Green Investment Bank

Annual Report 2014

Contents

About this report

We have moved to the new style of Annual Reporting as required by new regulations, which came into force for financial years ending on or after 30 September 2013. This means that a stand-alone Strategic Report now precedes the fuller reporting of governance, financial accounts and results and our green impact. Our commitment to sustainability means that we print very few copies of this report and where we do, we only print the Strategic Report, not the full document. The full document is available online at www.greeninvestmentbank.com. A glossary can be found at the end of this document.

Section 1

Strategic report

The UK Green Investment Bank at a glance

Our purpose is to accelerate the UK's transition to a greener, stronger economy. As we do this, we are working to build an enduring institution.

We were created by the UK Government, our sole Shareholder, which has committed an initial £3.8bn of public funds. We use this finance to back green projects on commercial terms and mobilise other private sector capital into the UK's green economy.

Our investments help fund the creation of new energy and waste infrastructure across the UK and, with that, new jobs in construction and operations.

In 2013-14:

we backed **18 new green projects** (**10** more than last year)

we committed **£668m in new capital,** up on last year.

we mobilised approx. **£3** of additional private capital **for every £1 GIB invested**

In total (for 2012-13 and 2013-14):

we have capitalised **5 funds** and backed **green projects 26**

we have invested in **every part of the UK**

we have directly committed **£1.3bn** mobilising up to **£4.8bn**

Once built, our investments to date are projected to:

generate a rate of return **of over** **8%**

provide renewable power to **3m homes**

support over **3,500 construction and operational jobs**

reduce greenhouse gas emissions equivalent to taking **1.6m cars off the road**

Transparency statement

Openness is one of the UK Green Investment Bank's (GIB's) founding values. That means we are transparent in what we do and actively engage with our stakeholders, seeking their feedback and involvement in our business.

We are stewards of £3.8bn of public money, tasked with investing it on market terms. So we are building a culture with a strong commercial ethos and the highest standards of accountability.

We are also a young organisation, with a complex mandate, operating in a fast moving sector. It is important to our success that all our stakeholders have a good understanding of our thinking, strategy and actions.

"Internally, with our Board and employees, we have adopted the value of openness as something that guides how we run our business."

Our commitment to openness begins with our investments. We share details of our investment strategy and each individual transaction with market-leading transparency. This is part of our role as a catalyst to the wider market. We actively engage with the media and other stakeholders to make sure that our activity and thinking is shared as widely as possible.

We are transparent about how we have set up and run our business. This includes the publication of Board minutes, corporate policies, remuneration and the disclosure of Board and employee hospitality.

Internally, with our Board and employees, we have adopted the value of openness as something that guides how we run our business. This is reflected in the governance, systems and processes we have put in place and underpins our approach to employee communication. It is a value that is included in all of our employees' objectives and forms part of their performance appraisal.

Our commitment to transparency is an active one. We regularly update our website with new information. We also encourage you to give us your feedback on this report and our wider progress; details of how you can do this are provided on the back page. To create a forum for this feedback we host two Annual Review events every year, in Edinburgh and London, at which our Board and Leadership Team present on our progress, take questions and listen to the views of our stakeholders.

Lord Smith of Kelvin KT
Chair

Shaun Kingsbury
Chief Executive

Chair's report

The last year has been one of intense effort and focus at GIB. We have come through our start-up phase and begun to demonstrate the value of our business model. We have done that quickly, but without compromising the quality of the foundations that we have laid down. We leave the year as the most active investor in the UK's green economy.

With our responsibility for the investment of public funds and a mission to build an enduring institution, we have invested in the highest standards of corporate governance, systems and processes. You will have a chance to read more about all of this in the report that follows. I believe that we have now successfully removed the start-up risks faced by any new organisation.

Despite a tough market and a prolonged investment hiatus in some of our sectors, we have performed well in deploying our capital this year. In 2013-14, we invested capital in 18 projects, directly committing £668m of our own capital which will mobilise up to £2.5bn of total capital into UK green projects. Across all of these measures, we achieved more this year than last year. We have also now co-invested with over 70 domestic and international investors.

In the sectors which are less well established, and slower to develop, we have been bold in trying to build momentum.

"We have come through the start-up phase and begun to demonstrate the value of our business model."

