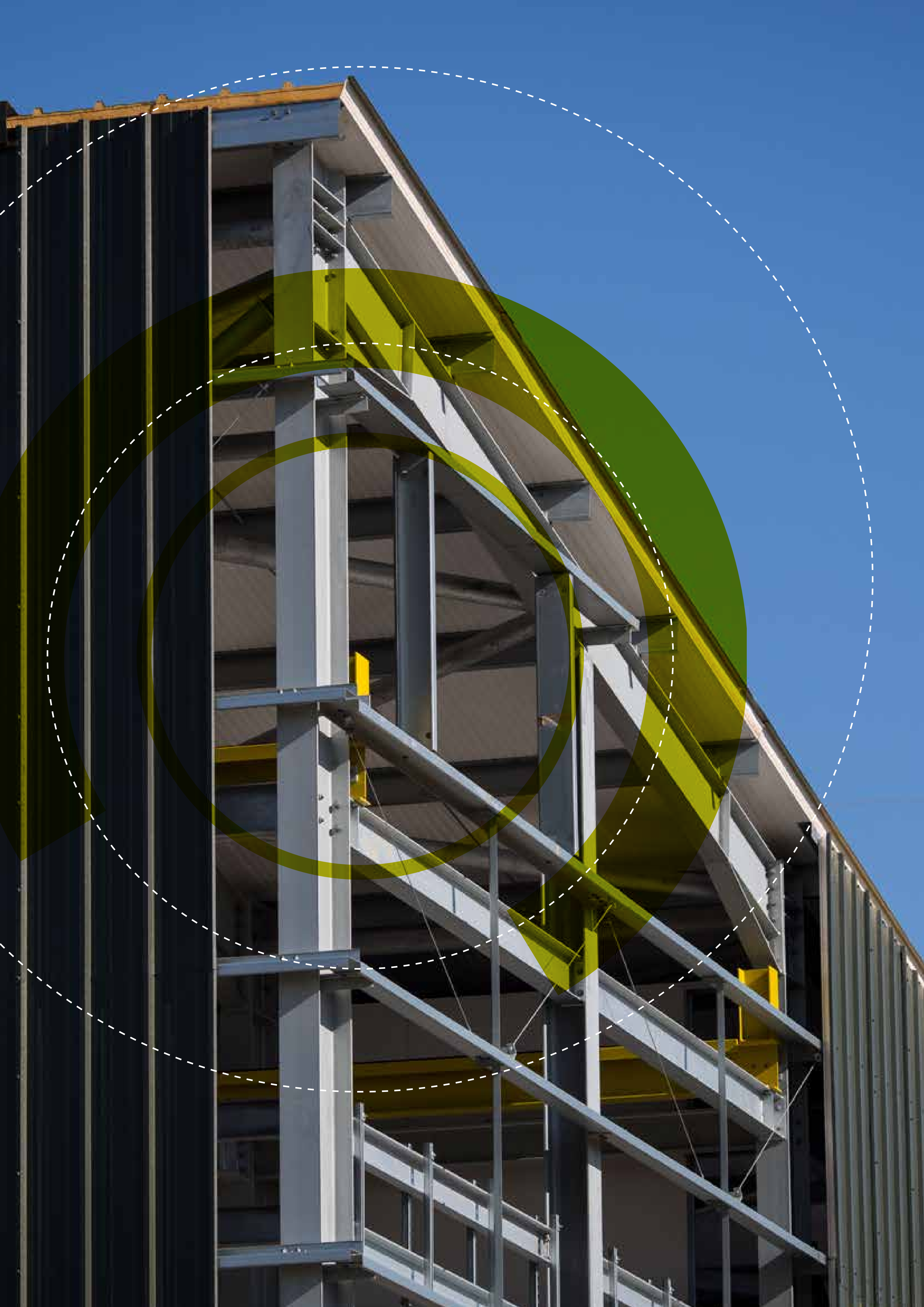
UK Green Investment Bank Limited

# Annual Report and Financial Statements 2016–17



## About this report

# This report outlines our performance for the financial year ending 31 March 2017.

In August 2017, UK Green Investment Bank Limited changed ownership from the UK Government to Macquarie Group Limited (Macquarie). As such, while this report covers a reporting period where GIB was in public ownership, it is published under private ownership.

Where appropriate, references have been made to material events that happened between 31 March 2017 (when the reporting period ended) and the date of publication in September 2017. Unless explicitly stated otherwise, all commentary in this report applies to the financial year 2016 –17.

To aid understanding, a summary of the various entities referred to in the report is provided below.

In July 2017, UK Green Investment Bank plc ceased to be a public limited company and became a private limited company, UK Green Investment Bank Limited. This entity will be referred to as UK Green Investment Bank Limited or GIB throughout this report. UK Green Investment Bank Limited remains the holding company for other entities including Green Investment Group Limited. UK Green Investment Bank Limited and its subsidiaries intend to trade principally under the name Green Investment Group Limited in the future. This entity will be referred to as Green Investment Group or GIG throughout this report.

The entity established as UK Green Investment Bank Financial Services Limited has been renamed as Green Investment Group Management Limited. This entity will be referred to as Green Investment Group Management Limited or GIGML throughout this report.

The report is divided into four 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 or online.

**Find out more**
You can learn more about us online. This and previous annual reports are available to view or download on our website.

**greeninvestmentgroup.com**

Other than Macquarie Bank Limited (MBL), any other Macquarie Group entity noted herein is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). That entity's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity, unless noted otherwise.

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Any enquiries related to this publication should be sent to us at enquiries@greeninvestmentgroup.com

This publication is available at www.greeninvestmentgroup.com

# Who we are

## UK Green Investment Bank Limited (GIB) is proud to have helped finance 100 green projects with a total value of more than £12bn by 31 March 2017.

### What we do

We invest our shareholder's money in green infrastructure projects. In addition to our core business, our subsidiary, Green Investment Group Management Limited (GIGML), formerly UK Green Investment Bank Financial Services Limited, manages private capital in UK offshore wind projects invested by the UK Offshore Wind Fund (the Offshore Wind Fund). We also work with the UK Government to invest in green infrastructure projects in developing countries through UK Climate Investments LLP (UKCI), established in May 2015.

### Green investments

We have only invested in projects that deliver a positive green impact as measured against our five green purposes. We have reported on our green impact with market-leading rigour and transparency.

We have been a leading voice in the development of a worldwide standardised green reporting methodology.

### Our people

At 31 March 2017 GIB employed 121 people, based in Edinburgh and London.

### Our shareholders

GIB was established in late 2012 by the UK Government, which provided the business with its initial investment capital. In June 2015 the UK Government announced its intention to move GIB into the private sector by selling a majority of its shares. In March 2016, the transaction was launched and in April 2017 it was announced that Macquarie Group Limited (Macquarie) would acquire 100% of the share capital of GIB. The sale of GIB completed in August 2017.

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# Performance highlights in 2016 –17

## Investment highlights

**£839m**

Capital committed

| | |
|---|---|
| **2016–17** | £839m |
| 2015–16 | £770m |
| 2014–15 | £723m |
| 2013–14 | £617m |

**£1.4bn**

Total transaction value

| | |
|---|---|
| **2016–17** | £1.4bn |
| 2015–16 | £3.7bn |
| 2014–15 | £2.5bn |
| 2013–14 | £2.3bn |

**24**

Projects financed

| | |
|---|---|
| **2016–17** | 24 |
| 2015–16 | 30 |
| 2014–15 | 22 |
| 2013–14 | 17 |

## Financial highlights

**£24.0m**

Profit before tax

| | |
|---|---|
| **2016–17** | £24.0m |
| 2015–16 | £9.9m |
| 2014–15 | £0.1m |
| 2013–14 | (£5.7m) |

**10%**

Projected portfolio return

| | |
|---|---|
| **2016–17** | 10% |
| 2015–16 | 10% |
| 2014–15 | 9% |
| 2013–14 | 8% |

**£96.8m**

Income

| | |
|---|---|
| **2016–17** | £96.8m |
| 2015–16 | £58.8m |
| 2014–15 | £28.2m |
| 2013–14 | £15.4m |

## Green highlights

# 21.5TWh

Renewable energy produced*

| | |
|---|---|
| **2016–17** | **21.5 TWh** |
| 2015–16 | **20.3 TWh** |
| 2014–15 | **16.3 TWh** |
| 2013–14 | **12.8 TWh** |

Enough to power 5.2m homes

# 8.0m t $CO_2e$

Greenhouse gas (GHG) emissions avoided*

| | |
|---|---|
| **2016–17** | **8.0m t $CO_2e$** |
| 2015–16 | **7.1m t $CO_2e$**** |
| 2014–15 | **4.2m t $CO_2e$** |
| 2013–14 | **3.5m t $CO_2e$** |

Equivalent to taking 3.4m cars off the road

# 3.2m tonnes

**Landfill avoided***

| | |
|---|---|
| **2016–17** | **3.2m tonnes** |
| 2015–16 | **2.3m tonnes** |
| 2014–15 | **2.1m tonnes** |
| 2013–14 | **1.3m tonnes** |

Equivalent to waste of 3.3m households

* Average annual projected.
** We have updated our greenhouse gas calculation methodology, and rebased our previous year's forecasts to show the extent of this change. Please refer to the notes to green impact statements on page 70 for details.

## Performance against our own Key Performance Indicators (KPIs)

We set ourselves four targets for the year. Our performance against each is set out in full in this report.

Our Green Investment target for the reporting period was to commit £761m of new capital to green infrastructure projects. We exceeded this target by committing to invest £839m.

We exceeded our income target for the year and achieved our targets in managing operating costs and attracting private capital into GIB.

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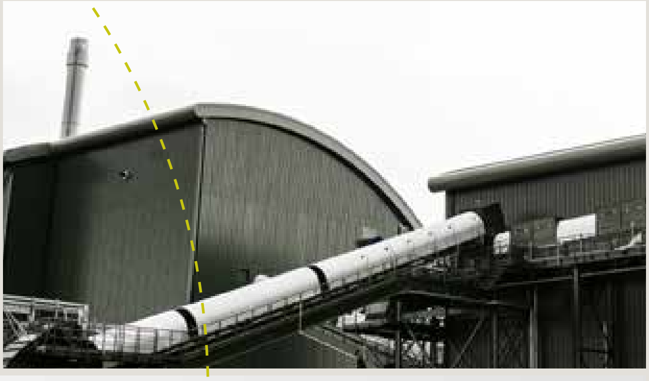
Craigellachie CHP plant, Speyside, Scotland

# Strategic report



Craigellachie CHP plant in Speyside, Scotland, generates low-carbon electricity and heat using locally-sourced forestry residue.

## Review by the Head of the Green Investment Group

# 2016–17 was a successful year for GIB. We performed well against each of our KPIs: making new green investments; increasing our income; controlling our costs; and attracting private capital into GIB.

We committed to provide funding to 24 projects across all of our sectors. In waste and bioenergy we invested in established technologies on a large scale and a small scale. In energy efficiency we provided funding to low energy lighting projects across the public and private sector. In onshore renewables, we supported a series of small onshore wind and hydro projects, mainly through our partner Albion Community Power.

In offshore wind, we committed to our largest single investment to date, the Lincs offshore wind farm. Investments were made by both GIB and GIGML and managed co-investment vehicles. Lincs was the sixth acquisition for the Fund, taking its assets under management to £1.12bn. In a short period of time, GIGML raised its first fund and passed its £1bn assets under management target. It has reached final close and has now fully invested its capital.

Across the portfolio we increased our green impact with growth across all key measures including renewable energy produced (21.5 TWh), greenhouse gas emissions avoided (8.0m t $CO_2e$) and landfill avoided (3.2m tonnes). We also extended the reach of our proprietary green impact assessment and ratings model, which we utilised with a third-party for the first time.

Financially, GIB continued to strengthen its performance, as it has consecutively over the past five years, as assets moved from construction into operations.

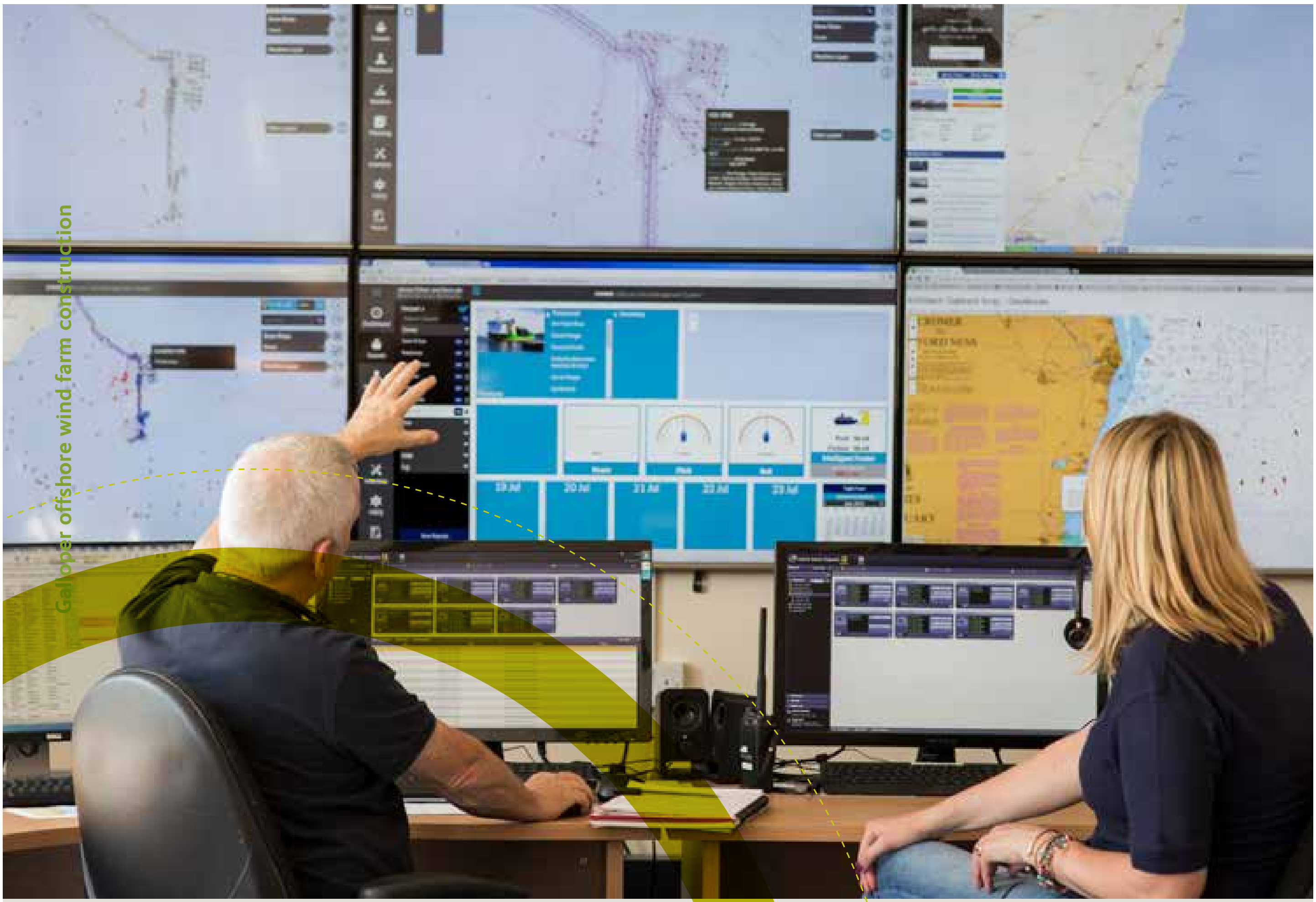
Our income grew to £96.8m (£58.8m in 2015–16) with operating expenses also growing to £61m (£38.1m) reflecting the consolidation of offshore wind asset costs and depreciation, with other operating expenses remaining broadly stable. Our resulting profit before tax for the year was £24.0m (£9.9m).

Aside from our business-as-usual principal investment activity, the key focus in the year was supporting the UK Government in the sale of GIB. While the Government ran the sale process and decided on the outcome, staff from across GIB were extensively involved in the process. This involved preparing an information memorandum, delivering management presentations, creating a virtual data room and answering due diligence questions. In April 2017, the Government announced that agreement had been reached to sell the business to Macquarie Group with the sale completing in August 2017.

Throughout the year the GIB team performed well through a period of change, providing first-class support to the UK Government through the sale process while delivering a record year of capital commitments. Following the completion of the sale in August 2017 the GIB Board and the Chief Executive for the past five years, Shaun Kingsbury, stood down. The Board, led by Lord Smith, and Shaun made a significant contribution to the business and the GIB team thanks them all for their contribution.

As I write this, in August 2017, GIB has now changed ownership and is part of Macquarie Group. This will bring many benefits to the business, not least the support to expand our business into new parts of the green economy and to begin investing outside the UK. The business will trade as the Green Investment Group Limited (GIG) to enable that expansion. This should provide the business with the best of both worlds, the specialist expertise of the GIB team combined with Macquarie's global platform. This starts an exciting new chapter for the business.

**Edward Northam**
Head of the Green Investment Group



Galloper offshore wind farm construction

Galloper offshore wind farm is currently under construction off the most easterly tip of the UK. It is expected to generate enough green electricity to power over 300,000 homes.

# Review by Daniel Wong (Chairman of UK Green Investment Bank Limited and Head of Macquarie Capital Europe) and Mark Dooley (Board Member of UK Green Investment Bank Limited and Head of Energy and Infrastructure, Macquarie Capital Europe)

Macquarie Group acquired GIB in August 2017. While this happened after the reporting period for this report, we wanted to take the opportunity to introduce Macquarie and its interest in green infrastructure, explain Macquarie's rationale for the acquisition and to set out Macquarie's plans for GIB into the future.

Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Founded in 1969 and listed on the Australian Securities Exchange, Macquarie employs more than 13,000 people in over 27 countries. Macquarie opened its first UK office in London in 1989. Since 2005, Macquarie has led more than £35 billion of investment into the UK, making it one of the UK's largest investors.

Globally, we see the shift to a greener economy as a transformation which, though well under way, will require many years of change and new investment to reach its full realisation. This transformation creates challenges and opportunity that Macquarie – as a pioneer of the global infrastructure market – is well suited to address.

Macquarie has a well-established track record as an active investor and adviser in the renewable energy and clean technology sectors for over 15 years. Since 2010, Macquarie and Macquarie-managed funds have invested or arranged over £8.5 billion of capital into renewable projects globally.

We see the acquisition of GIB as an extension of our commitment to this market. GIB is a pioneering business, with outstanding people, expertise, credentials, brand and networks. By combining GIB with Macquarie, we will create a market-leading platform dedicated to investment in the fast-growing low-carbon economy in the UK and beyond.

In terms of the transaction, GIB was acquired by a Macquarie-led consortium also comprising Macquarie European Infrastructure Fund 5 (MEIF5) and Universities Superannuation Scheme (USS).

On completion, 100% of the share capital of GIB was acquired by Macquarie Group with a `special share' in place to safeguard GIB's green purposes. The special share is held by the newly created, independent, Green Purposes Company Limited (GPC), which is run by five independent trustees.

Under Macquarie's ownership, GIB will remain one of the leading investors in green infrastructure in the UK and Europe, with added scope to further expand internationally. Macquarie has now adopted GIB as its primary vehicle for principal investment in green projects in the UK and Europe and is consolidating its own existing UK and European principal investment business into that vehicle.

## Review by Daniel Wong and Mark Dooley

GIB has a new target of leading £3 billion of investment in green energy projects over the next three years and will continue to manage and supervise its own green infrastructure assets and on behalf of others. The business will continue to operate from offices in Edinburgh and London.

In order to pursue GIB's vision to invest in green infrastructure internationally, the business will now operate under the name GIG. This is necessary to overcome the legal and regulatory barriers to using the term "bank" in many international markets.

At the point of completion the then GIB Board stood down. They played an important role in establishing GIB and provided valuable support through the transition period, for which we thank them. Edward Northam will now lead the integrated GIG team. The continuing leadership of Edward and the rest of the GIG senior management team will ensure strong continuity through GIG's transition from a public to privately owned company.

A new Board has now been appointed and has adopted the green policies and principles that guided the GIB business since its inception. The Board will be responsible for ensuring that GIG continues to work within its green purposes and we have established a positive working relationship with GPC, which has set out its role later in this report.

We believe that climate change is one of the defining challenges facing this generation. In combining the businesses of Macquarie and GIB, to create the Green Investment Group, we believe that we are creating a powerful new business which will play an important role in finding and financing pioneering solutions for the global low carbon transition.

**Daniel Wong**
Chairman of UK Green Investment Bank Limited and Head of Macquarie Capital Europe

**Mark Dooley**
Board Member of UK Green Investment Bank Limited and Head of Energy and Infrastructure, Macquarie Capital Europe

# The sale of GIB

A key focus for the business during the year was the privatisation process. The process was launched by the UK Government in March 2016 and ran throughout the financial year. In April 2017, the Government announced that the business would be sold to Macquarie. In August 2017, the sale completed and GIB became part of Macquarie.

On announcing the sale in April, the Government stated that the transaction delivered on the Government's objectives of securing value for money for the taxpayer while ensuring GIB continues its green mission, free from the constraints of the public sector.

Nick Hurd MP, then Minister for Climate Change and Industry, said:

"This deal gives us the best of both worlds. We have secured fair value for the UK taxpayer. GIB has a well-funded new owner that is committed to its green mission, with a track record of success in green investment and an ambition to grow the business. The UK will benefit from increased investment in our green infrastructure as we make the transition to a green economy."

Lord Smith of Kelvin, then independent Chair of the GIB Board, said:

"The GIB Board supported the decision to privatise GIB as it believed that attracting new investors was the best available route to securing the long-term future of the business and its growing green impact.

"The UK Government has run the GIB sale process and has now reached a final decision on its outcome. The GIB Board has provided its views to Ministers at key stages. Those views related to the future prospects of GIB, its continuing growth and its leadership role in green investment. GIB is a highly-valued institution and commitments over its future are important to its many stakeholders.

"Macquarie has made significant and important commitments to the UK Government to maintain GIB as a discrete entity within its business, maintaining GIB's investment focus and approach with a target to invest more capital each year than GIB has historically. Macquarie will also uphold GIB's green investment principles and report transparently on GIB's green impact. Macquarie will utilise the market-leading expertise of the existing GIB team and will build on GIB's deep commitment to Edinburgh.

"On the basis of these commitments, we believe Macquarie can be a good owner of GIB and we support the Government's decision to sell GIB to Macquarie. We look forward to seeing these commitments from Macquarie delivered, in full, in the months and years ahead.

"In the four years since its inception, GIB has become an important business in, and for, the UK. It is widely admired across the world as a stand-out success story and has provided a model of good policy that other countries are now following.

"GIB in private ownership can, and should, continue to play an important leadership role in supporting the global low carbon transition and the UK Government's ambitious plans for a strengthened industrial strategy and emissions reduction."

On completion of the sale, Daniel Wong, Head of Macquarie Capital Europe, said: "Combined with Macquarie's resources as the world's largest infrastructure investor, the Green Investment Group will be uniquely placed to continue in its pioneering role in the world's transition to a low-carbon economy. We look forward to growing the Green Investment Group's capacity and its contribution to the UK and global renewables markets."

Over the course of 2016 –17, the sale transaction consumed significant resource across GIB. Teams from all parts of GIB supported the sale process. Activities included preparing an information memorandum, providing a management presentation, creating a virtual data room and answering due diligence questions as well as the preparation and negotiation of transaction documents. This was all undertaken while GIB continued to make new investments.

### Maintaining GIB's green mission

A key aspect of the stakeholder and political debate surrounding the privatisation of GIB related to the desire to maintain GIB's green mission. As a result of that debate, the Government agreed in February 2016 that GIB should provide for a 'special share' in GIB. The share has been, from the completion of the sale, held by a company limited by guarantee, GPC, which is owned and operated by trustees independent of any control from GIB, the Government and any part of the UK public sector. The role of the trustees is to approve any proposed changes to GIB's green purposes. In practice, this means that GIB's green mission will continue to be independently protected.

GIB supported the decision to create a special share, and over the course of 2016 –17 has facilitated its implementation, including establishing a Nominations Committee in May 2016 to lead the search for the trustees. The members of the Nominations Committee were:

- Professor Sir Brian Hoskins, Professor at Imperial College and the University of Reading, and Fellow of the Royal Society
- Professor Niall Lothian, Past-President of The Institute of Chartered Accountants of Scotland and Professor at INSEAD
- Christine McLintock, Past-President of the Law Society of Scotland

GIB is extremely grateful to those individuals for their work, which was unremunerated.

This Nominations Committee selected the following individuals to act as trustees for GPC:

- James Curran, former CEO of Scottish Environment Protection Agency
- Trevor Hutchings, previously a senior civil servant at the then Department of Energy and Climate Change (DECC) and currently Director of Strategy at Gemserv
- Tushita Ranchan, an experienced green infrastructure investor and former CEO of a renewable energy company
- Robin Teverson, chair of House of Lords EU select sub-committee, Energy and Environment
- Peter Young, environmentalist and former Chair of Aldersgate Group

These unremunerated trustees were appointed to their role in August 2017, immediately prior to the sale of GIB.

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# Green Purposes Company Trustees' letter

**The Green Purposes Company Ltd (GPC) is the body that owns the special 'green' share in UK Green Investment Bank Limited (GIB) following GIB's privatisation. The GPC is a not-for-profit company, limited by guarantee.**

The special share was created so that the UK Government, and Parliament, could be certain that once sold to the private sector, GIB would keep its 'green purposes' in its constitution and remain a green investor.

So our primary power, through that share, is our capacity as special shareholder to approve or veto any proposed amendment to the 'green purposes' of GIB as set out in its articles of association. We have made it clear that on any such occasion, the trustees of the GPC would always act to ensure that, as a minimum, the green mission of GIB is not weakened.

The GPC has five trustees. We were selected by a panel that was independent both of the Government and of any potential purchaser. We have a wide range of environmental and renewable energy experience and background. We are unremunerated. To find out more about us and the GPC please refer to our website at **www.greenpurposescompany.com**

We were recruited as trustees designate in mid-2016, and have met on many occasions with UK Government, GIB, and the new owners. However, we did not take up our appointments and duties officially until August 2017, immediately prior to the sale of GIB.

For that reason we have not made any judgement of GIB's performance during the financial year covered by this annual report as GIB was still in public ownership. As trustees designate of the GPC, we had no official role over the period.

In terms of the future, although our legal role is restricted to approving or vetoing any changes to the green purposes of GIB, we intend to be active in our assessment of GIB's performance, and to use our position as a shareholder in the Company if and when appropriate. It is our wish that GIB is successful as a major player in green investments within the UK, and as time moves forward in the wider world. We also hope that it will play its part in encouraging emerging technologies as well as those that are tried and tested.

So how will we perform our broader functions?

First, we have agreed an information sharing protocol with GIB which we believe is sufficient to carry out our duties effectively.

Secondly, GIB and Macquarie have committed to build on the leading methodologies GIB has developed for reporting on the green credentials of both new and existing investments. The GPC will assess alignment with the green purposes from this information, from dialogue with GIB and Macquarie, and from independent advice the GPC might commission. The GPC would also wish to be reassured of the competency of the methodologies and the breadth of potential investments being scrutinised as green technologies advance in future. However, neither the GPC nor its trustees will have any participation in GIB's investment committees.

