cancelled in the period	0	0	0	0	0
Actual green impact realised by existing projects in the period (deducted from last year's forecast)	(6,461)	(13,427)	(40,325)	(98,704)	(124,017)
Existing projects' variation of performance/reforecasts from last year's forecast	1,381	(57)	(23,257)	(24,645)	26,645
Year ended 31.03.16	**78,170**	**320,914**	**3,247,607**	**18,518,952**	**56,548,113**

Independent assurance report

Independent Assurance Report to the UK Green Investment Bank plc on Corporate Impact Data, portfolio performance-related Green Impact Data and the application of the Equator Principles.

We have been engaged by the Directors of the UK Green Investment Bank plc (GIB) to conduct a limited assurance engagement relating to the Assured Disclosures concerning Corporate Impact Data and portfolio performance-related Green Impact Data (together the "Corporate and Green Impact Data") and the application of the Equator Principles within the Annual Report for the year ended 31 March 2016.

Our unqualified conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with GIB's Green Impact Reporting Criteria, the Corporate Greenhouse Gas Emissions Criteria and the Equator Principles Criteria (the "Reporting Criteria"), materially misstate GIB's Corporate and Green Impact for the year ended 31 March 2016.

The data have been prepared on the basis of the methodology set out in GIB's respective Reporting Criteria which can be seen on the GIB website.

Our responsibility is to express a conclusion on the Assured Disclosures based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE3000) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board, in order to state whether anything had come to our attention that causes us to believe that the Assured Data have not been prepared, in all material respects, in accordance with the applicable criteria.

Our engagement provides limited assurance as defined in ISAE3000. The evidence gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our procedures consisted primarily of:

- interviewing managers at GIB's head office, including those with operational responsibility for the preparation of the Assured Disclosures and application of the Equator Principles;
- evaluating the processes and controls for managing, measuring, collating and reporting the Assured Disclosures, including the application of the methodology within the Reporting Criteria to underlying assumptions; and
- testing a representative sample of Corporate Impact, Green Impact Data and Equator Principles applicable deals, selected on the basis of their inherent risk and materiality to GIB. The focus of our testing is the work undertaken by GIB to prepare the Assured Disclosures based on information supplied by GIB's clients, projects or fund managers or collected within GIB. We have not carried out any work to verify that information, nor have we conducted site visits.

Our report is made solely to GIB, in accordance with ISAE3000. Our work has been undertaken so that we might state to GIB those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than GIB for our work, this report, or for the conclusions we have formed.

Find out more

greeninvestmentbank.com/green-impact

Respective responsibilities of the Directors and assurance provider

The Directors are responsible for preparing the Annual Report, including the following Assured Disclosures:

Corporate Impact Data (see p.47)	
GIB's corporate greenhouse gas footprint	(t CO_2e)
Green Impact Data (Annual Actual 2015–16, Lifetime and Average Annual) (see p.35 and p.94–98)	
Greenhouse gas emissions reduction	(t CO_2e)
Renewable energy generated	(GWh)
Energy demand reduced	(MWh)
Materials consumption avoided through materials recycling	(t)
Waste to landfill avoided	(t)
Equator Principles (see p.45)	
Total number of Project Finance transactions and Project-Related Corporate Loans that reached financial close within the reporting period, to which the Equator Principles apply.	

Inherent limitations and Emphasis of Matter

Since the Lifetime and Average Annual Green Impact Data are based on assumptions about the future which cannot be predicted with certainty, and as with any predictions about the future, the actual future Green Impact Data may be more or less than the stated Lifetime and Average Annual Data.

The Drax Biomass Conversion investment is a material component of the projected future greenhouse gas emissions reduction data set out on p.94 of the Annual Report. GIB's performance monitoring confirms that actual greenhouse gas reduction performance in the reporting period has materially exceeded that forecast at the time of transaction, with this over-performance due to lower than anticipated supply chain greenhouse gas emissions. However, it was neither management's view nor that of the Drax operational team that the supply chain emissions intensity has yet stabilised to the point that it was reliably predictable enough to reforecast in accordance with the documented reforecasting policy, set out in the Green Impact Reporting Criteria. This is further described in Note 2 of the notes to the green impact statements on p.99.

There is heightened potential for revisions to the relevant model and key assumptions therein until the capital expenditure supported by the investment is fully deployed and operating normally, and consequently there may be future material revisions to the forecast future greenhouse gas reduction performance.

Independence

In conducting our engagement, we have complied with the ICAEW Code of Ethics.

Deloitte LLP

Deloitte LLP
Chartered Accountants
and Statutory Auditor
London, 5 July 2016

Section 04:
Financial statements

Independent auditor's report to the members of UK Green Investment Bank plc

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied for the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I have audited the financial statements of the UK Green Investment Bank plc (GIB) for the year ended 31 March 2016 which comprise:

- the Consolidated Income Statement;
- the Consolidated and Company Statement of Financial Position;
- the Consolidated and Company Statement of Cash Flows;
- the Consolidated and Company Statement of Changes in Equity; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration Committee Report that is described as having been audited.

The regularity framework that has been applied is that set out in the Shareholder Relationship Framework Document; the letter from the Permanent Secretary of the Department for Business, Innovation and Skills to the Chief Executive of GIB dated 29 October 2012; and the letter from the Secretary of State for Business, Innovation and Skills to the Chairman of GIB dated 29 October 2012.

Risks significant to my audit

I have set out overleaf how my audit addressed the risks which were significant to my audit in order to support the opinion on the financial statements as a whole and any comments I make on the results of my procedures should be read in this context.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls, an area where my work has not identified any matters to report beyond those issues included below.

The following areas of focus were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out on p.82–85.

Risk	My response
Preparation of the financial statements My 2014-15 audit identified aspects of the data and processes used in the preparation of the accounts which presented a risk to the production of reliable Financial Statements on a timely basis. GIB established a project to overcome these issues which included implementing a new finance system part-way through the 2015-16 financial year. Where data is migrated to a new system there is an inherent risk to the completeness of the data transferred.	I reviewed the improvements GIB made to their accounts model at the half-year point and confirmed that appropriate review processes were in place throughout the production of the 2015-16 financial statements. I assessed the work conducted by Internal Audit on the data migration, and concluded that I was able to place reliance on it in accordance with the requirements of International Standards on Auditing 610 *Using the work of Internal Auditors*. I also determined that the operation, processing and use of the new system has not created material uncertainty in the GIB accounts, and have made recommendations to management where the controls can be strengthened.
Equity investment accounting policy GIB considered applying a change in accounting policy in relation to equity investments in associates and joint ventures. The policy change under consideration was whether GIB could apply the elective Venture Capital Organisation exemption under IAS28 *Investments in Associates and Joint Ventures*. Determining whether GIB is eligible to apply this exemption requires a significant level of judgement, and application of the exemption would have a highly material impact on the financial statements.	I reviewed the assessment made by management, including the advice they obtained from their advisers, and obtained independent advice regarding standard industry practice. I considered the requirements of IAS 28 together with the explanations provided and concluded that, currently, concerns remained as to whether GIB is eligible to claim the Venture Capital Organisation exemption. GIB subsequently decided not to proceed with the change in accounting policy for this year.
Non-coterminous year ends within the UK Green Investment Gwynt y Môr Ltd sub group In October 2015, UK Green Investment Gwynt y Môr Ltd, a wholly owned subsidiary of the GIB Offshore Wind Fund which is controlled by GIB, purchased Gwynt y Môr Participant 1 Ltd. Gwynt y Môr Participant 1 Ltd owns a 10% share of the Gwynt y Môr offshore wind farm and it recognises the assets, liabilities, revenue and expenses of its share of the wind farm directly in its accounts. These figures are highly material to the GIB Group accounts. Gwynt y Môr Participant 1 Ltd has a financial year end of 31 December, whereas the GIB Group has a financial year end of 31 March. GIB planned to consolidate the results of Gwynt y Môr Participant 1 Ltd into the GIB Group accounts via an intermediate consolidation in the accounts of UK Green Investment Gwynt y Môr Ltd using a combination of audited financial information to 31 December 2015, and unaudited management information for the period to 31 March 2016. The unaudited values were expected to be highly material, leading to a risk of material misstatement in the figures which were ultimately consolidated into the GIB Group accounts. To mitigate this risk GIB appointed the auditors of Gwynt y Môr Participant 1 Ltd to perform a non-statutory audit of the intermediate consolidation within the UK Green Investment Gwynt y Môr Ltd accounts.	I assessed the component auditor's audit of UK Green Investment Gwynt y Môr Ltd, and concluded that I was able to place reliance on it in accordance with the requirement of International Standards on Auditing 600 Special considerations – audits of group financial statements (including the work of component auditors). In view of the material values involved, I carried out the following review procedures in addition to our normal Group audit procedures: • Met with the engagement partner for the component audit to discuss their risk assessment in advance of the component audit commencing; • Requested specific confirmations of the nature, extent and results of audit work performed on material areas of the Gwynt y Môr Participant 1 Ltd financial information for the period 1 January 2016 to 31 March 2016; and • Reviewed relevant aspects of the component auditor's audit working papers in respect of these areas.

Application of materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Group financial statements at £16.1m, which is approximately 1% of assets. GIB is an investor in, and manager of, green infrastructure assets; I therefore chose assets as the benchmark because I consider it to be the principal consideration for users in assessing the financial performance of the Group.

As the figures in the Consolidated Statement of Financial Position are disproportionate to those in the Consolidated Income Statement, which I also consider to be of significant interest to users, a performance materiality of £1.14m was set for transactions reported in this statement on the basis that this represents approximately 2% of current year income.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in Directors' Remuneration. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £110k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Total unadjusted audit differences reported to the Audit Committee would have increased net assets by £6.5m.

Scope of my audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group and parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition I read all the information and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Group audit approach

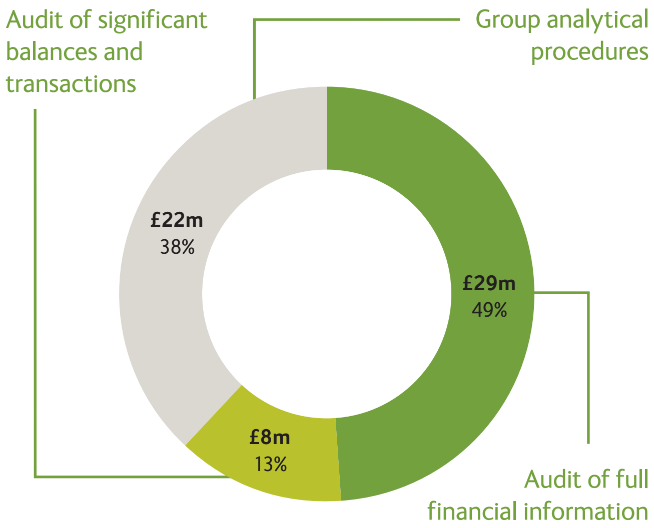
Total assets for the Group are £1,620.8m. The GIB Group has grown during 2015–16 and so the account now consolidates the results of 26 entities of which four were dormant during the year. In establishing an overall approach I considered the size and risk characteristics of the consolidated entities and determined the type of work that needed to be performed at each.

The parent and seven of the consolidated entities are individually significant by virtue of their size and I audited the full financial information of these. Reliance was placed on the work of the component auditor for five of these entities; the Group audit team performed the necessary audit procedures on the parent entity and the one subsidiary which did not have a statutory audit in 2015–16. Further testing on significant transactions and balances was required within three of the smaller consolidated entities to ensure that I obtained adequate coverage of the remainder of the Group. The Group audit team performed the necessary audit procedures on these. The extent of the audit work was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at these locations.

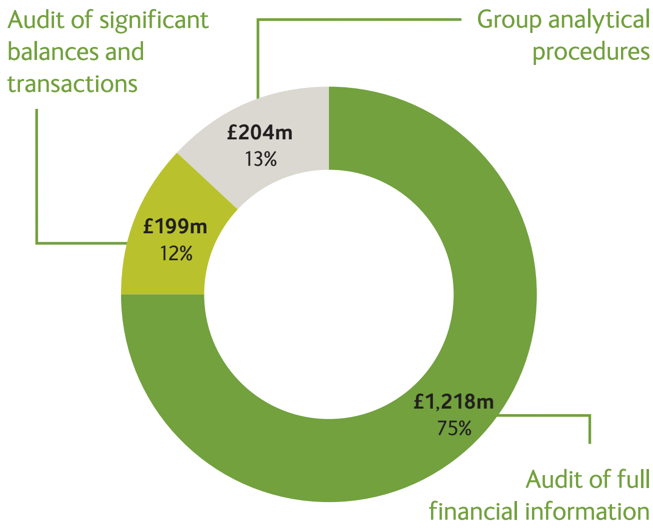
The remaining 15 consolidated entities are subject to audit work for the purpose of confirming that there are no risks of material misstatement within these entities to the Group financial statements.

The coverage of Group income and total assets that was provided by the scope of my audit is shown in the table below.

Group income £59m



Group total assets £1,621m



Other matters on which I report under the Companies Act

Directors' remuneration

In my opinion, the part of the part of the Remuneration Committee's Report to be audited has been properly prepared in accordance with the Companies Act.

I also report to you if, in my opinion, certain disclosures of directors' remuneration required have not been made. I have nothing to report arising from this duty.

The strategic and directors' reports

In my opinion, based on the work undertaken in the course of the audit, the information given in the Strategic and Directors' Reports for the financial year are consistent with the Group financial statements and have been prepared in accordance with applicable law.

Based on my knowledge and understanding of the Group and Parent and their environment obtained during the course of the audit, I have identified no material misstatements in these reports.