In areas like street lighting, district heating, the NHS, anaerobic digestion and industrial and commercial energy efficiency, we have built bespoke financial solutions and engaged heavily with the relevant industries to increase interest, commitment and investment. This type of activity will be one of our defining characteristics – we exist to build and strengthen markets, not just to service them.

The Board has also spent significant time looking at the organisation's future strategy. We have debated and agreed ambitious plans to extend the reach of GIB as we work to maximise our green impact. We have also begun the process of becoming a regulated firm, allowing us greater scope to mobilise and invest the capital needed to build a stronger and greener UK economy.

As the first dedicated green bank in the world we are at the forefront of what is now a growing movement. While our first priority is always the UK 'day-job', we have also played a leading role in helping to establish an international network of new and emerging green banks and investors. We arranged and hosted a gathering of ten of these banks at our Edinburgh headquarters in October 2013. This event kick-started a growing network which is focused on the very practical sharing of experience and good practice between like-minded organisations.

I am pleased with the progress that GIB has made in the year and a half since we began operating. The nature of our organisation means that progress is reliant on the goodwill and active support of a wide range of stakeholders across the political spectrum and civic society, not least the many Government Ministers who have been so encouraging of our work. I would like to place on record my thanks and those of the Board for their ongoing support.

I hope you enjoy reading our second Annual Report.

We are deeply committed to being an open and engaged organisation and would very much welcome your comments on our progress.

Lord Smith of Kelvin KT
Chair

Chief Executive's review

GIB is now fully up and running. Our mission and strategy are clear and well understood in our market. We are successfully committing capital and backing the infrastructure projects that are helping to build a stronger and greener economy in the UK. We are playing an important role. Investment levels in the UK's green economy remain well below what's required. We are taking on the difficult projects, mobilising private sector capital and supporting innovation.

Our mission and role

GIB was designed to occupy a unique place in the UK's green economy. Our role is to help close the gap between what the UK needs to invest to achieve its environmental targets and what it is investing. This gap remains large but we are working to increase investment levels and encourage new investors into the UK market.

This gap is, of course, beyond what we at GIB can do directly with our initial £3.8bn of committed capital. It requires a market-based solution. That is why our role is to invest in green, profitable projects in a way that crowds-in others, mobilising additional private sector capital.

It is a role that goes well beyond that of a traditional investor.

We take on the difficult projects, getting involved in their development to help them become commercially viable and investable. Our financial and technical expertise helps to de-risk projects for other investors, particularly where the project involves technology or financial innovation. We help to strengthen and build new, emerging sectors of the UK green economy by raising awareness and developing products to provide new commercial, financial solutions. And, we are working to reduce the cost of capital for green infrastructure projects by helping to attract and connect long-term investors to long term, stable, profitable, operating assets, like offshore wind farms.

A challenging year for our industry

I believe that those of us involved in green infrastructure investment in the UK will look back on the last year as a difficult but important one.

We leave the year with much greater certainty of the impact of Electricity Market Reform (EMR). This is a once in a generation change to improve the attractiveness of the UK for investment in our infrastructure. Consequently, the change in regime created temporary uncertainty for investors which inhibited our ability to commit capital to new projects. However, I believe the longer term benefits will be worth it. The UK remains an attractive location to invest in renewable energy and we must protect that position.

The year also brought a new degree of political and media scrutiny of our industry. Although difficult at times, it is right that our industry is held to account and asked challenging questions. It will make us stronger in the long term.

We are a relatively young industry working with new technology. The public policy goals of diversifying energy supply, strengthening energy security, lowering costs and decarbonising are challenging but possible. With a continuation of the Government support that we have seen so far, I believe the industry will repay that faith with lower costs and improved performance. Indeed, every part of the green economy from offshore wind to energy efficiency is showing steady, positive progress against both these measures.

A successful year for GIB

Our main task in any year is to commit capital to green and profitable projects. By the end of the 2013-14 financial year we had committed a total of £1.3bn to 26 projects and five funds since we began operations. We committed to invest more in the last year, £668m in 2013-14, than we did in our first year of operation, £635m in 2012-13. Although our first year was a short one, it included £355m of one-off investments such as capitalising our five funds, so we more than doubled our direct investments year on year. We expect to see a further increase in our rate of investment in 2014-15.