Thirdly, the trustees will have regular meetings and dialogue with GIB and senior Macquarie executives to discuss and assess the performance and operations of GIB.

Fourthly, we will submit a letter for GIB's annual report giving our assessment of GIB's performance against its green purposes, and similarly contribute to GIB's annual stakeholder event.

In its short life, GIB has become an important part of the green financial landscape within the UK. It is our intention as trustees of the GPC to encourage and ensure that GIB continues this success and becomes an essential driver towards a greener, cleaner and more sustainable world.

**Tushita Ranchan**,
Trustee and Chair
**James Curran**,
Trustee
**Trevor Hutchings**,
Trustee
**Robin Teverson**,
Trustee
**Peter Young**,
Trustee

25 September 2017

Following the sale of GIB the GIB annual report and accounts will include a letter from the independent trustees of the GPC.

# Our strategy

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

### Our business model and strategy

We are an investor in, and manager of green infrastructure assets.

We have established a flexible business model which allows us to maximise our impact across a range of activities:

- **We act as a principal investor in green infrastructure assets in the UK.** This is our primary activity. Examples of this include the seven direct transactions we committed capital to in the reporting period such as Kemsley combined heat and power (CHP) energy-from-waste (EfW) plant, Kent County Council's light-emitting diode (LED) streetlighting project and Lincs offshore wind farm. This will continue to be our primary activity under Macquarie ownership with a commitment to target £3bn of new investment over three years, either directly or by arranging capital from other investors in the UK and overseas.
- **We provide project delivery and portfolio management services.** The GIB team service a large portfolio of green infrastructure assets. This team provided technical, project delivery and operations management services to GIB during the year 2016 –17 and will, in future, continue to provide these services to GIG, Macquarie and potentially third parties.
- **During the reporting period, we invested as a limited partner in funds managed by third parties appointed to invest in green infrastructure assets.** Examples of this include a new 3 MW anaerobic digestion (AD) plant near Ballymena in Northern Ireland. Under Macquarie ownership we are likely to focus on direct investments.
- **GIB through its Financial Conduct Authority (FCA) regulated subsidiary GIGML, acts 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 GIB Group is the Offshore Wind Fund managed through our subsidiary GIGML.
- **We participate in a joint venture, UKCI, set up to make direct investments in green infrastructure projects outside the UK.** Our partner is the UK Government's Department for Business, Energy and Industrial Strategy (BEIS). The joint venture was established with particular focus on investing in developing economies.

In a statement made on 18 August 2017, Macquarie said:

"Under Macquarie's ownership, the Green Investment Bank will remain one of the leading investors in green infrastructure in the UK and Europe, with added scope to further expand internationally. Macquarie will adopt the Green Investment Bank as its primary vehicle for principal investment in green projects in the UK and Europe and will consolidate its own existing UK and European principal investment business into that vehicle.

"As previously announced, the Green Investment Bank will continue to collaborate with the Department for Business, Energy and Industrial Strategy in the joint venture UK Climate Investments LLP (UKCI). The Green Investment Group remains committed to UKCI and its vision to invest in green infrastructure in selected developing countries."

## Our market

In 2016, installed renewable electricity capacity rose to 35.7 GW in the UK, up 16% on 2015. Despite this, renewables' share of electricity generation fell by 0.2% to 24.5% during the year as a result of lower wind speeds. Overall electricity supply in the UK fell by 0.8% during the same period.

In fossil fuels, generation from coal fell to 9.1% of total generation in 2016, down 13 percentage points on the previous year, while gas rose by 13 percentage points to 42.4% of total generation.

Investment in new UK renewable energy projects in 2016 totalled £15.8bn, up 10% on 2015. This rise can be attributed to increased investment in offshore wind, partially offset by a drop in onshore wind and solar PV investment following the closure of the Renewables Obligation (RO) scheme to those technologies.

More than £9bn of addressable transactions occurred in our core investment sectors during the reporting period, an increase on the previous financial year's total of £6.4bn. This was driven primarily by several large offshore wind deals, notably Race Bank and Beatrice where third-party debt and equity were brought in at financial close.

## The outlook for our markets

The green infrastructure market has transformed markedly since GIB was established in 2012. Certain green technologies, including offshore wind, have entered the financial mainstream; costs have fallen; risks have decreased; experience among the investment community has increased; and new financial structures have been created that significantly reduce barriers to entry.

The market for those technologies is increasingly well capitalised. Governments have begun the process of removing state support, adopting new auction processes that will encourage further reductions in cost. While merchant business models may create some near-term challenges for financial providers, the economics of renewable technologies without subsidy are looking increasingly attractive.

Simultaneously, new policy fronts have opened up as decarbonisation efforts deepen. We believe that advancements in heating, energy efficiency and low-carbon transport will be major factors in the growth of the green infrastructure sector in the next decade.

A host of other emerging technologies are also coming into play, including energy storage, which will place the energy sector on a path to a more decentralised, distributed model. This will see an increasing number of businesses, industries, and households taking responsibility for producing, storing and exporting their own energy.

These developments will require educated and experienced investors that can identify and profile the risks inherent in investing in new business models and emerging technologies and support sponsors and other partners with the development of their business plans and projects.

**Find out more** +
greeninvestmentgroup.com
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## Case study: Offshore Wind Fund

A highlight of the year was reaching final close of the world's first offshore wind fund.

# Offshore Wind Fund

## On 24 June 2014, GIB announced the creation of a new, wholly-owned subsidiary, UK Green Investment Bank Financial Services Limited now Green Investment Group Management Limited (GIGML). The new company would be responsible for raising and managing a £1bn fund that would acquire equity stakes in operational UK offshore wind projects.

Less than three years later, the Offshore Wind Fund reached final close with £1.12bn of assets under management. It has introduced a number of long-term investors to the UK offshore wind sector, supporting the growth of the industry.

### Launch

At launch it was announced that the Offshore Wind Fund would acquire equity stakes in unlevered, operational UK offshore wind projects and that GIGML was aiming to secure the participation of a suitable group of strategic, long-term co-investors.

The Offshore Wind Fund would support the growth of the UK offshore wind industry. It would open up the sector to new investment from new investors, enabling developers – typically large utility companies – to refinance their stakes in operating assets and reinvest the proceeds in new developments.

### First close

Less than a year after its launch on 1 April 2015, GIGML marked the completion of the first round of fundraising by announcing it had executed first close on the Offshore Wind Fund on commitments of £463m. Investors included GIB, UK-based pension funds and a major sovereign wealth fund.

The Offshore Wind Fund acquired GIB's stakes in two operating offshore wind farms – Rhyl Flats and Sheringham Shoal – producing an immediate cash yield for investors. Rhyl Flats is a 90 MW, 25-turbine wind farm located in Liverpool Bay, while Sheringham Shoal is 317 MW, 88-turbine wind farm situated in the North Sea, off the coast of Norfolk. Together, they are capable of generating almost 1,300 GWh of renewable electricity annually, enough to power more than 300,000 homes in the UK.

The GIB Chief Executive at the time said "attracting additional capital and creating a liquid market for operating assets is an important step in reducing the cost of offshore wind". The Offshore Wind Fund's Managing Director said that first close "reflects investor confidence in the UK offshore wind sector's ability to generate strong returns and GIGML's ability to source, execute on and manage offshore wind assets on their behalf".

## Second close and LID acquisition

Second close on new commitments to the Offshore Wind Fund of £355m was announced on 13 October 2015, taking total committed capital to £818m.

Second-close investors included Swedish life insurance and pension company AMF Pensionsförsäkring AB (AMF) and Strathclyde Pension Fund (SPF) – their first investments in the UK offshore wind sector. The Offshore Wind Fund's acquisition of GIB's option on a 10% stake in Gwynt y Môr, the then second-largest operating offshore wind farm in the world was also announced. The 576 MW, 160-turbine project is located adjacent to Rhyl Flats in Liverpool Bay.

Amber Rudd, then UK Energy and Climate Change Secretary, said that the success of the Offshore Wind Fund showed that the UK was "the best place in the world to invest in offshore wind". SPF Chair at the time, Councillor Paul Rooney, noted that its commitment was SPF's "biggest investment to date in green infrastructure in the UK" and that he believed it would deliver "sustainable and secure energy infrastructure for the future of our communities" and "a sustainable and secure future for [SPF's] members".

The Offshore Wind Fund announced on 5 February 2016 that it had acquired a 61% stake in the 194 MW, 54-turbine Lynn and Inner Dowsing offshore wind farm, located off the Lincolnshire coast. Funds managed by BlackRock acquired the remaining 39% of the project, which was previously owned by Centrica and EIG Global Energy Partners. It was the first time that an operating offshore wind farm in the UK had been 100% owned by non-utility investors.

## Beating its target and final close

The Offshore Wind Fund exceeded its initial £1bn target on 13 January 2017 with the acquisition of its sixth asset – a 44% stake in Lincs offshore wind farm, a 270 MW, 75-turbine project neighbouring Lynn and Inner Dowsing – meaning that the Fund now had assets under management of £1.12bn.

Collectively, the projects that the Offshore Wind Fund has invested in are capable of generating 4,500 GWh of renewable electricity annually, enough to power 1.1 million homes.

Soon after, the Board of GIGML approved the end of the fundraising period, initiating final close on the Offshore Wind Fund. GIGML then ended the investment period of the Offshore Wind Fund on 21 March 2017.

**£1.12bn**

**The Offshore Wind fund reached final close with £1.12bn of assets under management**

# Performance Overview

## We worked to a number of KPIs during the reporting period that allowed us to measure our performance and progress as a business.

| KPI | Measure | Target | Performance |
|---|---|---|---|
| **Green Investment** | Amount of capital committed to green and profitable projects | £761m | £839m |
| **Financial Performance – Income** | Income for GIB in the year | £91m | £96.8m (including gross revenues from Lincs)<br><br>£82m (including net revenues from Lincs) |
| **Financial Performance – Operating Costs** | Management of operating costs (excluding strategic costs and Lincs operating expenses and depreciation) | £47.1m | £42.4m |
| **Innovation – Private Sector Capital** | A significant private sector capital commitment to GIB | This is measured by a commitment by a new shareholder | This measure was considered met based on GIB contribution to the privatisation process, the outcome of which was announced on 20 April 2017, shortly after the reporting period. |

**Find out more**

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# Performance
# Investment performance

## GIB Group and its associated third-party funds invested in 24 green infrastructure projects across the UK in 2016–17, taking the total number of investments funded by the Group to 100. This section sets out detail of investments made during the reporting period and a summary of major developments related to investments made in previous years.

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

### Overall performance for the year

During the reporting period GIB Group invested in 24 transactions, either directly or via third-party managed funds, committing £839m to transactions with an overall value of £1.4bn. This result represents strong year-on-year growth against our KPI on committed capital.

GIB held two equity investments that were fully operational during the reporting period. Its investments in the offshore wind farms of Westermost Rough and Lincs both performed well with availability ahead of plan. Construction on the remainder of equity portfolio progressed, with all assets due to start generating power over the coming year.

**Find out more** +
134 Summary of transactions

**£839m**
Capital committed

| | |
|---|---|
| **2016–17** | **£839m** |
| 2015–16 | £770m |
| 2014–15 | £723m |
| 2013–14 | £617m |
| 2012–13 | £460m |

**24**
Projects financed

| | |
|---|---|
| **2016–17** | **24** |
| 2015–16 | 30 |
| 2014–15 | 22 |
| 2013–14 | 17 |
| 2012–13 | 7 |

**£1.4bn**
Total transaction value

| | |
|---|---|
| **2016–17** | **£1.4bn** |
| 2015–16 | £3.7bn |
| 2014–15 | £2.5bn |
| 2013–14 | £2.3bn |
| 2012–13 | £2.1bn |

# Our investment portfolio

## Commitment by sector

- Offshore wind – 46%
- Waste and bioenergy – 34%
- Energy efficiency – 14%
- Onshore renewables – 6%

## Commitment by product

- Unlevered equity – 36%
- Levered equity – 21%
- Debt – 23%
- Fund – 16%
- Managed account – 4%

## Commitment by stage

- Construction – 67%
- Operational – 33%

Correct at 31/03/17 on a cumulative basis

## Investment performance by sector

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

### Offshore wind

In January 2017, GIB invested alongside the Offshore Wind Fund in acquiring a 75% stake in the 270 MW Lincs offshore wind farm, located off the Lincolnshire Coast. The wind farm has been operating since 2013 and comprises 75 Siemens 3.6 MW turbines. It generates around 1,006 GWh of renewable electricity annually, enough to power approximately 245,000 homes.

GIB acquired a 31% stake in the project, while the Offshore Wind Fund acquired 44%. The investment in Lincs represents GIB Group's single-biggest investment. The Fund now has assets under management of £1.12bn, including stakes in six operating offshore wind farms: Lincs; Lynn and Inner Dowsing (two projects managed as a single asset); Gwynt y Môr; Rhyl Flats; and Sheringham Shoal.

Construction of the Rampion offshore wind farm continued to progress with the installation of the first of 116 wind turbines occurring in March 2017.

Construction of the Galloper offshore wind farm also progressed well, with the final foundation installed in March 2017, two months ahead of schedule.

The OPW HoldCo financing relating to the Walney offshore wind farm project was refinanced in December 2016, resulting in GIB's senior debt facility being repaid in full.

GIB Group – including our subsidiary GIGML on behalf of the Offshore Wind Fund – has at the end of this reporting period, stakes in ten offshore wind farms.

### Waste and bioenergy

In July 2016 GIB committed £80m of senior debt to the construction of the 43 MW Kemsley CHP plant near Sittingbourne in Kent. The plant is expected to supply up to 154 GWh of electricity to the grid annually and renewable heat to DS Smith's neighbouring Kemsley Paper Mill. This replaces part of the mill's gas-fired steam supply, helping decarbonise the production process and support the UK Government's efforts to help manufacturers reduce greenhouse gas emissions.

GIB committed £28m of debt to the new £142m EfW plant at Millerhill, near Edinburgh in October 2016. The 14.1 MW facility is expected to treat up to 155,000 tonnes of waste every year upon completion. The plant will also be CHP-ready, meaning it has the potential to supply excess heat from its operations to nearby homes and businesses. The Millerhill project was GIB's eighteenth investment in Scotland.

In December 2016, GIB committed £35m of senior debt to the construction of Wheelabrator Parc Adfer, a new £180m EfW plant in Flintshire, North Wales. The plant, which is expected to generate approximately 133 GWh of electricity per year upon completion – equivalent to the power needs of more than 30,000 homes – is likely, under the current scheme, to be one of the last local authority waste Public Private Partnership (PPP) projects to reach financial close in the UK.

Fund manager Foresight made financial commitments to nine AD plants during the course of the reporting period. This included a 3 MW facility near Ballymena, Northern Ireland, which is expected to be one of the first AD plants in the world to be fuelled solely by poultry litter.

The West London Private Finance Initiative (PFI) project, to which GIB committed £20m of senior debt in 2013, commenced commercial operations in December 2016.

### Onshore renewables

Albion Community Power, a company in which GIB, Strathclyde Pension Fund and Greater Manchester Pension Fund are the principal investors, made seven investments during the reporting period. These included investments in re-engineered onshore wind turbines in Northern Ireland, plus single-turbine onshore wind projects in Scotland, England and Wales.

### Energy efficiency

Two direct investments were made in local authority low-energy streetlighting projects during the reporting period. GIB committed £10m to Kent County Council's £40m streetlighting conversion programme – the UK's biggest non-PFI streetlighting project to date.

GIB also provided a £7m Green Loan to Barking and Dagenham London Borough Council. The loan will finance the replacement of around 14,800 traditional streetlights with new, energy-saving LED lights, the refurbishment of more than 3,000 streetlight columns and the installation of a new central management system.

Find out more
134 Summary of transactions

| 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** | | | | | | |
| Lincs offshore wind farm (GIB) | 1 | 281.5 | 281.5 | – | – | – |
| Lincs offshore wind farm (the Fund) | | 399.6 | 399.6 | – | – | – |
| **Waste and bioenergy** | | | | | | |
| North Wales recycling and waste plant | 1 | 33.1 | 178.9 | – | – | – |
| Millerhill recycling and waste plant | 1 | 28.2 | 142.1 | – | – | – |
| Northern Ireland on-farm AD: Stramore | 1 | – | – | 1.5 | 1.5 | Foresight |
| Northern Ireland on-farm AD: Dufless | 1 | – | – | 1.4 | 1.5 | Foresight |
| Northern Ireland on-farm AD: Bellshill | 1 | – | – | 1.4 | 1.5 | Foresight |
| Northern Ireland on-farm AD: Carrick Road | 1 | – | – | 1.3 | 1.4 | Foresight |
| Northern Ireland on-farm AD: Milford | 1 | – | – | 1.4 | 1.5 | Foresight |
| Rainworth AD plant | 1 | – | – | 6.5 | 13.2 | Foresight |
| Northern Ireland on-farm AD: Kilmoyle | 1 | – | – | 1.7 | 3.5 | Foresight |
| Kemsley CHP plant | 1 | 80.0 | 337.4 | – | – | – |
| Northern Ireland on-farm AD: Ballymena | 1 | – | – | 8.6 | 23.3 | Foresight |
| Northern Ireland on-farm AD: Gorthill | 1 | – | – | 1.8 | 3.6 | Foresight |
| **Energy efficiency** | | | | | | |
| Barking and Dagenham streetlighting project | 1 | 6.8 | 6.8 | – | – | – |
| Kent County Council streetlighting project | 1 | 10.2 | 40.8 | – | – | – |
| Moy Park LED retrofit programme | 1 | – | – | 1.4 | 3.0 | SDCL |
| Wrexham CHP plant | 1 | – | – | 12.1 | 25.0 | Equitix |
| **Onshore renewables** | | | | | | |
| Albion Community Power | 7 | – | – | – | – | – |
| **2016–17 total** | **24** | **839.4** | **1387.1** | **39.1** | **79.0** | – |

# Performance
# Green performance

## The green impact of our portfolio continued to show consistent year-on-year increases. We measured our impact according to our green purposes. Where possible we used quantified metrics to explain performance and these are presented in our green impact statements. Our portfolio continued to deliver improved green impact performance on both forecast and reported actuals. Every project we invested in met at least one of our green purposes, in line with our capital commitment KPI.

### The reduction of greenhouse gas emissions

The forecast greenhouse gas emissions avoided by our investments at 31 March 2017 increased by 72% to 134.1m tonnes $CO_2e$ from 78.2m tonnes. This was as a result of investments into 24 new projects during the reporting period, a reforecast of the expected emissions avoided by some of our existing projects, and a change to the way we calculate greenhouse gas emissions avoided.

For this reporting year, we have aligned our greenhouse gas accounting methodology to the harmonised approaches of the International Financial Institutions Working Group on Greenhouse Gas Accounting. This change accounts for 69% of the increase in forecast emissions avoided. Please see the Notes to the Green Impact Statements on p.70 for further details.

### The advancement of efficiency in the use of natural resources

The renewable energy forecast to be generated across our assets at 31 March 2017 increased by 3% from 321 TWh to 331 TWh. This increase was entirely down to new investments signed in 2016 –17. The Offshore Wind Fund is expected to contribute 27 TWh towards GIB's forecast renewable energy generated. Due to new investments into waste projects in 2016 –17, our then portfolio was forecast to recycle 29m tonnes of waste and prevent 85m tonnes of waste from disposal to landfill, up 56% and 50% 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 12% are expected to have a negative contribution, for example due to their visual impacts. The remaining 59% are expected to have a neutral or no significant effect on the natural environment.

### The protection or enhancement of biodiversity

2% 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. 12% are expected to contribute negatively, for example by disturbing species during operation, or temporarily during construction.
The remaining 76% 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.

Green impact of GIB's portfolio in year

| | Year ended 31.03.17 | Year ended 31.03.16 |
|---|---|---|
| GHG emissions reduction (t $CO_2$e '000) | 7,835 | 6,463 |
| Renewable energy generated (GWh) | 15,606 | 13,428 |
| Energy demand reduced (MWh) | 86,552 | 45,992 |
| Materials recycled (t) | 247,091 | 98,704 |
| Waste to landfill avoided (t) | 402,773 | 124,017 |

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

| | Year ended 31.03.17 | Year ended 31.03.16 recalculated* | Year ended 31.03.16 |
|---|---|---|---|
| GHG emissions reduction (t $CO_2$e '000) | 134,087 | 123,171 | 78,170 |
| Renewable energy generated (GWh) | 331,402 | | 320,914 |
| Energy demand reduced (MWh) | 3,788,648 | | 3,247,607 |
| Materials recycled (t) | 28,962,650 | | 18,518,952 |
| Waste to landfill avoided (t) | 84,675,960 | | 56,548,113 |

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

| | Year ended 31.03.17 | Year ended 31.03.16 recalculated* | Year ended 31.03.16 |
|---|---|---|---|
| GHG emissions reduction (t $CO_2$e '000) | 7,955 | 7,092 | 4,799 |
| Renewable energy generated (GWh) | 21,547 | | 20,282 |
| Energy demand reduced (MWh) | 272,396 | | 231,672 |
| Materials recycled (t) | 1,155,477 | | 772,177 |
| Waste to landfill avoided (t) | 3,212,199 | | 2,317,603 |

*We have updated our greenhouse gas calculation methodology, and rebased our previous year's forecasts to show the extent of this change – please refer to the Notes to the green impact statements on p.70 for details.

**Find out more** +

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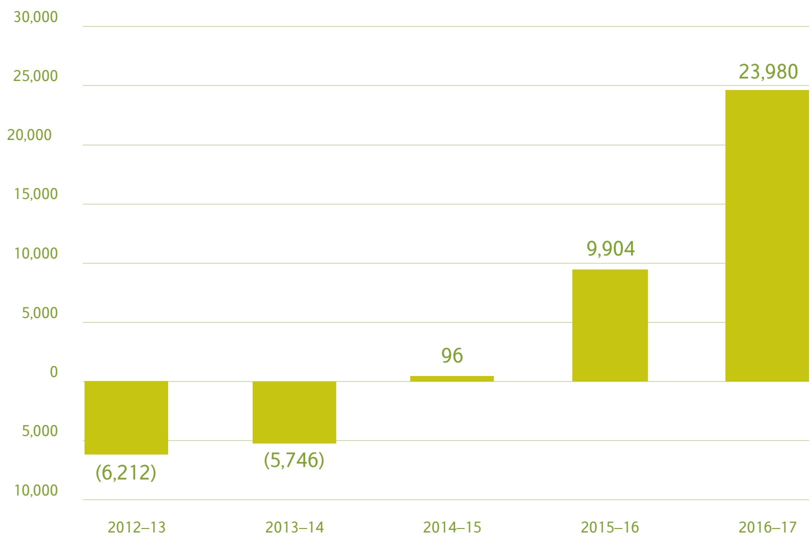
# Profitability improved as we increased revenues from our maturing portfolio.

Consolidated income statement for the year ended 31 March 2017

| | Year ended 31.03.17 £'000 | Year ended 31.03.16 £'000 |
|---|---|---|
| Total income | 96,761 | 58,819 |
| Direct investment costs | (8,297) | (6,443) |
| Impairment charge | (3,442) | (4,410) |
| **Net operating income** | **85,022** | **47,966** |
| Operating expenses | (61,042) | (38,062) |
| **Profit before tax** | **23,980** | **9,904** |
| Income tax expense | (3,142) | (1,947) |
| **Profit for the year** | **20,838** | **7,957** |

**Profit/(loss) before tax £'000s**



# £24.0m

**Profit before tax**
(2015 –16: £9.9m)

# £96.8m

**Income**
(2015 –16: £58.8m)

Profitability at Group level improved on last year as more of our investments became operational. Our full year financial results show a Group profit before tax of £24.0m.

Our income increased to £96.8m, from £58.8m in 2015–16, 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. Overall, income was ahead of budget as a result of investment in another operational wind farm but profitability was lower than budget because of the additional operating expenses and depreciation associated with that asset. In addition, results were impacted by lower than budgeted wind yield.

Under our accounting policies, we are consolidating the results of the Offshore Wind Fund. Two investments, Gwynt y Môr and Lincs, which are consolidated on a line-by-line basis, account for £37.0m of revenues, £13.6m of costs and £13.3m of depreciation.

Our direct investment costs were £8.3m, up from £6.4m in 2015–16. 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 £61.0m (2015–16: £38.1m) in the period. This reflected the inclusion of £26.8m (2015–16: £7.0m) for the consolidation of the Offshore Wind Fund's share of the cost base and depreciation of the Gwynt y Môr and Lincs investments. Staff and Board-related expenses were £19.5m (2015–16: £17.9m). 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 9.8%. In the period, we have booked impairments to a value of £3.4m on investments in our small-scale funds. These are predominately a result of either construction delays or feedstock quality issues for operational projects. In addition to this, lower power prices than forecast have increased the level of our impairments.

Average day ahead wholesale power prices increased by 6% 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 2017, we issued 482.6m shares (2015–16 60m) to the Secretary of State for Business, Energy and Industrial Strategy to match the drawdown of capital for investment purposes. This brought the total number of shares in issue at 31 March 2017 to 1,517.45m (31 March 2016: 1,034.85m).

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.

# 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.

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. For the reporting period, the Audit and Risk Committee, which had delegated authority from the Board for identifying, assessing and managing risk exposures inherent in the Company subjected these principal risks to a review and challenge 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 was carried out.

The principal risks identified opposite are those that pose a significant threat to achieving the strategy of the business and they are linked to the key 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.

| Principal risks | Trend | Risk to our business | Key mitigants |
|---|---|---|---|
| Access to capital | Stable | While GIB no longer has direct access to Government funding it has joined a strong, well-capitalised organisation, therefore access to capital is considered to be stable. | Aligning forward liquidity needs with funding. |
| Capital deployment | Stable | With the sale of GIB, the investment mandate has broadened as the restrictions relating to Additionality and State Aid rules have been removed. However it is noted that the organisation is competing in an ever-maturing capital market with increasing international competition. Consequently it is considered that these factors effectively balance each other and overall the risk remains stable. | We seek to employ a market-leading team that is well connected within the industry and offers flexible, creative financing solutions.<br><br>We seek to diversify our portfolio to reduce reliance on specific sectors. |
| Portfolio performance | Stable | Portfolio performance is influenced by external factors such as power prices, wind patterns and infrastructure performance. In addition, due to its previous investment mandate, GIB is exposed to concentration risk to specific counterparties or technologies. Failure in a key counterparty or technology, or a material adverse change to the external factors could lead to asset impairment or changes in our commercial position. However this risk has not changed over the last twelve months and is therefore stable. | Oversight of all assets conducted by the Projects and Portfolio Management team.<br><br>Our concentration risk limits restrict sectoral concentrations and achieve the benefits of diversification.<br><br>Portfolio Management Committee in place to ensure the effective management of the company's investments. |
| Operations | Increasing | The success of the investment strategy over previous years has resulted in a significant 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 transition to a new owner. There is a consequential increase on pressure on staff and systems. While this should be temporary, the risk is increasing relative to the previous reporting period. | 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. |

# Green finance innovation

## This financial year saw us expand the reach of our market-leading approach to assessing, monitoring and reporting our green performance and measure the green impact of the projects financed by a third party for the first time.

In the first five years of GIB's existence we have created and sharpened the systems and processes we use to assess, monitor and report on the green impact of our investments.