The corporate governance statement

In my opinion, based on the work undertaken in the course of the audit, the information given in the corporate governance statement in respect of internal control and risk management systems in relation to financial reporting processes, and about share capital structures, is consistent with the accounts and has been prepared in accordance with applicable law.

Based on my knowledge and understanding of the Group and Parent and their environment obtained during the course of the audit, I have identified no material misstatements in this information.

Matters on which I report by exception

Adequacy of accounting records information and explanations received

I 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;
- the consolidated financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

I have nothing to report arising from this duty.

Consistency of information in the Annual Report

Under International Standards on Auditing (UK & Ireland), I am required to report to you if, in my opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, the knowledge of the Group and Parent that I acquired in the course of performing my audit; or
- otherwise misleading.

In particular, I am required to consider:

- whether I have identified any inconsistencies between the knowledge that I acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; and
- whether the annual report appropriately discloses those matters that I communicated to the Audit and Risk Committee which I consider should have been disclosed.

I have nothing to report arising from this duty.

The directors' assessment of principal risks and future prospects

Under International Standards on Auditing (UK & Ireland), I am required to report to you if I have anything material to add, or to draw attention to, in relation to the directors' disclosures in the annual report and financial statements:

- confirming that they have carried out a robust assessment of principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- describing those risks and explaining how they are being managed or mitigated;
- on whether they considered it appropriate to adopt the going concern basis, and their identification of any material uncertainties to the entity's ability to continue over a period of at least 12 months from the date of approval of the financial statements; and
- explaining how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

I have nothing material to add, or to draw attention to, on these matters.

Respective responsibilities of the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with International Standards on Auditing (UK & Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. My audit work has been undertaken so that we might state to the Company's members those matters I am either required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for my audit work, for this report, or for the opinions I have formed.

For and on behalf of the Comptroller and Auditor General (Statutory Auditor)

National Audit Office
157–197 Buckingham Palace Road
London, SW1W 9SP

5 July 2016

Hilary Lower
Senior Statutory Auditor

Consolidated income statement

For the year ended 31 March 2016

	Notes	Group Year ended 31.03.16 £'000	Group Year ended 31.03.15 £'000
Operating income			
Interest income	5	30,113	18,253
Fee income	5	9,540	5,819
Wind farm income	5	10,565	–
Share of profit from associates and joint ventures		7,384	3,279
Realised (loss)/profit on asset disposal		(478)	644
Movement on the revaluation of hedged investments	19	8,549	564
Movement in the fair value of derivatives	19	(7,364)	(658)
Other income	6	510	292
Total operating income		**58,819**	**28,193**
Direct investment costs	7	(6,443)	(4,209)
Impairment charge	14	(4,410)	–
Net operating income		**47,966**	**23,984**
Operating expenses			
Employee and Board compensation	7	(17,879)	(15,881)
Professional fees	7	(4,999)	(2,456)
General and administrative expenses	7	(5,237)	(3,634)
Premises costs	7	(1,385)	(1,237)
Wind farm operating expenses	7	(3,655)	–
Depreciation and amortisation	7	(4,907)	(680)
Total operating expenses		**(38,062)**	**(23,888)**
Profit before tax		**9,904**	**96**
Tax (expense)/benefit	9	(1,947)	(2,542)
Profit/(loss) for the year from continuing operations		**7,957**	**(2,446)**
Profit/(loss) attributable to:			
Owners of the Company		3,894	(1,618)
Non-controlling interests		4,063	(828)
		7,957	**(2,446)**

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Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Group	Group
	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Profit/(loss) for the year	7,957	(2,446)
Items that may be reclassified subsequently to profit or loss:		
Revaluation of available-for-sale financial assets, net of tax	1,052	2,790
Other comprehensive income for the year, net of tax	1,052	2,790
Comprehensive income for the year	**9,009**	**344**
Comprehensive income attributable to:		
Owners of the Company	4,944	1,137
Non-controlling interests	4,065	(793)
	9,009	**344**

Consolidated statement of financial position

At 31 March 2016

	Notes	Group 31.03.16 £'000	Group 31.03.15 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	189,706	2,141
Intangible assets	12	6,725	513
Loans and receivables	14, 16	252,687	232,448
Available-for-sale assets	14	155,494	108,743
Investments in associates and joint ventures	14	797,069	379,392
Investments held at fair value through profit and loss	14, 19	52,385	3,899
Total non-current assets		**1,454,066**	**727,136**
Current assets			
Cash and cash equivalents	15	122,017	255,794
Loans and receivables	14, 16	34,019	13,830
Prepayments and other receivables	17	10,745	168,563
Total current assets		**166,781**	**438,187**
Total assets		**1,620,847**	**1,165,323**

Consolidated statement of financial position *continued*

	Notes	Group 31.03.16 £'000	Group 31.03.15 £'000
Liabilities			
Non-current liabilities			
Deferred income	5	–	2,011
Provisions	18	12,286	1,957
Derivative financial instruments	19	8,022	658
Third-party interest in consolidated funds		538,964	165,107
Deferred tax liability	9	(730)	996
Total non-current liabilities		**558,542**	**170,729**
Current liabilities			
Deferred income	5	157	282
Provisions	18	871	283
Creditors, accruals, and other liabilities	20	14,972	12,670
Total current liabilities		**16,000**	**13,235**
Total liabilities		**574,542**	**183,964**
Equity			
Issued capital	21	1,034,850	974,850
Capital contribution reserve	22	12,600	12,600
Revaluation reserve	23	5,815	4,763
Retained earnings	24	(6,960)	(10,854)
Total equity		**1,046,305**	**981,359**
Total equity and liabilities		**1,620,847**	**1,165,323**

Approved by the Board of Directors
5 July 2016

S. Kingsbury

Shaun Kingsbury
Director and Accounting Officer

Company statement of financial position

At 31 March 2016

	Notes	Company 31.03.16	Company 31.03.15
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	11	2,207	2,141
Intangible assets	12	377	513
Investment in controlled entities	13, 14	488,471	231,290
Loans and receivables	14	236,073	220,316
Available-for-sale assets	14	–	1,849
Investments in associates and joint ventures	14	151,738	99,556
Investments held at fair value through profit and loss	14, 19	32,011	3,143
Deferred tax	9	606	1,307
Total non-current assets		**911,483**	**560,115**
Current assets			
Cash and cash equivalents	15	102,563	253,559
Loans and receivables	14, 16	34,019	13,830
Prepayments and other receivables	17	9,349	290,101
Total current assets		**145,931**	**557,490**
Total assets		**1,057,414**	**1,117,605**

Company statement of financial position *continued*

	Notes	Company 31.03.16 £'000	Company 31.03.15 £'000
Liabilities			
Non-current liabilities			
Deferred income	5	–	2,011
Provisions	18	1,635	1,957
Derivative financial instruments	19	8,022	658
Total non-current liabilities		**9,657**	**4,626**
Current liabilities			
Deferred income	5	157	282
Provisions	18	871	283
Creditors, accruals, and other liabilities	20	12,929	133,089
Total current liabilities		**13,957**	**133,654**
Total liabilities		**23,614**	**138,280**
Equity			
Issued capital	21	1,034,850	974,850
Capital contribution reserve	22	12,600	12,600
Retained earnings	24	(13,650)	(8,125)
Total equity		**1,033,800**	**979,325**
Total equity and liabilities		**1,057,414**	**1,117,605**

Approved by the Board of Directors
5 July 2016

UK Green Investment Bank plc
SC424067

Shaun Kingsbury
Director and Accounting Officer

Statement of cash flows

For the year ended 31 March 2016

	Group	Group	Company	Company
	Year ended 31.03.16	Year ended 31.03.15	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net profit/(loss) before taxation	**9,904**	**96**	**(4,452)**	**6,803**
Adjustments for:				
Amortisation	852	131	143	131
Depreciation	4,055	549	655	549
Depreciation acquired on acquisition	7,736	–	–	–
Fair value movement on financial assets and liabilities	8,416	3,448	7,364	658
Fair value movement on FVTPL assets	(7,985)	(564)	(4,335)	(289)
Increase in provisions	10,917	886	266	886
Interest receivable	(29,110)	(17,312)	(14,731)	(9,492)
Third-party interest in consolidated fund	(4,065)	828	–	–
Share of associates profit	(7,384)	(3,279)	–	–
Unwinding of discount rate on other loans	(998)	876	(998)	876
Operating profit before working capital changes	**(7,662)**	**(14,341)**	**(16,088)**	**122**
Increase in trade and other receivables	(6,667)	(17,337)	(6,084)	(2,476)
Increase/(decrease) in trade, other payables and deferred income	(1,379)	478	2,022	(3,281)
Cash generated from operations	**(15,708)**	**(31,200)**	**(20,150)**	**(5,635)**
Interest received	26,683	16,176	16,235	10,313
Income taxes paid	(2,348)	689	–	–
Net cash from operating activities	**8,627**	**(14,335)**	**(3,915)**	**4,678**
Cash flows from investing activities				
Loans and receivables additions	(55,016)	(64,686)	(54,464)	(58,313)
Loans and receivables repayments	17,821	7,331	17,821	7,331
Payments to acquire investments	(100,773)	(69,652)	(155,430)	(591,945)
Shareholder loan repayments	–	–	13,848	14,556
Disposals of investments	13,520	–	24,052	273,613
Payments to acquire shares in associates and joint ventures	(431,366)	(467,293)	(52,182)	(244,986)
Repayment of investments in associates and joint ventures	21,902	166,219	–	151,663
Purchases of intangible assets	(7,064)	(121)	(5)	(121)
Purchases of property, plant and equipment	(199,356)	(189)	(721)	(189)
Net cash used in investing activities	**(740,332)**	**(428,391)**	**(207,081)**	**(448,391)**

Statement of cash flows *continued*

	Group	Group	Company	Company
	Year ended 31.03.16	Year ended 31.03.15	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000	£'000	£'000
Cash flows from financing activities				
Movement in third-party interest in consolidated funds	537,928	586	–	–
Issue of share capital	60,000	673,000	60,000	673,000
Movement in capital contribution reserve	–	4,000	–	4,000
Net cash generated from financing activities	**597,928**	**677,586**	**60,000**	**677,000**
Net increase/(decrease) in cash and cash equivalents	**(133,777)**	**234,860**	**(150,996)**	**233,287**
Cash and cash equivalents at the beginning of the period	255,794	20,934	253,559	20,272
Cash and cash equivalents at the end of the period	**122,017**	**255,794**	**102,563**	**253,559**

Statement of changes in equity

For the year ended 31 March 2016

Group	Notes	Issued capital £'000	Capital contribution reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2014		**301,850**	**8,600**	**1,973**	**(9,236)**	**303,187**
Loss for the period	24	–	–	–	(1,618)	(1,618)
Other comprehensive income for the period, net of tax		–	–	2,790	–	2,790
Total comprehensive income for the period		–	–	**2,790**	**(1,618)**	**1,172**
Issue of ordinary shares	21	673,000	–	–	–	673,000
Capital contribution	22	–	4,000	–	–	4,000
Balance at 31 March 2015		**974,850**	**12,600**	**4,763**	**(10,854)**	**981,359**
Profit for the period	24	–	–	–	3,894	3,894
Other comprehensive income for the period, net of tax		–	–	1,052	–	1,052
Total comprehensive income for the period		–	–	**1,052**	**3,894**	**4,946**
Issue of ordinary shares	21	60,000	–	–	–	60,000
Balance at 31 March 2016		**1,034,850**	**12,600**	**5,815**	**(6,960)**	**1,046,305**

Company	Notes	Issued capital £'000	Capital contribution reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2014		**301,850**	**8,600**	–	**(13,284)**	**297,166**
Profit for the period	24	–	–	–	5,159	5,159
Total comprehensive income for the period		–	–	–	5,159	**5,159**
Issue of ordinary shares	21	673,000	–	–	–	673,000
Capital contribution	22	–	4,000	–	–	4,000
Balance at 31 March 2015		**974,850**	**12,600**	–	**(8,125)**	**979,325**
Loss for the period	24	–	–	–	(5,525)	(5,525)
Total comprehensive income for the period		–	–	–	(5,525)	(5,525)
Issue of ordinary shares	21	60,000	–	–	–	60,000
Balance at 31 March 2016		**1,034,850**	**12,600**	–	**(13,650)**	**1,033,800**

Notes to the financial statements

For the year ended 31 March 2016

1. Authorisation of financial statements

The consolidated financial statements of UK Green Investment Bank plc (the "Company") and its controlled entities (together, the "Group") for the year ended 31 March 2016 ("2015–16") were approved and authorised for issue in accordance with a resolution of the Directors on 5 July 2016.

Comparative information is included for the year ended 31 March 2015 ("2015").

The UK Green Investment Bank plc is a public limited liability company incorporated and registered in Scotland. It is unlisted and wholly owned by the Secretary of State for the Department for Business, Innovation and Skills.

2. Principal activities

The Company has been established to accelerate the UK's transition to a greener economy and to create an enduring institution, operating independently of Government.

The operations and principal activities of the Company consist of financial investments to designated green sectors.

3. Accounting policies

Basis of preparation

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

We have prepared the consolidated financial statements of UK Green Investment Bank plc in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to Companies reporting under IFRS.

Where IFRS permit a choice, we have selected the accounting policy which we judge to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view.

The cash flow statement has been prepared using the indirect method, whereas in the prior year financial statements, the direct method was used. The Directors consider that the indirect method is more appropriate for the business results and provides more relevant information about the effects of transactions on the entity's cash flows.

We have prepared these financial statements under the historical cost convention modified to account for the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes and has applied this exemption. The (loss)/profit after tax of the Company during the year to 31 March 2016 was (£5.5m) (2015: £5.2m).

Use of estimates and judgements

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements.