Including our own investments, we will mobilise up to a total of £4.8bn capital into the UK's green economy. Every £1 invested by GIB has been matched by approximately £3 from private investors.

Every investment has been made on market terms and all are on track to perform profitably. The expected rate of return across our portfolio is around 8 per cent in aggregate and includes a mix of equity, debt and fund investments.

Our green performance has been equally positive. Once built-out, we expect our investments to be generating, in a year, enough renewable energy to power 3m homes. Our investments will save greenhouse gas (GHG) emissions equivalent to taking 1.6m cars off the road.

In November 2013, we published our green investment principles which set out how we have fully integrated green assessment, monitoring and reporting into our investment process.

The numbers alone tell only a small part of the story. Throughout the year, we have sought out opportunities to bring innovation to our industry and to grow the market. You will find details throughout this report but some trends are standing out.

We are seeing positive developments in technology that will bring lower costs and improved performance to industries such as energy efficiency, offshore wind and energy from waste. This year we have taken an equity stake in the first offshore wind farm in the world, off the coast of Yorkshire, to deploy a new 6 MW turbine. Larger wind turbines mean better efficiency which reduces the cost of the electricity they produce. We have also backed a project, near Birmingham, to bring a new waste gasification technology – proven in North America – to the UK.

In contrast to these positive developments, the opportunity offered by non-domestic energy efficiency measures is not being taken up quickly enough. This is an area that can offer savings often with minimal capital outlay, requires no government support and often no planning consents and now has mature, proven technology which is ready to be deployed at scale. We should be doing better across the UK and we are lagging behind many other countries in what is an important component of the productivity of our economy.

"Every investment has been made on market terms and all are on track to perform profitably. The expected rate of return across our portfolio is around 8 per cent."

This is why we are targeting energy intensive activities and organisations in the private and public sectors. One example of this is the product we have built for local authorities to convert their streetlighting estate to LEDs. I am pleased that Glasgow City Council will be the first to take up this product.

In terms of our financial performance we have, as expected, posted an operating loss before tax for 2013-14 of £5.7m. This number is consistent with our budget for the year. We are still in the early stages of building our portfolio and much of the income secured in 2012-13 and 2013-14 is deferred into future years. A significant part of our investment is into construction projects and we need the projects to be built-out and start operating to produce returns in order for GIB as a whole to turn profitable.

Our committed capital is projected to produce an average return of around 8 per cent and it is our expectation that we will move in to steady profit as projects become operational.

Our team

We have completed the recruitment of our team, which, I believe, captures the right balance of experience and energy. The team is performing well. Now that we have almost a full complement of staff, we have moved on to put in place the necessary steps to make sure we can retain and develop the team. We have established training and professional development programmes to ensure our staff can develop their skills and continue to learn as our organisation matures.

Outlook

We look ahead to what we hope to be a stronger market in UK renewables in 2014-15, with more projects moving ahead. Our current mandate means we will remain very sensitive to the commitment of developers and co-investors.

We hope to see two major strategic developments for GIB in the coming year.

First, we hope to be able to broaden the sectors in which we are permitted to invest. At the moment the state aid decision issued by the European Commission restricts us to investing in less than a third of the UK's green economy, with many sub-sectors ruled out. Our first targeted area for expansion is community renewables – supporting small-scale, community based, renewable energy generation projects across the UK. Secondly, we hope to make some progress on bringing in external capital to GIB. As our track record develops and the markets in which we invest mature, we believe it will be possible to find alternative and additional sources of capital for GIB.

We look to the coming year with optimism and ambition but, as ever, with a high sensitivity to market conditions. We have built, in a short period of time, a robust business that is making a difference. Our business model and investment strategy have proven to be attractive to over 70 co-investors. Our task now is to use this platform to achieve a sustainable scale of business that will allow us to maximise the impact we can have in helping to build a greener, stronger economy in the UK.

Shaun Kingsbury
Chief Executive

2013-14 highlights

We began the year having backed **8** projects and capitalised **5** funds.