This led to the publication in 2015 of our Green Investment Handbook – a practical guide on how we 'do green' at GIB. The handbook proved popular with investors in green infrastructure at home and overseas and is now available in three of the most commonly spoken languages in the world: English, Mandarin and Spanish.

An Indian version of the handbook was published during the reporting period and was adapted to apply to investments in the country's green infrastructure market.

The Indian handbook was launched at a green finance roundtable in New Delhi co-hosted by the British High Commission in India and the Confederation of Indian Industry. The event was part of the historic first India-UK Energy for Growth Dialogue.

The UK delegation was led by Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy. He wrote the foreword of the new version, in which he said that "by sharing the GIB's methodologies with important partners, this handbook should help bring greater consistency and standardisation to green investing for both new and existing players".

Earlier in the financial year, we began the process of publishing some of the green impact reports we have compiled on our investments. This included a report on Galloper offshore wind farm and the stakes held in offshore wind projects by the Offshore Wind Fund.

This coincided with the publication of a green impact report produced on behalf of Moroccan Bank Banque Centrale Populaire (BCP). This was the first time we had either applied our green impact reporting methodology to the projects financed by third parties or to the review of a green bond.

The report examined the green impact of the projects due to be refinanced by a €135m green bond launched by BCP at COP 22 in Marrakesh. The publication of the report led to discussions with other market participants about the wider commercial application of our green impact reporting methodology.

More broadly, the risks and opportunities associated with the global transition to a low-carbon economy were considered by G20 Finance Ministers and Central Bank Governors during the reporting period.

The Financial Stability Board (FSB), chaired by Bank of England Governor, Mark Carney, was tasked with reviewing the influence of the financial sector on climate related issues. The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) in response. Chaired by Michael Bloomberg, the TCFD published disclosure recommendations within its consultation report in December 2016.

GIB welcomed these recommendations, noting in our response to the consultation that additional disclosure around strategies for climate change mitigation and quantified green impact performance metrics would also be welcome.

# Our responsibilities

## 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. GIB is a signatory to the Principles for Responsible Investment and the Equator Principles.

### Principles for Responsible Investment (PRI)

GIB has been an active signatory to the PRI since 2013. In 2016, we achieved a score of A+ for all three of our UNPRI Assessment Report categories; this puts our performance in the top 20% of UNPRI signatories.

### Equator Principles

GIB adopted the Equator Principles in 2013. The table below summarises applicable transactions closed in the 2016 –17 reporting period. The Equator Principles do not apply to equity investments, which made up the majority of our investments in this reporting period.

### Equator Principles reporting on GIB transactions closed in the 2016 –17 reporting period

| | Category A | Category B | Category C |
|---|---|---|---|
| Waste | 0 | 3 | 0 |
| Offshore wind | 0 | 0 | 0 |
| Energy efficiency | 0 | 0 | 0 |
| Onshore renewables | 0 | 0 | 0 |

The three projects reported were classified as project finance and were all within the UK (a 'designated country' under the Equator Principles).

### Independent review of assessment documentation in accordance with Principle 7

| | Category A | Category B | Category C |
|---|---|---|---|
| Yes | N/A | 3 | N/A |
| No | N/A | 0 | N/A |

### Alignment with the UN Sustainable Development Goals

This year, we examined how our investment activity contributes to the UN Sustainable Development Goals (SDGs). We have identified our international investment activities as being strongly aligned in contributing to the following SDGs:

### Environmental, health and safety incidents

We aim for the highest standards of environmental, health and safety governance in our own operations and in our investment portfolio through the implementation of good industry practice. We are committed to managing these risks in a fair and transparent manner, implementing actions to reduce risk where practicable and ensuring that environmental, health and safety incidents are clearly reported. The table below summarises such incidents that occurred in GIB's portfolio and reported to us.

| | 2016–17 | 2015–16 | 2014–15 |
|---|---|---|---|
| Material and legally reported health and safety incidents | 17 | 19 | 17 |
| Materially adverse environmental incidents | 2 | 11 | 4 |
| Other incidents | 66 | 33 | 0 |

When GIB is informed of such incidents, we obtain an incident report and action plan detailing any corrective actions required to reduce the risk to acceptable levels and enable us to close out the issue. In all incidents reported above, GIB does not control operations of the project and is a minority investor or debt provider.

### 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 human rights and 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 and human rights risks facing their business. We require that projects report any community or social issues to us and where appropriate, implement an approved corrective action plan. Information on our position on the Modern Slavery Act can be found on our website.

## Our responsibility in our operations

Our Corporate Environmental Policy sets out how we consider and manage the environmental impact of our own operations. The responsibility for the implementation of this policy rests with the Sustainable Finance Team. All employees are provided with training on the applicable content of the policy.

We offset our travel emissions through the purchase of certified UK tree planting and/or international carbon credits.

### Corporate GHG footprint 2016–17

| | Scope 2 greenhouse gas (t $CO_2e$) | Scope 3 greenhouse gas (t $CO_2e$) | Intensity metric | |
|---|---|---|---|---|
| Offices | 196.5 | 131.2 | 363 | kg $CO_2e/m^2/yr$ |
| Travel | 0.0 | 547.7 | 4,262 | kg $CO_2e$/employee |
| Total (t $CO_2e$) | 196.5 | 679.0 | 6,812 | kg $CO_2e$/employee |

# Our team

## On 31 March 2017, the GIB Group employed 121 people. Over the course of the year we hired 12 new staff, a combination of new roles, maternity cover and replacements for staff who decided to leave.

Our turnover is 13% which is a slight increase on previous years, indicative both of employees moving to new challenges and the uncertainty facing employees through the sale process, and we continue to recruit on an ad hoc basis to meet our needs.

### Our team

During the reporting period, the GIB team was structured into three broad groups: investment specialists, asset managers, and support and control staff.

#### Investment specialists

Our investment specialists spanned the Principal Investment, Capital Markets and Strategy teams.

The Principal Investment team was responsible for sourcing and executing investments and was made up of four teams:

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

GIGML, which manages the Offshore Wind Fund, also had a dedicated team of investment specialists.

The Capital Markets team was predominantly responsible for supporting the Principal Investment team and other GIB Group entities on specific transactions, including the sale process. The Strategy team was responsible for working with the Leadership Team to set and assess 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 co-ordinated the process for GIB's move into the private sector.

#### Asset managers

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

The PIM team was 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.

#### Support and control staff

We had specialist staff working within our teams in Finance, Risk Management, Legal, Corporate Affairs and HR.

The Finance team was responsible for the financial and management accounting requirements of GIB. It included dedicated resources to support the Offshore Wind Fund and international venture. It was also responsible for capital, liquidity, revenue and cost forecasting.

The Risk Management team was responsible for the three key areas of risk governance: Investment and Technical Risk; Compliance Risk; and Operational Risk. In addition, our Chief Risk Officer oversaw the Sustainable Finance team, which was responsible for all of GIB's external and internal engagement on green issues and leads on sustainability.

The Legal team was responsible for the legal affairs of GIB and managing legal risk appropriately. That ensured that GIB had accessible legal advice in order to manage its strategic planning, governance arrangements and corporate policies and conducted business in accordance with all relevant regulatory, constitutional and other legal requirements.

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

The HR team was responsible for every aspect of the employee lifecycle and people management.

### Diversity

At 31 March 2017, there were 11 members of the Board of which 36% were female and 64% male. There were 39 members of staff in senior manager positions of which 15% were female and 85% were male. For employees not on the Board or in senior manager positions 50% were female and 50% were male.

### Recruiting and retaining GIB staff

GIB had a structured approach to recruitment. Our selection process was thorough and involved meeting with a wide range of individuals and always included a meeting with a member of the HR team.

Retention of staff was a key priority, which was managed utilising an open approach to communication through the sale process, appropriate remuneration, the introduction of a supportive change management programme, an accessible senior team and a wide range of training and development opportunities for everyone.

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 remains critical to our success and it is vital that GIG continues to retain those with the right skills, ability and experience to ensure continued success in the future.

Signed and approved for and on behalf of the Board
28 September 2017

**Euan McVicar**
**Director**


KDMHiRE



**Full Circle Generation EfW facility, Belfast, Northern Ireland**

# Corporate governance



# Overview

## Following completion of the privatisation process, the new board of GIB has reviewed its board structure and corporate governance arrangements to make them appropriate for a wholly owned subsidiary of the Macquarie Group. Key throughout this process has been the embedding of the green purposes set out in its articles of association and its obligations to the GPC, which owns the special share in GIB.

Details of our green purposes, the special share and the GPC can be found at pages 16, 17 and 18 of the Strategic Report.

The privatisation of GIB has resulted in a new board of five members (two of whom are employed by GIB and three of whom are employed by the wider Macquarie group) being appointed. There are no longer any board committees in place though the company as a member of the Macquarie Group is subject to the oversight of the board and committees of Macquarie (further details of which can be found opposite).

The new board has adopted the Green Investment Principles as well as a Green Investment Policy designed to ensure that the activities of the GIB and its subsidiaries from time-to-time are in line with the Green Investment Principles. The new board has also put in place two management committees, an Investment Committee (IC) and a Portfolio Management Committee (PMC) to assist in the sound management of the business and which complement existing Macquarie Group processes. The IC has a particular remit to assess new investment opportunities to ensure they are consistent with the company's 'green purposes' and Green Investment Principles and to advise the board with regards to that.

The PMC is designed to ensure the effective management of and assist in decision making related to the portfolio of principal investments held by any GIB entity and the portfolio management services provided by any GIB entity to a third party.

The board of the Company's direct subsidiary, Green Investment Group Limited, has also adopted the above mentioned Green Investment Principles and Green Investment Policy. Its articles of association also contain the same 'green purposes' as those of GIB. The board of Green Investment Group Limited will also be supported by the IC and PMC.

### Macquarie's approach to corporate governance

Macquarie's approach to corporate governance, which has remained largely consistent over time, is to:

- promote the long term profitability of Macquarie while prudently managing risk
- drive superior and sustainable shareholder value over the long term through the alignment of the interests of shareholders and staff
- meet stakeholder expectations of sound corporate governance as part of Macquarie's broader responsibility to clients, shareholders, investors and the communities in which it operates.

Macquarie recognises that a key factor in delivering long-term shareholder returns is providing superior services to clients. Macquarie's Code of conduct sets out the way staff are expected to do business. The Code of conduct incorporates What We Stand For: the principles of Opportunity, Accountability and Integrity that guide the way staff conduct business. Macquarie established the Integrity Office in 1998 that provides staff with an independent and confidential point of escalation to raise concerns as well as promoting the principles of What We Stand For.

Macquarie's corporate governance framework is set out below:

**Macquarie Board**

| Board Audit Committee | Board Governance and Compliance Committee | Board Nominating Committee | Board Remuneration Committee | Board Risk Committee |
|---|---|---|---|---|
| Financial reporting internal audit and external audit | Corporate governance and compliance including professional conduct. WHSE and environmental and social risk | Board and Committee membership and renewal | Remuneration policies, practices and related disclosure | Risk culture, risk management framework, risk management strategy, risk appetite and risk profile |

**Macquarie Managing Director and Chief Executive Officer**
Powers of the Macquarie Group Board within delegated limits for all matters except those reserved for the Board in the Board Charter or delegated to the Board Committees

**Macquarie Management Committees**

**Head of Internal Audit**

**Chief Risk Officer**

# Directors' report

## The Directors have pleasure in submitting their annual report and financial statements for the year to 31 March 2017.

### 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.

GIB's business activities, together with factors likely to affect future developments, performance and principal risks and uncertainties can be found in the following sections, which are incorporated by reference into this report:

- Who we are (page 5 of the Strategic Report)
- Review by the Head of the Green Investment Group (page 11 of the Strategic Report)
- Review by Daniel Wong and Mark Dooley (pages 13–14 of the Strategic Report)
- Our strategy (pages 19–20 of the Strategic Report)
- Principal risks (pages 33–34 of the Strategic Report)

### Finance

The results for the year are shown in the consolidated income statement on p.79 and analysed in the strategic report on p.31.

### 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.

### Directors and Secretaries

The Directors who held office as a Director of GIB throughout the year and until the date of this report unless disclosed otherwise were:

- Baroness Brown of Cambridge (resigned 17 August 2017)
- Shaun Kingsbury (resigned 17 August 2017)
- Peter Knott (resigned 17 August 2017)
- Laurence Mulliez (resigned 17 August 2017)
- Tom Murley (resigned 17 August 2017)
- David Nish (resigned 17 August 2017)
- Anthony Odgers (resigned 17 August 2017)
- Anthony Poulter (resigned 30 June 2017)
- Professor Isobel Sharp (resigned 17 August 2017)
- Lord Smith of Kelvin KT CH (resigned 17 August 2017)
- Tessa Tennant (resigned 17 August 2017)
- Mark Dooley (appointed 17 August 2017)
- David Fass (appointed 17 August 2017)
- Euan McVicar (appointed 17 August 2017)
- Edward Northam (appointed 17 August 2017)
- Daniel Wong (appointed 17 August 2017)

The Secretaries who held office as Secretary of GIB throughout the year and until the date of this report unless disclosed otherwise were:

- Euan McVicar (resigned 17 August 2017)
- Helen Everitt (appointed 17 August 2017)

### Directors' indemnities

GIB had granted indemnities to each of its Directors and to Mr McVicar and Mr Northam who have been appointed as Directors since the reporting date 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. All the directors appointed since 17 August 2017 have had a benefit of an indemnity, which is a qualifying third party indemnity as defined by S234 of the 2006 Act. The aforementioned indemnities all remain in force as at the date of this report. In addition, Directors of GIB are covered by Directors' and Officers' liability insurance. Since 17 August 2017 this insurance has been purchased and maintained by GIB's ultimate parent company.

### Dividends

No dividends were paid or proposed during the financial year. Subsequent to the year end, an interim dividend for FY18 of £78.6m was approved on 17 August 2017 and paid to the Secretary of State for Business, Energy and Industrial Strategy as the then sole shareholder of GIB.

### Share capital
Details of changes in share capital are set out in Note 23 of the financial statements.

### Report on greenhouse gas emissions
Details of GIB's emissions in the financial year to 31 March 2017 are set out on p.37.

### Financial instruments
During the reporting period, GIB used financial instruments to manage interest rate risk. Where GIB entered into an investment that resulted in the receipt of fixed rate cash flows, the objective was 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 30 to the financial statements.

### Material developments since 31 March 2017
The following post-balance sheet events should be noted:

- The entire share capital of GIB has been acquired by Macquarie, further details on this can be found at page 16.
- In line with public statements on 20 April and 18 August 2017, GIB has restructured its interests in a number of investments to facilitate the creation of investment vehicles and platforms – including an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform – to enable investors including USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles. GIB will continue in a management or supervisory role, and in some cases also as an investor, in relation to these investment interests. In 2015, GIB undertook a similar restructuring of its offshore wind investments to facilitate the creation of the Offshore Wind  Fund. In addition, a small number of predominantly Limited Partner interests in third-party funds were sold outright, in most cases back to funds managed by the General Partner. For further information, please refer to Note 12 and Note 31 in the financial statements.
- GIB committed to a £38 million investment in relation to a new energy-from-waste facility near Knottingley in West Yorkshire.

### 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.

Signed and approved for and on behalf of the Board
28 September 2017

**Euan McVicar**
**Director**

### Find out more +

# Report on Directors' remuneration

## This is the remuneration report for the year to 31 March 2017, 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 PricewaterhouseCoopers (PwC) have been identified as such.

The report is divided into three parts.

The first part is the Board's annual statement. The second part outlines our policy on Directors' remuneration. This policy was subject to a binding shareholder resolution at the AGM in July 2016.

The third part of this report provides an annual report on remuneration, detailing how the policy has been applied during the year.

### Board's annual statement

The make-up of the Remuneration Committee is set out on p.55.

The key decisions, made by the Remuneration Committee during 2016 –17 and approved by the Board, on current and future remuneration were:

- Scoring of the Business Objectives for the period 2016–17
- The setting of Business Objectives for the period 2016–17
- A review of the market position of all GIB executive pay
- Amendments to the rules of the Long Term Investment Plan (LTIP) scheme to facilitate the scoring of the objectives for the year ending March 2017, during which a transfer of ownership of GIB was expected
- Agreement that GIB continues to meet all Boundary conditions set by its shareholder

The Remuneration Committee recommended to the Board that 91% of the business performance element of the incentive plans be paid for 2016–17 (63% was paid in 2015–16) 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.57.

The remuneration of the Board and Leadership Team is set out on p.58–60. 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 £150,800 awarded under the LTIP based on the above assessment. Basic pay for Peter Knott, CFO, also remained unchanged. His salary was £280,225, with £130,024 awarded under the LTIP.

Peter has an on-going 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 2016–17 and the amount of any payment due in the future will be dependent on the performance of the Offshore Wind Fund.

The Remuneration Committee's work ceased as a result of the acquisition of GIB by Macquarie. However up to the date of sale, it continued to ensure all remuneration practices were in place to meet the obligations of a publically funded organisation as appropriate.

Signed and approved for and on behalf of the Board
28 September 2017

**Euan McVicar**
**Director**

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38 Our team

## Directors' remuneration policy

# This part of the remuneration report sets out the binding remuneration policy, in place until the change of ownership on 17 August 2017, 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 determined on behalf of the Board, GIB's policy on the remuneration of the Chair, Executive Directors and the Leadership Team, which was then submitted to the Board for approval.

In respect of the remuneration of the Chair, the Executive Directors and the Non Executive Directors, the recommendation was for no change for the year 2016 –17. In setting the remuneration policy for the Executive Directors and the Leadership Team, the Remuneration Committee took 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 and
- Structuring remuneration to drive the correct behaviours and cognisance of trends in the market driven by regulation and commercial pressures

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### Remuneration policy for Executive Directors and Leadership Team (up to 17 August 2017)

| Element and purpose | Operation, opportunity and performance framework |
|---|---|
| Base salary<br>To provide a base salary to attract and retain talented leaders. | Base salaries were reviewed annually by reference to roles and responsibilities and, in roles below Board level, comparable roles in the private sector. The Remuneration Committee also took account of the economic environment and employment conditions. The committee normally awarded increases in line with the wider workforce although higher or lower increases were awarded to specific individuals in specific circumstances. |
| Long Term Incentive Plan (LTIP)<br>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 were eligible to participate in the LTIP. The incentive was an annual cash award of up to 50% of base salary, deferred for two years after award date, with the exception of the award for year ending March 2017, which is subject to a one year adjustment.<br><br>The amount awarded was 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 was 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 was awarded.<br><br>The Remuneration Committee defined the business objectives, based upon the Board approved business plan, at the start of the year and measured this after the end of each year, with appropriate input from other committees of the Board.<br><br>Performance incentives were not awarded if the employee: (i) had left GIB or was working their notice, except where the Remuneration Committee determined the employee to be a good leaver under the terms of any relevant performance pay scheme (for example where the employee left in circumstances akin to redundancy); or (ii) had been designated a bad leaver under the terms of any relevant performance pay scheme. |
| Other incentive plans<br>To encourage the retention and incentivisation of key staff involved in specific key strategic initiatives. | Executive Directors and members of the Leadership Team were eligible to participate in specific incentive plans linking to particular strategic initiatives.<br><br>One such plan (the GIB OSW Carried Interest Plan) in place was in relation to the Offshore Wind Fund. The Chief Executive did not participate as a beneficiary of this plan. Under the plan, a proportion of the 'total pool' available under the Offshore Wind Fund would 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 was a maximum of half of GIB's entitlement to participate in founder partner profit in relation to the Offshore Wind Fund, an amount which would vary according to the performance of that fund. Any payments would be subject to the Offshore Wind Fund's operational performance and the plan rules.<br><br>Any payment under this plan would also not be made if the employee had left GIB or was working their notice, except where the Remuneration Committee determined the employee to be a good leaver under the terms of the plan. If the employee was a good leaver, they may have received 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.<br><br>The value of awards under this plan was unknown at point of allocation, as any payments would be subject to fund performance. Any payments under the plan were capped at 20% of an individual's salary annually. All payments made for Executive Directors and members of the Leadership Team have been disclosed. |

### Remuneration policy for Executive Directors and Leadership Team (up to 17 August 2017)

| Element and purpose | Operation, opportunity and performance framework |
|---|---|
| Pension and other benefits<br>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 was 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.<br><br>Other benefits provided were private medical cover, permanent health insurance and life assurance. |
| Loss of office payments<br>To provide fair but not excessive contract features. | The terms of loss of office were governed by the relevant service contract.<br><br>There was 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 was six months for the Executive Directors and three months for the members of the Leadership Team. |
| New Executive Director remuneration<br>To provide a remuneration package to attract and retain talented leaders. | Remuneration for new appointments was 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<br>Remuneration was in the form of cash fees. Remuneration practice was consistent with recognised best practice standards for a Chair's remuneration and the quantum and structure of the Chair's remuneration was primarily compared against best UK practice. | The quantum and structure of the Chair's remuneration was reviewed annually by the Remuneration Committee, which made a recommendation to the Board. |

## Remuneration policy for Non Executive Directors

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

## Recruitment

The Remuneration Committee expected any new Executive Director to be engaged on terms that were consistent with the policy as described on the preceding pages. The Remuneration Committee recognised that it could not always predict accurately the circumstances in which any new Directors may be recruited. The Remuneration Committee was able to determine that it was in the interests of GIB and its Shareholder to secure the services of a particular individual which may have required the Remuneration Committee to take account of the terms of that individual's existing employment and/or their personal circumstances.

Accordingly, the Remuneration Committee ensured that: (i) salary levels of any new Executive Director were competitive relative to peer group; and (ii) variable remuneration was awarded within the parameters outlined on p.49. In making any decision on any aspect of the remuneration package for a new recruit, the Remuneration Committee balanced shareholder expectations, current best practice and the requirements of any recruit and did not strive to pay more than was necessary to achieve the recruitment.

## 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.

- Long Term Incentive Plan
- GIB OSW Carried Interest Plan**
- Benefits: healthcare, pension contribution
- Annual salary

### Shareholder views

In the period until the change of ownership, GIB was wholly owned by the Secretary of State for Business, Energy and Industrial Strategy. This Shareholder set some rules within which the overall remuneration policy must operate. Those rules required us, inter alia:

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

We kept these requirements under review in all remuneration discussions and remained fully compliant with them.

GIB had 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 was done on an annual basis using external data, provided by McLagan, part of the Aon group. McLagan has no other connection with GIB. We benchmarked every job against our peer group and following further analysis in Q3 2016 the results were shared with the Shareholder.

As an additional control, the Secretary of State for Business, Energy and Industrial Strategy had to approve all remuneration for the Executive Directors. The remuneration report and remuneration policy for the year to 31 March 2017 was proposed to the shareholder at the AGM held in June 2016.

### GIB wide remuneration

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

The Leadership Team and the Remuneration Committee received 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 attracted and retained the staff needed to deliver our immediate business goals and our longer-term strategic goals.

### Service contracts

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

- 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 were 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.

Shaun Kingsbury was a Non Executive Director with Envision Energy Ltd and was entitled to receive an annual fee of £75,000.

### Current incentive plans

GIB had in place two mutually exclusive incentive plans, which were designed to reward performance and align behaviour to business strategy. These plans were paid wholly in cash, reflecting the fact that GIB was wholly owned by the Secretary of State for Business, Energy and Industrial Strategy and therefore could not issue any shares to its Directors and employees.

A specific fund incentive scheme was also in place to reward individuals directly involved in the management of the Offshore Wind Fund and those employees of the Group who provided additional services to the entity. The Chief Executive was unable to participate in this plan. No payment was made under this scheme for the year ending 31 March 2017.

### Short Term Incentive Plan

The purpose of the Short Term Incentive Plan (STIP) was 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 were paid in May and June of 2017 following Board approval of the financial statements. Performance is considered in the context of targets set for the financial year.

All fixed term and permanent employees were entitled to a payment under the STIP plan except those who were part of the LTIP scheme. The maximum annual incentive payable varies by role from 10% to 20% of base salary. This performance incentive was 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 was paid wholly in cash.

### Long Term Incentive Plan

The purpose of the Long Term Incentive Plan (LTIP) was to reward Executive Board Members 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 were discretionary and were conditional upon approval by the Board on the recommendation of the Remuneration Committee. Awards were 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

Awards made under the LTIP are subject to a two-year adjustment period, with the exception of those for year ending March 2017 which will be subject to a one year adjustment, which commences on 1 April following the year being assessed (the "Vintage Year"). At the end of the adjustment period the Remuneration Committee assessed 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 (IC) 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 was assessed the Remuneration Committee may adjust downwards the business element of the award. Following adjustment of the business element, the Remuneration Committee determined any final award which will then require Board approval. Only the business performance element of the award was 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 were measured on an identical basis. The business objectives were set by the Remuneration Committee and performance against those objectives was determined by the Remuneration Committee.

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

### Specific Offshore Wind Fund incentives

Where a member of a Group subsidiary provides the Offshore Wind Fund management services it is recognised that investors are likely to require some specific employee incentives linked to performance of the relevant fund. It was agreed that separate incentive pools were 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 were subject to committee and Board approval and oversight.

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

## Annual report on remuneration

# This part of the remuneration 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.

### Remuneration Committee

The membership of the Remuneration Committee comprised Professor Isobel Sharp (Chair), Professor Julia King, the Baroness Brown of Cambridge DBE, 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, took place outside the scheduled meetings as necessary.

In addition, the Chair, the SID, the Chief Executive, the CFO, the Chief of Staff and the Head of HR accepted invitations to attend meetings in 2016–17. The Company Secretary acted as Secretary to the Remuneration Committee.

The Committee continued to work with its external advisor (Deloitte LLP), which was appointed by the Committee in 2014 following a procurement process and assessment of its performance was reviewed annually. 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 reviewed the advice it received during the year and was satisfied that it was independent and objective.

The fees paid to Deloitte during 2016–17 were £79,254, reflecting the time spent in the provision of advice to the Committee on a number of business-as-usual matters, as well as in regards to the acquisition of the business. Deloitte also provided assurance services to GIB in respect of green impact data.

### Remuneration Committee agenda 2016–17

| Month | Key agenda items |
|---|---|
| May 2016 | KPI Business score approval<br>2015–16 Performance Related Pay approval<br>LTIP rules review to reflect 2016–17 KPIs |
| July 2016 | Approval of previously allocated LTIP awards. |
| November 2016 | Approval of Secretary of State letter in regards to GIB boundary conditions |
| March 2017 | Recommendation of the Executive Director and Chair salaries<br>Review of staff salary proposals<br>Review of time table for payment of Performance Related Pay |

### Performance assessment

Performance of the business for the 2016–17 period has been measured against the following business and personal objectives approved by the Remuneration Committee. These objectives were intended to be stretching and designed to promote the long-term success of GIB.