The most critical of these accounting judgements and estimates are noted below:

Revenue recognition

The income of the business is generated by fee, interest and dividend income, as well as the recognition of the Group's share of the profit or loss of associates and joint ventures.

The revenue recognition policy of the Group can have a significant impact on the timing of the recognition of this income.

Specifically the judgements and estimates included are:

- Upfront fees: these are integral to the loan facility and are initially deferred then recognised over the expected term of the loan, as part of the EIR. Judgement is required over whether the loan facilities will be drawn and the period over which they will be drawn. Any changes to the agreed or expected term will impact the rate at which the upfront fee is recognised and early termination of the loan would see any remaining balance of deferred revenue taken to income at the point of termination.
- Non-utilisation fees/undrawn facility fees: the Group provides loan facilities to borrowers to enable them to complete construction projects. In return for providing this, the Group receives a fee on the undrawn portion of the facility (with interest received on the drawn portion), calculated in arrears. The Group recognises these fees as they accrue over the commitment period.
- Share of net profit or loss of associates and joint ventures: the Group has several associates or joint venture investments, a number of which are projects under construction. With differing accounting periods and policies, we need to ensure consistent application of Group accounting policies. Particular judgement is required regarding the recognition of liquidated damages on construction projects and ensuring appropriate application of IFRS across all projects. If assumptions around the amount of liquidated damages a project will receive were changed, there could be a material impact on the reported Group results.

Assessment of impairment
IFRS require companies to carry out impairment testing on any assets which show indications of impairment. In carrying out this assessment, we have exercised judgement in considering future cash flows as well as other information in accordance with the accounting policy to determine the true and fair value of an asset. The assessment includes the analysis of a discounted cash flow model and impairment reviews for all asset types.

Tax
The Group has recognised deferred tax assets in the financial statements. In doing so we have assessed the potential future taxable profits of the Group, including income from current investments and commitments and future plans. This requires judgements and estimates on whether it is likely that the Group will generate sufficient future profits in order to utilise the tax assets. These judgements and estimates are assessed on a regular basis and the recognition of any tax assets amended accordingly.

Going concern
The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis.

In forming this view, we have reviewed the Group's budgets, plans and cash flow forecasts. We have also considered the potential impact of credit risk and liquidity risk as detailed in Note 28 as well as the support being provided by GIB's sole shareholder, the Secretary for State for the Department for Business, Innovation and Skills.

We have considered the implicit support from UK Government, as well as the potential for further funding from the current shareholder or external sources in future years.

Basis of consolidation
The Group encompasses the Company and its consolidated entities. The consolidated financial statements of the Group comprise the financial statements of the parent entity and all consolidated entities, including certain special purpose entities, using consistent accounting policies.

Consolidated entities are those entities where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

– Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

– Exposure, or rights, to variable returns from its involvement with the investee

– The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

– The contractual arrangement with the other vote holders of the investee

– Rights arising from other contractual arrangements

– The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an entity begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Whenever there is a change in the substance of the relationship between the Group and an entity, the Company performs a re-assessment of consolidation.

When necessary, adjustments are made to the financial statements of consolidated entities to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where the Group consolidates an investment vehicle, such as a limited partnership, the interests of parties other than the Group in such vehicles are classified as liabilities. These are recognised in the third-party interest in consolidated funds line in the Consolidated Statement of Financial Position and any movements are recognised in the Consolidated Income Statement. The net assets of the GIB Offshore Wind Fund entities are consolidated on a historical cost basis. The liability interests of parties other than the Group are treated on a consistent historical cost basis and therefore comprise funds provided, less distributions paid plus their share of changes in the carrying value of the net assets.

In the Company, investments in consolidated entities are carried at cost less any impairment charges.

Details of the entities consolidated in these financial statements are included at Note 13.

Revenue recognition
Revenue – interest income
Interest income is recognised in the income statement for all interest-bearing financial instruments using the effective interest method, except for those classified at fair value through profit or loss, where it is probable that the economic benefits associated with the transaction will flow to the entity.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. Direct incremental transaction costs related to the acquisition of a financial instrument are also taken into account in the calculation. Where a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue – fees
The recognition of fee revenue is determined by the purpose of the fee and the basis of accounting for any associated financial instruments.

- Fees and commissions which are not an integral part of the EIR are recognised when the service has been provided; for example, non-utilisation or undrawn facility fees, or a fee for the provision of services.
- If there is an associated financial instrument, fees that are an integral part of the EIR of that financial instrument are included in the EIR calculation.
- Upfront fees for loans that are likely to be drawn are deferred (together with related direct costs) and recognised as an adjustment to the EIR on the loan once drawn. Where it is unlikely that loan commitments will be drawn, upfront fees are recognised over the life of the commitment.

Revenue – dividends
Dividend income is recognised when the right to receive payment is established.

Operating leases
Rentals due under operating leases are charged to the Income Statement over the lease term on a straight-line basis. The amounts payable in the future, under these operating lease arrangements are not discounted.

Property, plant and equipment
The Group has opted to measure property, plant and equipment on a depreciated historical cost basis. The Group's capitalisation threshold for property, plant and equipment is £5,000, except where an individual asset is part of a group of assets that comprise greater than £5,000 or for furniture assets, where all expenditure in one financial year is pooled and capitalised.

Property, plant and equipment are depreciated at rates calculated to write them down to their estimated residual value on a straight-line basis over their estimated useful lives commencing from when an asset is brought into use.

Assets are depreciated over the following periods:

- Leasehold improvements: shorter of estimated remaining useful economic life or outstanding term of lease
- Computer equipment: five years
- Furniture, fixtures and fittings: seven years
- Wind farm and decommissioning asset: 20 years

Intangible assets
Where computer software licences are purchased and have a useful life in excess of one year, they are capitalised as intangible assets and are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between three and ten years, and the value is amortised on a straight-line basis.

Placement fees paid to third-party advisers for sourcing investor assets for the GIB Offshore Wind Fund are incremental costs attributable to securing an investment management contract and are capitalised at fund close and released to the income statement over their useful economic life. Intangible assets represent the unamortised portion of placement fees and are amortised over their useful life.

Impairments of property, plant and equipment and intangible assets
At each period end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets, to determine whether there is any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell, and value in use. Impairment losses are charged to the income statement.

Financial assets
The Group classifies financial assets into the following categories:

Amortised cost:

- Loans and receivables
- Held-to-maturity investments

Fair value:

- Available-for-sale assets
- Financial assets at fair value through profit or loss

The classification depends on the type of financial instrument and the purpose for which the financial asset is held or acquired. The Group determines the classification of financial assets at initial recognition.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market.

Loans and receivables are initially recognised when cash is advanced to the borrowers and measured at fair value inclusive of transaction costs.

After initial recognition, they are carried at amortised cost in accordance with IAS 39. This involves the gross value of the loans issued being discounted to net present value using the EIR.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables or available-for-sale assets is impaired. Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets.

Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making collective assessments of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, from the asset or group of assets discounted at the EIR of the instrument at initial recognition.

As the loan amortises over its life, the impairment loss may amortise through the income statement. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases and relates objectively to an event after the impairment loss was recognised, the relevant element of the outstanding impairment loss is reversed.

Interest on impaired financial assets is recognised at the original EIR applied to the carrying amount as reduced by an allowance for impairment.

Fair value through profit or loss

Financial assets may be designated as at fair value through profit or loss only if such designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both, that the Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. On initial designation as fair value through profit or loss, financial assets are recognised at fair value with transaction costs expensed in the profit or loss. These assets are subsequently measured at fair value. Gains and losses are recognised in profit or loss as they arise.

Available-for-sale assets

These are non-derivative financial assets and include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities are investments in shareholder loans issued by non-consolidated investee companies and designated as an available-for-sale asset.

After initial recognition, these financial assets are carried at fair value. Fair value changes for available-for-sale assets are recognised directly in equity within the Statement of Comprehensive Income in a specifically created reserve within equity, until the financial asset is either sold, becomes impaired or matures. At this time the cumulative gain or loss previously recognised in comprehensive income is recognised in the Income Statement.

When a decline in the fair value of a financial asset classified as available-for-sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available-for-sale equity instruments are not reversed through the income statement, but those on available-for-sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

At each balance sheet date, the Group assesses whether there is objective evidence that an available-for-sale financial asset is impaired. In addition to the criteria for financial assets accounted for at amortised cost, this assessment involves reviewing the current financial circumstances and future prospects of the issuer, assessing the future cash flows expected to be realised and, in the case of equity shares, considering whether there has been a significant or prolonged decline in the fair value of the asset below its cost.

If an impairment loss has been incurred, the cumulative loss measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that asset previously recognised, is reclassified from equity to the income statement.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity, which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate or joint venture is impaired.

The financial statements of associates or joint ventures can be prepared for different reporting periods to the Group, resulting in adjustments being made to ensure the Group's accounts reflect the underlying transactions in the year and where necessary to bring the accounting policies in line with those of the Group.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Financial liabilities

The Group currently classifies all financial liabilities as "other financial liabilities" with all liabilities recognised being classed as temporary in nature and derived from the normal course of business.

Derivatives and hedging

Derivative financial instruments are initially recognised, and subsequently measured, at fair value.

A derivative embedded in a contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract, unless the entire contract is measured at fair value with changes in fair value recognised in profit or loss. Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in income from trading activities except for gains and losses on those derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in other income.

The Group enters into derivative financial instruments in order to mitigate the impact of changes in the fair value of a recognised asset or liability or firm commitment. Hedge relationships are formally designated and documented at inception. These are fair value hedges and any gain or loss on the hedging instrument is recognised in the income statement.

The documentation identifies the hedged item and the hedging instrument and details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. Hedge accounting is also discontinued if the Group revoke the designation of a hedge relationship.

Fair value hedge

In a fair value hedge, the gain or loss on the hedging instrument is recognised in the income statement. The gain or loss on the hedged item attributable to the hedged risk is recognised in profit or loss and, where the hedged item is measured at amortised cost, adjusts the carrying amount of the hedged item.

Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; or if the hedging instrument expires or is sold, terminated or exercised; or if hedge designation is revoked. If the hedged item is one for which the EIR method is used, any cumulative adjustment is amortised to profit or loss over the life of the hedged item using a recalculated EIR.

Provisions

The Group makes provision for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive obligation exists (i.e. a present obligation arising from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made.

A provision is made for the decommissioning of the Gwynt y Môr offshore wind farm based upon management expectations of the current cost of decommissioning.

A provision and related fixed asset is recognised in respect of the estimated total discounted cost of decommissioning the generating assets. The resulting assets are depreciated on a straight line basis and the discount is amortised over the useful life of the wind farm. The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the profit and loss account in each accounting year. The amortisation of the discount is classified as a financial cost.

Taxation

Tax expense or benefit for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in comprehensive income or directly in equity. In this case the tax is recognised in comprehensive income or directly in equity, respectively.

Current tax is recognised as an expense or benefit in the period in which the profits or losses arise and is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the UK.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Value Added Tax

UK Green Investment Bank plc and UK Green Investment Bank Financial Services Limited were registered as a VAT group from 1 August 2014. UK Green Investment (OSW) GP Limited was added to the VAT group on 1 March 2015.

A basis for input VAT recovery methodology has been submitted to Her Majesty's Revenue and Customs for approval. This will be applied retrospectively in line with VAT registration dates.

Any irrecoverable VAT on expenditure is charged to the Income Statement, and included under the relevant expenditure heading or, on the purchase of an asset, is included in additions.

Equity

Ordinary shares are classified as equity and have been issued at par in the period to 31 March 2016.

Reserves

Capital contributions from BIS are recognised directly in a capital contribution reserve in equity. In the period to 31 March 2016 no contributions were provided to the Group.

Pensions

The Group operates a defined contribution pension scheme for eligible employees. Under the defined contribution scheme the Group pays fixed contributions into a fund separate from the Group's assets. Contributions are charged in the Income Statement when they become payable.

Holiday entitlements

When an employee has rendered service during an accounting period, the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is shown as a liability on the Statement of Financial Position after deducting any amount paid.

New and amended standards and interpretations

There were no new or amended standards applied for the first time and therefore no restatements of the previous financial statements were required.

Standards issued but not yet effective

The standards and interpretations relevant to the Group that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards when they become effective. The Group has not sought early adoption of any standards or amendments.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28. Effective for annual periods beginning on or after 1 January 2016.

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. It is not expected that the Company will be able to utilise these exemptions as it is not, itself, an Investment Entity.

IAS 1 Disclosure Initiative – Amendments to IAS 1. Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 Presentation of Financial Statements clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments to IAS 1 will impact only the presentations and disclosure of the consolidated financial statements.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27. Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost;
- In accordance with IFRS 9 (or IAS 39); or
- Using the equity method.

The same accounting must be applied for each category of investments.

Currently the Company accounts for interest in subsidiaries, joint ventures and associates at cost, less any impairments.

IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group will assess the effect of the revenue recognition requirements per IFRS 15 compared with IAS 18 which is currently applied in the preparation of the consolidated financial statements future accounting periods.

IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2018.

The amendments introduced by IFRS 9 include a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement
IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

Impairment
IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to reflect these activities in their financial statements more accurately.

The Group will assess the impact of IFRS 9 which will depend on the results of IASB's reconsideration of IRFS 9's classification and measurement requirements and the outcome of the ongoing phases in the development of IFRS 9.

IFRS 16 Leases. Effective for annual periods beginning on or after 1 January 2019.

IFRS 16 eliminates the distinction between operating leases and finance leases as currently required by IAS 17 and introduces a single lessee accounting model. At lease commencement the lessee is required to recognise a right of use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. Depreciation on lease assets will be disclosed separately from interest on lease liabilities in the income statement.

4. Segmental reporting

The Group has determined that there is only one operating segment as at 31 March 2016. This is consistent with the internal reporting provided to the Board, which is considered the Group's main operating decision maker.