Apr '13

May

- Investment in Roundwood biomass platform *(p.33)*

June

- Published Annual Report and held Annual Review events
- Published market report on anaerobic digestion *(p.19)*

July

- Investment in Kingspan energy efficiency retrofit
- Investment in small-scale biomass project for schools
- Investment in Tomatin distillery *(p.33)*
- Investment in Evermore renewable energy plant *(p.31)*

Sept

- Investment in Port Talbot biomass plant *(p.31)*

Oct

- Investment in London Array offshore wind project *(p.29)*
- Convened inaugural global Green Bank Congress *(p.37)*

Over the course of this year we invested in a further **18** projects.

Investment in West London energy from waste plant *(p.31)*

Launch of green policies *(p.35)*

Nov

Investment in Merseyside energy from waste project *(p.31)*

Investment in Birmingham gasification plant *(p.30)*

Investment in NCP energy efficiency retrofit *(p.33)*

Adoption of Equator Principles *(p.50)*

Dec

Investment alliance with Societe Generale Equipment Finance *(p.33)*

Launch of Green Loan and publication of streetlighting report *(p.33)*

Feb ‘14

Investment in Westermost Rough offshore wind project *(p.28)*

Investment in Norfolk waste project *(p.31)*

Investment in Gwynt y Môr offshore wind project *(p.29)*

Signatory to Principles for Responsible Investment *(p.50)*

Investment in energy efficiency retrofit at St Bartholomew’s Hospital *(p.33)*

Investment in energy efficiency retrofit at Bernard Matthews’ farms *(p.33)*

Launch of NHS Energy Efficiency Financing Programme *(p.33)*

Investment in Cheltenham General Hospital *(p.33)*

March

Summary of transactions

Summary of transactions to date

Project	Sector	Direct investments: GIB commitment (£m)	Direct investments: Other capital mobilised (£m)	Direct investments: Total capital mobilised (£m)	Fund investments: GIB fund commitment (£m)	Fund investments: Other capital mobilised (£m)	Fund investments: Total capital mobilised (£m)	Fund manager
2012-13 summary total		**635.4**	**1,629.8**	**2,265.2**	**28.2**	**45.6**	**73.8**	
2013-14 transactions								
Roundwood biomass boiler platform	Energy efficiency	–	–	–	4.9	5.1	10.0	Equitix
Kingspan building retrofit	Energy efficiency	–	–	–	0.4	0.4	0.8	SDCL
Schools biomass platform	Energy efficiency	–	–	–	0.4	0.5	0.9	Equitix
Distillery biomass platform (inc. Tomatin)	Energy efficiency	–	–	–	0.6	0.6	1.2	Equitix
Evermore energy from waste plant[1]	Waste and bioenergy	20.2	61.1	81.3	–	–	–	Foresight
Port Talbot biomass plant	Waste and bioenergy	–	–	–	11.3	13.6	24.9	Greensphere
London Array offshore wind farm	Offshore wind	58.6	207.4	266.0	–	–	–	–
West London waste PFI	Waste and bioenergy	20.0	203.7	223.7	–	–	–	–
NCP low energy lighting project	Energy efficiency	–	–	–	4.2	4.6	8.8	SDCL
Merseyside waste PFI	Waste and bioenergy	20.0	315.5	335.5	–	–	–	–
Birmingham BioPower gasification plant[2]	Waste and bioenergy	12.0	23.7	35.7	5.6	5.6	11.2	Foresight
Societe Generale Equipment Finance energy efficiency partnership	Energy efficiency	25.0	25.0	50.0	–	–	–	–
Norfolk waste PFI[3]	Waste and bioenergy	51.2	174.8	226.0	–	–	–	–
Bernard Matthews boiler replacement programme	Energy efficiency	–	–	–	12.0	12.7	24.7	Equitix
St Bartholomew's Hospital energy efficiency retrofit	Energy efficiency	–	–	–	1.3	1.4	2.7	SDCL
Cheltenham General Hospital CHP project	Energy efficiency	–	–	–	1.2	2.1	3.3	Aviva Investors
Gwynt y Môr offshore wind farm	Offshore wind	220.0	220.0[4]	440.0	–	–	–	–
Westermost Rough offshore wind farm	Offshore wind	240.8	647.6	888.4	–	–	–	–
2013-14 total		**667.8**	**1,878.8**	**2,546.6**	**41.9**	**46.6**	**88.5**	–
Total to date		**1,303.2**	**3,508.6**	**4,811.8**	**70.1**	**92.2**	**162.3**	–