### Business objectives

GIB's mission was one of "accelerating the UK's transition to a green economy and creating an enduring institution operating independently of Government". Our success was measured against a double bottom line being:

- Our green impact
- Our financial returns/investments

The specific business objectives for the 2016–17 period and performance against them are set out in the table below.

| KPI | Measure | Target | Performance | % Weighting | Final Allocation |
|---|---|---|---|---|---|
| Green Investment | Amount of Capital committed to green and profitable projects | £761m | £839m | 30% | 30% |
| Financial Performance – Income | KPI based on target income for GIB in the year | £91m | £96.8m (including gross revenues from Lincs)<br><br>£82m (including net revenues from Lincs) | 30% | 21% |
| Financial Performance – Operating Costs | Management of operating costs (excluding strategic costs and Lincs operating expenses and depreciation) | £47.1m | £42.4m | 20% | 20% |
| Innovation – Private Sector Capital | A significant Private Sector Capital commitment to GIB | This is measured by a commitment by a new shareholder by this date | The measure was considered met based on GIB contribution to the privatisation process, the outcome of which was announced on 20 April 2017, shortly after the reporting period | 20% | 20% |

### Green investment objective – further information

The green investment objective for 2016–17 was to make new green capital commitments of £761m which:

- Was within acceptable risk profiles
- Met our green criteria
- Sought an average mobilisation of third-party capital of 1:2.5
- Was allocated across GIB's sectors

The performance achieved is as set out in the table above.

On the basis of performance outlined in the table above, the Board, on the Remuneration Committee's recommendation, awarded GIB 91% of maximum against the business objectives that had been set for the relevant period.

### Personal performance of Executive Directors

The Remuneration Committee approved their scoring under GIB's grading system for personal performance, the consequence of which was that they were entitled to a full allocation of the 20% of their LTIP for personal performance.

Shaun Kingsbury's personal objectives for the year were:

- To successfully deliver private sector investment into GIB
- To manage a successful transition to the new owners of GIB
- Overall management of Leadership Team and all employees, ensuring a focus on retention and staff satisfaction particularly through the sale process
- To ensure all his responsibilities as a Senior executive of GIGML were fully discharged

Peter Knott's personal objectives for the year were:

- To continue the implementation of an enhanced financial platform
- To manage the resourcing requirements of the finance team pre and post-privatisation
- To work with the Board on the successful privatisation of GIB
- To chair the Portfolio Management committee, facilitating strong linkages across the business
- To ensure all his responsibilities as a Senior executive of GIGML were fully discharged

The Remuneration Committee agreed that both Executive Directors delivered against their personal objectives on an overall basis of exceeding expectations.

### 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 2016 to 31 March 2017 of £150,800 (46.4% of salary) for Shaun Kingsbury and £130,024 (46.4% of salary) for Peter Knott, 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 £382,248 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 £141,961 was awarded. For these individuals, 50% of the bonus was based on business objectives and 50% on personal objectives.

## 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.

### Board of Directors' remuneration (audited)

| Chair and Non Executive Directors | Fee 2016 –17 £ | Fee 2015 –16 £ | Fee 2014 –15 £ |
|---|---|---|---|
| Lord Smith | 120,000 | 120,000 | 120,000 |
| Julia King, Professor the Baroness Brown of Cambridge DBE | 25,000 | 25,000 | 25,000 |
| Laurence Mulliez | 25,000 | 25,000 | 4,647 |
| 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 | 25,000 | 27,083 |

- Non Executive Directors do not receive any pension, benefits or long-term incentives.
- Anthony Odgers is the Shareholder Representative and employed by BEIS.
- No payments were made in the year to past directors or for loss of office.
- Total expenses reimbursed to all NEDs in the year were £4,317

### Executive Director remuneration (audited)

| Executive Director | Salary £ | Taxable benefits £ | LTIP £ | Pension £ | Total £ | Salary £ |
|---|---|---|---|---|---|---|
| Shaun Kingsbury 2016 –17 | 325,000 | 1,238 | 150,800 | 32,500 | 509,538 | 325,000 |
| Shaun Kingsbury 2015 –16 | 325,000 | 1,103 | 111,150 | 32,500 | 469,753 | 325,000 |
| Shaun Kingsbury 2014 –15 | 325,000 | 964 | 147,560 | 32,500 | 506,024 | 325,000 |
| | | | | | | |
| Peter Knott 2016 –17 | 280,225 | 1,378 | 130,024 | 28,023 | 439,650 | 280,225 |
| Peter Knott 2015 –16 | 280,225 | 1,242 | 95,837 | 28,023 | 405,327 | 280,225 |
| Peter Knott 2014 –15* | 53,171 | 202 | 24,141 | 5,317 | 82,831 | 280,225 |

- The total Directors emoluments paid for the year was £925,225.

* Peter Knott became an Executive Director on 22 January 2015.

## Leadership Team remuneration

| Members at 31 March 2017 | Actual remuneration | | | | | | Annual equivalent |
|---|---|---|---|---|---|---|---|
| | Salary £ | Taxable benefits £ | STIP £ | LTIP £ | Pension £ | Total £ | Salary £ |
| Shaun Kingsbury | 325,000 | 1,238 | – | 150,800 | 32,500 | 509,538 | 325,000 |
| Jennifer Babington | 81,173 | 763 | 10,795 | – | 9,204 | 101,935 | 153,400 |
| Marco Visser | 85,388 | – | – | – | 8,539 | 93,927 | 149,440 |
| Peter Knott* | 280,225 | 1,378 | – | 130,024 | 28,023 | 439,650 | 280,225 |
| Robert Mansley* | 260,780 | 894 | 48,870 | – | 26,078 | 336,622 | 260,780 |
| Euan McVicar * | 281,909 | 405 | – | 132,074 | 28,190 | 442,578 | 281,909 |
| Stephen Moir * | 175,000 | 894 | 33,425 | – | 17,500 | 226,819 | 175,000 |
| Edward Northam* | 300,900 | 1,120 | – | 136,458 | 30,090 | 468,568 | 300,000 |
| Jacqueline Redmond | 250,750 | 1,189 | | 113,715 | 25,075 | 390,729 | 250,750 |
| Bill Rogers | 260,780 | 894 | 48,870 | | 26,078 | 336,622 | 260,780 |

Notes
- Shaun Kingsbury and Peter Knott are Board members 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.
- Marco Visser is the maternity cover for Jennifer Babington and is not eligible for an award under the STIP scheme in the year ending March 2017.
- Taxable benefits include private health insurance.
- Jennifer Babington went on maternity leave in October 2016 and works part time.

* 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 2016 –17 and any payments due in the future will be dependent on the performance of the Offshore Wind Fund.

History of Chief Executive's remuneration

| Year | Chief Executive | Salary £ | Taxable benefits £ | LTIP £ | Pension £ | Total remuneration £ | Performance incentive plan as percentage of maximum |
|---|---|---|---|---|---|---|---|
| 2016 –17 | Shaun Kingsbury | 325,000 | 1,238 | 150,800 | 32,500 | 509,538 | 93% |
| 2015 –16 | Shaun Kingsbury | 325,000 | 1,103 | 111,150 | 32,500 | 469,753 | 68% |
| 2014 –15 | Shaun Kingsbury | 325,000 | 964 | 147,560 | 32,500 | 506,024 | 91% |
| 2013 –14 | Shaun Kingsbury | 325,000 | 858 | 128,700 | 32,500 | 487,058 | 79% |
| 2012 –13 | Shaun Kingsbury (annualised) | 325,000 | 828 | 125,125 | 32,500 | 483,453 | 77% |
| 2012 –13 | Shaun Kingsbury (actual) | 139,167 | 286 | 52,000 | 13,917 | 205,370 | 77% |

- The Chief Executive was not entitled to an annual bonus. The Chief Executive was 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 or 2013–14. 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 and his award from 2013–14 of £128,700 in July 2016, following approval by the Remuneration Committee.
- Shaun Kingsbury's salary did not increase between 2012 and 2017. There was an average change in the annual equivalent salary for the 2016 –17 period of 5.7% for all GIB employees taken as a whole, relating to increases as a result of promotion, change of role or cost of living. Cost of living was awarded at 0.3% in line with the Consumer Price Index.

## 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 2015 –16 to 2016 –17 | Salary | Benefits | Variable pay (STIP/LTIP) |
|---|---|---|---|
| Chief Executive Officer | 0% | 12.24% | 35.67% |
| All employee | 5.7% | 13.21% | 25.8% |

## Relative importance of spend on pay

The following table shows the change in total spend on employee remuneration and distributions to shareholders between the 2015 –16 and 2016 –17 financial years.

| % change 2015 –16 to 2016–17 | 2015 –16 | 2016–17 | % change |
|---|---|---|---|
| Distributions to shareholders* | N/A | N/A | N/A |
| Employee remuneration | £17,879,000 | £19,486,000 | 9% |

* GIB was 100% owned by the UK Government and as such made no distributions to shareholders

## Non Executive Directors

The Non Executive Directors were engaged under letters of appointment and were appointed for fixed terms of three years. The appointment letters provided 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 were reimbursed.

The Shareholder Representative Director, originally appointed by the then Department of Business, Innovation and Skills (BIS) received 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 was £325,000. This was 3.6 times the median salary of the GIB workforce, which was £91,000. In 2015 –16 this ratio was 3.9 times. Including performance related pay, the total remuneration earned by the highest paid employee for the year 2016 –17 was £475,800. The total remuneration received by the median member of the GIB workforce was £107,129, giving a multiple of 4.4 times. The multiple in 2015 –16 was 4.61.

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

## 2017–18 focus

At the time of this report, business performance targets for the year 2017–18 have not been finalised and are thus undisclosed.

# Directors' statement of responsibilities

The Directors are responsible for preparing the annual report and 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 financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with UK Accounting Standards and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company 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 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.

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 tax and loss 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.

## Audit and accounts

PricewaterhouseCoopers (PwC) was appointed to be GIB's external auditor for the 2016–17 financial year on 26 July 2017. Details of auditor remuneration are shown in Note 9 to the financial statements.

Signed and approved for and on behalf of the Board
28 September 2017

**Euan McVicar**
**Director**


Gwynt y Môr offshore wind farm
SEA JACK

# Green impact statements

# Reduction of greenhouse gas emissions

### Consolidated statement of GHG emissions reduction of GIB portfolio for the year ended 31 March 2017

| | Year ended 31.03.17 t $CO_2$e '000 | Year ended 31.03.16 t $CO_2$e '000 |
|---|---|---|
| Offshore wind – UK Green Investment Bank Limited | 553 | 349 |
| Offshore wind – Offshore Wind Fund | 384 | 119 |
| Waste | 381 | 142 |
| Non-domestic energy efficiency | 56 | 25 |
| Bioenergy | 6,449 | 5,826 |
| Onshore renewables | 12 | 2 |
| **Total** | **7,835** | **6,463** |

### Consolidated statement of estimated lifetime GHG emissions reduction of GIB portfolio at 31 March 2017

| Cumulative historical GHG emissions reduction of GIB portfolio | Year ended 31.03.17 t $CO_2$e '000 | Year ended 31.03.16 t $CO_2$e '000 |
|---|---|---|
| Total carried forward from last year | 12,633 | 6,170 |
| Net contribution this year | 7,835 | 6,463 |
| **Total historical GHG emissions reduction** | **20,468** | **12,633** |

| Estimated remaining lifetime GHG emissions reduction of GIB portfolio, by sector | Notes 1, 3 | Year ended 31.03.17 | Note 2 | Year ended 31.03.16 – recalculated | Year ended 31.03.16 |
|---|---|---|---|---|---|
| Offshore wind – UK Green Investment Bank Limited | | 41,205 | | 41,145 | 14,238 |
| Offshore wind – Offshore Wind Fund | | 11,742 | | 9,058 | 3,930 |
| Waste | | 33,393 | | 25,307 | 22,455 |
| Non-domestic energy efficiency | | 2,264 | | 2,015 | 1,807 |
| Bioenergy | | 43,740 | | 43,971 | 35,070 |
| Onshore renewables | | 1,743 | | 1,675 | 670 |
| Total estimated remaining lifetime GHG emissions reduction | | 134,087 | | 123,171 | 78,170 |
| **Total estimated lifetime GHG emissions reduction** | | **154,555** | | **135,804** | **90,803** |

### Consolidated statement of estimated remaining lifetime GHG emissions reduction of exited transactions, at time of exit

| | Note 5 | Year ended 31.03.17 t $CO_2$e '000 | Year ended 31.03.16 t $CO_2$e '000 |
|---|---|---|---|
| Offshore wind – UK Green Investment Bank Limited | | 1,518 | 0 |
| **Total** | | **1,518** | **0** |

# Generation of renewable energy

### Consolidated statement of renewable energy generated by portfolio for the year ended 31 March 2017

| | Year ended 31.03.17 GWh | Year ended 31.03.16 GWh |
|---|---|---|
| Offshore wind – UK Green Investment Bank Limited | 1,277 | 1,138 |
| Offshore wind – Offshore Wind Fund | 888 | 384 |
| Waste | 311 | 185 |
| Non-domestic energy efficiency | 9 | 8 |
| Bioenergy | 13,093 | 11,705 |
| Onshore renewables | 28 | 8 |
| **Total** | **15,606** | **13,428** |

### Consolidated statement of estimated lifetime renewable energy generated by portfolio at 31 March 2017

| Cumulative historical lifetime renewable energy generated by GIB portfolio | Note 1 | Year ended 31.03.17 GWh | Year ended 31.03.16 GWh |
|---|---|---|---|
| Total carried forward from last year | | 25,695 | 12,267 |
| Net contribution this year | | 15,606 | 13,428 |
| Total historical lifetime renewable energy generated | | 41,301 | 25,695 |
| Estimated remaining lifetime renewable energy generated by GIB portfolio, by sector | | | |
| Offshore wind – UK Green Investment Bank Limited | | 95,163 | 95,024 |
| Offshore wind – Offshore Wind Fund | | 27,118 | 20,919 |
| Waste | | 49,421 | 33,589 |
| Non-domestic energy efficiency | | 1,375 | 2,947 |
| Bioenergy | | 154,299 | 164,566 |
| Onshore renewables | | 4,026 | 3,869 |
| Total estimated remaining lifetime renewable electricity generated | | 331,402 | 320,914 |
| **Total estimated lifetime renewable electricity generated** | | **372,703** | **346,609** |

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

| | Note 5 | Year ended 31.03.17 GWh | Year ended 31.03.16 GWh |
|---|---|---|---|
| Offshore wind – UK Green Investment Bank Limited | | 3,505 | 0 |
| **Total** | | **3,505** | **0** |

# Energy demand reduction

### Consolidated statement of energy demand reduced by portfolio for the year ended 31 March 2017

| | Year ended 31.03.17 GWh | Year ended 31.03.16 GWh |
|---|---|---|
| Electricity | 75,317 | 43,906 |
| Heating fuels | 11,235 | 2,086 |
| **Total** | **86,552** | **45,992** |

### Consolidated statement of estimated lifetime energy demand reduced by portfolio at 31 March 2017

| | Note 1 | Year ended 31.03.17 GWh | Year ended 31.03.16 GWh |
|---|---|---|---|
| Cumulative historical energy demand reduced by GIB portfolio | | | |
| Total carried forward from last year | | 82,773 | 36,781 |
| Net contribution this year | | 86,552 | 45,992 |
| Total historical energy demand reduced | | 169,325 | 82,773 |
| Estimated remaining lifetime energy demand reduced, by fuel type | | | |
| Electricity | | 1,655,748 | 970,426 |
| Heating fuels | | 2,132,900 | 2,277,181 |
| Total estimated remaining lifetime energy demand reduced | | 3,788,648 | 3,247,607 |
| **Total estimated lifetime energy demand reduced** | | **3,957,973** | **3,330,380** |

# Recycling of materials

## Consolidated statement of materials consumption avoided through materials recycling by portfolio for the year ended 31 March 2017

| | Note 4 | Year ended 31.03.17 tonnes | Year ended 31.03.16 tonnes |
|---|---|---|---|
| Compost | | 25,213 | 14,884 |
| Digestate (PAS 110) | | 177,315 | 74,720 |
| Compost-like output | | 28,406 | 9,100 |
| Plastics – mixed | | (381) | 0 |
| Ferrous metals | | 1,500 | 0 |
| Non-ferrous metals | | 549 | 0 |
| Paper/card | | (4,032) | 0 |
| Glass | | 81 | 0 |
| Mineral aggregates | | 4,016 | 0 |
| Waste Electrical and Electronic Equipment (WEEE) | | 0 | 0 |
| Other | | 14,424 | 0 |
| **Total** | | **247,091** | **98,704** |

## Consolidated statement of estimated lifetime materials consumption avoided through materials recycling by portfolio at 31 March 2017

| | Notes 1, 4 | Year ended 31.03.17 tonnes | Year ended 31.03.16 tonnes |
|---|---|---|---|
| Cumulative historical materials consumption avoided by GIB portfolio | | | |
| Total carried forward from last year | | 142,071 | 43,367 |
| Net contribution this year | | 247,091 | 98,704 |
| Total historical materials consumption avoided | | 389,162 | 142,071 |
| Estimated remaining lifetime materials consumption avoided by GIB portfolio, by recyclate type | | | |
| Compost | | 936,764 | 865,602 |
| Digestate (PAS 110) | | 6,748,054 | 3,289,907 |
| Compost-like output | | 1,091,302 | 2,109,646 |
| Plastics – mixed | | 704,432 | 879,067 |
| Ferrous metals | | 1,043,821 | 1,070,517 |
| Non-ferrous metals | | 276,070 | 278,041 |
| Paper/card | | 658,330 | 768,463 |
| Glass | | 9,343 | 57,626 |
| Mineral aggregates | | 11,328,282 | 8,776,933 |
| Waste Electrical and Electronic Equipment (WEEE) | | 34,328 | 60,805 |
| Other | | 6,131,924 | 362,345 |
| Total estimated remaining lifetime materials consumption avoided | | 28,962,650 | 18,518,952 |
| **Total estimated lifetime materials consumption avoided** | | **29,351,812** | **18,661,023** |

# Avoidance of waste to landfill

## Consolidated statement of waste to landfill avoided by portfolio for the year ended 31 March 2017

| | Year ended 31.03.17 tonnes | Year ended 31.03.16 tonnes |
|---|---|---|
| Biodegradable waste | 366,031 | 122,644 |
| Non-biodegradable waste | 36,742 | 1,373 |
| **Total** | **402,773** | **124,017** |

## Consolidated statement of estimated lifetime waste to landfill avoided by portfolio at 31 March 2017

| Cumulative historical waste to landfill avoided by GIB portfolio | Note 1 | Year ended 31.03.17 tonnes | Year ended 31.03.16 tonnes |
|---|---|---|---|
| Total carried forward from last year | | 160,043 | 36,026 |
| Net contribution this year | | 402,773 | 124,017 |
| Total historical waste to landfill avoided | | 562,816 | 160,043 |
| | | | |
| Estimated remaining lifetime waste to landfill avoided by GIB portfolio, by waste type | | | |
| Biodegradable waste | | 53,879,080 | 39,777,774 |
| Non-biodegradable waste | | 30,796,880 | 16,770,339 |
| Total estimated remaining lifetime waste to landfill avoided | | 84,675,960 | 56,548,113 |
| **Total estimated lifetime waste to landfill avoided** | | **85,238,776** | **56,708,156** |

# 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. 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 2016 –17, a copy of which is published on GIB's website[1].

Selected totals for data in the Green Impact Statements (see p.65–69) in respect of the financial year 2016 –17 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p.72.

All estimates and calculations referred to below have been made in accordance with the methodology set out in GIB's Green Impact Reporting Criteria 2016 –17.

The table overleaf shows how the remaining lifetime green impact at the end of 2016 –17 compares to that at the end of 2015 –16, and provides a breakdown of the year-on-year changes. The changes in forecast remaining lifetime green impact were caused by:

- Rebasing of previous year's portfolio GHG reduction to new International Financial Institution (GHG) calculation methodology – we have updated the methodology used to calculate the GHG emissions reduced by GIB's portfolio of projects from April 2016 onwards (see Note 2)
- New investments made in the period – GIB invested in 24 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 – the debt facility provided to Walney offshore wind farm was fully repaid in the financial year 2016 –17 (see Note 5)
- Actual green impact realised by existing projects in the period: 49 of the projects that were in GIB's portfolio at the end of 2015 –16 were operational and producing green impact in the reporting period; this green impact is deducted from the end 2015 –16 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 2015 –16, green impact produced in the reporting period differed from the end 2015 –16 forecast leading to reforecasting of the green impact, most notably in the case of the Drax coal-to-biomass conversion project (see Note 3) and the Wakefield Waste PFI (see Note 4). None of the variances or reforecasts arising from individual projects are material to the overall portfolio remaining lifetime green impact.

## 2. Change of GHG emissions reduction calculation methodology

In April 2016, we changed our methodology for calculation of GHG emissions reduction to align with that of the International Financial Institution (IFI) Framework for a Harmonised Approach to Greenhouse Gas Accounting (the Framework)[2]. GIB has been a member of an IFI Working Group on GHG Accounting since 2013, and formally signed up to the Framework in November 2015. At the UNFCCC COP21 in Paris in December 2015, the Working Group issued IFI approaches to GHG accounting for renewable energy[3], energy efficiency[4] and transport sector[5] projects.

In accordance with our obligations as a signatory to the Framework and to enable future GHG accounting for projects outside of the UK, we adopted the IFI approaches to GHG accounting for our portfolio projects. The IFI approach also represents an improvement on our previous approach to GHG accounting, in that the Build Margin and Operating Margin used to determine the overall marginal GHG emission factor of grid electricity are more closely aligned with standard approaches to GHG project accounting (e.g. the GHG Protocol for Project Accounting). Previous GHG emissions factors used by GIB – i.e. gas CCGT for Build Margin, and the UK Government long-run marginal emission factor for Build Margin – did not represent Build Margin and Operating Margin accurately under the GHG Protocol approach, and so were not entirely appropriate for use in project GHG accounting. Definitions of these terms, and further details on the application of the IFI approaches are provided in GIB's Green Impact Reporting Criteria 2016 –17.

This change of methodology has resulted in a significant change to the forecast GHG emissions reduction of GIB's portfolio. To show the extent of this change, we have rebased last year's estimated remaining lifetime GHG emissions reduction to show how it would appear as calculated under the new IFI methodology. The rebased forecast from last year is shown alongside last year's original forecast in the GHG green impact statement on p.65. The table overleaf also shows the contribution of the change in methodology to the year-on-year change.

The change of calculation methodology has resulted in an additional 45m t $CO_2e$ estimated GHG emissions reduction from existing projects in the portfolio, an increase of 58%.

Of the year-on-year change in forecast GHG emissions reduction, the change of calculation methodology accounts for 69% of the increase. 22% of the increase is due to new investments made in the 2016 –17 year, and the remaining 9% of the increase is due to reforecasts of existing projects.

## 3. Reforecast of Drax green impact

In 2016, the Drax coal-to-biomass conversion project achieved GHG emissions reduction that was 21% higher than the forecast for the year. This was due to the GHG emissions associated with the lifecycle emissions intensity of biomass in 2016 (122 kg $CO_2e$/MWh) being significantly lower than the forecast conservative estimate of 214 kg $CO_2e$/MWh.

GIB's reforecasting approach is set out in the Green Impact Reporting Criteria 2016 –17, and states that GIB may choose to revise forecast Green Impact if it believes the operating parameters of a project have changed in such a way as to affect future Green Impact predictably, reliably and permanently. In accordance with this principle, we have therefore reforecast the remaining lifetime GHG emissions reduction of the project based on a revised estimated biomass lifecycle emissions intensity of 180 kg $CO_2$e/MWh.

This re-estimate, whilst still conservative, is derived from the 50 g $CO_2$e/MJ (= 180 kg/MWh) 'Relevant Target' for biomass from 1 April 2025, set out in Table 4 of the Renewables Obligation Sustainability Criteria[6]. We have not based the reforecast on the observed biomass lifecycle emissions intensity because this has been the project's first year of operation at full capacity, and therefore this may not be representative of future performance. This reforecast has increased the forecast remaining lifetime GHG reduction of Drax by 14%, but this change is not material (i.e. <5%) in relation to GIB's total portfolio remaining lifetime GHG emissions reduction.

### 4. Reforecast of Wakefield Waste PFI green impact

The Wakefield Waste PFI is a waste recycling, composting and anaerobic digestion project that commenced operations in December 2015, and has therefore now reported to GIB green impact data for its first full year of operations. The operational data from the project has shown that the composition of waste received and recycled by the project has been, and is expected to continue to be, different from that estimated at financial close of the project. The reported quantity of materials recycled was 58% less than the annual forecast, and the reported GHG emissions reduced were 56% below the annual forecast. Also, the project had not yet commenced exporting renewable energy.

Consequently, in accordance with our reforecasting approach, the project has reforecast its anticipated green impact. Notably, the anticipated lifetime materials forecast to be recycled by the project has decreased by 30%. This is principally a consequence of the project anticipating to recycle less plastic, compost-like output (digestate), glass and paper than originally forecast. The actual and forecast negative numbers reported for plastics and paper/card recycled by the project reflect that recycling was already being undertaken before the project commenced operations. Due to the project receiving decreased plastics and paper/card in the collected waste stream, there was less [and going forward there is anticipated to be less] recycled by the project than in the baseline.

This reduction is the largest reforecasting difference in terms of GIB's total portfolio materials recycled, however it is not material (i.e. <5%) in relation to GIB's total portfolio remaining lifetime materials recycled.

### 5. Estimated remaining lifetime green impact of exited transactions

In accordance with GIB's Green Impact Reporting Criteria 2016 –17, remaining lifetime green impact for exited transactions is reported as a separate item from future estimated portfolio green impact. The sole transaction exited in 2016 –17 was Walney offshore wind farm, for which GIB's debt facility was fully repaid on 16 December 2016.

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

| Note 1 | GHG emissions reduction t $CO_2$e '000 | Renewable energy generated GWh | Energy demand reduced MWh | Materials recycled t | Waste to landfill avoided t |
|---|---|---|---|---|---|
| **Year ended 31.03.16** | **78,170** | **320,914** | **3,247,607** | **18,518,952** | **56,548,113** |
| Rebasing of previous year's portfolio GHG reduction to new IFI GHG calculation methodology (Note 2) | 45,001 | 0 | 0 | 0 | 0 |
| New investments made in the period | 14,410 | 28,891 | 722,382 | 10,845,036 | 28,378,600 |
| Projects exited or cancelled in the period (Note 5) | (1,518) | (3,505) | 0 | 0 | 0 |
| Actual green impact realised by existing projects in the period (deducted from last year's forecast) | (7,831) | (15,593) | (86,552) | (239,622) | (402,774) |
| Existing projects' variation of performance/reforecasts from last year's forecast (Notes 3, 4) | 5,855 | 695 | (94,789) | (161,716) | 152,021 |
| **Year ended 31.03.17** | **134,087** | **331,402** | **3,788,648** | **28,962,650** | **84,675,960** |

1 www.greeninvestmentgroup.com/green-impact
2 http://greeninvestmentgroup.com/media/185866/ifi-harmonisation-framework-for-ghg-accounting_november-2015.pdf
3 http://documents.worldbank.org/curated/en/758831468197412195/IFI-approach-to-GHG-accounting-for-renewable-energy-projects
4 http://documents.worldbank.org/curated/en/893531467991051828/IFI-approach-to-GHG-accounting-for-energy-efficiency-projects
5 http://documents.worldbank.org/curated/en/539971467995662988/IFI-joint-approach-to-GHG-assessment-in-the-transport-sector
6 www.ofgem.gov.uk/publications-and-updates/renewables-obligation-sustainability-criteria

# Independent Assurance Report to the UK Green Investment Bank Limited 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 Limited (GIB) to conduct a limited assurance engagement relating to the Assured Disclosures concerning Corporate Impact Data, 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 2017.