5. Interest and fees receivable

The Group earns and recognises income in different periods based on the timing of loan drawdowns and the nature of the income.

The following table shows how the income is represented in the financial statements.

(i) Calculation of deferred income

	Group	Group
	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Opening deferred income	3,169	8,214
Income generated during the period	50,924	19,027
Income recognised during the period	(50,218)	(24,072)
Deferred income	**3,875**	**3,169**

This amount is recognised in the balance sheet as follows:

	Group	Group
	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Adjustment to the EIR for loans and receivables	3,718	876
Deferred income	157	2,293
Total	**3,875**	**3,169**

(ii) Estimated recognition of deferred income

The deferred income will be recognised in future years when loans are drawn. Where the loan is drawn the deferred income is transferred to be an adjustment to the EIR for loans and receivables and recognised as interest income over the life of the loan.

Based on the amount of funding drawn at 31 March 2016 the estimated recognition timing is as follows:

	Group	Group
	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Recognition within 1 year	157	282
Recognition over 1 year	–	2,011
Total	**157**	**2,293**

5. Interest and fees receivable *continued*

(iii) Reconciliation of total interest and fee income recognised

The tables below show the recognised and unrecognised fee and interest income during the year.

Where the loan is drawn the deferred income is transferred to be an adjustment to the EIR for loans and receivables and recognised as interest income over the life of the loan.

Group

	Year ended 31.03.16			Year ended 31.03.15		
	Total recognised	**Total unrecognised**	**Total**	**Total recognised**	**Total unrecognised**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Upfront commitment fee	2,124	3,875	5,999	2,500	3,169	5,669
Undrawn facility fee	2,915	–	2,915	2,208	–	2,208
Interest income	30,113	–	30,113	18,253	–	18,253
Other fee income	4,501	–	4,501	1,111	–	1,111
Wind farm income	10,565	–	10,565	–	–	–
Total	**50,218**	**3,875**	**54,093**	**24,072**	**3,169**	**27,241**

Company

Included within interest income is £0.4m relating to assets that are at fair value through profit or loss. Included within fee income is £1.8m relating to assets that are at fair value through profit and loss.

Group

Included within interest income is £0.9m relating to assets that are at fair value through profit or loss. Included within fee income is £1.8m relating to assets that are at fair value through profit and loss.

6. Other income

(i) Rental income

Income was received during the year on the sub-lease of part of Atria One in Edinburgh which commenced on 1 July 2014.

(ii) Service income

Other income was generated for the provision of support services to related parties.

	Group	**Group**
	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Rental income	116	96
Service income	394	196
Total other income	**510**	**292**

7. Expenses

(i) Direct investment costs

Direct expenses of £6.4m (2015: £4.2m) for the Group include fund administration costs on direct investments and the GIB Offshore Wind Fund and direct costs related to investment activity that cannot be capitalised. In the prior year costs include £1.8m related to the set-up of the GIB Offshore Wind Fund.

(ii) Operating expenses

	Notes	Group	Group
		Year ended 31.03.16	Year ended 31.03.15
		£'000	£'000
Employee and Board compensation			
Wages, salaries and other staff costs		12,809	11,235
Short and long term incentive plan		2,118	2,027
Board costs		320	327
National Insurance		1,555	1,327
Pension costs – defined contribution schemes		1,077	965
		17,879	15,881
Other expenses			
Professional fees		4,999	2,456
General and administrative expenses		5,237	3,634
Premises costs		1,385	1,237
		11,621	7,327
Depreciation and amortisation			
Property, plant and equipment	11	4,055	549
Intangible assets	12	852	131
		4,907	680
Wind farm operating expenses			
Wind farm operational expenses		3,655	–
		3,655	–
Total operating expenses		**38,062**	**23,888**

Included within the balance of professional fees are the auditors' remuneration which is further analysed in Note 8.

7. Expenses *continued*

Average number of people employed	Group	Group
	Year ended 31.03.16	Year ended 31.03.15
Number of employees	119	102
Average number of people (including Executive Directors) employed		
Investment	61	50
Operations	58	52
Total	**119**	**102**

The above has been calculated for the period 1 April 2015 to 31 March 2016. The staff in post at 31 March 2016 was 134 (2015: 113).

8. Auditors' remuneration

Amounts paid or payable to the Group's auditor for statutory audit services are set out below, inclusive of non-reclaimable VAT. The Audit and Risk Committee is responsible for ensuring that all audit-related and non-audit services are approved and are subject to controls to ensure the external auditors' independence is unaffected by the provision of other services.

	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Fees payable for the audit of the Group's annual accounts	539	260
Fees payable to the Group auditors for other services	24	–
Total	**563**	**260**

Fees payable to the Company's auditor for the audit of the Company annual accounts were £224k (2015: £156k) and for the audit of the Company's subsidiaries were £65k (2015: £24k). Other auditors are engaged for the provision of audit services to controlled entities within the Group.

9. Tax

	Company	Group	Company	Group
	Year ended 31.03.16		Year ended 31.03.15	
	£'000	£'000	£'000	£'000
Current tax:				
Current tax expense on result for the period	(371)	(1,231)	(1,954)	(2,020)
Adjustment for prior year	–	–	(7)	(7)
Deferred tax:				
Origination of temporary difference	(634)	(635)	224	(611)
Changes in tax rate	(67)	(81)	93	96
Income tax expense	**(1,072)**	**(1,947)**	**(1,644)**	**(2,542)**

Reconciliation of tax (expense)/benefit	Company	Group	Group	Group
	Year ended 31.03.16		Year ended 31.03.15	
		£'000	£'000	£'000
Profit/(loss) before tax	(4,452)	9,904	6,803	96
Loss before tax multiplied by rate of corporation tax in UK of 20% (2014–2015: 21%)	890	(1,999)	(1,429)	(20)
Tax effects of				
– Expenses not deductible for tax purposes	(1,517)	(2,065)	(90)	(289)
– Tax losses for which no deferred tax asset was recognised	–	–	–	–
– Adjustments to taxable income from consolidated funds	372	1,472	(200)	(179)
– Associate income not taxable	–	1,477	–	689
– Taxable assets disposal	–	–	–	(2,863)
– Deferred tax asset at different tax rate	–	–	(11)	31
– Adjustment for prior year	(750)	(751)	(7)	(7)
– Changes in tax rate (deferred tax)	(67)	(81)	93	96
Tax expense	**(1,072)**	**(1,947)**	**(1,644)**	**(2,542)**

In recognising any tax asset, the view has been taken that the Group will make sufficient taxable profits in the future to utilise any carried forward losses. To the extent profits are not deemed adequately probable, either in relation to the Company or consolidated entities, the Group does not recognise a tax asset.

The following table shows the movement in the tax asset/(liability):

	Company	Group
	£'000	£'000
Balance at 31 March 2014	**2,951**	**2,235**
Utilisation	(1,644)	(2,542)
Deferred tax liability from available-for-sale asset revaluation, through other comprehensive income	–	(689)
Balance at 31 March 2015	**1,307**	**(996)**
Additions/(utilisation)	(701)	1,990
Deferred tax liability from available-for-sale asset revaluation, through other comprehensive income	–	(264)
Balance at 31 March 2016	**606**	**730**

10. Dividends

During the 12 months to 31 March 2016 the Company did not make any dividend payments (2015: nil). The Company does not propose to pay any dividends in respect of the year ended 31 March 2016.

11. Property, plant and equipment

Group	Leasehold improvements	Computer equipment	Fixtures and fittings	Wind farm*	Decommissioning asset*	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2014	**2,021**	**567**	**444**	–	–	**3,032**
Additions	108	71	10	–	–	189
At 31 March 2015	**2,129**	**638**	**454**	–	–	**3,221**
Additions	499	143	79	188,311	10,324	199,356
At 31 March 2016	**2,628**	**781**	**533**	**188,311**	**10,324**	**202,577**
Depreciation and impairment losses						
At 31 March 2014	**(387)**	**(87)**	**(57)**	–	–	**(531)**
Depreciation for the period	(365)	(116)	(68)	–	–	(549)
At 31 March 2015	**(752)**	**(203)**	**(125)**	–	–	**(1,080)**
Depreciation acquired on acquisition	–	–	–	(7,736)	–	(7,736)
Depreciation for the period	(455)	(130)	(70)	(3,068)	(332)	(4,055)
At 31 March 2016	**(1,207)**	**(333)**	**(195)**	**(10,804)**	**(332)**	**(12,871)**
Net book value at 31 March 2016	**1,421**	**448**	**338**	**177,507**	**9,992**	**189,706**
Net book value at 31 March 2015	**1,377**	**435**	**329**	–	–	**2,141**

* *As detailed in Note 13, during the year GIB Group acquired UK Green Investment GyM Participant Limited. It has been concluded that GIB controls this entity therefore its results have been consolidated into the GIB Group financial statements. This has resulted in the acquisition of a wind farm and decommissioning asset shown above. An explanation of the decommissioning asset and related provision (Note 18) is provided in the accounting policies in Note 3.*

11. Property, plant and equipment *continued*

Company	Leasehold Improvements	Computer Equipment	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 March 2014	**2,021**	**567**	**444**	**3,032**
Acquisitions	108	71	10	189
At 31 March 2015	**2,129**	**638**	**454**	**3,221**
Acquisitions	499	143	79	721
At 31 March 2016	**2,628**	**781**	**533**	**3,942**
Depreciation and impairment losses				
At 31 March 2014	**(387)**	**(87)**	**(57)**	**(531)**
Depreciation for the period	(365)	(116)	(68)	(549)
At 31 March 2015	**(752)**	**(203)**	**(125)**	**(1,080)**
Depreciation for the period	(455)	(130)	(70)	(655)
At 31 March 2016	**(1,207)**	**(333)**	**(195)**	**(1,735)**
Net book value at 31 March 2016	**1,421**	**448**	**338**	**2,207**
Net book value at 31 March 2015	**1,377**	**435**	**329**	**2,141**

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	5 years
Computer equipment	5 years
Fixtures and fittings	7 years
Wind farm (see Note 13)	20 years
Decommissioning Asset	20 years

12. Intangible assets

Group	Capitalised placement agent expense	Computer software	Total
	£'000	£'000	£'000
Cost			
At 31 March 2014	–	**590**	**590**
Acquisitions	–	121	121
At 31 March 2015	–	**711**	**711**
Acquisitions	7,059	5	7,064
At 31 March 2016	**7,059**	**716**	**7,775**
Amortisation			
At 31 March 2014	–	**(67)**	**(67)**
Amortisation for the period	–	(131)	(131)
At 31 March 2015	–	**(198)**	**(198)**
Amortisation for the period	(711)	(141)	(852)
At 31 March 2016	**(711)**	**(339)**	**(1,050)**
Net book value at 31 March 2016	**6,348**	**377**	**6,725**
Net book value at 31 March 2015	–	**513**	**513**

Placement fees paid to third-party advisers for sourcing investor assets for the GIB Offshore Wind Fund are deemed incremental costs attributable to securing an investment management contract and are capitalised at fund close and released to the income statement over their useful economic life. Intangible assets represent the unamortised portion of placement fees.

Computer software amounts comprise licences and software development costs which are amortised over the estimated useful life of five years.

12. Intangible assets *continued*

Company	Computer software	Total
	£'000	£'000
Cost		
At 31 March 2014	**590**	**590**
Acquisitions	121	121
At 31 March 2015	**711**	**711**
Acquisitions	5	5
At 31 March 2016	**716**	**716**
Amortisation		
At 31 March 2014	**(67)**	**(67)**
Amortisation for the period	(131)	(131)
At 31 March 2015	**(198)**	**(198)**
Amortisation for the period	(141)	(141)
At 31 March 2016	**(339)**	**(339)**
Net book value at 31 March 2016	**377**	**377**
Net book value at 31 March 2015	**513**	**513**

13. Consolidated entities

Consolidated entities are carried at cost.

	Total
	£'000
Balance at 31 March 2014	**94,553**
Additions	432,710
Disposals	(273,618)
Repayment of shareholder loan	(22,355)
Balance at 31 March 2015	**231,290**
Additions	281,561
Disposals	(10,532)
Repayment of shareholder loan	(13,848)
Balance at 31 March 2016	**488,471**

The principal subsidiary undertakings of the Company are shown below. The capital of each entity depends on its nature and consists of ordinary shares or Limited Partner (LP) contributions.