1. *GIB increased its investment in the Foresight fund to finance this transaction.*
2. *GIB invested twice in this project, directly and via the Foresight fund.*
3. *The project was subsequently cancelled in April 2014. (See p.31).*
4. *This figure represents a commitment to redeployment of capital in renewable energy.*

The **most active investor** in the UK's green economy

Backed **3** new energy efficiency projects in the NHS

Supported the introduction of a new energy from waste gasification technology to the UK

Invested during the construction phase of an offshore wind project for the **1st time**

Invested in all our main sectors, in all parts of the UK in a series of transactions which are **innovative in their financing and their technology**

Financed Northern Ireland's **largest** renewable energy plant

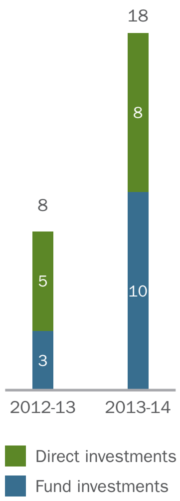
Been involved in **56%** of transactions in our sectors

Financed **improved energy efficiency** in farms and car parks

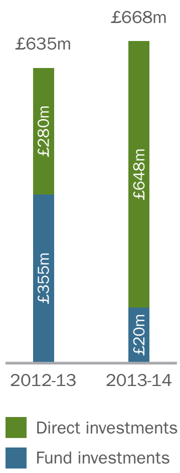
Helped finance the commercial deployment of a new Siemens **6MW wind turbine**

Launched a Green Loan to help local authorities achieve up to **80% reductions** in lighting costs

Number of project investments

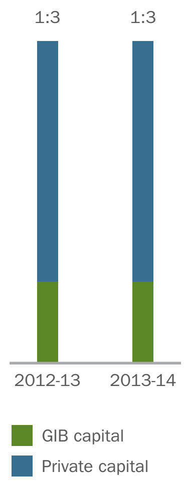


GIB capital committed



Total capital mobilised

Mobilisation ratio (Approx.)



Our mission and business model

Our purpose is to accelerate the UK's transition to a greener, stronger economy. As we do this, we are working to build an enduring institution.

We were created by the UK Government, our sole Shareholder, and capitalised with £3.8bn of public funds. We use this finance to mobilise other private sector capital into the UK's green economy.

We are a key part of the UK's efforts to achieve its legally binding environmental targets. These targets require an investment of £330bn in the UK's green economy by 2020. To date we are seeing investment in the UK's green economy at less than half the required rate.

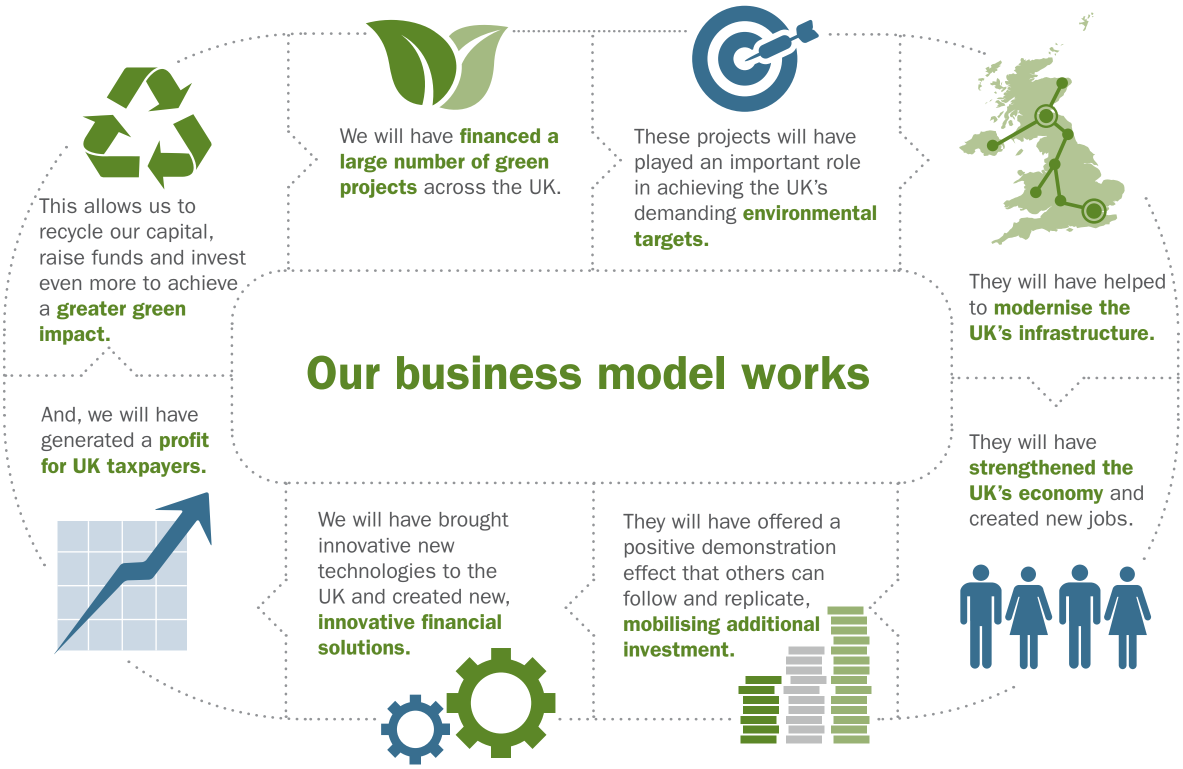
Our business model is not designed to plug the gap through our direct investments alone. We must invest in a way which demonstrates the attractiveness of the opportunity to others. To do that we must show that it is possible to invest in projects which are green and profitable – this is our double bottom line.