### 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, Corporate GHG Emissions Reporting Criteria and Equator Principles Reporting Criteria (the "Reporting Criteria"), materially misstate GIB's Corporate and Green Impact for the year ended 31 March 2017.

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; this includes the adoption of a new greenhouse gas emissions reduction calculation reporting methodology.

**Find out more**
www.greeninvestmentgroup.com/green-impact

### Responsibilities of the assurance provider

Our responsibility is to express a conclusion on the Assured Disclosures presented overleaf based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000 (revised)) *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 ISAE 3000 (revised). 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;
- 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 ISAE 3000 (revised). 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.

## Responsibilities of the Directors

The Directors are responsible for preparing the annual report, including the following Assured Disclosures:

| | |
|---|---|
| **Corporate Impact Data** (see page 37) | |
| GIB's corporate greenhouse gas footprint | (t $CO_2$e) |
| **Green Impact Data**<br>(Annual Actual 2016 –17, Lifetime and Average Annual forecasts for year ended 31.03.17) (see page 30 and pages 65–69) | |
| Greenhouse gas emissions reduction | (t $CO_2$e) |
| Renewable energy generated | (GWh) |
| Energy demand reduced | (MWh) |
| Materials consumption avoided through materials recycling | (t) |
| Waste-to-landfill avoided | (t) |
| **Green Impact Data**<br>(Lifetime and Average Annual forecasts for year ended 31.03.16) (see pages 30 and 65) | |
| Greenhouse gas emissions reduction (using the IFI methodology) | (t $CO_2$e) |
| **Equator Principles** (see p.36) | |
| 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

Since the Lifetime and Average Annual Green Impact Data are based on assumptions about the future which cannot be predicted with certainty, 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.

## Independence

We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants' Code of Ethics and in some areas are more restrictive. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Deloitte LLP**
Chartered Accountants
and Statutory Auditor
London
28 September 2017

# Financial statements

# Independent auditor's report to the members of UK Green Investment Bank Limited (formerly known as UK Green Investment Bank Plc)

## Report on the financial statements

### Our opinion

In our opinion:

- UK Green Investment Bank Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company statements of financial position as at 31 March 2017;
- the Consolidated Income statement and consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statement of cash flows for the year then ended;
- the Consolidated and Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company, and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## Opinion on additional disclosures

### Report on Directors' remuneration

The Company is required by the Enterprise and Regulatory Reform Act 2013 to prepare a Report on Directors' remuneration in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Report on Directors' remuneration specified by the Companies Act 2006 to be audited as if the Company were a quoted company. In our opinion, the part of the Report on Directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and Report on Directors' remuneration are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors' statement of responsibilities set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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's and the 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

**Allan McGrath**
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh
28 September 2017

- The maintenance and integrity of the UK Green Investment Bank Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated income statement

For the year ended 31 March 2017

| | Note | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|---|
| Operating income | | | |
| Interest income | 5 | 63,245 | 30,113 |
| Fee income | 5 | 6,614 | 9,540 |
| Wind farm income | 8 | 36,961 | 10,565 |
| Share of (loss)/profit from associates and joint ventures | | (15,063) | 7,384 |
| Realised (loss) on asset disposal | | – | (478) |
| Movement on the revaluation of hedged investments | 21 | 9,835 | 8,549 |
| Movement in the fair value of derivatives | 21 | (4,882) | (7,364) |
| Other income | 6 | 51 | 510 |
| **Total operating income** | | **96,761** | **58,819** |
| Direct investment costs | 7 | (8,297) | (6,443) |
| Impairment charge | 18 | (3,442) | (4,410) |
| **Net operating income** | | **85,022** | **47,966** |
| Operating Expenses | | | |
| Employee and Board compensation | 7 | (19,486) | (17,879) |
| Professional fees | 7 | (2,511) | (4,999) |
| General and administrative expenses | 7 | (7,168) | (5,237) |
| Interest expense | 7 | (1,514) | – |
| Premises costs | 7 | (1,402) | (1,385) |
| Wind Farm operating expenses | 8 | (13,557) | (3,655) |
| Depreciation and amortisation | 7 | (15,404) | (4,907) |
| **Total operating expenses** | | **(61,042)** | **(38,062)** |
| Profit before tax | | 23,980 | 9,904 |
| Tax expense | 10 | (3,142) | (1,947) |
| **Profit for the year from continuing operations** | | **20,838** | **7,957** |
| Profit attributable to: | | | |
| Owners of the Company | | 20,863 | 3,894 |
| Non-controlling interests | | (25) | 4,063 |
| | | **20,838** | **7,957** |

The notes on pages 88–132 form part of these financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 March 2017

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|
| Profit for the year | 20,838 | 7,957 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Revaluation of available-for-sale financial assets | 4,677 | (1,390) |
| Share of associates' and JVs' other comprehensive income | (21,261) | – |
| Deferred tax on revaluation of available-for-sale financial assets | (982) | 2,442 |
| Other comprehensive income for the year, net of tax | (17,566) | 1,052 |
| **Comprehensive income for the year** | **3,272** | **9,009** |
| Comprehensive income attributable to: | | |
| Owners of the Company | 3,107 | 4,944 |
| Non-controlling interests | 165 | 4,065 |
| | 3,272 | 9,009 |

The notes on pages 88–132 form part of these financial statements.

# Consolidated statement of financial position

For the year ended 31 March 2017

| | Note | Group<br>Year ended<br>31.03.17<br>£'000 | Group<br>Year ended<br>31.03.16<br>£'000 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 1,450 | 189,706 |
| Intangible assets | 14 | 6,914 | 6,725 |
| Loans and receivables | 16, 18 | 134,336 | 252,687 |
| Available-for-sale assets | 16 | 164,604 | 155,494 |
| Investments in associates and joint ventures | 16 | 77,243 | 797,069 |
| Investments held at fair value through profit and loss | 16, 21 | 110,829 | 52,385 |
| **Total non-current assets** | | **495,376** | **1,454,066** |
| Current assets | | | |
| Cash and cash equivalents | 17 | 45,353 | 122,017 |
| Disposal Group Assets | 12 | 1,884,567 | – |
| Loans and receivables | 16, 18 | 93,573 | 34,019 |
| Prepayments and other receivables | 19 | 2,500 | 10,745 |
| **Total current assets** | | **2,025,993** | **166,781** |
| **Total assets** | | **2,521,369** | **1,620,847** |

The notes on pages 88–132 form part of these financial statements.

# Consolidated statement of financial position

For the year ended 31 March 2017

Consolidated statement of financial position *(continued)*

| | Note | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|---|
| Liabilities | | | |
| **Non-current liabilities** | | | |
| Provisions | 20 | 1,507 | 12,286 |
| Derivative financial instruments | 21 | 12,903 | 8,022 |
| Third-party interest in consolidated funds | | 754 | 538,964 |
| Deferred tax liability | 10 | 1,845 | (730) |
| **Total non-current liabilities** | | **17,009** | **558,542** |
| Current liabilities | | | |
| Provisions | 20 | 797 | 871 |
| Disposal Group Liabilities | 12 | 964,413 | – |
| Creditors, accruals, and other liabilities | 22 | 19,738 | 15,129 |
| **Total current liabilities** | | **984,948** | **16,000** |
| **Total liabilities** | | **1,001,957** | **574,542** |
| Equity | | | |
| Issued capital | 23 | 1,517,450 | 1,034,850 |
| Capital contribution reserve | 24 | – | 12,600 |
| Revaluation reserve | 25 | 9,320 | 5,815 |
| Accumulated losses | 26 | (7,358) | (6,960) |
| **Total equity** | | **1,519,412** | **1,046,305** |
| **Total equity and liabilities** | | **2,521,369** | **1,620,847** |

Approved by the Board of Directors 28 September 2017

**Euan McVicar**
**Director**

The notes on pages 88–132 form part of these financial statements.

Company registered number: SC424067

# Company statement of financial position

For the year ended 31 March 2017

| | Note | Company<br>Year ended<br>31.03.17<br>£'000 | Company<br>Year ended<br>31.03.16<br>£'000 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 1,450 | 2,207 |
| Intangible assets | 14 | 196 | 377 |
| Investment in controlled entities | 15 | 233,049 | 488,471 |
| Loans and receivables | 16 | 113,903 | 236,073 |
| Investments in associates and joint ventures | 16 | 42,834 | 151,738 |
| Investments held at fair value through profit and loss | 16, 21 | 66,173 | 32,011 |
| Deferred tax | | 244 | 606 |
| **Total non-current assets** | | **457,849** | **911,483** |
| **Current assets** | | | |
| Cash and cash equivalents | 17 | 41,045 | 102,563 |
| Disposal Group Assets | 12 | 934,511 | – |
| Loans and receivables | 16, 18 | 92,619 | 34,019 |
| Prepayments and other receivables | 19 | 10,820 | 9,349 |
| **Total current assets** | | **1,078,995** | **145,931** |
| **Total assets** | | **1,536,844** | **1,540,897** |
| **Liabilities** | | | |
| Non-current liabilities | | | |
| Provisions | 20 | 1,507 | 1,635 |
| Derivative financial instruments | 21 | 12,903 | 8,022 |
| **Total non-current liabilities** | | **14,410** | **9,657** |

The notes on pages 88–132 form part of these financial statements.

Company registered number: SC424067

## Company statement of financial position
## For the year ended 31 March 2017

| | | | |
|---|---|---|---|
| Current liabilities | | | |
| Provisions | 20 | 797 | 871 |
| Creditors, accruals, and other liabilities | 22 | 19,363 | 13,086 |
| Total current liabilities | | 20,160 | 13,957 |
| **Total liabilities** | | **34,570** | **23,614** |
| Equity | | | |
| Issued capital | 23 | 1,517,450 | 1,034,850 |
| Capital contribution reserve | 24 | – | 12,600 |
| Accumulated Losses | 26 | (15,176) | (13,650) |
| **Total equity** | | **1,502,274** | **1,033,800** |
| **Total equity and liabilities** | | **1,536,844** | **1,057,414** |

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Income Statement in these Financial Statements.

The parent company's loss for the year was £(1.5m) (2016: (£5.5m)

Approved by the Board of Directors 28 September 2017
UK Green Investment Bank Limited
SC424067

**Euan McVicar**
**Director**

The notes on pages 88–132 form part of these financial statements.

# Statement of cash flows

For the year ended 31 March 2017

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 | Company Year ended 31.03.17 £'000 | Company Year ended 31.03.16 £'000 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Net profit/(loss) before taxation | 23,980 | 9,904 | 551 | (4,452) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 15,404 | 4,907 | 938 | 798 |
| Impairment charge | 3,442 | 4,410 | – | – |
| Fair value movement on financial assets and liabilities | 4,882 | 8,416 | 4,882 | 7,364 |
| Fair value movement on FVTPL assets | (9,495) | (7,985) | (7,736) | (4,335) |
| Increase/(decrease) in provisions | 56 | 74 | (202) | 266 |
| Investment interest and fee income | (66,009) | (30,108) | (26,971) | (15,729) |
| Interest expense | 1,514 | – | – | – |
| Share of associate's loss/(profit) | 15,063 | (7,384) | – | – |
| Unwinding of discount rate on other loans | (94) | – | – | – |
| Other non-cash adjustments | (274) | – | 1,120 | – |
| Provision of accrued interest | – | – | 10,748 | – |
| Dividends received | – | – | (205) | – |
| **Operating profit before working capital changes** | **(11,531)** | **(17,766)** | **(16,875)** | **(16,088)** |
| (Increase)/decrease in trade and other receivables | (7,217) | (2,017) | 105 | (6,084) |
| Increase/(decrease) in trade, other payables and deferred income | 5,938 | (7,577) | 2,661 | 2,022 |
| **Cash used in operations** | **(12,810)** | **(27,360)** | **(14,109)** | **(20,150)** |
| Investment interest and fees received | 25,122 | 26,683 | 9,144 | 16,235 |
| Income taxes paid | (3,831) | 216 | (1,141) | – |
| **Net cash from/(used in) operating activities** | **8,481** | **(461)** | **(6,106)** | **(3,915)** |

The notes on pages 88–132 form part of these financial statements.

## Statement of cash flows *(continued)*

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | Year ended 31.03.17 | Year ended 31.03.16 | Year ended 31.03.17 | Year ended 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash flows from investing activities | | | | |
| Loans and receivables additions | (76,422) | (53,416) | (56,322) | (54,464) |
| Loans and receivables repayments | 58,879 | 26,931 | 56,469 | 17,821 |
| Payments to acquire investments | (726,677) | (289,594) | (579,944) | (155,430) |
| Loan repayments from subsidiaries | – | – | 37,527 | 37,900 |
| Disposals of investments | 1,727 | 1,867 | – | – |
| Investments in associates and joint ventures | (180,601) | (431,366) | (13,566) | (52,182) |
| Repayment of investments in associates and joint ventures | 47,971 | 21,902 | 30,270 | – |
| Dividends received | 9,744 | – | 205 | – |
| Purchases of intangible assets | (1,404) | (917) | (1) | (5) |
| Purchases of property, plant and equipment | (90) | (721) | (50) | (721) |
| **Net cash used in investing activities** | **(866,873)** | **(725,313)** | **(525,412)** | **(207,081)** |
| Cash flows from financing activities | | | | |
| Movement in third party interest in consolidated funds | 196,341 | 531,977 | – | – |
| Proceeds from non-group shareholder loans | 149,551 | – | – | – |
| Issue of share capital | 470,000 | 60,000 | 470,000 | 60,000 |
| **Net cash generated from financing activities** | **815,892** | **591,997** | **470,000** | **60,000** |
| **Net (decrease) in cash and cash equivalents** | **(42,500)** | **(133,777)** | **(61,518)** | **(150,996)** |
| Cash and cash equivalents at the beginning of the period | 122,017 | 255,794 | 102,563 | 253,559 |
| **Cash and cash equivalents at the end of the period before transfer to disposal group assets** | **79,517** | **122,017** | **41,045** | **102,563** |
| Transfer to disposal group assets | (34,164) | – | – | – |
| **Cash and cash equivalents at the end of the period after transfer to disposal group assets** | **45,353** | **122,017** | **41,045** | **102,563** |

The notes on pages 88–132 form part of these financial statements.

# Statement of changes in equity

For the year ended 31 March 2017

| Group | Note | Issued capital | Capital contribution reserve | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2015** | | **974,850** | **12,600** | **4,763** | **(10,854)** | **981,359** |
| Profit for the period | 26 | – | – | – | 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 | 23 | 60,000 | – | – | – | 60,000 |
| **Balance at 31 March 2016** | | **1,034,850** | **12,600** | **5,815** | **(6,960)** | **1,046,305** |
| Profit for the period | 26 | – | – | – | 20,863 | 20,863 |
| Other comprehensive income for the period, net of tax | | – | – | 3,505 | (21,261) | (17,756) |
| **Total comprehensive income for the period** | | – | – | **3,505** | **(398)** | **3,107** |
| Issue of ordinary shares | 23 | 482,600 | – | – | – | 482,600 |
| Capital contribution | 24 | – | (12,600) | – | – | (12,600) |
| **Balance at 31 March 2017** | | **1,517,450** | – | **9,320** | **(7,358)** | **1,519,412** |

| Company | Note | Issued capital | Capital contribution reserve | Revaluation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 31 March 2015** | | **974,850** | **12,600** | – | **(8,125)** | **979,325** |
| Profit for the period | 26 | – | – | – | (5,525) | (5,525) |
| Total comprehensive income for the period | | – | – | – | (5,525) | (5,525) |
| Issue of ordinary shares | 23 | 60,000 | – | – | – | 60,000 |
| **Balance at 31 March 2016** | | **1,034,850** | **12,600** | – | **(13,650)** | **1,033,800** |
| Profit for the period | 26 | – | – | – | (1,526) | (1,526) |
| Other comprehensive income for the period, net of tax | | – | – | – | – | – |
| **Total comprehensive income for the period** | | – | – | – | **(1,526)** | **(1,526)** |
| Issue of ordinary shares | 23 | 482,600 | – | – | – | 482,600 |
| Capital contribution | 24 | – | (12,600) | – | – | (12,600) |
| **Balance at 31 March 2017** | | **1,517,450** | – | – | **(15,176)** | **1,502,274** |

The notes on pages 88–132 form part of these financial statements.

# Notes to the financial statements

For the year ended 31 March 2017

## 1. Authorisation of Financial Statements

The consolidated financial statements of UK Green Investment Bank Limited (previously UK Green Investment Bank plc) (the 'Company') and its controlled entities (together, the 'Group') for the year ended 31 March 2017 ('2016–17') were approved and authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

Comparative information is included for the year ended 31 March 2016 ('2016').

The UK Green Investment Bank Limited is a private limited company incorporated and registered in Scotland. The registered address is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

## 2. Principal activities

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

The operations and principal activities of the Company consist of financial investments in 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 Limited in accordance with IFRS as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee and have been 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 accounting policies have been consistently applied.

The cash flow statement has been prepared using the indirect method.

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 after tax of the Company during the year to 31 March 2017 was £1.5m (2016: (£5.5m)).

### 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:

*Control*

Each time the Company makes an investment, an assessment is performed to determine whether the underlying investment company or partnership should be consolidated, as determined by the level of control that is deemed to exist between the Company and the underlying investment company or partnership. In determining whether control exists, the company assesses a wide range of factors, with more detail on this found in the 'Basis of consolidation' section within this note.

*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.

*Assets held at fair value*
The Company has significant investment assets that it accounts for at fair value with a number of accounting estimates used in calculating the fair market value of these assets.

A breakdown of the estimates used can be found in Note 18.

*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 30 as well as the support being provided by the Macquarie Group, as a wholly-owned subsidiary within the Group.

**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 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.

*Investment in controlled entities*
During initial investment stage, an assessment is completed to determine whether the Company has control over the underlying company or partnership in which GIB is investing. If it is determined that GIB controls exists, the underlying company or partnership is accounted for as an investment in controlled entity.

Where the controlled entity is a limited company, the carrying value is accounted for at the cost of shares and shareholder loans plus any capitalised deal costs less any capital repayments. Where the Company invests in limited partnerships, the carrying value is determined by the cost of capital and loan contributions made less distributions received.

The Company carries out impairment testing on annual basis. 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 15.

### 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.

*Wind Farm Revenue*
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, rebates and discounts.
Revenue is recognised on the basis of power supplied during the period together with associated Renewables Obligation Certificates (ROCs).

### 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
- Fixtures and fittings: seven years
- Wind farm and decommissioning asset: useful economic life as determined by management, 20 to 25 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 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 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 and recognised in the income statement. In addition the investment's carrying value is adjusted for changes in the investee's other comprehensive income and recognised in the Group statement of other comprehensive income. The Group's investment in associates and joint ventures includes goodwill identified on acquisition.

During the construction phase the Company assesses the recoverable value of investments in project companies set up to construct and operate renewable assets. The recoverability of the total of the cost of shares, shareholder loan advances and unpaid accrued shareholder interest relating to these entities during the construction phase is considered uncertain to the extent it exceeds the actual net cash advanced, with a provision created to the extent of this excess. When the underlying assets reach normal operations and commence generating positive cash flow, a re-assessment is carried out of the recoverability of all the balances related to the investment based on discounted expected future cash flows, and if appropriate, the provision reduced or increased.

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.

**Held for Sale Assets**

Non-current assets (or disposal groups) are classified as assets held for sale in line with IFRS 5 when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell unless the assets are financial assets in the scope of IAS 39, in which case they are measured in accordance with that standard.

The criteria for held for sale classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

**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 and Lincs offshore wind farms 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.

Provision for future decomissioning costs is made in full when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Management use the work of subject matter experts to assess the expected obligation where this is material.

The amount recognised is the present value of the estimated expenditure using the market assessment of the time value of money, with a corresponding increase in the associated asset. The unwinding of the discount applied to future decomissioning provisions is included under finance costs in the income statement.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the asset.

### 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 and UK Green Investment FCG Limited are also part of this VAT group.

VAT is recovered using the standard method with any irrecoverable VAT on expenditure charged to the Income Statement under the relevant expenditure heading or, on the purchase of an asset, included in additions.

### Equity
Ordinary shares are classified as equity and have been issued at par in the period to 31 March 2017.

### Reserves
Capital contributions from BEIS were recognised directly in a capital contribution reserve in equity. In the period to 31 March 2017 no capital contributions were received and the capital contribution reserve was converted to fully paid up share capital.

### 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 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.

Our IFRS 9 project is at the scoping and planning stage. The key elements of the standard have been identified and a preliminary method for projecting impairments has been developed.  We will bring the method into line with the standard and validate our approach with our external auditors.

*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 2017.  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.

All interest is earned in the UK.

The following table shows how the income is represented in the financial statements.

### (i) Calculation of deferred income

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|
| Opening gross deferred income | 5,266 | 3,169 |
| **Deferred income additions** | **3,638** | **3,100** |
| EIR released | (1,162) | (1,003) |
| Closing deferred income | 7,742 | 5,266 |

This amount is recognised in the balance sheet as follows:

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|
| Adjustment to the EIR for Loans and Receivables | 3,947 | 5,109 |
| Deferred income | 3,795 | 157 |
| **Total** | **7,742** | **5,266** |

### (ii) Estimated recognition of deferred income

The deferred income will be recognised in future years when loans are drawn. When 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 2017 the estimated recognition timing is as follows:

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|
| Recognition within 1 year | 3,665 | 157 |
| Recognition greater than 1 year | 130 | – |
| **Total** | **3,795** | **157** |

## 5. Interest and fees receivable *(continued)*

The tables below provides a breakdown of the Group's interest and fee income.

| | Group | Group |
|---|---|---|
| | Year ended 31.03.17 | Year ended 31.03.16 |
| | £'000 | £'000 |
| Margin income | 62,083 | 29,110 |
| Deferred income recognised (EIR adjustment) | 1,162 | 1,003 |
| Interest income | 63,245 | 30,113 |
| | | |
| Undrawn facility commitment fee income | 2,342 | 5,039 |
| Other fee income | 4,272 | 4,501 |
| Fee Income | 6,614 | 9,540 |
| **Total** | **69,859** | **39,653** |

## 6. Other Income

| | Group | Group |
|---|---|---|
| | Year ended 31.03.17 | Year ended 31.03.16 |
| | £'000 | £'000 |
| Rental income | 125 | 116 |
| Service income | (74) | 394 |
| **Total other income** | **51** | **510** |

### (i) Rental income

During the year, income was received on a sub-lease as part of Atria One in Edinburgh. This sub-lease commenced on 1 July 2014.

### (ii) Service income

Other income was generated from the provision of support services to related parties.

## 7. Expenses

### (i) Direct investment costs

Direct expenses of £8.3m (2016: £6.4m) for the Group include fund administration costs on direct investments and the Offshore Wind Fund and direct costs related to investment activity that cannot be capitalised.

### (ii) Operating expenses

| | Note | Group<br>Year ended<br>31.03.17<br>£'000 | Group<br>Year ended<br>31.03.16<br>£'000 |
|---|---|---|---|
| Employee and Board Compensation | | | |
| Wages, salaries and other staff costs | | 13,483 | 12,809 |
| Short and long term incentive plan | | 2,660 | 2,118 |
| Board costs | | 320 | 320 |
| National Insurance | | 1,831 | 1,555 |
| Pension costs – defined contribution schemes | | 1,192 | 1,077 |
| | | **19,486** | **17,879** |
| Other expenses | | | |
| Professional fees | | 2,511 | 4,999 |
| General and administrative expenses | | 7,168 | 5,237 |
| Interest expense | | 1,514 | – |
| Premises costs | | 1,402 | 1,385 |
| | | **12,595** | **11,621** |
| Depreciation and amortisation | | | |
| Property, plant and equipment | 13 | 14,061 | 4,055 |
| Intangible assets | 14 | 1,343 | 852 |
| | | **15,404** | **4,907** |
| Wind farm operating expenses | | | |
| Wind farm operating expenses | | 13,557 | 3,655 |
| | | **13,557** | **3,655** |
| **Total operating expenses** | | **61,042** | **38,062** |

Directors' emoluments are disclosed in the Directors' remuneration report on p.47. Included within the balance of professional fees is the auditors' remuneration which is further analysed in Note 9.

## 7. Expenses *(continued)*

| | Group Year ended 31.03.17 | Group Year ended 31.03.16 |
|---|---|---|
| Number of employees | 120 | 119 |
| **Average number of people employed** | | |
| Average number of people (including Executive Directors) employed | | |
| Investment | 59 | 61 |
| Operations | 61 | 58 |
| **Total** | **120** | **119** |

The above has been calculated for the year 1 April 2016 to 31 March 2017. The staff in post at 31 March 2017 was 121 (2016: 134).

## 8. Wind Farm Income and Operating Expenses

Wind farm income and operating expenses relate to the consolidated offshore wind farm entities which are Gwynt y Môr Offshore Wind Farm Limited and Lincs Wind Farm Limited.

| | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|
| **Wind farm income** | | |
| Wind farm income | 36,961 | 10,565 |
| | **36,961** | **10,565** |
| **Wind farm operating expenses** | | |
| Wind farm operating expenses | 13,557 | 3,655 |
| | **13,557** | **3,655** |

## 9. Auditors' remuneration

Amounts paid or payable to the Group's auditors for statutory audit services are set out below, inclusive of non-reclaimable VAT. The Audit and Risk Committee was responsible for ensuring that all audit-related and non-audit services were approved and were subject to controls to ensure the external auditors' independence is unaffected by the provision of other services.

| | Year ended 31.03.17 | Year ended 31.03.16 |
|---|---|---|
| **Audit fees:** | £'000 | £'000 |
| Fees payable to PricewaterhouseCoopers LLP for the audit of the annual accounts | 437 | – |
| Fees payable to National Audit Office for the audit of the annual accounts | 24 | 289 |
| **Non-Audit fees:** | | |
| Fees payable to PricewaterhouseCoopers LLP for other services: | | |
| *Other advisory services* | 262 | – |
| Total non-audit fees payable to PricewaterhouseCoopers LLP | 262 | – |
| Fees payable to National Audit Office for other services: | | |
| *Other assurance services* | 12 | – |
| Total non-audit fees payable to National Audit Office | 12 | – |
| **Total** | **735** | **289** |

Fees payable to the Company's auditors for the audit of the Company annual accounts were £346k (2016: £224k) and for the audit of the Company's subsidiaries were £115k (2016: £65k).
Other auditors are engaged for the provision of audit services to controlled entities within the Group which are not included in the table above.