Entity	Fund Manager	Country of incorporation	Nature of business	Shares held	Group interest
Energy Saving Investments L.P.	Equitix Investment Management Limited	UK	Investment in non-domestic energy efficiency	99%	99%
UK Waste Resources and Energy Investments L.P.	Foresight Group LLP	UK	Investment in small-scale waste operations	99%	99%
UK Green Sustainable Waste and Energy Investment L.P.	Greensphere Capital LLP	UK	Investment in small-scale waste operations	99%	99%
UK Energy Efficiency Investments 1 L.P.	SDCL EE Co (UK) LLP	UK	Investment in non-domestic energy efficiency	98%	98%
Aviva Investors REaLM Energy Centres LP	Aviva Investors Global Services Limited	UK	Investment in non-domestic energy efficiency in the NHS	100%	100%
The Recycling and Waste LP	Foresight Group LLP	UK	Investment in small-scale waste operations	99%	99%
UK Green Community Lending Limited	N/A	UK	Investment in community scale renewables	100%	100%
UK Green Investment Bank Financial Services Limited	N/A	UK	Regulated financial services activities	100%	100%
UK Green Investment Climate International Limited	N/A	UK	Fund Manager – Non-UK green investments	100%	100%
UK Green Investment FCG Limited	N/A	UK	Investment in waste and bioenergy	100%	100%
UK Green Investment Galloper Limited	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment Rampion Limited	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment ShelfCo. 1 Limited	N/A	UK	Inactive entity during the period. Dissolved November 2015	100%	100%
UK Green Investment Community Lending Limited	N/A	UK	Inactive entity during the period. Dissolved November 2015	100%	100%
UK Green Investment ShelfCo. 3 Limited	N/A	UK	Inactive entity during the period. Dissolved November 2015	100%	100%
UK Green Investment Offshore Wind Feeder I LLP	N/A	UK	Inactive entity during the period	100%	100%
GIB Offshore Wind Fund entities					
UK Green Investment (OSW) GP Limited	UK Green Investment Bank Financial Services Limited	UK	General Partner - Offshore Wind Fund	100%	100%
UK Green Investment Bank Offshore Wind Fund L.P.	N/A	UK	Investment in offshore wind	55%	55%
UK Green Investment Offshore Wind B L.P.	N/A	UK	Investment in offshore wind	20%	20%
UK Green Investment Offshore Wind C L.P.	N/A	UK	Investment in offshore wind	0%	0%
UK Green Investment Gwynt y Môr Limited	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment GyM Participant Limited*	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment LID Limited	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment Rhyl Flats Limited	N/A	UK	Investment in offshore wind	100%	100%
UK Green Investment Sheringham Shoal Limited	N/A	UK	Investment in offshore wind	100%	100%

13. Consolidated entities *continued*

To align interests and incentivise external managers, GIB will often require managers to take a minority LP interest. The Fund Manager LP amounts are treated as third-party interests in consolidated funds in the consolidated accounts of the Group.

On 6 November 2014 UK Green Investment (OSW) GP Limited was incorporated as a wholly owned subsidiary of the Company to act as General Partner to the UK Green Investment Bank Offshore Wind Fund. The UK Green Investment Bank Offshore Wind Fund is a series of three parallel partnerships:

- UK Green Investment Bank Offshore Wind Fund L.P.
- UK Green Investment Offshore Wind B L.P.
- UK Green Investment Offshore Wind C L.P.

The effective economic interest of the Group in the UK Green Investment Bank Offshore Wind Fund is 24.45%.

The three limited partnerships that constitute the UK Green Investment Bank Offshore Wind Fund (UK Green Investment Bank Offshore Wind Fund L.P., UK Green Investment Offshore Wind B L.P. and UK Green Investment Offshore Wind C L.P.) have taken advantage of the exemption under regulation 7 of the Partnerships (Accounts) Regulations 2008, which allow them not to file their Financial Statements with Companies House.

***Gwynt y Môr transaction**
During the year GIB sold a forward contract to purchase the Gwynt y Môr offshore wind farm to the Offshore Wind Fund LPs noted above. The option was executed by the GIB Offshore Wind Fund during the year, resulting in the purchase of UK Green Investment GyM Participant Limited on 30 October 2015.

UK Green Investment GyM Participant Limited holds a 10% share in the ordinary share capital of Gwynt y Môr Offshore Wind Farm Limited whose principal activity is the operation of an offshore wind farm.

GIB has concluded that it controls the GIB Offshore Wind Fund for consolidation purposes under IFRS 10 and further that it does not meet the definition of an "investment entity" as defined under the same standard. As a result it has been concluded that GIB controls UK Green Investment GyM Participant Limited and so its financial statements have been consolidated into the GIB Group financial statements on a line by line basis.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share of any unpaid decommissioning costs of the offshore wind farm, and any rent arrears during operations, should the operational entity fail to meet these obligations. The total amount of these indemnities is £1.4m. Service payment guarantees are also provided annually in the amount of £1.3m. There is a further guarantee in place for 20% of the total value of the purchase price of the OFTO which totals £7.0m. None of these amounts are provided for in the Statement of Financial Position.

14. Investments

	Company	Group	Company	Group
	31.03.16	31.03.16	31.03.15	31.03.15
	£'000	£'000	£'000	£'000
Investment in controlled entities	488,471	–	231,290	–
Loans and receivables	270,092	286,706	234,146	246,278
Available-for-sale investments	–	155,494	1,849	108,743
Investment in associates and joint ventures	151,738	797,069	99,556	379,392
Investments held at fair value through profit and loss	32,011	52,385	3,143	3,899
Total	**942,312**	**1,291,654**	**569,984**	**738,312**

Investment in controlled entities includes shareholder capital, LP capital and loans to controlled entities.

(i) Carrying value

The carrying value of loans and receivables is net of adjustments for the EIR.

The following table shows how the investment balance is calculated:

Year ended 31 March 2016

Carrying value – Company	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Investment in controlled entities	488,471	–	488,471
Loans and receivables	273,810	(3,718)	270,092
Available-for-sale investments	–	–	–
Investment in associates and joint ventures	151,738	–	151,738
Investments held at fair value through profit and loss	32,011	–	32,011
Total	**946,030**	**(3,718)**	**942,312**

Carrying value – Group	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	290,424	(3,718)	286,706
Available-for-sale investments	155,494	–	155,494
Investment in associate and joint ventures	797,069	–	797,069
Investments held at fair value through profit or loss	52,385	–	52,385
Total	**1,295,372**	**(3,718)**	**1,291,654**

14. Investments *continued*

Year ended 31 March 2015

Carrying value – Company	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	235,022	(876)	234,146
Investment in controlled entities	231,290	–	231,290
Available-for-sale investments	1,849	–	1,849
Investment in associates and joint ventures	99,556	–	99,556
Investments held at fair value through profit and loss	3,143	–	3,143
Total	**570,860**	**(876)**	**569,984**

Carrying value – Group	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	247,154	(876)	246,278
Available-for-sale investments	108,743	–	108,743
Investment in associate and joint ventures	379,392	–	379,392
Investments held at fair value through profit or loss	3,899	–	3,899
Total	**739,188**	**(876)**	**738,312**

(ii) Disclosure of IFRS 7 risk requirements is detailed in Note 28.

(iii) The Company holds loans that carry interest with a weighted average interest rate of 3.1% per annum. The loans have maturity dates ranging between 0.5 to 29 years from the end of the reporting period. None of these assets were past due or impaired at the end of the reporting period.

The Group holds loans that carry interest with a weighted average interest rate of 5.5% per annum, these include loans treated as available-for-sale assets. The loans have maturity dates ranging between 0.5 to 29 years from the end of the reporting period. None of these assets were past due or impaired at the end of the reporting period.

14. Investments *continued*

(iv) Investments in associate and joint ventures.

	Company	Group
	£'000	£'000
Balance at 31 March 2014	**106,767**	**161,845**
Additions	143,867	380,487
Repayments	(151,078)	(151,663)
Share of profit from associates and joint ventures	–	3,279
Distributions received	–	(14,556)
Balance at 31 March 2015	**99,556**	**379,392**
Additions	52,182	432,194
Repayments	–	(16,402)
Share of profit from associates and joint ventures	–	7,384
Distributions received	–	(5,499)
Balance at 31 March 2016	**151,738**	**797,069**

Repayments and dividends recognised relate to investments in Rhyl Flats Wind Farm Limited and Scira Offshore Energy Limited (Sheringham Shoal Wind Farm). Profits and losses relate to the following entities:

Rhyl Flats Wind Farm Limited – Associate

The Group owns 25% of this entity which became an associate on 27 March 2013.

The summarised financial information of Rhyl Flats Wind Farm Limited are:

	2015 (unaudited)	2014 (audited)
Assets	£184.8m	£202.9m
Liabilities	£18.9m	£29.3m
Revenues for the year to 31 December	£30.6m	£25.7m
Profit for the year to 31 December	£12.4m	£4.2m

The Financial Statements utilised are as at 31 December, being the financial reporting date of the associate. The Group has accounted for its investment in Rhyl Flats Wind Farm Associate Limited by utilising management accounts for the year ended 31 March 2016, as the audit of the Financial Statements is not yet complete.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share (calculated in proportion to the Group's 24.95% minority equity holding) of any unpaid decommissioning costs of the offshore wind farm, and any rent arrears during operations, should the operational entity fail to meet these obligations. The total amount of indemnities is £5.0m (2015: £5.0m) and is not provided for in the Statement of Financial Position.

14. Investments *continued*

Scira Offshore Energy Limited (Sheringham Shoal Wind Farm) – Associate

The Group owns 20% of this entity which became an associate on 25 November 2014.

The summarised financial information of Scira Offshore Energy Limited are:

	2015 (audited)	2014 (audited)
Assets	£1,242.8m	£1,288.9m
Liabilities	£770.1m	£793.3m
Revenues for the year to 31 December	£140.0m	£126.8m
Profit for the year to 31 December	£19.0m	£8.4m

The financial statements utilised are as at 31 December, being the financial reporting date of the associate. The Group has accounted for its investment in Scira Offshore Energy Limited by utilising management accounts for the period ended 31 March 2016.

Rampion Offshore Wind Limited – Associate

The Group owns 25.0% of this entity which became an associate on 12 May 2015.

The summarised financial information of Rampion Offshore Wind Limited are:

	2015 (unaudited)
Assets	£273.4m
Liabilities	£40.5m
Revenues for the year to 31 December	–
Loss for the year to 31 December	(£0.1m)

The financial statements utilised are as at 31 December, being the financial reporting date of Rampion Wind Farm Limited associate. The Group has accounted for its investment in Rampion Wind Farm Limited by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share (calculated in proportion to the Group's 25% minority equity holding) of any obligations should the operational entity fail to meet these obligations. The total amount is £73.5m (2015: £nil) and is not provided for in the Statement of Financial Position.

14. Investments *continued*

Galloper Wind Farm Holding Company Limited – Associate

The Group owns 25.0% of this entity which became an associate on 29 October 2015.

The summarised financial information of Galloper Wind Farm Holding Company Limited are:

	2015 (unaudited)
Assets	£282.3m
Liabilities	£253.4m
Revenues for the year to 31 December	–
Profit for the year to 31 December	£2.8m

The Financial Statements utilised are as at 31 December, being the financial reporting date of Galloper Wind Farm Holding Company Limited associate. The Group has accounted for its investment in Galloper Wind Farm Holding Company Limited by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

The Group has provided no guarantees to the operational entity.

Albion Community Power I Shareco Limited – Associate (formerly Available for Sale)

The Group owns 50.0% of this entity which became an associate on 15 July 2015.

During the year our investment in Albion Community Power I Shareco Limited was transferred from available-for-sale investments to investment in associates. The prior year value recognised within available-for-sale investments was £1.8m.

The summarised financial information of Albion Community Power I Shareco Limited are:

	2016 (unaudited)
Assets	£22.4m
Liabilities	£22.3m
Revenues for the year to 31 March	£1.0m
Profit for the year to 31 March	£0.3m

The Albion Community Power I Shareco Limited associate has a financial reporting date for Financial Statements of 31 January each year. The Group has accounted for its investment in Albion Community Power I Shareco Limited by utilising management accounts for the period ended 31 March 2016 and these figures are shown above as the financial statements audit is not yet complete.

14. Investments *continued*

WMR JV HoldCo Limited – joint arrangement classified as a Joint Venture

The Group owns 50.0% of WMR JV Holdco Limited which owns 50.0% of the wind farm, Westermost Rough Limited (Westermost Rough Wind Farm).

The summarised financial information of Westermost Rough Wind Farm are:

	2015 (unaudited)	2014 (restated UKGAAP to IFRS)
Assets	£751.8m	£702.8m
Liabilities	£170.6m	£283.2m
Revenues for the year to 31 December	£213.1m	£1.8m
Profit/(loss) for the year to 31 December	£19.5m	(£1.5m)

The Financial Statements utilised are as at 31 December, being the financial reporting date of Westermost Rough Wind Farm joint venture. The Group has accounted for its investment in WMR JV HoldCo Limited by utilising management accounts for the period ended 31 March 2016.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share (calculated in proportion to the Group's 50% equity holding) of any obligation should the operational entity fail to meet these obligations. The Group has provided a total of £17.2m (2015: £16.1m) in indemnities. These cover the Group's share of items including a guarantee of tenant obligations relating to the Westermost Rough Wind Farm, a payment guarantee for radar and a guarantee for the OFTO which expires 18 months post transfer from the Group (February 2019).

Speyside Renewable Energy Partnership HoldCo Limited – Joint Venture

The Group owns 41.6% of this entity which became a joint venture on 16 August 2014.

The summarised financial information of Speyside Renewable Energy Partnership HoldCo Limited are:

	2015 (unaudited)	2014 (audited)
Assets	£61.8m	£46.6m
Liabilities	£63.6m	£48.4m
Revenues for the year to 31 December	£0.0m	£0.0m
Loss for the year to 31 December	(£0.0m)	(£0.0m)

The financial statements utilised are as at 31 December, being the financial reporting date of the joint venture. The Group has accounted for its investment in Speyside Renewable Energy Partnership HoldCo Limited by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

The Group has provided no guarantees to the operational entity.

14. Investments *continued*

Tilbury Green Power Holdings Limited – Joint Venture

The Group owns 48.6% of this entity which became a joint venture on 23 March 2015.

The summarised financial information of Tilbury Green Power Holdings Limited are:

	2016 (unaudited)	2015 (audited)
Assets	£74.5m	£43.1m
Liabilities	£70.0m	£38.7m
Revenues for the year to 31 March	£0.0m	£0.0m
(Loss)/profit for the year to 31 March	(£0.1m)	£0.0m

The financial statements utilised are as at 31 December, being the financial reporting date of the joint venture. The Group has accounted for its investment in Tilbury Green Power Holdings Limited by utilising management accounts for the period ended 31 March 2016 and these figures are shown above as the financial statements audit is not yet complete.

The Group has provided no guarantees to the operational entity.

Cramlington Renewable Energy Developments HoldCo Limited – Joint Venture

The Group owns 35.3% of this entity which became a joint venture on 17 September 2015.