As an institution investing public money, we must balance this sense of purpose with state aid restrictions agreed with the European Commission. These determine both the sectors we are permitted to invest in and the manner in which we invest.

Our business model is as follows:

- we are an investor in UK-based green infrastructure projects;
- we primarily invest in three sectors – energy efficiency, waste and bioenergy and offshore wind;
- each investment must offer returns against our green and financial double bottom line:
    - Every investment must make a positive contribution to at least one of our five green purposes, outlined in the Green Performance section.
    - Every investment must provide market-based commercial returns in line with the project's risk.
- we invest on terms equivalent to others in the market; we do not offer low cost finance or grants;
- we work to mobilise other private sector capital, crowding-in additional finance not displacing other investors; and
- we are committed to being innovative by building and strengthening the UK market, not simply serving it.

If we are successful in our mission we will have created a virtuous cycle:

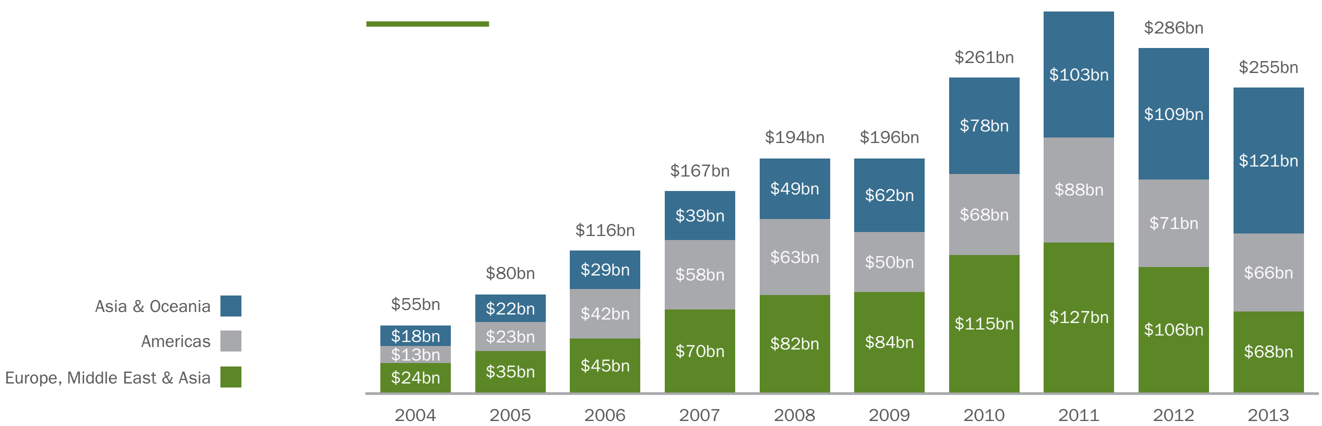


Our market

GIB operates at the intersection of the renewable energy, energy efficiency and financial markets.