## 10. Tax

| | Company | Company | Group | Group |
|---|---|---|---|---|
| | Year ended 31.03.17 | Year ended 31.03.16 | Year ended 31.03.17 | Year ended 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| **Current tax:** | | | | |
| Current tax expense on result for the period | (2,085) | (371) | (3,889) | (1,231) |
| Adjustment for prior year | 371 | – | 203 | – |
| **Deferred tax:** | | | | |
| Origination of temporary difference | (367) | (634) | 504 | (635) |
| Changes in tax rate | 4 | (67) | 40 | (81) |
| **Income tax expense** | **(2,077)** | **(1,072)** | **(3,142)** | **(1,947)** |

## 10. Tax *(continued)*

### Reconciliation of tax expense

| | Company Year ended 31.03.17 £'000 | Company Year ended 31.03.16 £'000 | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|---|---|
| Profit/(loss) before tax | 551 | (4,452) | 23,980 | 9,904 |
| (Profit)/Loss before tax multiplied by rate of corporation tax in UK of 20% (2015–2016: 20%) | (110) | 890 | (4,796) | (1,999) |
| **Tax effects of** | | | | |
| – Expenses not deductible for tax purposes | (899) | (1,517) | (1,941) | (2,065) |
| – Tax losses for which no deferred tax asset was recognised | – | – | (357) | – |
| – Income not taxable | 464 | – | 6,580 | – |
| – Allocation of share of LP taxable profits | (3,478) | – | (3,426) | – |
| – Deferred tax on available-for-sale assets | – | – | 528 | – |
| – Adjustments to taxable income from consolidated funds | – | 372 | – | 1,472 |
| – Associate and joint venture income not taxable | – | – | 481 | 1,477 |
| – Adjustment for prior year | (82) | (750) | (171) | (751) |
| – Effects of group relief/other reliefs | 2,032 | – | – | – |
| – Deferred tax asset at different tax rate | (4) | (67) | (40) | (81) |
| **Tax expense** | **(2,077)** | **(1,072)** | **(3,142)** | **(1,947)** |

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 deferred tax asset/(liability):

| | Group £'000 |
|---|---|
| **Balance at 31 March 2015** | **(996)** |
| Charge for the year in the income statement | (716) |
| Credit for the year in other comprehensive income | 2,442 |
| Acquisitions | – |
| **Balance at 31 March 2016** | **730** |
| Credit for the year in the income statement | 544 |
| Charge for the year in other comprehensive income | (982) |
| Acquisitions | (32,103) |
| Transfer to disposal group liabilties | 29,966 |
| **Balance at 31 March 2017** | **(1,845)** |

The following table shows an analysis of the deferred tax balance transferred to disposal group liabilities:

| | |
|---|---|
| Balance at 31 March 2016 | 4 |
| Credit for the year within the income statement for assets and liabilities transferred to disposal group assets and liabilities. | 2,133 |
| Acquisitions | (32,103) |
| **Total** | **(29,966)** |

The following table provides an analysis of deferred tax in the income statement and the statement of financial position by category of temporary difference:

| | Income statement | | Statement of Financial Position | |
|---|---|---|---|---|
| | Group | Group | Group | Group |
| | Year ended 31.03.17 | Year ended 31.03.16 | 31.03.17 | 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| Available-for-sale assets | **(1,106)** | – | **(2,088)** | – |
| Depreciation | **1,884** | 16 | **(172)** | (35) |
| Losses | **107** | (1,171) | – | 124 |
| Pension and incentive plans | **(227)** | 439 | **415** | 641 |
| Other | **(114)** | – | – | – |
| **Net deferred tax credit (charge) and net deferred tax assets (liability)** | **544** | (716) | **(1,845)** | 730 |

## 11. Dividends

During the year to 31 March 2017 the Company did not make any dividend payments (31 March 2016: nil). On 17 August 2017 the Company declared and paid an interim dividend of £78.6m to Her Majesty's Government in order to cleanse the Company of State Aid.

## 12. IFRS 5

At 31 March 2017, the management of the company was involved in the GIB sale process. This included preparation for the restructuring of the company's interests in a number of investments to facilitate the creation of investment vehicles and platforms – including an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform – to enable investors including USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles. Under that restructuring GIB would continue in a management or supervisory role, and in some cases also as an investor, in relation to these investment interests.

As such, a number of investment interests have been classified as held for sale in line with IFRS 5. The group of investment interests are accounted for at the lower of carrying value, or fair value less costs to sell, with no impairment being recognised during the transition to being accounted for as held for sale. This group of investment assets and liabilities are expected to be sold within six months of the financial year end.

These assets and liabilities have been grouped into a disposal group. Classification as a disposal group affects several lines on the Statement of Financial Position, with a summary of this impact at a Group and a Company level shown below:

**Group**

| | 31.03.17 £'000 |
|---|---|
| Assets | |
| Available-for-sale assets | 51,563 |
| Cash and cash equivalents | 34,165 |
| Investment in controlled entities | – |
| Investments in associates and joint ventures | 823,465 |
| Loans and receivables | 56,791 |
| Prepayments and other receivables | 34,707 |
| Property, plant and equipment | 883,876 |
| **Disposal Group Assets** | **1,884,567** |
| Liabilities | |
| Creditors, accruals, and other liabilities | (16,215) |
| Deferred tax liability | (29,966) |
| Derivative Financial Instruments | 119 |
| Non-group shareholder loans | (149,551) |
| Provisions | (36,763) |
| Third-party interest in consolidated funds | (732,037) |
| **Disposal Group Liabilities** | **(964,413)** |
| **Net assets associated with disposal groups held for sale** | **920,154** |

The non-group shareholder loan is from the related party UK Green Investment Bank Offshore Wind Co-investment L.P, is at a rate of 6.5% and has a maturity date of 31 December 2034.

**Company**

| | 31.03.17 £'000 |
|---|---|
| Investment in controlled entities | 796,441 |
| Investments in associates and joint ventures | 92,204 |
| Loans and receivables | 45,866 |
| **Disposal Group Assets** | **934,511** |

Upon classification as a disposal group, the carrying values of the assets and liabilities were compared with the disposal value. The disposal value was higher, and therefore no impairment was processed as a result of this comparison.

## 13. Property, plant and equipment

| Group | Leasehold Improvements | Computer Equipment | Fixtures | Wind Farms* | Decommissioning Assets* | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| **At 31 March 2015** | **2,129** | **638** | **454** | – | – | **3,221** |
| Additions | 499 | 143 | 79 | 180,575 | 10,324 | 191,620 |
| **At 31 March 2016** | **2,628** | **781** | **533** | **180,575** | **10,324** | **194,841** |
| Additions | 3 | 45 | 2 | 692,414 | 20,952 | 713,416 |
| Disposals | – | – | – | (3,734) | – | (3,734) |
| Transfer to Held for Sale Assets | | | | (869,255) | (31,276) | (900,531) |
| **At 31 March 2017** | **2,631** | **826** | **535** | **0** | **0** | **3,992** |
| **Depreciation and impairment losses** | | | | | | |
| **At 31 March 2015** | **(752)** | **(203)** | **(125)** | – | – | **(1,080)** |
| Depreciation for the year | (455) | (130) | (70) | (3,068) | (332) | (4,055) |
| **At 31 March 2016** | **(1,207)** | **(333)** | **(195)** | **(3,068)** | **(332)** | **(5,135)** |
| Depreciation for the year | (575) | (156) | (76) | (12,457) | (797) | (14,061) |
| Transfer to Disposal Group Assets | – | – | – | 15,525 | 1,129 | 16,654 |
| **At 31 March 2017** | **(1,782)** | **(489)** | **(271)** | **0** | **0** | **(2,542)** |
| **Net book value at 31 March 2017** | **849** | **337** | **264** | **0** | **0** | **1,450** |
| **Net book value at 31 March 2016** | **1,421** | **448** | **338** | **177,507** | **9,992** | **189,706** |

* As detailed in Note 15 GIB Group acquired Lincs Wind Farm Limited in February 2017. Its results have been consolidated into the GIB Group financial statements.

### 13. Property, plant and equipment *(continued)*

| Company | Leasehold Improvements | Computer Equipment | Fixtures and fittings | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| **At 31 March 2015** | **2,129** | **638** | **454** | **3,221** |
| Additions | 499 | 143 | 79 | 721 |
| **At 31 March 2016** | **2,628** | **781** | **533** | **3,942** |
| Additions | 3 | 45 | 2 | 50 |
| **At 31 March 2017** | **2,631** | **826** | **535** | **3,992** |
| Depreciation and impairment losses | | | | |
| **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)** |
| Depreciation for the period | (575) | (156) | (76) | (807) |
| **At 31 March 2017** | **(1,782)** | **(489)** | **(271)** | **(2,542)** |
| **Net book value at 31 March 2017** | **849** | **337** | **264** | **1,450** |
| **Net book value at 31 March 2016** | **1,421** | **448** | **338** | **2,207** |

## 14. Intangible assets

| Group | Capitalised placement agent expense | Computer software | Total |
| --- | --- | --- | --- |
| | £'000 | £'000 | £'000 |
| Cost | | | |
| **At 31 March 2015** | – | **711** | **711** |
| Acquisitions | 7,059 | 5 | 7,064 |
| **At 31 March 2016** | **7,059** | **716** | **7,775** |
| Additions | 1,581 | 1 | 1,582 |
| Disposals | – | (50) | (50) |
| **At 31 March 2017** | **8,640** | **667** | **9,307** |
| Amortisation | | | |
| **At 31 March 2015** | – | **(198)** | **(198)** |
| Amortisation for the period | (711) | (141) | (852) |
| **At 31 March 2016** | **(711)** | **(339)** | **(1,050)** |
| Amortisation for the period | (1,211) | (132) | (1,343) |
| **At 31 March 2017** | (1,922) | (471) | (2,393) |
| **Net book value at 31 March 2017** | **6,718** | **196** | **6,914** |
| **Net book value at 31 March 2016** | **6,348** | **377** | **6,725** |

Placement Fees paid to third-party advisers for sourcing investor assets for the 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 and are amortised over their useful life.

Computer software amounts comprise licences and software development costs which are amortised over the estimated useful life of five years.

## 14. Intangible assets *(continued)*

| Company | Computer software | Total |
|---|---|---|
| | £'000 | £'000 |
| Cost | | |
| **At 31 March 2015** | **711** | **711** |
| Acquisitions | 5 | 5 |
| **At 31 March 2016** | **716** | **716** |
| Additions | 1 | 1 |
| Disposals | (50) | (50) |
| **At 31 March 2017** | **667** | **667** |
| Amortisation | | |
| **At 31 March 2015** | **(198)** | **(198)** |
| Amortisation for the period | (141) | (141) |
| **At 31 March 2016** | **(339)** | **(339)** |
| Amortisation for the period | (132) | (132) |
| **At 31 March 2015** | **(471)** | **(471)** |
| **Net book value at 31 March 2017** | **196** | **196** |
| **Net book value at 31 March 2016** | **377** | **377** |

## 15. Consolidated entities

Consolidated entities are carried at cost.

| Company | **Total** |
|---|---|
| | £'000 |
| **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** |
| Additions | 579,943 |
| Disposals | (38,536) |
| Repayment of Shareholder loan | (388) |
| Transfer to Disposal Group Assets | (796,441) |
| **Balance at 31 March 2017** | **233,049** |

The Companies Act 2006 requires the disclosure of certain information about the Group's related undertakings of subsidiaries, joint ventures, associates and other significant holdings. Significant holdings means either a shareholding greater than or equal to 20% of the nominal value of any class of shares, or a book value greater than 20% of the Group's assets. The principal subsidiary undertakings are listed below and the associates and joint ventures and other significant holdings are listed in Note 16.

The principal subsidiary undertakings of the Company are shown below, with the information being correct as at 31 March 2017.
The capital of each entity depends on its nature and consists of ordinary shares or Limited Partner (LP) contributions.

## 15. Consolidated entities *(continued)*

| Entity | Fund manager | Country of incorporation | Nature of business | Shares held by Company | 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 L.P. | Aviva Investors Global Services Limited | UK | Investment in non-domestic energy efficiency in the NHS | 100% | 100% |
| The Recycling and Waste L.P. | Foresight Group LLP | UK | Investment in small-scale waste operations | 99% | 99% |
| UK Green Community Lending Limited | Temporis Capital LLP | UK | Investment in community scale renewables | 100% | 100% |
| Green Investment Group Management 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% |
| Project G Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Project G Holdings 1 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Project G Holdings 2 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| UK Green Investment Lyle Limited | N/A | UK | Investment in offshore wind | 100% | 100% |
| New Green Interim Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Forth SPV 1 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Forth SPV 2 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Pentland SPV 1 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Pentland SPV 2 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |

## 15. Consolidated entities *(continued)*

| Entity | Fund manager | Country of incorporation | Nature of business | Shares held by Company | Group interest |
|---|---|---|---|---|---|
| Clyde SPV Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| UK Green Infrastructure Platform Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Galloper Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| OSW LP Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| OSW Co Holdings 1 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| OSW Co Holdings 2 Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| OSW LP Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Rampion Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| **Offshore Wind Fund Entities** | | | | | |
| UK Green Investment (OSW) GP Limited | Green Investment Management Group Limited | UK | General Partner - Offshore Wind Fund | 100% | 100% |
| UK Green Investment Bank Offshore Wind Fund LP | N/A | UK | Investment in offshore wind | 39.95% | 39.95% |
| UK Green Investment Offshore Wind B LP | N/A | UK | Investment in offshore wind | 20% | 20% |
| UK Green Investment Offshore Wind C LP | 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 | Green Investment Management Group Limited | UK | Investment in offshore wind | 100% | 100% |
| UK Green Investment Bank OSWF Lyle Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| UK Green Investment Co-Investment Lyle Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Lyle JV Holdings Limited | Green Investment Management Group Limited | UK | Investment in offshore wind | 100% | 100% |

## 15. Consolidated entities *(continued)*

| Entity | Fund manager | Country of incorporation | Nature of business | Shares held by Company | Group interest |
|---|---|---|---|---|---|
| WMR Holdco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| Rampion Investco Limited | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| UK Green Investment Offshore Wind Feeder 1 LLP | N/A | UK | Dormant company which carries on no business | 100% | 100% |
| UK Green Investment Offshore Wind Co-Investment L.P. | N/A | UK | Dormant company which carries on no business | 100% | 100% |

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 as at 31 March 2017 was 21.7% (2016: 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.

### *Lincs wind farm transaction

On 17 February 2017 the GIB controlled entities acquired interests totalling 75% of the issued share capital of Lincs Wind Farm Limited (LWFL), the 100% owner of an operational wind farm off the Lincolnshire coast, for £683.9m (including transaction costs). The transaction was made via two GIB group entities: a 31% interest was acquired by GIB's recently incorporated, wholly owned subsidiary, UK Green Investment Lyle Limited, and a 44% interest acquired by Lyle JV Holdings Limited, an investment holding company of the Offshore Wind Fund (OSWF) in which GIB's effective interest is 10.9%. This transaction utilised the majority of the remaining OSWF investor commitments allowing the OSWF to declare its investment period ended on 23 March 2017.

GIB has previously concluded that it controls the Offshore Wind Fund and its investment holding companies for consolidation purposes under IFRS. However, whilst the above GIB controlled entities together hold 75% of the equity in Lincs Wind Farm Limited, the governance structure of LWFL prevents them from having control so it is not accounted for as a subsidiary under IFRS 10. On acquisition, contracts were put in place between the GIB subsidiaries, the other shareholder in LWFL under which all of the power generated by the wind farm is acquired by the shareholders in proportion to their shareholdings. LWFL is dependent on the cash flows of its three investors and deemed to be a joint operation under IFRS 11 and hence is proportionally consolidated. The acquisition has been treated as a business combination under IFRS 3 and recognised accordingly. The fair value of the assets and liabilities acquired is shown below:

| | Book value of net assets acquired £'000 | Fair value adjustments £'000 | Fair value of net assets acquired £'000 | 75% share of joint operation acquired £'000 |
|---|---|---|---|---|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 806,469 | 140,190 | 946,659 | 709,994 |
| **Total non-current assets** | 806,469 | 140,190 | 946,659 | 709,994 |
| Current assets | | | | |
| Prepayments and other receivables | 28,639 | – | 28,639 | 21,479 |
| **Total current assets** | 28,639 | – | 28,639 | 21,479 |
| **Total assets** | **835,108** | **140,190** | **975,298** | **731,474** |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Provisions | (29,259) | – | (29,259) | (21,944) |
| Deferred tax liability | (19,837) | (23,832) | (43,669) | (32,752) |
| **Total non-current liabilities** | **(49,096)** | **(23,832)** | **(72,928)** | **(54,696)** |
| Current liabilities | | | | |
| Creditors, accruals, and other liabilities | (14,329) | – | (14,329) | (10,747) |
| **Total current liabilities** | **(14,329)** | – | **(14,329)** | **(10,747)** |
| **Total liabilities** | **(63,425)** | **(23,832)** | **(87,257)** | **(65,443)** |
| **Net assets excluding cash and cash equivalents** | **771,683** | **116,358** | **888,041** | **666,031** |
| Cash and cash equivalents acquired | 20,037 | – | 20,037 | 15,028 |
| **Net assets** | **791,720** | **116,358** | **908,078** | **681,059** |
| **Consideration settled in cash** | | | | **681,059** |

The contribution to the Consolidated Income Statement during the period was as follows.

| | Included in Consolidated Income Statement from 17 Feb to 31 March 2017 £000 | 75% of Lincs Wind Farm for year ended 31 Dec 2016 £000 |
|---|---|---|
| Operating income | | |
| Wind farm income | 14,763 | 85,310 |
| **Operating income** | **14,763** | **85,310** |
| Operating Expenses (excluding interest) | | |
| Wind farm operating expenses | (6,429) | (32,050) |
| Depreciation and amortisation | (4,727) | (36,688) |
| **Total operating expenses (excluding interest)** | **(11,156)** | **(68,738)** |
| **Profit before interest and tax** | **3,607** | **16,572** |

Acquisition costs related to the acquisition were £2,887k and have been charged to direct investment costs in the Consolidated Income Statement. The non-controlling interest as at the acquisition date was £355,935k being the amount provided by non-controlling interests to fund the acquisition.

## 16. Investments

| | Company Year ended 31.03.17 £'000 | Company Year ended 31.03.16 £'000 | Group Year ended 31.03.17 £'000 | Group Year ended 31.03.16 £'000 |
|---|---|---|---|---|
| Investment in controlled entities | 233,049 | 488,471 | – | – |
| Loans and receivables | 206,522 | 270,092 | 227,909 | 286,706 |
| Available-for-sale investments | – | – | 164,604 | 155,494 |
| Investment in associates and joint ventures | 42,834 | 151,738 | 77,243 | 797,069 |
| Investments held at fair value through profit and loss | 66,173 | 32,011 | 110,829 | 52,385 |
| **Total** | **548,578** | **942,312** | **580,585** | **1,291,654** |

Investment in controlled entities includes shareholder capital, LP capital and loans to controlled entities.

Of the combined total of investments held as loans and receivables and fair value through profit and loss, the amount due within one year is £71,549k (31 March 2016: £65,766k) at a Group level, and £71,411k (31 March 2016: £65,766k) at a Company level. The remaining balance is due in over a year.

(i) Carrying Value

The carrying value of loans and receivables is net of adjustments for the EIR.

The following table shows how the loans and receivables are calculated:

### Year ended 31 March 2017

| Loans and receivables | Investment amount £'000 | Deferred upfront fee £'000 | Carrying value £'000 |
|---|---|---|---|
| Carrying value – Company | 210,469 | (3,947) | 206,522 |
| Carrying value – Group | 231,856 | (3,947) | 227,909 |

### Year ended 31 March 2016

| Loans and receivables | Investment amount £'000 | Deferred upfront fee £'000 | Carrying value £'000 |
|---|---|---|---|
| Carrying value – Company | 275,201 | (5,109) | 270,092 |
| Carrying value – Group | 291,815 | (5,109) | 286,706 |

(ii) Disclosure of IFRS 7 risk requirements is detailed in Note 30.

(iii) The Company holds loans that carry interest with a weighted average interest rate of 4.57% per annum. The loans have maturity dates ranging from four days to 29.5 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 5.83% per annum, these include loans treated as available-for-sale assets. The loans have maturity dates ranging from four days to 29.5 years from the end of the reporting period. None of these assets were past due or impaired at the end of the reporting period.

## 16. Investments *(continued)*

(iv) Investments in associate and joint ventures

| | £'000<br>Company | £'000<br>Group |
|---|---|---|
| **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 |
| Dividends received | – | (5,499) |
| **Balance at 31 March 2016** | **151,738** | **797,069** |
| Additions | 24,318 | 179,667 |
| Repayments | (30,271) | (47,430) |
| Share of profit from associates and joint ventures | – | 2,407 |
| Share of OCI from associated and joint ventures | – | (21,261) |
| Provision for interest accrued | (10,747) | – |
| Dividends received | – | (9,744) |
| Transfer to Held for Sale Assets | (92,204) | (823,465) |
| **Balance at 31 March 2017** | **42,834** | **77,243** |

Of the total Company investments in associates and joint venture balance of £42,834k, £29,177k relates to equity holding and the remaining balance relates to a shareholder loans.

Of the total Group investments in associates and joint venture balance of £77,243k, £30,868k relates to equity holding and the remaining balance relates to a shareholder loans.

The Company believes that at this level of funding it has significant influence over the financial and operational activities of these associates and joint ventures and therefore classes them as associates and joint ventures in line with the accounting policy.

Investment commitments are disclosed in Note 28.
There are no material associates or joint ventures which require individual disclosure, however, the group has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method:

| | Group<br>31.03.17<br>£'000 | Group<br>31.03.16<br>£'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates and joint ventures | 77,243 | 60,025 |
| Aggregate amounts of group's share of: | | |
| Profit from continuing operations | **639** | **(838)** |
| Post-tax profit or loss from discontinued operations | – | – |
| Other comprehensive income | **(1,176)** | **(652)** |
| **Total comprehensive income** | **(537)** | **(1,490)** |

Included within the table above are investments in Albion Community Power I Shareco Limited, and Cramlington Renewable Energy Developments HoldCo Limited which have financial statements year ends of 31 January and 31 December respectively.

### 17. Cash and cash equivalent

The consolidated and Company cash and cash equivalents balance, including that which is included within the Disposal Group Assets, of £79.5m (2016: £122.0m) and £41.0m (2016: £102.6m) respectively is comprised solely of cash at bank.

The Company and Green Investment Group Management Limited held cash at bank with the Government Banking Service and drew funding from BEIS as investments and operations required.

Funding held in the Government Banking Service is non-interest bearing.

As at 31 March 2017 the Group held £45.9m (2016: £19.5m) of cash at bank outside the Government Banking Service. The amount is held in Commercial Bank accounts of the Company (counterparty rating Standard & Poor's BBB-) and in the accounts of the consolidated entities that are managed by private sector fund managers.

## 18. Financial assets and liabilities

| Company<br>Balance at 31 March 2017 | Note | Financial assets and liabilities at amortised cost | Investments held at fair value through profit and loss | Equity investment | Total carrying value |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | |
| Investments | 16 | 206,522 | 66,173 | 275,883 | 548,578 |
| Cash and cash equivalents | 17 | 41,045 | – | – | 41,045 |
| **Total** | | **247,567** | **66,173** | **275,883** | **589,623** |
| Liabilities | | | | | |
| Derivative financial instruments | 21 | – | 12,903 | – | 12,903 |
| Deferred income | 5 | 3,795 | – | – | 3,795 |
| **Total** | | **3,795** | **12,903** | – | **16,698** |

| Company<br>Balance at 31 March 2016 | Note | Financial assets and liabilities at amortised cost | Investments held at fair value through profit and loss | Equity investment | Total carrying value |
|---|---|---|---|---|---|
| | | £'000 | | £'000 | £'000 |
| Assets | | | | | |
| Investments | 16 | 270,092 | 32,011 | 640,209 | 942,312 |
| Cash and cash equivalents | 17 | 102,563 | – | – | 102,563 |
| **Total** | | **372,655** | **32,011** | **640,209** | **1,044,875** |
| Liabilities | | | | | |
| Derivative financial instruments | 21 | – | 8,022 | – | 8,022 |
| Deferred income | 5 | 157 | – | – | 157 |
| **Total** | | **157** | **8,022** | – | **8,179** |

| Group<br>Balance at 31 March 2017 | Note | Financial assets and liabilities at amortised cost | Investments held at fair value through profit and loss | Equity investment | Total carrying value |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | |
| Investments | 16 | 227,909 | 110,829 | 241,847 | 580,585 |
| Cash and cash equivalents | 17 | 45,353 | – | – | 45,353 |
| **Total** | | **273,262** | **110,829** | **241,847** | **625,938** |
| Liabilities | | | | | |
| Derivative financial instruments | 21 | – | 12,903 | – | 12,903 |
| Deferred income | 5 | 3,795 | – | – | 3,795 |
| **Total** | | **3,795** | **12,903** | – | **16,698** |

### 18. Financial assets and liabilities *(continued)*

| Group<br>Balance at 31 March 2016 | Note | Financial assets and liabilities at amortised cost | Investments held at fair value through profit and loss | Equity investment | Total carrying value |
|---|---|---|---|---|---|
| | | £'000 | | £'000 | £'000 |
| Assets | | | | | |
| Investments | 16 | 286,706 | 52,385 | 952,563 | 1,291,654 |
| Cash and cash equivalents | 17 | 122,017 | – | – | 122,017 |
| **Total** | | **408,723** | **52,385** | **952,563** | **1,413,671** |
| Liabilities | | | | | |
| Derivative financial instruments | 21 | – | 8,022 | – | 8,022 |
| Deferred income | 5 | 157 | – | – | 157 |
| **Total** | | **157** | **8,022** | – | **8,179** |

Equity investments includes available-for-sale assets, which are accounted for at fair value and investments in associates and joint ventures which are accounted for using the equity method.
Included in financial assets and liabilities are loans and receivables which are accounted for at amortised cost, the carrying value of these assets is representative of their fair value.

**Maturity Analysis**

| **Company** | **<1 yr** | **1–5yrs** | **>5yrs** | **Total** |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2017** | | | | |
| Loans and receivables | 72,188 | 56,551 | 77,783 | 206,522 |
| **Balance at 31 March 2016** | | | | |
| Loans and receivables | 34,019 | 155,131 | 80,942 | 270,092 |

| **Group** | **<1 yr** | **1–5yrs** | **>5yrs** | **Total** |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2017** | | | | |
| Loans and receivables | 93,575 | 56,551 | 77,783 | 227,909 |
| **Balance at 31 March 2016** | | | | |
| Loans and receivables | 34,019 | 158,849 | 97,556 | 290,424 |

The above excludes the deferred upfront fee netted against these balances.

## 18. Financial assets and liabilities *(continued)*

### (b) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table:

The investment portfolio consists of assets carried at fair value as follows:

| | Company | Company | Group | Group |
|---|---|---|---|---|
| | 31.03.17 | 31.03.16 | 31.03.17 | 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| Available-for-sale investments (Level 3) | – | – | 164,604 | 155,494 |
| Investments held at fair value through profit and loss (Level 3) | 66,173 | 32,011 | 110,829 | 52,385 |
| **Total Level 3** | **66,173** | **32,011** | **275,433** | **207,879** |
| Derivative financial instruments (Level 2) | (12,903) | (8,022) | (12,903) | (8,022) |
| **Total Level 2 & 3** | 53,270 | 23,989 | 262,530 | 199,857 |

There were no transfers between levels 1, 2 or 3 for assets carried at fair value during the year.

Level 1 : The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### (i) Valuation techniques used to determine fair values

Level 2 assets consist exclusively of interest rate swaps. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of Level 3 assets is determined using discounted cash flow analysis.

Under the discounted cash flow ("DCF") method, the 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.