The summarised financial information of Cramlington Renewable Energy Developments HoldCo Limited are:

	2015 (unaudited)
Assets	£31.3m
Liabilities	£31.5m
Revenues for the year to 31 December	£0.0m
Loss for the year to 31 December	(£0.2m)

The financial statements utilised are as at 31 December, being the financial reporting date of Cramlington Renewable Energy Developments HoldCo Limited joint venture. The Group has accounted for its investment in Cramlington Renewable Energy Developments HoldCo Limited by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

14. Investments *continued*

Full Circle Generation Holding Company Limited – Joint Venture

The Group owns 35.1% of this entity which became a joint venture on 3 November 2015.

The summarised financial information of Full Circle Generation Holding Company Limited are:

	2015 (unaudited)
Assets	£0.0m
Liabilities	£0.0m
Revenues for the year to 31 May	£0.0m
Profit for the year to 31 May	£0.0m

The financial statements utilised are as at 31 May, being the financial reporting date of Full Circle Generation Holding Company Limited joint venture. The Group has accounted for its investment in Full Circle Generation Holding Company Limited by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

The Group has provided no guarantees to the operational entity.

GLID Wind Farms TopCo Limited – Joint Venture

The Group owns 60.8% of this entity which became a joint venture on 7 March 2016.

The summarised financial information of GLID Wind Farms TopCo Limited are:

	2015 (audited)
Assets	£400.0m
Liabilities	£368.6m
Revenues for the year to 31 December	£71.5m
Loss for the year to 31 December	(£6.2m)

The financial statements utilised are as at 31 December, being the financial reporting date of GLID Wind Farms TopCo Limited joint venture. The Group has accounted for its investment in GLID Wind Farms TopCo Limited by utilising management accounts for the period ended 31 March 2016.

The Waste Asset Limited Partnership – Joint Venture

On 23 November 2015 our investment in The Waste Asset Limited Partnership was reduced from 99.01% to 49.7%. Previously The Waste Asset Limited Partnership was a fully consolidated entity (Net Assets: £8.4m), but is now classified as investment in joint venture.
The summarised financial information of The Waste Asset Limited Partnership are:

	2016 (unaudited)
Assets	£25.7m
Liabilities	£0.1m
Revenues for the year to 31 March	£1.1m
Profit for the year to 31 March	£0.9m

The financial statements utilised are as at 31 March, being the financial reporting date of The Waste Asset Limited Partnership joint venture. The Group has accounted for its investment in The Waste Asset Limited Partnership by utilising management accounts for the period ended 31 March 2016 as the financial statements audit is not yet complete.

14. Investments *continued*

(vi) Valuation

The investment portfolio consists of assets carried at amortised cost (loans and receivables), fair value (available-for-sale) and fair value through profit and loss as follows:

	Company	Group	Company	Group
	31.03.16	31.03.16	31.03.15	31.03.15
	Level 3	Level 3	Level 3	Level 3
	£'000	£'000	£'000	£'000
Loans and receivables	270,092	286,706	234,146	246,278
Available-for-sale investments	–	155,494	1,849	108,743
Investments held at fair value through profit and loss	32,011	52,385	3,143	3,899
Total	**302,103**	**494,585**	**239,138**	**358,920**

Total Level 3 assets	Company	Group
	£'000	£'000
Balance at 31.03.15	**239,138**	**358,920**
Additions	90,375	151,740
Transferred out of Level 3	(13,520)	(13,520)
Gains and losses recognised in the income statement, split between:		
Repayments	(17,821)	(17,821)
Interest receivable	(693)	6,024
Realised gains and losses	–	–
Unrealised gains and losses*	4,624	9,242
Balance at 31.03.16	**302,103**	**494,585**

**includes the movement on the revaluation of hedged investments and revaluation of available-for-sale financial assets and impairments.*

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description
Level 1	Quoted prices (unadjusted) from active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	Inputs that are not based on observable market data

Each of the loans and receivables, available-for-sale assets and investments held at fair value through profit and loss are classified as Level 3 assets. For those that are debt instruments the carrying amount best represents the maximum exposure to credit risk.

The Group completes regular valuation exercises to assess the fair value of each class of assets.

At 31 March 2016, based on the valuation assessment available-for-sale assets were increased by £1.3m, with an amount net of deferred tax of £1.1m recognised in the Statement of Other Comprehensive Income. This is the only balance in the Revaluation Reserve.

The valuation assessment indicates there is no significant variation between fair value and carrying value for loans and receivables, after recognising any adjustment to the carrying value for EIR calculations for assets at amortised cost.

For investments valued under the discounted cash flow ("DCF") method, fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, discounted at the appropriate risk-adjusted discount rate. The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has a periodically updated model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes. Stress testing is completed across the portfolio, with a suite of relevant sensitivities applied to assess potential variances, e.g. the impact of a change in interest rates. Each fair value assessment includes an evaluation of the underlying performance of the project and its ability to meet agreed commercial obligations as well as any factors which may indicate any impairment.

Where an asset is under construction, and there are no indicators of future performance issues, or impairment, then the asset is carried at cost. This applies to the available-for-sale investments at 31 March 2016.

During the year there were two assets that were shown to have a valuation (using the DCF method) lower than that of their carrying value. Both assets are operational and the following factors were considered when determining the asset carrying values including but not limited to recent operational performance, future expected operational performance, future power prices, future interest rates and inflation rate projections. These assets are both categorised as available-for-sale and the impairment of £4,410,000 (2015: £nil) has been charged to the consolidated income statement after transferring any gains or losses currently recognised through reserves.

15. Cash and cash equivalent

The consolidated cash and cash equivalents balance of £122.0m (2015: £255.8m) is comprised solely of cash at bank.

The Company and GIBFS holds its cash at bank with the Government Banking Service and draws funding from BIS as investments and operations require.

Funding held in the Government Banking Service is non-interest bearing.

As at 31 March 2016, the Group held £19.5m (2015: £0.8m) of cash at bank outside the Government Banking Service. The amount is held entirely in the accounts of the consolidated entities that are managed by private sector fund managers.

16. Financial assets and liabilities

Company At 31 March 2016	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	270,092	32,011	640,209	942,312
Cash and cash equivalents	15	102,563	–	–	102,563
Total		**372,655**	**32,011**	**640,209**	**1,044,875**
Liabilities					
Deferred income	5	157	–	–	157
Total		**157**	–	–	**157**

16. Financial assets and liabilities *continued*

Company At 31 March 2015	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	234,146	3,143	332,695	569,984
Cash and cash equivalents	15	253,559	–	–	253,559
Total		**487,705**	**3,143**	**332,695**	**823,543**
Liabilities					
Deferred income	5	2,293	–	–	2,293
Total		**2,293**	–	–	**2,293**

Group At 31 March 2016	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	286,706	52,385	952,563	1,291,654
Cash and cash equivalents	15	122,017	–	–	122,017
Total		**408,723**	**52,385**	**952,563**	**1,413,671**
Liabilities					
Deferred income	5	157	–	–	157
Total		**157**	–	–	**157**

16. Financial assets and liabilities *continued*

Group At 31 March 2015	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	246,278	3,899	488,135	738,312
Cash and cash equivalents	15	255,794	–	–	255,794
Total		**502,072**	**3,899**	**488,135**	**994,106**
Liabilities					
Deferred income	5	2,293	–	–	2,293
Total		**2,293**	–	–	**2,293**

Equity investments includes available-for-sale assets and investments in associates and joint ventures.

Maturity analysis	<1 yr	1–5 yrs	>5 yrs	Total
	£'000	£'000	£'000	£'000
At 31 March 2016				
Loans and receivables	34,019	158,849	97,556	290,424
At 31 March 2015				
Loans and receivables	13,830	118,951	114,374	247,155

The above excludes the deferred upfront fee netted against these balances.

17. Prepayments and other receivables

	Company	Group	Company	Group
	31.03.16	31.03.16	31.03.15	31.03.15
	£'000	£'000	£'000	£'000
Prepayments	185	193	229	3,458
Other receivables	454	10,552	248	165,105
Intercompany receivables	8,710	–	289,624	–
Total	**9,349**	**10,745**	**290,101**	**168,563**

At 31 March 2016 the Company was due £6.5m related to Evercore fees paid on behalf of GIBFS.

At 31 March 2015 the Group was due £163.7m from external investors into the Limited Partnerships comprising the GIB Offshore Wind Fund. The Company was due £288.2m from the Limited Partnerships comprising the GIB Offshore Wind Fund for the purchase of its holding in the Rhyl Flats and Sheringham Shoal wind farms. This transaction was completed in April 2015.

18. Provisions

Group	Total
	£'000
Balance at 31 March 2014	**1,354**
Addition	886
Balance at 31 March 2015	**2,240**
Addition – Long term incentive plan	540
Addition – GyM Participant Wind Farm Decommissioning provision	10,651
Release – Long term incentive plan	(274)
Balance at 31 March 2016	**13,157**

Company	Total
	£'000
Balance at 31 March 2014	**1,354**
Addition	886
Balance at 31 March 2015	**2,240**
Addition – Long term incentive plan	540
Release – Long term incentive plan	(274)
Balance at 31 March 2016	**2,506**

At 31 March 2016 a provision of £2.3m (2015: £2.0m) exists in respect of LTIP payments to current or former members of the Leadership Team. £0.9m (2015: £0.3m) of this provision is payable within one year. The amount provided for is an estimate of the amount that will be payable when the liability falls due, and is not discounted for the time value of money as this is deemed to be non-material.

At 31 March 2016 a provision of £0.2m (2015: £0.2m) exists in respect of dilapidations requirements for the Atria and Millbank properties. The amount provided for is an estimate of the amount that will be payable when the liability falls due, and is not discounted for the time value of money as this is deemed to be non-material.

The provision for decommissioning of the wind farm represents the net present value of the Company's best estimate of the costs on decommissioning at the end of its useful life. The provision was acquired with the acquisition of UK Green Investment GyM Participant Limited (see Note 13). The provision has been discounted to its present value at 1.25%.

19. Derivative financial instruments

Where the Group enters into an investment that results in the receipt of fixed rate cash flows we are taking interest rate risk that could lead to a decrease in the value of the investment. As the Group has been established to recycle our capital we want to protect the carrying value of our investments.

The Group has agreed commercial terms with our shareholder, the Secretary of State for Business, Innovation and Skills, to enable hedging of interest rate risk on our fixed interest investments.

All hedged assets are designated as Fair Value through Profit or Loss. The Group is not applying hedge accounting as these assets do not meet the relevant criteria under IAS 39, therefore gains and losses on hedged assets are recognised in the income statement as they arise. Gains and losses arising on the hedged asset and hedged instrument are separately disclosed on the income statement and balance sheet.

Hedged assets and derivative financial instruments have been reflected in the consolidated financial statements as follows:

(i) Consolidated income statement

	Year ended 31.03.16	Year ended 31.03.15
	£'000	£'000
Movement on the revaluation of hedged investments	8,549	564
Movement in the fair value of derivatives	(7,364)	(658)
Net movement	**1,185**	**(94)**

(ii) Statement of financial position

	Company	Company	Group	Group
	31.03.16	31.03.15	31.03.16	31.03.15
	£'000	£'000	£'000	£'000
Investments held at fair value through profit and loss				
Asset carrying value	27,387	2,855	43,836	3,335
Fair value revaluation	4,624	288	8,549	564
	32,011	**3,143**	**52,385**	**3,899**
Derivative financial liabilities	8,022	658	8,022	658
	8,022	**658**	**8,022**	**658**

20. Creditors, accruals, and other liabilities

	Company	Group	Company	Group
	31.03.16	31.03.16	31.03.15	31.03.15
	£'000	£'000	£'000	£'000
Accrued expenses	2,339	3,515	3,787	5,700
Related party liabilities	1,394	–	126,811	–
Payroll liabilities	820	984	874	912
Creditors	8,376	10,473	1,617	6,058
Total	**12,929**	**14,972**	**133,089**	**12,670**

At 31 March 2016 an amount of £6.5m was payable in relation to fees paid by the Company on behalf of GIBFS.

A related party liability amount of £124.9m in the prior year related to amounts due in relation to the GIB Offshore Wind Fund. This transaction was completed in April 2015.

21. Issued capital

	Allotted, called up and fully paid	
	Number of shares	Ordinary shares
	'000	'000
Balance at 31 March 2014	**301,850**	**301,850**
Issue of ordinary shares	673,000	673,000
Balance at 31 March 2015	**974,850**	**974,850**
Issue of ordinary shares	60,000	60,000
Balance at 31 March 2016	**1,034,850**	**1,034,850**

During the year ended 31 March 2016, 60,000,000 (2015: 673,000,000) ordinary shares of £1 each were issued to the shareholder.

The Directors have approval to allot shares up to an aggregate nominal amount of £3bn.

22. Capital contribution reserve

	Company and Group
	£'000
Balance at 31 March 2014	**8,600**
Capital contribution	4,000
Balance at 31 March 2015	**12,600**
Capital contribution	–
Balance at 31 March 2016	**12,600**

In addition to funding received from share issues, the Company receives operational funding from its shareholder which is recognised as a capital contribution but does not form part of the shareholding in the Company. These amounts are non-interest bearing and non-repayable. During the year no operational funding was received (2015: £4m).