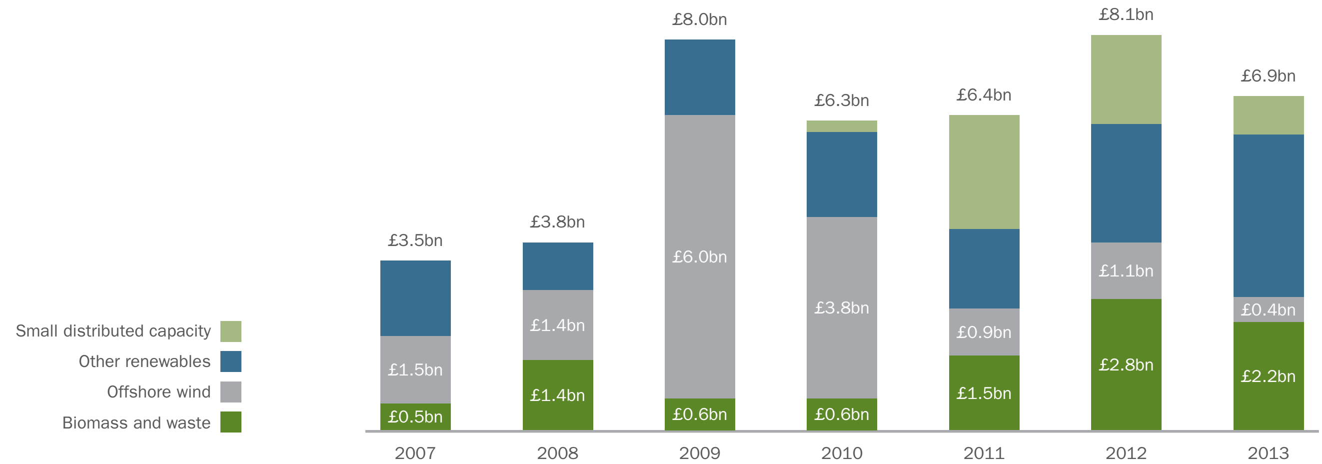
2013 was a tough year for the renewable energy sector with investment down 11 per cent globally and 36 per cent in Europe (Figure 1). In the UK, investment levels fell by 15 per cent on 2012 for the wider renewable energy sector (Figure 2), and were down by 32 per cent for the renewable energy sectors we are focused on (Figure 3).[5] This has had a significant impact on our ability to commit capital as we can only back projects that are under development.

Figure 1: Global renewable energy investment by region, $bn



Source: BNEF

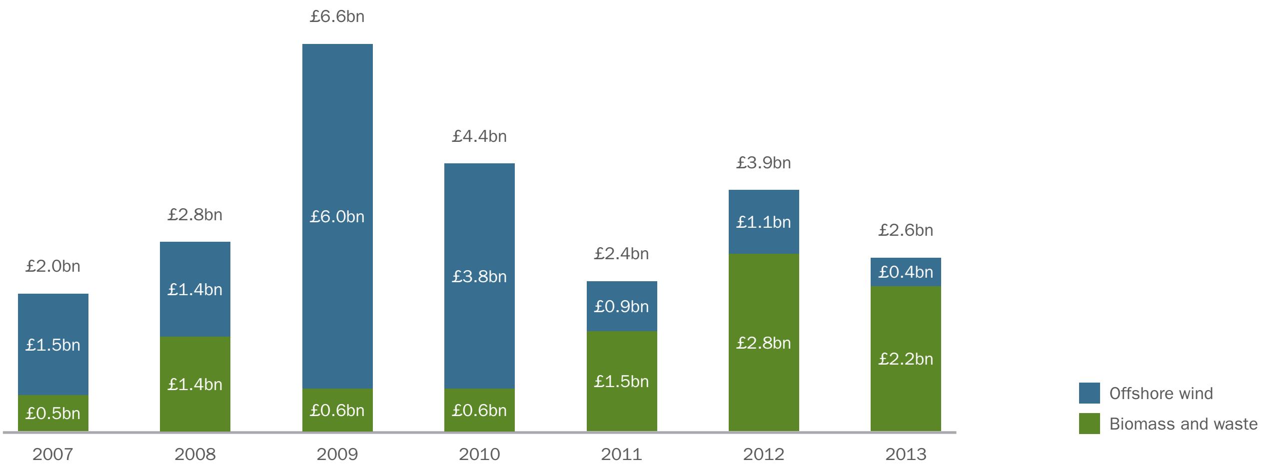
Figure 2: UK renewable energy investment by sector 2007-13 (Calendar)