### (ii) Fair value measurements using significant unobservable inputs (Level 3)

| Changes in Fair Value of Level 3 Assets from 31 March 2016 to 31 March 2017 | Company | Group |
|---|---|---|
| | £'000 | £'000 |
| **Balance at 31 March 2016** | **32,011** | **207,879** |
| Additions | 24,717 | 103,373 |
| Repayments | (869) | (3,279) |
| Interest receivable | 2,579 | 6,162 |
| Revaluation (unrealised gain) | 7,735 | 12,861 |
| Transfer to Disposal Group Assets | – | (51,563) |
| **Balance at 31 March 2017** | **66,173** | **275,433** |

## 18. Financial assets and liabilities *(continued)*

### (iii) Valuation inputs and relationships to fair value

The following table summarises quantitative information about the significant unobservable inputs used in valuation of Level 3 assets.

| Description | Fair Value (Group) | | Unobservable inputs * | Range of inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | | | |
| Available for Sale | 164,604 | 155,494 | Risk adjusted discount rate | A change in the discount rate by +/- 100 bps | Decrease/increase the fair value by £(16.5)m/£18.9m |
| | | | Power Prices | A change in power prices +/- 10% | Increase/decrease the fair value by £20.4m/£(20.5)m |
| Fair value through profit and loss | 110,829 | 52,385 | Risk adjusted discount rate | A change in the discount rate by +/- 100 bps | Decrease/increase the fair value by £(11.7)m/£13.9m |

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.
The key sensitivities of the fair value of assets are the discount rate used for calculation the discounted cash flow valuation and the future power price assumptions. The table above shows how the fair valuations are impacted by increasing and decreasing the discount rate used by 1% and also the impact of increasing and decreasing the future power prices by 10%.

### (iv) Valuation process

The Group completes quarterly valuation exercises to assess the fair value of each asset, including presentation and approval to the Valuation Committee and then the Board.

The main Level 3 inputs used in the group are defined and evaluated as follows:
(a) Discount rates for financial assets and liabilities are determined using a capital asset pricing model to calculate a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
(b) Power prices for valuation purposes use the prices from a third-party independent provider. The prices used are from Poyry and the Q1 2017 power curves have been used for valuation purposes.
Estimates of Renewable Obligation Certificate (ROC) prices and the March 2017 OBR (Office of Budget Responsibility) inflation projections
are also required as inputs to the for valuation process.

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 2017.

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.

As a result of the valuation process, during the year there were five assets (2016: two assets) that were shown to have a valuation (using the DCF method) lower than that of their carrying value. All of these 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 categorised as available-for-sale and the impairment of £3.44m (2016 : £4.41m) has been charged to the consolidated income statement after transferring any gains or losses currently recognised through reserves.

## 19. Prepayments and other receivables

| | Company | Company | Group | Group |
|---|---|---|---|---|
| | Year ended 31.03.17 | Year ended 31.03.16 | Year ended 31.03.17 | Year ended 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| Prepayments and accrued income | 2,351 | 185 | 2,351 | 193 |
| Other receivables | 95 | 454 | 149 | 10,552 |
| Intercompany receivables | 8,374 | 8,710 | – | – |
| **Total** | **10,820** | **9,349** | **2,500** | **10,745** |

At 31 March 2017 the Company was due £6.2m (2016: £6.5m) related to placement fees paid on behalf of GIGML.

## 20. Provisions

| (i) Individual provisions | 31.03.17 | | | 31.03.16 | | |
|---|---|---|---|---|---|---|
| Group – summary | Current | Non-Current | Totals | Current | Non-Current | Totals |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Long term incentive plan | 797 | 1,507 | **2,304** | 871 | 1,635 | **2,506** |
| GyM Participant Wind Farm Decommissioning provision | – | 14,795 | **14,795** | – | 10,651 | **10,651** |
| Lincs Wind Farm Decommissioning provision | – | 21,968 | **21,968** | – | – | – |
| Transfer to Disposal Group Liabilities | – | (36,763) | **(36,763)** | – | – | – |
| **Balance as at 31 March 2017** | **797** | **1,507** | **2,304** | **871** | **12,286** | **13,157** |

| | 31.03.17 | | | 31.03.16 | | |
|---|---|---|---|---|---|---|
| Company – summary | Current | Non-Current | Totals | Current | Non-Current | Totals |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Long term incentive plan | 797 | 1,507 | **2,304** | 871 | 1,635 | **2,506** |
| **Balance as at 31 March 2017** | **797** | **1,507** | **2,304** | **871** | **1,635** | **2,506** |

(ii) Movements in provisions

Movements in each class of provision during the financial year are set out below:

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | GyM Participant Wind Farm Decommissioning provision | Lincs Wind Farm Decommissioning provision | Long term incentive plan | Total | Long term incentive plan | Totals |
| Carrying amount at start of year | 10,651 | – | 2,506 | **13,157** | 2,506 | **2,506** |
| Additional provisions recognised | 3,886 | 21,968 | 767 | **26,621** | 767 | **767** |
| Amounts used during the year | – | – | (969) | **(969)** | (969) | **(969)** |
| Unwinding of discount | 258 | – | – | **258** | – | – |
| Transfer to Group Disposal Liability | (14,795) | (21,968) | – | **(36,763)** | – | – |
| **Balance as at 31 March 2017** | – | – | **2,304** | **2,304** | **2,304** | **2,304** |

At 31 March 2017 a provision of £2.1m (2016: £2.3m) exists in respect of LTIP payments to current or former members of the Leadership Team. £0.8m (2016: £0.9m) 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 2017 a provision of £0.2m ( 2016: £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 GyM and Lincs wind farms represents the net present value of the Company's best estimate of the costs on decommissioning at the end of their useful lives. The provisions were acquired with the acquisition of UK Green Investment GyM Participant Limited and Lincs Wind Farm Limited. The provision for GyM wind farm has been discounted to its present value at 2.75%. The provision for the Lincs wind farm has been discounted to its present value at 3.14%.

## 21. Derivative financial instruments

Where the Group enters into an investment that results in the receipt of fixed interest rate cash flows there is interest rate risk that could lead to a decrease in the value of the investment.

In order to protect the carrying value of investments and minimise interest rate risk, the Group has agreed commercial terms with the Secretary of State for Business, Energy and Industrial Strategy, to enable hedging of interest rate risk on 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. On 3 August 2017 the entire portfolio of SWAPS positions was closed out ahead of the sale of the Company. Please refer to note 31.

Hedged assets and derivative financial instruments have been reflected in the consolidated financial statements as follows:

### (i) Consolidated income statement

| | Year ended 31.03.17 | Year ended 31.03.16 |
|---|---|---|
| | £'000 | £'000 |
| Movement on debt assets held at fair value | 9,835 | 8,549 |
| Movement in the fair value of derivatives | (4,882) | (7,364) |
| | 4,953 | 1,185 |

### (ii) Statement of financial position

| | Company | Company | Group | Group |
|---|---|---|---|---|
| | 31.03.17 | 31.03.16 | 31.03.17 | 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| **Investments held at fair value through profit and loss** | | | | |
| Asset carrying value | 53,814 | 27,387 | 92,687 | 43,836 |
| Fair value revaluation | 12,359 | 4,624 | 18,142 | 8,549 |
| | **66,173** | **32,011** | **110,829** | **52,385** |
| **Derivative financial liabilities** | 12,903 | 8,022 | 12,903 | 8,022 |
| | **12,903** | **8,022** | **12,903** | **8,022** |

## 22. Creditors, accruals and other liabilities

| | Company | Company | Group | Group |
|---|---|---|---|---|
| | 31.03.17 | 31.03.16 | 31.03.17 | 31.03.16 |
| | £'000 | £'000 | £'000 | £'000 |
| Creditors | 9,065 | 8,376 | 9,696 | 10,473 |
| Accrued expenses | 3,708 | 2,339 | 4,686 | 3,515 |
| Related party liabilities | 1,327 | 1,394 | – | – |
| Payroll liabilities | 1,468 | 820 | 1,561 | 984 |
| Deferred income | 3,795 | 157 | 3,795 | 157 |
| **Total** | **19,363** | **13,086** | **19,738** | **15,129** |

At 31 March 2017 an amount of £6.2m (2016: £6.5m) was payable in relation to fees paid by the Company on behalf of GIGML. Related party transactions are disclosed in Note 29.

## 23. Issued capital

| | Allotted, called up and fully paid | |
|---|---|---|
| | Number of Shares | Ordinary Share |
| | '000 | '£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** |
| Issue of ordinary shares | 482,600 | 482,600 |
| **Balance at 31 March 2017** | **1,517,450** | **1,517,450** |

During the year ended 31 March 2017, 482,600,000 (2016: 60,000,000) ordinary shares of £1 each were issued to the Shareholder .

## 24. Capital contribution reserve

| | Company and Group |
|---|---|
| | Total |
| **Balance at 31 March 2015** | **12,600** |
| Capital contribution | – |
| **Balance at 31 March 2016** | **12,600** |
| Capital contribution | (12,600) |
| **Balance at 31 March 2017** | – |

In addition to funding received from share issues, the Company received operational funding from its then Shareholder which was recognised as a capital contribution but did not form part of the shareholding in the Company. These amounts were non-interest bearing and non-repayable.  No operational funding was received during the year (2016: £0m) and the capital contribution was converted to fully paid up share capital.

### 25. Revaluation reserve

| | Group |
|---|---|
| | Total |
| | £'000 |
| **Balance at 31 March 2015** | **4,763** |
| Revaluation of available for sale assets | 1,052 |
| **Balance at 31 March 2016** | **5,815** |
| Revaluation of available for sale assets | 3,505 |
| **Balance at 31 March 2017** | **9,320** |

### 26. Retained earnings

| | Company | Group |
|---|---|---|
| | Total | Total |
| | £'000 | £'000 |
| **Balance at 31 March 2015** | **(8,125)** | **(10,854)** |
| (Loss)/profit for the period | (5,525) | 3,894 |
| **Balance at 31 March 2016** | **(13,650)** | **(6,960)** |
| Profit for the period and share of associates' and JV's OCI | (1,526) | (398) |
| **Balance at 31 March 2017** | **(15,176)** | **(7,358)** |

### 27. 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 £1.2m (2016: £1.1m) represents contributions payable in the period to this scheme at rates specified in the rules of the plan. As at 31 March 2017, contributions of £0.01m (2016: £0.1m) due in respect of the current reporting period had not been paid over to the scheme.

## 28. Commitments

### Capital commitments

| At 31 March 2017 | <1 yr | 1–5yrs | >5yrs | Subject to project requirements | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment commitments | 328,148 | 154,181 | 40,548 | 20,679 | 543,556 |
| **Total** | **328,148** | **154,181** | **40,548** | **20,679** | **543,556** |

### Capital commitments

| At 31 March 2016 | <1 yr | 1–5yrs | >5yrs | 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** |

At initial investment stage, the Company commits to an agreed level of cash funding. Given that not all of this funding is drawn down immediately, the Company has future investment commitments to satisfy. These commitments represent future cash flows down into investments and are needed by the investee to match the cash requirement of the underlying investment projects. The tables above show the level of commitments, and the time when they will be paid.

### Operational commitments

| At 31 March 2017 | <1 yr | 1–5yrs | >5yrs | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | |
| Operating Leases | 3,912 | 8,259 | 23,253 | 35,424 |
| **Total** | **3,912** | **8,259** | **23,253** | **35,424** |

### Operational commitments

| At 31 March 2016 | <1 yr | 1-5yrs | >5yrs | Total |
|---|---|---|---|---|
| | £'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 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 and Lincs Wind Farm Limited. For the year ended 31 March 2017, the total future minimum sublease payments expected to be received is £0.2m (2016: £0.3m). These payments are non-cancellable as part of the sublease of Atria One in Edinburgh. Please refer to Note 6 for minimum sub-lease payments in the year and to Note 7 for minimum lease payments in the year.

For the year ended 31 March 2017, lease payments totalling £1.1m (2016: £0.7m) were recognised as an expense in the year.

## 29. Related parties

At 31 March 2017 the UK Green Investment Bank plc was 100% owned by the UK Government, with the Shareholder being the Secretary of State for Business, Energy and Industrial Strategy (BEIS). As a result the UK Government and UK Government controlled bodies were 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 is consolidated within the financial statements of the UK Government, whose accounts are available at www.gov.uk. The Company trades with Government bodies in line with our contractual agreements. The main Government body transacted with was BEIS as our then Shareholder.

| | UK Shared Business Services Limited £'000 | Department for Business, Energy & Industrial Strategy £'000 | Total £'000 |
|---|---|---|---|
| Balance as at 31 March 2016 | (9) | (361) | (370) |
| Expenses paid to related parties | 9 | 361 | 370 |
| **Balance as at 31 March 2017** | **0** | **0** | **0** |

As at 31 March 2017 the Company has an outstanding balance of £2,149,000 (2016:nil) with UK Green Investment Lyle Limited as a result of accrued interest on the shareholder loan. In addition to the above the Company has entered into a portfolio of interest rate SWAPS with BEIS. The balances in Note 21 relate exclusively to these transactions.

As a result of the change of ownership which took place on 17 August 2017 the Company is 100% owned by Macquarie Group Limited and in future the Company results will be consolidated within its financial statements which are available at www.macquarie.com

**Associates and Joint Ventures**
The associates of the Company during the 2016 –17 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 2016 –17 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. The outstanding receivable balance between the Company and its associates and joint ventures at year ending 31 March 2017 is £340,000 (2016:nil). Further details of transactions during the year are mentioned in Note 5 and Note 16. There are no other outstanding balances between the Company and its associates and joint ventures because transactions occurring during the year are treated as an adjustment to the carrying value of the relevant asset.

**Key management compensation**
Key management comprises all Directors, both Executive and Non Executive and the Leadership Team of the Company totalling 19 at 31 March 2017. 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:

| | 31.03.17 | 31.03.16 |
|---|---|---|
| | £'000 | £'000 |
| Salaries and other short-term employee benefits | 2,773 | 2,655 |
| Post-employment benefits | 231 | 220 |
| Long term incentive plan | 663 | 475 |
| **Total compensation earned by key management** | **3,667** | **3,350** |

No other long-term benefits, termination benefits or share-based payments were made. The remuneration policy is described in more detail in the Report on Directors' remuneration, as well as information concerning Directors' remuneration, long-term incentive schemes and pensions.

## 30. Risk disclosure

This note presents information about the nature and extent of risks arising from our financial instruments. GIB's Risk Management Framework is published on the GIB website. It identifies the main risk types to which we are exposed, our risk appetite for each and our approach to managing each.

### 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 16.

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 has experienced impairments on financial instruments equal to a value of £3.44m (2016: £4.41m).

For details please refer to note 18. None of the Group investments are publicly rated.

The credit risk profile of the portfolio arises from exposure to construction projects rather than commitments from corporate obligations. The project risk, is mitigated through project finance legal structures designed to pass responsibility and liability for risk to physical participants in the project, including operations and maintenance providers, equipment providers and feedstock suppliers. The risk of failure of these counterparties is mitigated through reliance on parties such as Siemens, RWE and DONG, and through the option to replace smaller, more standardised counterparties such as mid-scale construction firms in the event of their failure.

### 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.

The liquidity risk of GIB during the accounting period was minimal. GIB did not rely on deposit or wholesale financing and hence was not exposed to the withdrawal, rollover or maturity mismatch risks this entails. For both investments and operations GIB called cash as required from HMT, and could do so on short notice. The ability to call cash in this way was supported by a financing commitment from its shareholder. For the limited liquidity risk that it did face, GIB's policy was to manage exposure to liquidity risk by monitoring forecast and actual cash flows and ensuring that sufficient funding was available to meet demands.

A summary of the Company's financial liabilities that have a maturity date, along with an analysis of when these liabilities fall due are outlined below:

- Trade creditors – total balance with maturity dates £7,414k
  - Of this total balance, £37k is due within 30 days of the year end, £2,734k is due within a year, with the remaining £4,643k due within two to five years.
- Derivative Financial Instruments – total balance £12,903k
  - These are long running contracts held with the Department for Business, Energy and Industrial Strategy as defined in Note 21. Although there was no maturity dates set at 31 March 2017, all these contracts were closed within 6 months of the year end.

### Market risk

Market risk is the risk of loss of earnings or economic value due to adverse changes in financial market rates or prices.
The exposures of GIB in this regard consisted principally of:

- **Power price risk.** The majority of GIB's investments earn part of their revenue by exporting electricity to the grid. As a consequence, GIB was exposed to movements in UK wholesale power prices. However, because GIB's portfolio consists of investments that either receive the majority of their income through Renewables Obligations Certificates, or have their income stream protected by other elements of government policy, or have other income streams alongside sale of electricity (e.g. gate fees in energy from waste projects), the impact of power price movements is mitigated. Even large shocks to power prices have limited impacts on IRR and NPV outcomes.
- **Inflation risk.** A significant number of GIB's investments receive income that is indexed to UK inflation rates. In consequence, lower than expected inflation has a negative impact on nominal returns. As with power prices, large shocks in inflation would be required to have a material adverse impact.
- **Interest rate risk.** Benchmark interest rates are used to value GIB investments and increases in these rates can result in adverse movements in project valuations.
- **Wind yield risk.** Although wind speeds are not strictly a 'market' risk factor, they act as a random variable in a similar manner to market rates and prices and affect asset valuations in a similar way because, for OSW projects, they determine the quantity of electricity generated. They are thus included in analysis alongside market risk factors.

The following section shows sensitivities in the value of representative GIB assets consequent to hypothetical shocks to interest rates and power prices.

### 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 £26.7m (2016: £9.8m) 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 £25.0m (2016: £9.8m) 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 £18.5m (2016: £17.7m) 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 £18.5m (2016: £18.0m) over the life of the investment.

GIB made a strategic decision not to hedge power price risk, inflation risk or wind yield risk because these were intrinsic to its mission to mobilise capital into the renewable energy sector, because the impacts of key risks were limited in scale, and because hedging products to match the long maturities of the assets are not readily available in the market.

By contrast, 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. Limited un-hedged exposure to sterling-euro FX movements arises from investments in Northern Ireland that earn revenue denominated in euro in the Irish Single Electricity Market.

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 the Secretary of State for Business, Energy and Industrial Strategy 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
- projected cash flows are discounted to present value using an appropriate discount rate.

### Capital management

The only entity within the group subject to regulatory capital requirements is Green Investment Group Management Limited ("GIGML"), formerly known as UK Green Investment Bank Financial Services Limited ("GIBFS"). GIGML is authorised by the Financial Conduct Authority ("FCA") as a Full-scope UK Alternative Investment Fund Manager ("AIFM") and is designated as a Collective Portfolio Management Investment firm ("CPMI firm") and is required to meet the requirement of the FCA's Capital adequacy framework.

The Board of GIGML has ultimate accountability for ensuring that quantification of capital resources and requirements is appropriate and that a sufficient capital buffer is held. It is the responsibility of the GIGML Board to review, consider, agree and sign off the fundamental arrangements documented in the Internal Capital Adequacy Assessment Process (ICAAP). The Group Board is responsible for monitoring any risks to the Group arising from this process.

GIGML's regulatory capital consists entirely of Common Equity Tier 1 capital and is managed to ensure a 30% buffer of capital resources over requirements.

The GIGML Board receives regular updates on headroom over regulatory capital and supervises key decisions that may impact the future capital position of the Group. Further information on the Group's regulatory capital position is given below and is included in our Pillar 3 disclosures on our website at http://greeninvestmentgroup.com

### Regulatory capital requirements

The ICAAP continues to be reviewed for its on-going appropriateness both on an annual basis and additionally when considered necessary in the light of changes in market or specific GIGML circumstances. The ICAAP quantifies the level of capital required to meet all major risk types affecting the entity; this is referred to as the Pillar 2 capital requirement. The objective of this process is to ensure that GIGML has adequate capital to enable it to manage its risks which may not be adequately covered under the Pillar 1 requirements (regulator-prescribed formulae). This is a forward looking exercise which includes stress testing for the effects of major risks, such as those discussed in this note.

As part of the ICAAP, a risk assessment is carried out to identify the principal risks that may adversely impact the Group. These include operational, credit and market risk and a wind-down scenario. Statistical modelling and expert judgment are used to quantify these risks, which ensures that the Group holds sufficient regulatory capital to mitigate the impact of these risks.

The Pillar 1 Regulatory Capital Requirement of GIGML as at 31 March 2017 was £986,000 (2016: £1,005,000). During the period, the Group has complied with all externally imposed capital requirements to which it is subject.

## 31. Events after the reporting period

On 20 April 2017, the UK Government announced that it had agreed to sell the UK Green Investment Bank Limited to a Macquarie-led consortium. The sale completed on 17 August 2017. In line with public statements on 20 April and 18 August 2017, GIB has subsequently restructured its interests in a number of investments to facilitate the creation of investment vehicles and platforms - including an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform - to enable investors including USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles. GIB will continue in a management or supervisory role, and in some cases also as an investor, in relation to these investment interests. In 2015, GIB undertook a similar restructuring of its offshore wind investments to facilitate the creation of the Offshore Wind Fund. In addition, a small number of predominantly Limited Partner interests in third-party funds were sold outright, in most cases back to funds managed by the General Partner.

The Group's derivative financial instruments as disclosed on the Group and Company statements of financial position are made up exclusively of interest rate swap positions between UK Green Investment Bank Ltd and BEIS.

On 3 August 2017 the entire portfolio of SWAPS positions was closed out ahead of the sale of the Company.

On 17 August 2017 the Company declared and paid an interim dividend of £78.6m to Her Majesty's Government in order to cleanse the Company of State Aid.

UK Green Investment Bank Limited was previously named UK Green investment Bank plc until 5 July 2017.

Green Investment Group Management Limited was previously named UK Green Investment Bank Financial Services Limited until 18 August 2017.

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.

## 32. Related undertakings of the group

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares, or a book value greater than 20% of the Group's assets. The particulars of the Company's related undertakings at 31 March 2017 are listed below. Further details of the nature of the business are disclosed in Note 15.

## 32. Related undertakings of the group *(continued)*

### Subsidiaries (fully consolidated)

| Name of related undertaking | Share Class | % interest held |
|---|---|---|
| Energy Saving Investments L.P [5] | Limited Partnership | 99% |
| UK Waste Resources and Energy Investments L.P [6] | Limited Partnership | 99% |
| UK Green Sustainable Waste and Energy Investment L.P. [7] | Limited Partnership | 99% |
| UK Energy Efficiency Investments 1 L.P. [8] | Limited Partnership | 98% |
| Aviva Investors REaLM Energy Centres LP [9] | Limited Partnership | 100% |
| The Recycling and Waste L.P [6] | Limited Partnership | 99% |
| UK Green Community Lending Limited [2] | Ordinary Shares | 100% |
| Green Investment Group Management Limited [1] | Ordinary Shares | 100% |
| UK Green Investment Climate International Limited [2] | Ordinary Shares | 100% |
| UK Green Investment FCG Limited [5] | Ordinary Shares | 100% |
| UK Green Investment Galloper Limited [3] | Ordinary Shares | 100% |
| UK Green Investment Rampion Limited [3] | Ordinary Shares | 100% |
| Project G HoldCo Limited [2] | Ordinary Shares | 100% |
| Project G Holdings 1 Limited [2] | Ordinary Shares | 100% |
| Project G Holdings 2 Limited [2] | Ordinary Shares | 100% |
| UK Green Investment Lyle Limited [3] | Ordinary Shares | 100% |
| New Green Interim Holdco Limited [3] | Ordinary Shares | 100% |
| Forth SPV 1 Limited [2] | Ordinary Shares | 100% |
| Forth SPV 2 Limited [2] | Ordinary Shares | 100% |
| Pentland SPV 1 Limited [2] | Ordinary Shares | 100% |
| Pentland SPV 2 Limited [2] | Ordinary Shares | 100% |
| Clyde SPV Limited [3] | Ordinary Shares | 100% |
| UK Green Infrastructure Platform Limited [4] | Ordinary Shares | 100% |
| Galloper Holdco Limited [3] | Ordinary Shares | 100% |
| OSW LP HoldCo Limited [3] | Ordinary Shares | 100% |
| OSW Co Holdings 1 Limited [3] | Ordinary Shares | 100% |
| OSW Co Holdings 2 Limited [3] | Ordinary Shares | 100% |
| Rampion HoldCo Limited [3] | Ordinary Shares | 100% |
| UK Green Investment (OSW) GP Limited [2] | Ordinary Shares | 100% |
| UK Green Investment Bank Offshore Wind Fund L.P. [3] | Limited partnership | 39.95% |
| UK Green Investment Offshore Wind B L.P. [3] | Limited partnership | 20% |
| UK Green Investment Offshore Wind C L.P. [3] | Limited partnership | 0% |
| UK Green Investment Gwynt y Mor Limited [3] | Ordinary Shares | 100% |
| UK Green Investment GYM Participant Limited [3] | Ordinary Shares | 100% |
| UK Green Investment LID Limited [3] | Ordinary Shares | 100% |
| UK Green Investment Rhyl Flats Limited [3] | Ordinary Shares | 100% |
| UK Green Investment Sheringham Shoal Limited [3] | Ordinary Shares | 100% |
| UK Green Investment Bank OSWF Lyle Limited [2] | Ordinary Shares | 100% |
| Lyle JV Holdings Limited [3] | Ordinary Shares | 100% |
| WMR HoldCo Limited [3] | Ordinary Shares | 100% |
| Rampion InvestCo Limited [3] | Ordinary Shares | 100% |
| UK Green Investment Offshore Wind Co-Investment L.P. [3] | Limited partnership | 100% |
| UK Green Investment Offshore Wind Feeder I LLP [2] | Limited liability partnership | 100% |

## 32. Related undertakings of the group *(continued)*

### Related undertakings other than subsidiaries

| Name of related undertaking | Share Class | % interest held |
|---|---|---|
| Tilbury Green Power Holdings Limited [10] | Ordinary Shares | 48.6% |
| Speyside Renewable Energy Partnership HoldCo Limited [11] | Ordinary Shares | 41.6% |
| WMR JV HoldCo Limited [12] | Ordinary Shares | 50% |
| Cramlington Renewable Energy Developments HoldCo Limited [13] | Ordinary Shares | 35.3% |
| Albion Community Power I Shareco Limited [14] | Ordinary Shares | 50% |
| Rhyl Flats Wind Farm Limited [15] | Ordinary Shares | 25% |
| Scira Offshore Energy Limited [16] | Ordinary Shares | 20% |
| Rampion Offshore Wind Limited [17] | Ordinary Shares | 25% |
| Galloper Wind Farm Holding Company Limited [15] | Ordinary Shares | 25% |
| Full Circle Generation Holding Company Limited [18] | Ordinary Shares | 35.1% |
| GLID Wind Farms TopCo Limited [19] | Ordinary Shares | 60.8% |
| The Waste Asset Limited Partnership [6] | Limited Partnership | 49.7% |
| Duranta Energy Limited [20] | Ordinary Shares | 49% |
| Western Bio-Energy Limited [21] | Ordinary Shares | 45.8% |
| Srondoire Wind Farmers Limited [22] | Ordinary Shares | 49.875% |
| Blackcraig Wind Farm (Scotland) Limited [23] | Ordinary Shares | 59.821% |
| Aviva Investors Energy Centres no.1 L.P. [24] | Limited Partnership | 49.9% |
| East London Biogas Limited [25] | Ordinary Shares | 2% |
| ERE LPS Holdings Limited [26] | Ordinary Shares | 49% |
| Birmingham Bio Power Limited [27] | Ordinary Shares | 25% |
| Willen Biogas Limited [28] | Ordinary Shares | 26% |
| Par Biogas Limited [29] | Ordinary Shares | 26% |
| Bridge Energy (NI) Limited [30] | Ordinary Shares | 26% |
| Mersey Bioenergy Holdings Limited [31] | Ordinary Shares | 50% |
| Levenseat Renewable Energy Limited [32] | Ordinary Shares | 35% |
| Quarrington Renewable Gas Limited [33] | Ordinary Shares | 26% |
| Edenmore Biogas Limited [34] | Ordinary Shares | 26% |
| Oakleaf Recycling Limited [6] | Ordinary Shares | 25% |
| Gorthill AD Limited [34] | Ordinary Shares | 26% |
| Rainworth Energy Limited [35] | Ordinary Shares | 38% |
| Anaerobic Advantage Limited [36] | Ordinary Shares | 14% |
| Kilmoyle AD Limited [37] | Ordinary Shares | 26% |
| Stramore AD Limited [38] | Ordinary Shares | 51% |
| Bellshill AD Limited [39] | Ordinary Shares | 51% |
| Dufless AD Limited [39] | Ordinary Shares | 51% |
| Milford Bio-Energy Limited [40] | Ordinary Shares | 51% |
| Carrick Road Energy Limited [41] | Ordinary Shares | 51% |
| Roundwood Energy Limited [42] | Ordinary Shares | 49% |
| Balcas SPV No 2 Limited [43] | Ordinary Shares | 26.95% |
| GG Eco Energy Limited [44] | Ordinary Shares | 34.3% |