23. Revaluation reserve

	Group
	£'000
Balance at 31 March 2014	**1,973**
Revaluation of available for sale assets	2,790
Balance at 31 March 2015	**4,763**
Revaluation of available for sale assets	1,052
Balance at 31 March 2016	**5,815**

24. Retained earnings

	Company	Group
	Total	Total
	£'000	£'000
Balance at 31 March 2014	**(13,284)**	**(9,236)**
Profit/(loss) for the period	5,159	(1,618)
Balance at 31 March 2015	**(8,125)**	**(10,854)**
Profit/(loss) for the period	(5,525)	3,894
Balance at 31 March 2016	**(13,650)**	**(6,960)**

25. Retirement benefits

Retirement benefits for employees are solely provided by defined contribution schemes, funded by contributions from Group Companies and employees. Group Companies make a 10% contribution subject to a minimum employee contribution of 3%. The amount charged to the profit and loss account of £1.1m (2015: £1.0m) represents contributions payable in the period to this scheme at rates specified in the rules of the plan. As at 31 March 2016, contributions of £0.1m (2015: £0.1m) due in respect of the current reporting period had not been paid over to the scheme.

26. Commitments

Capital commitments At 31 March 2016	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Total
	£'000	£'000	£'000	£'000	£'000
Investment commitments	334,896	261,346	44,084	20,661	660,987
Total	**334,896**	**261,346**	**44,084**	**20,661**	**660,987**

Capital commitments At 31 March 2015	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Total
	£'000	£'000	£'000	£'000	£'000
Investment commitments	315,927	159,546	94,785	23,504	593,762
Total	**315,927**	**159,546**	**94,785**	**23,504**	**593,762**

Operational commitments At 31 March 2016	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Total
	£'000	£'000	£'000	£'000	£'000
Operating leases	1,199	3,242	1,527	–	5,968
Total	**1,199**	**3,242**	**1,527**	–	**5,968**

Operational commitments At 31 March 2015	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Total
	£'000	£'000	£'000	£'000	£'000
Operating leases	948	2,089	1,787	–	4,824
Total	**948**	**2,089**	**1,787**	–	**4,824**

Operational commitments reflect leases including premises, representing Atria One in Edinburgh, Millbank Tower in London, other IT related operational leases and land and port leases held by GyM Participant Limited.

For the year ended 31 March 2016, lease payments totalling £0.7m (2015: £0.8m) were recognised as an expense in the year.

27. Related parties

The UK Green Investment Bank plc is 100% owned by the UK Government, with the shareholder being the Secretary of State for the Department for Business, Innovation and Skills. As a result the UK Government and UK Government controlled bodies are related parties of the Company. The Group has elected to take the exemption under IAS 24 regarding disclosure of transactions with related parties because the UK Government has control over both the Company and other entities. The Company trades with Government bodies on an arm's length basis on commercial terms in line with our contractual agreements. The main Government bodies transacted with are the Department for Business, Innovation and Skills as our shareholder and UK Shared Business Services Limited, who are responsible for providing outsourced services including payroll and finance services. Other transactions include taxes, National Insurance contributions and local authority rates.

The balances outstanding with related parties are disclosed below:

	31.03.16 £'000	31.03.15 £'000
UK Shared Business Services Limited	9	102
Department for Business, Innovation and Skills	361	–
Total	**370**	**102**

This balance with UK Shared Business Services Limited represents short-term liabilities which are expected to be paid within the next 12 months and relate to operational service costs. The amount payable to the Department for Business, Innovation and Skills represents the interest payable on derivative financial instruments.

Tony Poulter was a partner at PwC until 30 June 2016. During the period (and also in the preceding period) the GIB Group engaged PwC on a number of matters. Mr Poulter was not involved in any decision to appoint or not appoint PwC and has not been involved in any discussions at Board level in relation to such matters. Under arrangements put in place to manage the potential conflict of interest caused by Mr Poulter's roles, he was prohibited from being involved in discussions or decisions in relation to the appointment or dismissal of PwC. For so long as Mr Poulter was a partner of PwC, PwC was not permitted to be engaged to carry out audit work, assurance work or work concerning evaluation or assessment of the Board or remuneration of Directors or advisory work in relation to the GIB Group corporate structure or GIB's accounting and tax policies.

Associates and Joint Ventures

The associates of the Company during the 2015–16 period were Rhyl Flats Wind Farm Limited, Scira Offshore Energy Limited, Rampion Offshore Wind Limited, Galloper Wind Farm Holding Company Limited and Albion Community Power I Shareco Limited. The joint ventures of the Company during 2015–16 were WMR JV HoldCo Limited, Speyside Renewable Energy Partnership HoldCo Limited, Tilbury Green Power Holdings Limited, Cramlington Renewable Energy Developments HoldCo Limited, Full Circle Generation Holding Company Limited, GLID Wind Farms TopCo Limited and The Waste Asset Limited Partnership. More information is included in Note 14.

Key management compensation

Key management comprises all Directors, both Executive and Non Executive and the Leadership Team of the Company totalling 18 at the date of signing this report. Detailed disclosures of Directors' and Executives' remuneration for the period are contained within the audited section of the Directors' Remuneration Committee Report.

The compensation for key management during time in key management positions is summarised below:

	31.03.16 £'000s	31.03.15 £'000s
Salaries and other short-term employee benefits	2,655	2,678
Post-employment benefits	220	231
Long term incentive plan	475	758
Total compensation earned by key management	**3,350**	**3,667**

No other long-term benefits, termination benefits or share-based payments were made. The remuneration policy is described in more detail in the Remuneration Committee Report, as well as information concerning Directors' remuneration, long-term incentive schemes and pensions.

28. Risk disclosure

This note presents information about the nature and extent of risks arising from our financial instruments. The sections of the annual report on the Audit and Risk Committee and Risk Management and Internal Control provide details of GIB's approach to risk management. Specifically, they identify the main risk types to which we are exposed, our risk appetite for each and details of specific risks identified within each risk type.

Credit risk

Credit risk is the risk of loss due to the failure of a counterparty to meet its obligations to pay GIB in accordance with agreed terms. Credit risk may arise in any asset where there is the potential for default including direct loans and equity investments with a contractual repayment.

The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time. The amount invested in each class of financial asset is detailed in Note 14.

For current debt investments appropriate collateral is held. Collateral does not apply to equity investments and the nature of collateral may change over time depending on the investments which GIB holds in any given period. The Group does not have any financial assets that are past due or impaired.

Liquidity risk

Liquidity risk is the risk that an entity does not have sufficient resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources. GIB's policy is to manage exposure to liquidity risk by monitoring forecast and actual cash flows and ensuring that sufficient funding is available to meet downside scenarios.

Market risk

Market risk is the risk of loss of earnings or economic value due to adverse changes in financial market rates or prices. In UK-based projects, GIB mitigates exposure to currency risk by investing in sterling with project obligations in foreign currencies being managed at the project level.

When GIB makes an investment which results in the receipt of fixed rate cash flows, interest rate risk arises. Therefore, the Group has agreed commercial terms with our shareholder, the Secretary of State for Business, Innovation and Skills, to undertake hedging of interest rate risk on our fixed interest investments.

Hedged debt investments will be carried at fair value through profit and loss. The Group will consider a hierarchy of valuation (as recognised in IAS39) to ascertain the fair value of each of the Group's investments on the Valuation Date:

- where an asset is listed the best evidence of fair value is a quoted price in an active market; and
- where an asset is unlisted, valuations will ordinarily be produced using a DCF methodology unless another valuation technique is deemed to be more appropriate.

The DCF methodology is applied as follows:

- the investment valuation model is run on the basis of the initial investment terms;
- the model is updated for any material changes in assumptions and adjusted for any changes to expected cash flow; and
- projected cash flows are discounted to present value using an appropriate discount rate.

Sensitivity analysis

The impact of 1% movements in interest rates (specifically three-month GBP LIBOR) and UK merchant power prices on our portfolio is as follows:

LIBOR sensitivity in operational debt investments:

- The impact of a 1 percentage point increase in the interest rate applicable to investments would be an approximate increase in income of £9.8m (2015: £18.6m) over the life of the investment.
- The impact of a 1 percentage point decrease in the interest rate applicable to investments would be an approximate decrease in income of £9.8m (2015: £18.6m) over the life of the investment.

Power price sensitivity in operational equity investments:

- The impact of a 1% increase in the power price applicable to investments would be an approximate increase in income of £17.7m (2015: £5.0m) over the life of the investment.
- The impact of a 1% decrease in the power price applicable to investments would be an approximate decrease in income of £18.0m (2015: £5.4m) over the life of the investment.

29. Post balance sheet events

On 23 June 2016 the UK voted to leave the European Union. At this moment we are unable to quantify the potential impact that this may have on our business. There have been no other significant events between the year end and the date of approval of these accounts which would require a change to the information presented.

Appendices

Investment portfolio 2015–16 transactions

In 2015–16 we committed to invest £770m in 30 new projects.

Project name	Number of projects	Sector	Direct investments (£m)		Fund investments (£m)		Fund manager
			GIB investment	Total transaction size	GIB investment	Total transaction size	
Oakleaf recycling	1	W&B	–	–	1.9	19.2	Foresight
NCP low energy lighting project II	1	EE	–	–	0.3	0.5	SDCL
Stirling Council streetlighting project	1	EE	10.0	10.0	–	–	–
Wick district heating network	1	EE	–	–	4.8	9.8	Equitix
Lynn and Inner Dowsing offshore wind farms[2]	2	OSW	241.9	423.3	–	–	–
De Lage Landen funding alliance[3]	1	EE	–	–	–	–	–
NHS Grampian energy efficiency programme	1	EE	–	–	4.3	8.5	Aviva
Gloucester Waste PPP extension[4]	0	W&B	15.4	30.6	–	–	–
Blackcraig wind farm	1	OSR	–	–	49.5	103.8	Temporis
Northern Ireland on-farm AD: Edenmore	1	W&B	–	–	1.7	3.5	Foresight
NHS Tayside energy efficiency programme	1	EE	–	–	7.7	15.4	Aviva
Santander LED retrofit programme	1	EE	–	–	8.4	17.5	SDCL
Huntsman boiler installation	1	EE	–	–	6.2	13.0	SDCL
UK-wide energy efficiency platform	1	EE	–	–	1.4	3.0	SDCL
Belfast energy from waste plant	1	W&B	47.1	107.3	–	–	–
Galloper offshore wind farm	1	OSW	119.0	1790.2	–	–	–
Nottingham CHP plant	1	EE	–	–	14.7	30.0	Equitix
Cramlington CHP plant	1	W&B	21.3	138.0	–	–	–
Southend streetlighting project	1	EE	8.7	13.8	–	–	–
Sheffield CHP plant	1	W&B	–	–	14.6	30.0	Equitix
Scotland-wide heat pump installation programme	1	EE	–	–	1.9	4.0	Equitix
UK-wide LED lighting installation programme	1	EE	–	–	2.4	5.0	Equitix
Oxford NHS energy efficiency programme	1	EE	–	–	7.4	15.0	Aviva
Rampion offshore wind farm[5]	1	OSW	306.5	1184.7	–	–	–
Albion Community Power[6]	6	OSR	–	–	–	–	–
2015–16 total	**30**	–	**769.9**	**3697.9**	**127.2**	**278.2**	–

1. *Includes investments made by the GIBFS-managed Offshore Wind Fund.*
2. *Total transaction value includes the acquisition of Glens of Foudland onshore wind farm by BlackRock.*
3. *Investments made by De Lage Landen funding alliance capitalised in 2014–15.*
4. *Additional investment in Gloucester Waste PPP first capitalised in 2012–13.*
5. *GIB's initial investment of £236m in Rampion offshore wind farm was subsequently increased to £306m in July 2015.*
6. *Investments made by Albion Community Power, capitalised in 2014–15.*

Key: EE = energy efficiency; OSW = offshore wind; W&B = waste & bioenergy; OSR = onshore renewables

Investment portfolio 2014–15 transactions

In 2014–15 we committed to invest over £723m in 22 new projects.

Project name	Number of projects	Sector	Direct investments (£m)		Fund investments (£m)		Fund manager
			GIB investment	Total transaction size	GIB investment	Total transaction size	
Old Quarrington anaerobic digestion plant	1	W&B	–	–	2.0	4.0	Foresight
Sheltered housing boiler replacement project	1	EE	–	–	2.4	5.0	Equitix
Tilbury renewable power facility	1	W&B	35.0	190.1	–	–	–
Levenseat recycling and waste plant[7]	1	W&B	10.3	111.0	28.3	111.0	Foresight
Hoddesdon gasification plant	1	W&B	29.8	60.5	–	–	–
Albion Community Power	2	OSR	50.0	100.0	–	–	–
Recycling and waste fund (Foresight)	0	W&B	50.0	100.0	–	–	–
Glasgow City Council streetlighting project	1	EE	6.3	6.3	–	–	–
Westermost Rough refinance[8]	0	OSW	–	377.8	–	–	–
Sheringham Shoal offshore wind farm[9]	1	OSW	240.0	480.0	–	–	–
Agricultural small carbon biomass platform	1	EE	–	–	5.5	11.5	SDCL
Widnes CHP plant[10]	1	W&B	16.9	110.3	13.2	110.3	Foresight
Temporis lending programme	1	OSR	100.0	200.0	–	–	–
North Yorkshire waste treatment plant	1	W&B	33.4	319.4			
Citi data centre retrofit	1	EE	–	–	2.5	5.3	SDCL
Equitix fund extension	0	–	50.0	100.0	–	–	–
De Lage Landen funding alliance	1	EE	25.0	50.0	–	–	–
Derby energy from waste plant	1	W&B	63.6	190.9	–	–	–
Speyside CHP project	1	W&B	12.8	74.3	–	–	–
Northern Ireland on-farm AD: Bridge Energy	1	W&B	–	–	1.7	3.5	Foresight
Northern Ireland on-farm AD: PAR Renewables	1	W&B	–	–	1.5	3.0	Foresight
SME energy efficiency platform	1	EE	–	–	0.5	2.0	SDCL
Willen anaerobic digestion project	1	W&B	–	–	7.4	14.9	Foresight
Distillery biomass platform 2	1	EE	–	–	1.9	3.8	Equitix
2014–15 total	**22**	–	**723.1**	**2470.6**	**66.9**	**274.3**	–

7. *GIB provided an additional £10.3m to the Foresight UKWREI fund to allow the fund to invest £28.3m in the £111m project.*
8. *Refinancing of £310m equity from original 2013–14 investment with senior debt from five international lending banks.*
9. *GIB's stake in Sheringham Shoal offshore wind farm was subsequently acquired by the Green Investment Bank Financial Services-managed Offshore Wind Fund on 1 April 2015.*
10. *GIB invested twice in this project, directly and via the Foresight fund.*

Investment portfolio 2013–14 transactions

In 2013–14 we committed to invest over £610m in 17 new projects.