## 32. Related undertakings of the group *(continued)*

### Related undertakings other than subsidiaries

| Name of related undertaking | Share Class | % interest held |
|---|---|---|
| Equitix ESI Biomass (Norfolk) Limited [45] | Ordinary Shares | 49% |
| Boxed Esco Services Limited [46] | Ordinary Shares | 29.40% |
| Equitix ESI Retrofit (Lighting) Limited [5] | Ordinary Shares | 49% |
| Equitix ESI CHP (Sheff) Limited [5] | Ordinary Shares | 44.1% |
| Sharc Caledonia Limited [47] | Ordinary Shares | 29.4% |
| Equitix ESI CHP (Nottingham) Limited [48] | Ordinary Shares | 49% |
| Ignis Biomass Limited [49] | Ordinary Shares | 49% |
| Equitix ESI CHP (Wrexham) Limited [5] | Ordinary Shares | 49% |
| EECo Kingscourt Limited [8] | Ordinary Shares | 49% |
| EECo Car Parks No. 1 Ltd [8] | Ordinary Shares | 24.49% |
| EECo Smithfield Ltd [8] | Ordinary Shares | 49% |
| SmartEnergy Finance Two Ltd [50] | Ordinary Shares | 24% |
| EECo Data Centres No. 1 Ltd [8] | Ordinary Shares | 49% |
| EECo Biomass No. 1 Ltd [8] | Ordinary Shares | 49% |
| Energy Efficient Global UK Project Limited [8] | Ordinary Shares | 49% |
| EECO Wilton No.1 Ltd [8] | Ordinary Shares | 49% |
| EECO Evergreen Limited [8] | Ordinary Shares | 49% |
| EECO Car Parks No. 2 Ltd [8] | Ordinary Shares | 49% |
| FES Contracts UK No 5 Limited [51] | Ordinary Shares | 100% |
| Hoddesdon Energy Ltd [52] | Ordinary Shares | 49.7018% |
| Infinite Ventures (Goathill) Limited [53] | Ordinary Shares | 57% |
| Green Highland Renewables (Loch Arkaig) Limited [54] | Ordinary Shares | 51% |
| AlphaGen Projects Limited [55] | Ordinary Shares | 51% |
| ACP Rexon Ltd [14] | Ordinary Shares | 51% |
| Liatrie Burn Hydro Ltd [54] | Ordinary Shares | 51% |
| Bruachaig Hydro Ltd [54] | Ordinary Shares | 51% |
| Chaorach Holdings Limited [54] | Ordinary Shares | 51% |
| Chaorach Hydro Limited [54] | Ordinary Shares | 51% |
| ACP WNI[56] | Ordinary Shares | 51% |
| Infinite Investments (Tafarnaubach) Limited[14] | Ordinary Shares | 51% |
| Sterke Wind Limited and South Arnloss Limited[57] | Ordinary Shares | 51% |
| WED Lawrence Limited[55] | Ordinary Shares | 100% |
| Whites Generation Ltd[58] | Ordinary Shares | 100% |
| Full Circle Generation[59] | Ordinary Shares | 35.1% |
| Speyside Renewable Energy Ltd[11] | Ordinary Shares | 41.6% |
| Speyside Renewable Energy Partnership[11] | Ordinary Shares | 41.6% |

## 32. Related undertakings of the group *(continued)*

### Registered offices

| | |
|---|---|
| 1 | 50 Lothian Road, Festival Square, Edinburgh, United Kingdom, EH3 9WJ |
| 2 | Ropemaker Place, 28 Ropemaker Street, London, United Kingdom, EC2Y 9HD |
| 3 | 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD |
| 4 | 13th Floor 21–24 Millbank Tower, Millbank, London, United Kingdom, SW1P 4QP |
| 5 | Welken House, 10–11 Charterhouse Square, London, United Kingdom, EC1M 6EH |
| 6 | The Shard, 32 London Bridge Street, London, SE1 9SG |
| 7 | Pavilion, 96 Kensington High Street, London, W8 4SG |
| 8 | Foxglove House, 166 Piccadilly, London, W1J 9EF |
| 9 | St Helens, 1 Undershaft, London, EC3P 3DQ |
| 10 | Tricor Services Europe Llp 4th Floor, 50 Mark Lane, London, England, EC3R 7QR |
| 11 | 13 Queens Road, Aberdeen, Scotland, AB15 4YL |
| 12 | C/O Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ |
| 13 | 8 White Oak Square, London Road, Swanley, Kent, England, BR8 7AG |
| 14 | 1 King's Arms Yard, London, EC2R 7AF |
| 15 | Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, SN5 6PB |
| 16 | Wind Farm Place, Edgar Road, Walsingham, Norfolk, NR22 6EJ |
| 17 | Westwood Way, Westwood Business Park, Coventry, West Midlands, CV4 8LG |
| 18 | C/O Equitix Ltd, 10–11 Charterhouse Square, London, United Kingdom, EC1M 6EH |
| 19 | Grimsby Renewables Operations Base, North Quay, Grimsby, England, DN31 3SY |
| 20 | Duranta Teesside Limited, Forty Foot Road, Middlesbrough, Cleveland, England, TS2 1HG |
| 21 | 2nd Floor 110 Cannon Street, London, EC4N 6EU |
| 22 | Ormsary Estate Office, Ormsary, Lochgilphead, Argyll, PA31 8PE |
| 23 | 13 Queens Road, Aberdeen, AB15 4YL |
| 24 | St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ |
| 25 | FORESIGHT GROUP LLP, 32 London Bridge Street, The Shard, London, SE1 9SG |
| 26 | Lisahally Power Station 18 Lisahally Road, Maydown, Derry, BT47 6FL |
| 27 | Blythe House Blythe Park, Cresswell, Stoke-On-Trent, Staffordshire, ST11 9RD |
| 28 | Cattlegate Farm, Cattlegate Road, Enfield, EN2 8AU |
| 29 | 42 Gortnaskea Road, Stewartstown, Tyrone, BT71 5NY |
| 30 | 31 Reservoir Road, Banbridge, County Down, BT32 4LD |
| 31 | C/O Albany Spc Services Ltd 3rd Floor, 3–5 Charlotte Street, Manchester, England, M1 4HB |
| 32 | Levenseat Waste Management Site Wilsontown, Forth, Lanark, ML11 8EP |
| 33 | Quarrington Farm, Old Quarrington, Durham, England, DH6 5NN |
| 34 | Jefferson House, 42 Queen Street, Belfast, BT1 6HL |
| 35 | 10/12 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey, England, GU2 7YD |
| 36 | 89 King Street, Maidstone, Kent, ME14 1BG |
| 37 | 9 Kilmoyle Road, Ballymoney, County Antrim, Northern Ireland, BT53 6NR |
| 38 | 18 Birch Grove, Gilford, Craigavon, County Armagh, Northern Ireland, BT63 6HW |
| 39 | 91 Moneymore Road, Magherafelt, County Londonderry, Northern Ireland, BT45 6HH |
| 40 | 61 Hill Street, Milford, Armagh, Northern Ireland, BT60 3NZ |
| 41 | 10 Carrick Road, Banbridge, Northern Ireland, BT32 3PA |
| 42 | Ground Floor 6 St Andrew Street Holborn, London, England, EC4A 3AE |
| 43 | Unit 16 Cromarty Firth Industrial Park, Invergordon, Ross-Shire, IV18 0LT |
| 44 | ORIGEN CAPITAL LLP, 26 Dover Street, London, England, W1S 4LY |
| 45 | 1st Floor 6 St Andrew Street, London, United Kingdom, EC4A 3AE |
| 46 | Office 302 41 Old Street, London, England, EC1V 9AE |

## 32. Related undertakings of the group *(continued)*

[47] Waterfront House Waterfront Plaza, 35 Station Street, Nottingham, NG2 3DQ
[48] PINNACLE POWER LTD., Ground Floor 6 St. Andrew Street, Holborn, London, England, EC4A 3AE
[49] Ground Floor Unit 1 Pennant House Napier Court, Napier Road, Reading, England, RG1 8BW
[50] 20 Headley Road, Grayshott, Hindhead, England, GU26 6LB
[51] 10 Gloucester Place, Portman Square, London, United Kingdom, W1U 8EZ
[52] 9 St. Georges Yard, Farnham, Surrey, England, GU9 7LW
[53] Number 1 Waterton, Bridgend, Mid Glamorgan, CF31 3PH
[54] Inveralmond Road, Inveralmond Industrial Estate, Perth, PH1 3TW
[55] 1 Kings Arms Yard, London, England, EC2R 7AF
[56] Upper main Street, Larne, Northern Ireland, Northern Ireland, BT40 1SX
[57] C/O Brodies Llp, 15 Atholl Crescent. Edinburgh, Scotland, EH3 8HA
[58] The Mine Site Mill Lane, South Witham, Grantham, Lincolnshire, United Kingdom, NG33 5QN
[59] 56 Craigmore Road, Garvagh, Coleraine, County Derry, BT51 5HF

# Appendices

# Summary of transactions 2016–17 transactions

This summary is designed to provide an overview of the transactions to which GIB has committed capital, at the point of financial close.[1]

**In 2016–17 we committed to invest £839m in 24 new projects.**

| Project name | Number of projects | Sector | Direct investments (£m) | | Fund investments (£m) | | Fund manager | Locations |
|---|---|---|---|---|---|---|---|---|
| | | | GIB investment | Total transaction size | GIB investment | Total transaction size | | |
| Lincs offshore wind farm | 1 | OSW | 281.5 | 281.5 | – | – | – | 1 |
| Lincs offshore wind farm | 0 | OSWF | 399.6 | 399.6 | – | – | – | 0 |
| Barking and Dagenham streetlighting project | 1 | EE | 6.8 | 6.8 | – | – | – | 1 |
| North Wales recycling and waste plant | 1 | W&B | 33.1 | 178.9 | – | – | – | 1 |
| Kent County Council streetlighting project | 1 | EE | 10.2 | 40.8 | – | – | – | 1 |
| Millerhill recycling and waste plant | 1 | W&B | 28.2 | 142.1 | – | – | – | 1 |
| Northern Ireland on-farm AD: Stramore | 1 | W&B | – | – | 1.5 | 1.5 | Foresight | 1 |
| Northern Ireland on-farm AD: Dufless | 1 | W&B | – | – | 1.4 | 1.5 | Foresight | 1 |
| Northern Ireland on-farm AD: Bellshill | 1 | W&B | – | – | 1.4 | 1.5 | Foresight | 1 |
| Northern Ireland on-farm AD: Carrick Road | 1 | W&B | – | – | 1.3 | 1.4 | Foresight | 1 |
| Northern Ireland on-farm AD: Milford | 1 | W&B | – | – | 1.4 | 1.5 | Foresight | 1 |
| Rainworth anaerobic digestion plant | 1 | W&B | – | – | 6.5 | 13.2 | Foresight | 1 |
| Moy Park LED retrofit programme | 1 | EE | – | – | 1.4 | 3.0 | SDCL | 1 |
| Northern Ireland on-farm AD: Kilmoyle | 1 | W&B | – | – | 1.7 | 3.5 | Foresight | 1 |
| Kemsley CHP plant | 1 | W&B | 80.0 | 337.4 | – | – | – | 1 |
| Albion Community Power[2] | 7 | OSR | – | – | – | – | – | 12 |
| Northern Ireland on-farm AD: Ballymena | 1 | W&B | – | – | 8.6 | 23.3 | Foresight | 1 |
| Northern Ireland on-farm AD: Gorthill | 1 | W&B | – | – | 1.8 | 3.6 | Foresight | 1 |
| Wrexham CHP plant | 1 | EE | – | – | 12.1 | 25.0 | Equitix | 1 |
| 2016 –17 total | 24 | – | 839.4 | 1387.1 | 39.1 | 79.0 | – | 29 |
| | | | | | | | | |
| 2015 –16 total | 30 | – | 769.9 | 3697.9 | 128.0 | 279.8 | – | 955 |
| 2014 –15 total | 22 | – | 723.1 | 2470.6 | 66.9 | 274.3 | – | 51 |
| 2013 –14 total | 17 | – | 616.6 | 2331.9 | 39.8 | 124.3 | – | 185 |
| 2012 –13 total | 7 | – | 460.4 | 2096.5 | 9.8 | 36.9 | – | 7 |
| Total to date | 100 | – | 3409.4 | 11984.0 | 283.6 | 794.3 | – | 1227 |

1. Includes investments made by the GIGML-managed Offshore Wind Fund.
2. Investments made by Albion Community Power, capitalised in 2014–15

Last updated 14 June 2017.

**Key: EE = energy efficiency; OSW = offshore wind; W&B = waste & bioenergy; OSR = onshore renewables; OSWF = Offshore Wind Fund**

# Summary of transactions 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 | Locations |
|---|---|---|---|---|---|---|---|---|
| | | | GIB investment | Total transaction size | GIB investment | Total transaction size | | |
| Foresight waste & bioenergy investment | 1 | W&B | – | – | 1.9 | 19.2 | Foresight | 1 |
| NCP low energy lighting project II | 1 | EE | – | – | 0.3 | 0.5 | SDCL | 110 |
| Stirling Council streetlighting project | 1 | EE | 10.0 | 10.0 | – | – | – | 1 |
| Wick district heating network | 1 | EE | – | – | 4.8 | 9.8 | Equitix | 1 |
| LID offshore wind farms[3] | 2 | OSWF | 241.9 | 423.3 | – | – | – | 2 |
| De Lage Landen funding alliance[4] | 1 | EE | – | – | – | – | – | 1 |
| NHS Grampian energy efficiency programme | 1 | EE | – | – | 4.3 | 8.5 | Aviva | 2 |
| Gloucester Waste PPP extension[5] | 0 | W&B | 15.4 | 30.6 | – | – | – | 0 |
| Blackcraig wind farm | 1 | OSR | – | – | 49.5 | 103.8 | Temporis | 1 |
| Northern Ireland on-farm AD: Edenmore | 1 | W&B | – | – | 1.7 | 3.5 | Foresight | 1 |
| NHS Tayside energy efficiency programme | 1 | EE | – | – | 7.7 | 15.4 | Aviva | 3 |
| Santander LED retrofit programme | 1 | EE | – | – | 8.4 | 17.5 | SDCL | 814 |
| Huntsman boiler installation | 1 | EE | – | – | 7.0 | 14.6 | SDCL | 1 |
| UK-wide energy efficiency platform | 1 | EE | – | – | 1.4 | 3.0 | SDCL | 1 |
| Belfast energy from waste plant | 1 | W&B | 47.1 | 107.3 | – | – | – | 1 |
| Galloper offshore wind farm | 1 | OSW | 119.0 | 1790.2 | – | – | – | 1 |
| Nottingham CHP plant | 1 | EE | – | – | 14.7 | 30.0 | Equitix | 1 |
| Cramlington CHP plant | 1 | W&B | 21.3 | 138.0 | – | – | – | 1 |
| Southend streetlighting project | 1 | EE | 8.7 | 13.8 | – | – | – | 1 |
| Sheffield CHP plant | 1 | EE | – | – | 14.6 | 30.0 | Equitix | 1 |
| Scotland-wide heat pump installation programme | 1 | EE | – | – | 1.9 | 4.0 | Equitix | 1 |
| UK-wide LED lighting installation programme | 1 | EE | – | – | 2.4 | 5.0 | Equitix | 1 |
| Oxford NHS energy efficiency programme | 1 | EE | – | – | 7.4 | 15.0 | Aviva | 1 |
| Rampion offshore wind farm[6] | 1 | OSW | 306.5 | 1184.7 | – | – | – | 1 |
| Albion Community Power | 6 | OSR | – | – | – | – | – | 6 |
| 2015–16 total | 30 | – | 769.9 | 3697.9 | 128.0 | 279.8 | – | 955 |

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

# Summary of transactions 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 | Locations |
|---|---|---|---|---|---|---|---|---|
| | | | GIB investment | Total transaction size | GIB investment | Total transaction size | | |
| Old Quarrington anaerobic digestion plant | 1 | W&B | – | – | 2.0 | 4.0 | Foresight | 1 |
| Sheltered housing boiler replacement project | 1 | EE | – | – | 2.4 | 5.0 | Equitix | 28 |
| Tilbury renewable power facility | 1 | W&B | 35.0 | 190.1 | – | – | – | 1 |
| Levenseat recycling and waste plant[7] | 1 | W&B | 10.3 | 111.0 | 28.3 | 111.0 | Foresight | 1 |
| Hoddesdon gasification plant | 1 | W&B | 29.8 | 60.5 | – | – | – | 1 |
| Albion Community Power | 2 | OSR | 50.0 | 100.0 | – | – | – | 2 |
| Recycling and waste fund (Foresight) | 0 | W&B | 50.0 | 100.0 | – | – | – | 0 |
| Glasgow City Council streetlighting project | 1 | EE | 6.3 | 6.3 | – | – | – | 1 |
| Westermost Rough refinance[8] | 0 | OSW | – | 377.8 | – | – | – | 0 |
| Sheringham Shoal offshore wind farm[9] | 1 | OSW | 240.0 | 480.0 | – | – | – | 1 |
| Agricultural small carbon biomass platform | 1 | EE | – | – | 5.5 | 11.5 | SDCL | 2 |
| Widnes CHP plant[10] | 1 | W&B | 16.9 | 110.3 | 13.2 | 110.3 | Foresight | 1 |
| Temporis lending programme | 1 | OSR | 100.0 | 200.0 | – | – | – | 1 |
| North Yorkshire waste treatment plant | 1 | W&B | 33.4 | 319.4 | – | – | – | 1 |
| Citi data centre retrofit | 1 | EE | – | – | 2.5 | 5.3 | SDCL | 1 |
| Equitix fund extension | 0 | – | 50.0 | 100.0 | – | – | – | 0 |
| De Lage Landen funding alliance | 1 | EE | 25.0 | 50.0 | – | – | – | 1 |
| Derby energy from waste plant | 1 | W&B | 63.6 | 190.9 | – | – | – | 1 |
| Speyside CHP project | 1 | W&B | 12.8 | 74.3 | – | – | – | 1 |
| Northern Ireland on-farm AD: Bridge Energy | 1 | W&B | – | – | 1.7 | 3.5 | Foresight | 1 |
| Northern Ireland on-farm AD: PAR Renewables | 1 | W&B | – | – | 1.5 | 3.0 | Foresight | 1 |
| SME energy efficiency platform | 1 | EE | – | – | 0.5 | 2.0 | SDCL | 0 |
| Willen anaerobic digestion project | 1 | W&B | – | – | 7.4 | 14.9 | Foresight | 1 |
| Distillery biomass platform 2 | 1 | EE | – | – | 1.9 | 3.8 | Equitix | 3 |
| 2014–15 total | 22 | – | 723.1 | 2470.6 | 66.9 | 274.3 | – | 51 |

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 Offshore Wind Fund on 1 April 2015.
10. GIB invested twice in this project, directly and via the Foresight fund.

# Summary of transactions 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 | Locations |
|---|---|---|---|---|---|---|---|---|
| | | | GIB investment | Total transaction size | GIB investment | Total transaction size | | |
| Westermost Rough offshore wind farm | 1 | OSW | 240.8 | 888.4 | – | – | – | 1 |
| Gwynt y Môr offshore wind farm[11] | 1 | OSW | 220.0 | 440.0 | – | – | – | 1 |
| Cheltenham General Hospital CHP project | 1 | EE | – | – | 1.2 | 3.3 | Aviva | 1 |
| St Bartholomew's Hospital energy efficiency retrofit | 1 | EE | – | – | 1.3 | 2.6 | SDCL | 1 |
| Bernard Matthews boiler replacement programme | 1 | EE | – | – | 12.0 | 24.7 | Equitix | 19 |
| Societe Generale Equipment Finance energy efficiency partnership | 1 | EE | 25.0 | 50.0 | – | – | – | 1 |
| Birmingham BioPower gasification plant[12] | 1 | W&B | 12.0 | 47.0 | 5.6 | 47.0 | Foresight | 1 |
| Merseyside waste PFI | 1 | W&B | 20.0 | 335.5 | – | – | – | 1 |
| NCP low energy lighting project | 1 | EE | – | – | 2.1 | 8.8 | SDCL | 149 |
| West London waste PFI | 1 | W&B | 20.0 | 223.7 | – | – | – | 1 |
| London Array offshore wind farm | 1 | OSW | 58.6 | 266.0 | – | – | – | 1 |
| Port Talbot biomass plant | 1 | W&B | – | – | 11.3 | 24.9 | Greensphere | 1 |
| Evermore waste to energy plant[13] | 1 | W&B | 20.2 | 81.3 | – | – | Foresight | 1 |
| Distillery biomass platform 1 (inc. Tomatin) | 1 | EE | – | – | 0.6 | 1.2 | Equitix | 1 |
| Schools biomass platform | 1 | EE | – | – | 0.4 | 0.9 | Equitix | 2 |
| Kingspan building retrofit | 1 | EE | – | – | 0.4 | 0.9 | SDCL | 1 |
| Roundwood biomass boiler platform | 1 | EE | – | – | 4.9 | 10.0 | Equitix | 2 |
| 2013–14 total | 17 | – | 616.6 | 2331.9 | 39.8 | 124.3 | – | 185 |

11. GIB's stake in Gwynt y Môr offshore wind farm was subsequently acquired by the 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.

Notes

- Norfolk waste PFI (£51.2m commitment to £226.0m 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.

# Summary of transactions 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 | Locations |
|---|---|---|---|---|---|---|---|---|
| | | | GIB investment | Total transaction size | GIB investment | Total transaction size | | |
| Rhyl Flats offshore wind farm[14] | 1 | OSW | 57.5 | 115.1 | – | – | – | 1 |
| Aviva Investors fund initial capitalisation | 0 | EE | 50.0 | 100.0 | – | – | – | 0 |
| Gloucester Waste PPP | 1 | W&B | 46.8 | 185.4 | – | – | – | 1 |
| Wakefield Waste PFI | 1 | W&B | 30.4 | 121.7 | – | – | – | 1 |
| Drax biomass conversion[15] | 1 | W&B | 50.0 | 990.0 | – | – | – | 1 |
| Walney offshore wind farm | 1 | OSW | 45.7 | 224.3 | – | – | – | 1 |
| Greenlight anaerobic digestion project | 1 | W&B | – | – | 7.8 | 16.0 | Greensphere | 1 |
| Equitix fund initial capitalisation | 0 | EE | 50.0 | 100.0 | – | – | – | 0 |
| SDCL fund initial capitalisation | 0 | EE | 50.0 | 100.0 | – | – | – | 0 |
| Biogas plant, Dagenham | 1 | W&B | – | – | 2.0 | 20.9 | Foresight | 1 |
| Greensphere fund initial capitalisation | 0 | W&B | 30.0 | 60.0 | – | – | – | 0 |
| Foresight fund initial capitalisation | 0 | W&B | 50.0 | 100.0 | – | – | – | 0 |
| 2012–13 total | 7 | – | 460.4 | 2096.5 | 9.8 | 36.9 | – | 7 |

14. GIB's stake in Rhyl Flats offshore wind farm was subsequently acquired by the 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.

Notes
- Addenbrooke's Hospital energy efficiency retrofit via Aviva Investors fund (£18.4m commitment to £36.9m transaction) cancelled subsequent to year end reporting. Consequently this is 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

| | |
|---|---|
| **AD** | Anaerobic digestion |
| **AGM** | Annual General Meeting |
| **AIF** | Accredited Investment Fiduciary |
| **AMF** | AMF Pensionsförsäkring AB |
| **Anaerobic digestion** | Anaerobic digestion is a collection of processes by which micro-organisms 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 |
| **BCP** | Business Continuity Plan |
| **BEIS** | Department for Business, Energy and Industrial Strategy |
| **Bioenergy** | Renewable energy derived from animal or plant matter of recent origin |
| **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. |
| **COD** | Commercial Operations Date |
| **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 |
| **CRO** | Chief Risk Officer |
| **DCF** | Discounted Cash Flow |
| **DECC** | Department of Energy and Climate Change |
| **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". |
| **EBITA** | Earnings Before Interest, Taxes, Depreciation and Amortisation |
| **EE** | Energy efficiency |
| **EIA** | Environmental Impact Assessment |
| **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 |
| **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. |
| **FID** | Final Investment Decision |
| **FRC** | Financial Reporting Council |
| **FReM** | Financial Reporting Manual |
| **FSB** | Financial Stability Board |

| | |
|---|---|
| **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 Limited |
| **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 |
| **GIG** | Green Investment Group Limited |
| **GIGML** | Green Investment Group Management Limited |
| **GPC** | Green Purposes Company Limited |
| **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 |
| **Group** | GIB together with its subsidiary undertakings |
| **GW** | Gigawatt. Equal to 1,000,000,000 Watts |
| **GWh** | Gigawatt hour. Equal to 1,000,000,000 Watt hours |
| **HMT** | HM Treasury |
| **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 |
| **LIBOR** | London Inter-Bank Offered Rate |
| **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 |
| **Macquarie** | Macquarie Group Limited |
| **Macquarie Group** | The group comprising Macquarie and its subsidiaries |
| **MEIF5** | Macquarie European Infrastructure Fund 5 |
| **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 |
| **MWe** | Megawatt electrical. Electricity generation 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. |
| **OSW** | Offshore wind |
| **PIM** | Portfolio Investment Management |
| **PMC** | Portfolio Management Committee |
| **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 |
| **PwC** | PricewaterhouseCoopers |
| **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 |
| **RCC** | Risk and Compliance Committee |
| **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 waste converter technology. RDF consists largely of combustible components of municipal waste such as non-recoverable plastics and biodegradable waste. |
| **Renewables Obligation** | Places an obligation on licensed electricity suppliers in the United Kingdom to source an increasing proportion of electricity from renewable sources |
| **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. |
| **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. |
| **SDG** | Sustainable Development Goal |
| **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. |
| **SPF** | Strathclyde Pension Fund |

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| **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 asset** | 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. |
| **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. |
| **USS** | Universities Superannuation Scheme |
| **VAT** | Value Added Tax |
| **Vintage year** | The year which commences on 1 April following the year being assessed |
| **W&B** | Waste and bioenergy |
| **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. |
| **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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