Project name	Number of projects	Sector	Direct investments (£m)		Fund investments (£m)		Fund manager
			GIB investment	Total transaction size	GIB investment	Total transaction size	
Westermost Rough offshore wind farm	1	OSW	240.8	888.4	–	–	–
Gwynt y Môr offshore wind farm[11]	1	OSW	220.0	440.0	–	–	–
Cheltenham General Hospital CHP project	1	EE	–	–	1.2	3.3	Aviva
St Bartholomew's Hospital energy efficiency retrofit	1	EE	–	–	1.3	2.6	SDCL
Bernard Matthews boiler replacement programme	1	EE	–	–	12.0	24.7	Equitix
Societe Generale Equipment Finance energy efficiency partnership	1	EE	25.0	50.0	–	–	–
Birmingham BioPower gasification plant[12]	1	W&B	12.0	47.0	5.6	47.0	Foresight
Merseyside waste PFI	1	W&B	20.0	335.5	–	–	–
NCP low energy lighting project	1	EE	–	–	2.1	8.8	SDCL
West London waste PFI	1	W&B	20.0	223.7	–	–	–
London Array offshore wind farm	1	OSW	58.6	266.0	–	–	–
Port Talbot biomass plant	1	W&B	–	–	11.3	24.9	Greensphere
Evermore waste to energy plant[13]	1	W&B	20.2	81.3	–	–	Foresight
Distillery biomass platform 1 (inc. Tomatin)	1	EE	–	–	0.6	1.2	Equitix
Schools biomass platform	1	EE	–	–	0.4	0.9	Equitix
Kingspan building retrofit	1	EE	–	–	0.4	0.9	SDCL
Roundwood biomass boiler platform	1	EE	–	–	4.9	10.0	Equitix
2013–14 total	**17**	–	**616.6**	**2331.9**	**39.8**	**124.3**	–

11. GIB's stake in Gwynt y Môr offshore wind farm was subsequently acquired by the Green Investment Bank Financial Services-managed Offshore Wind Fund on 30 October 2015.

12. GIB invested twice in this project, directly and via the Foresight fund.

13. This investment was made by Foresight-managed UKWREI fund, in which GIB is the cornerstone investor. GIB made an additional investment into the UKWREI fund which allowed the investment into the transaction.

NB

- *Norfolk waste PFI (£51.2m commitment to £226m transaction) cancelled subsequent to year end reporting and has consequently now been removed from GIB commitment totals.*
- *All SDCL commitment numbers have been changed subsequent to annual reporting to reflect final close of the SDCL fund and admission of additional limited partners.*

Investment portfolio 2012–13 transactions

In 2012–13 we committed to capitalise five new funds and invest in seven new projects.

Project name	Number of projects	Sector	Direct investments (£m)		Fund investments (£m)		Fund manager
			GIB investment	Total transaction size	GIB investment	Total transaction size	
Rhyl Flats offshore wind farm[14]	1	OSW	57.5	115.1	–	–	–
Aviva Investors fund initial capitalisation	0	EE	50.0	100.0	–	–	–
Gloucester Waste PPP	1	W&B	46.8	185.4	–	–	–
Wakefield Waste PFI	1	W&B	30.4	121.7	–	–	–
Drax biomass conversion[15]	1	W&B	50.0	990.0	–	–	–
Walney offshore wind farm	1	OSW	45.7	224.3	–	–	–
Greenlight anaerobic digestion project	1	W&B	–	–	7.8	16.0	Greensphere
Equitix fund initial capitalisation	0	EE	50.0	100.0	–	–	–
SDCL fund initial capitalisation	0	EE	50.0	100.0	–	–	–
Biogas plant, Dagenham	1	W&B	–	–	2.0	20.9	Foresight
Greensphere fund initial capitalisation	0	W&B	30.0	60.0	–	–	–
Foresight fund initial capitalisation	0	W&B	50.0	100.0	–	–	–
2012–13 total	**7**	–	**460.4**	**2096.5**	**9.8**	**36.9**	–

14. GIB's stake in Rhyl Flats offshore wind farm was subsequently acquired by the Green Investment Bank Financial Services-managed Offshore Wind Fund on 1 April 2015.

15. GIB initially committed £100m of senior debt funding to Drax, of which £50m was an underwritten piece that was not utilised as Drax secured alternative funding. Consequently the GIB commitment total has been reduced to reflect this.

NB

- *Addenbrooke's Hospital energy efficiency retrofit via Aviva Investors fund (£18.4m commitment to £36.9m transaction) cancelled subsequent to year end reporting. Consequently, now removed from GIB commitment totals.*
- *GIB's £125m debt facility provided to support the launch of the Green Deal Finance Company has now expired without being drawn and thus has been removed from this table.*

Glossary

Addressable transactions	Those transactions occurring in our market that GIB might in theory be able to participate in. For example, this excludes on balance sheet investment by utilities where external finance is not sought.
AGM	Annual General Meeting
AIF	Alternative Investment Fund
Anaerobic digestion	Anaerobic digestion is a collection of processes by which microorganisms break down biodegradable material in the absence of oxygen. The process is used for industrial or domestic purposes to manage waste and/or to produce fuels.
ARC	Audit and Risk Committee
Bioenergy	Renewable energy derived from animal or plant matter of recent origin
BIS	Department for Business, Innovation and Skills
CfD	Contracts for Difference
CGC	Coalition for Green Capital
CHP	Combined heat and power
CO_2e	Carbon dioxide equivalent. A standard measure of greenhouse gas, used to express total emissions of various greenhouse gases in terms of the equivalent emissions of carbon dioxide.
Consolidated entities	Entities (being companies or other corporate vehicles such as Limited Partnerships) in which the Group directly or indirectly holds the majority of the voting rights and/or where it could determine their financial and business policies and is able to exercise control over them in order to benefit from their activities.
Constitution	GIB's Articles of Association and Shareholder Relationship Framework Document.
DCF	Discounted Cash Flow
Direct investments/transactions	Equity or debt investments in renewable energy projects, including loans, which are made by a GIB Group entity directly into a project or project structure for the purpose of producing an investment return
Double bottom line	The combination of both Green Impact and financial returns on investment. These are equally important to GIB and referred to as our 'double bottom line'.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EE	Energy efficiency
EIR	Effective Interest Rate
EfW	Energy from waste
Electricity Market Reform	EMR is being introduced by the UK Government in order to help deliver 'greener energy and reliable sources at the lowest possible cost'. EMR comprises two main elements – Contracts for Difference and Capacity Market. GIB's principal focus is on Contracts for Difference.
EMR	Electricity Market Reform
EP	Equator Principles

Equator Principles	The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.
Equity investment	Investment in a project through purchase of shares
ESCO	Energy service company
ESG	Environmental, Social and Governance
ESOS	Energy Savings Opportunity Scheme
EY	Ernst & Young (now known as EY)
FBU	Fair, balanced and understandable
FCA	Financial Conduct Authority
Ferrous metal	Ferrous metal is any metal, including alloys, which contains iron in appreciable amounts. It is generally less expensive than non-ferrous metals. Ferrous metals include steel and pig iron and alloys such as stainless steel.
FRC	Financial Reporting Council
FReM	Financial Reporting Manual
The Fund	GIB Offshore Wind Fund
Fund investments/transactions	Equity or debt investments in renewable energy projects, which are made by a fund manager appointed by GIB for the purpose of producing an investment return
Gasification	A process that converts organic or fossil based carbonaceous materials into carbon monoxide, hydrogen and carbon dioxide. This is achieved by reacting the material at high temperatures (>700°C), without combustion, with a controlled amount of oxygen and/or steam. The resulting gas mixture is called syngas (from synthesis gas or synthetic gas) and is itself a fuel.
GHG	Greenhouse gas
GIB	UK Green Investment Bank plc
GIBFS	UK Green Investment Bank Financial Services Limited
GIB Group	GIB together with its subsidiary undertakings
GIB Offshore Wind Fund	The UK Green Investment Bank Offshore Wind Fund L.P.
Green Impact	A positive measure of performance against GIB's five Green Purposes
Green Impact Reporting Criteria	Set out GIB's approach to measuring Green Impact
Green Investment Policy	Defines GIB's approach to green investment
Green Investment Principles	Define GIB's approach to investment
Green Purposes	Five measures, set out in our Articles of Association, against which we measure Green Impact
Green risk	Green risk is the risk that transactions represent an unacceptably low level of green or sustainability benefits or reflect irresponsible investing

GW	Gigawatt. Equal to 1,000,000,000 watts
GWh	Gigawatt hour. Equal to 1,000,000,000 watt hours
HMT	HM Treasury
IAS	International Accounting Standards
IC	Investment Committee
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IGF	Information Governance Forum
Internal Rate of Return	The discount rate which would make the present value of future cashflows minus investment cost equal to zero
Investment Contract	UK Government funding for low carbon technologies
Investment risk	Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process.
IRR	Internal Rate of Return
ISMS	Information Security Management System
KPI	Key Performance Indicator
kWh	Kilowatt hour. Equal to 1000 watt hours
LED	Light Emitting Diode
Liquidity risk	Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources.
Loans and receivables	Loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
LP	Limited Partner
LTIP	Long Term Incentive Plan
Merchant	Projects which utilise private, specialist fuel supply such as refuse derived fuel, commercial and industrial waste and waste wood.
MW	Megawatt. Equal to 1,000,000 watts
MWh	Megawatt hour. Equal to 1,000,000 watt hours
NGO	Non-governmental organisation
Non-domestic	Pertaining to buildings/properties that are not associated with households
Non-ferrous metal	Any metal, including alloys, that does not contain iron in appreciable amounts
NRDC	Natural Resources Defence Council

O&M	Operations and maintenance
OFTO	Offshore transmission owner
ONS	Office for National Statistics
Operational risk	Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events
OSR	Onshore renewables
OSW	Offshore wind
PIM	Portfolio Investment Management
PPP/PFI	Public-Private Partnership/Private Finance Initiative
PPM	Private Placement Memorandum
PRI	(United Nations) Principles for Responsible Investment
Principles for Responsible Investment	The United Nations-supported Principles for Responsible Investment Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.
PV	Photovoltaic
Qualitative	Relating to, measuring, or measured by the quality of something rather than its quantity
Quantitative	Relating to, measuring, or measured by the quantity of something rather than its quality
RCSA	Risk and Control Self-Assessment
Refuse derived fuel	Refuse-derived fuel (RDF) or solid recovered fuel/specified recovered fuel is a fuel produced by shredding and dehydrating solid waste with a waste converter technology. RDF consists largely of combustible components of municipal waste such as non-recoverable plastics and biodegradable waste.
Renewable Obligations Certificates	Suppliers meet their obligations under the RO by presenting Renewable Obligation Certificates (ROCs) to Ofgem. ROCs are intended to create a market and be traded at market prices that differ from the official buy-out price.
Renewables Obligation	Places an obligation on licensed electricity suppliers in the United Kingdom to source an increasing proportion of electricity from renewable sources
Reputational risk	Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions
Responsible Investment Policy	Defines GIB's approach to responsible investment
Risk appetite	GIB's risk appetite statement is a strategic-level tool that sets out the overall levels of risk that GIB is willing to accept
ROC	Renewables Obligation Certificate

Scope 1	All direct greenhouse gas emissions
Scope 2	Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam
Scope 3	Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in Scope 2, outsourced activities, waste disposal, etc.
Senior manager	A senior manager is defined as an employee of the Company with responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company.
State aid	State aid is advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities
STIP	Short Term Incentive Plan
Tax assets	An asset that may be used to reduce any subsequent period's income tax expense
TCFD	Task Force on Climate-Related Financial Disclosures
The Code	UK Corporate Governance Code
TWh	Terawatt hour, equal to 1,000,000,000,000 watt hours
UKCI	UK Climate Investments LLP
UK Green Investment Bank Offshore Wind Fund	The UK Green Investment Bank Offshore Wind Fund comprising UK Green Investment Bank Offshore Wind Fund L.P., UK Green Investment Offshore Wind B L.P. and UK Green Investment Offshore Wind Fund C L.P. together with any parallel fund of any of the foregoing. Referred to as GIB Offshore Wind Fund throughout this report.
UK Green Investment Bank plc	UK Green Investment Bank plc (the "Company") and its controlled entities (together, the "Group")
UKWREI	UK Waste Resources and Energy Investments fund managed by Foresight
UNFCCC	United Nations Framework Convention on Climate Change
UNPRI	UN Principles for Responsible Investment
Upfront fees	A fee paid by a borrower to a lender for making a loan. Usually paid at the time a contract is signed.
VAT	Value Added Tax
Vintage year	The year which commences on 1 April following the year being assessed
Watt	A unit of power. For example a 6 MW wind turbine can generate up to a maximum of 6 million watts at any given point in time
Watt hour	A unit of energy. For example, a 60 W light bulb operating for 10 hours uses 600 watt hours of energy
W&B	Waste and bioenergy
WEEE	Waste Electrical and Electronic Equipment

Cautionary statement

This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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