Note: All data excludes energy efficiency investment due to lack of consistent data sources.
Source: GIB estimates based on BNEF, Infrastructure Journal and Lets Recycle data

5. *All figures in this paragraph are for calendar years, not financial years.*

Figure 3: Investment in GIB's target renewable energy sectors 2007-13 (Calendar)

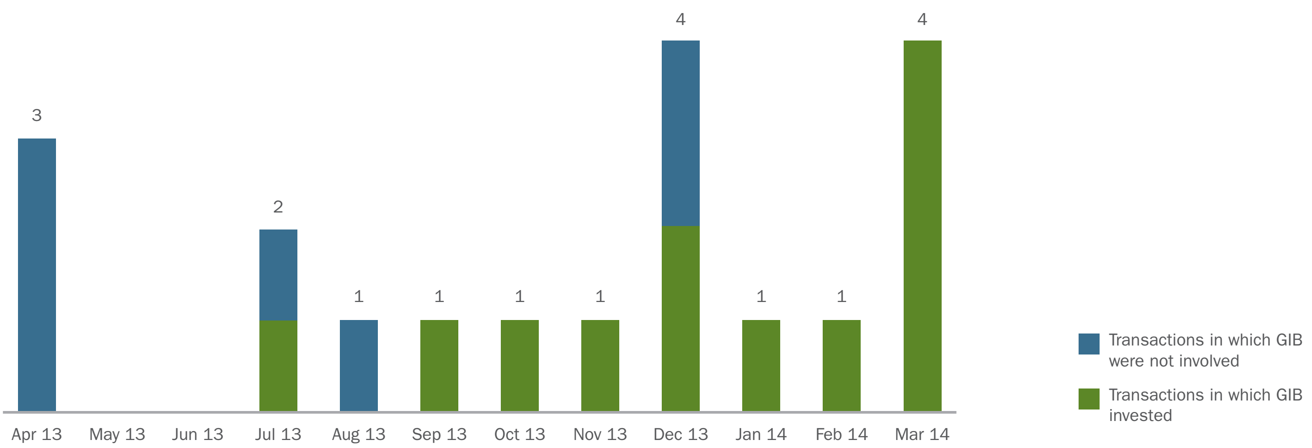


Source: GIB estimates based on BNEF, Infrastructure Journal and Lets Recycle data. Data excludes energy efficiency.

In the UK we had an inevitable period of uncertainty as we transitioned through EMR, leading to an investment hiatus. This investment pause was most apparent in the offshore wind sector and in the development of large biomass projects.

Across the UK, in the period from 1 April 2013 to 31 March 2014 (our reporting period), there were 19 investments in our target renewable energy sectors (offshore wind and waste and bioenergy) with a total value of £4.1bn (Figure 4). We invested in 56 per cent of those projects by value (10 projects including investments made by our funds). This contrasts with 20 investments in the same period in 2012-13 with a value of £4.5bn[6], of which we were involved in eight, 43 per cent of the market.

Figure 4: Investment in projects in GIB's target renewable energy sectors in FY2013-14 by month



Source: GIB analysis

6. *Includes the Greencoat transaction (£260m). See p.19 for more information.*

More broadly, the year brought some important developments and innovations in our markets. On technology, in offshore wind we saw the first commercial deployment of Siemens' next generation 6 MW turbine and in the waste sector, we saw the introduction of advanced combustion technologies in the UK (see more details on p.28 and 30 respectively). In energy efficiency, the trend of lowering costs and improving performance continued, most notably with LED lighting, which is now ready for mass deployment (page 33).

2013-14 was also the year when the 'YieldCo model', pioneered by Greencoat Capital, built momentum. Since Greencoat's successful listing we have seen a further five similar listings in the UK, raising a total of £1.3bn (Figure 5). These transactions mark an important period of financial markets innovation which we hope to see continue.

Figure 5: Green infrastructure fund IPOs

LSE listed funds	Raised	Sectors
Greencoat	£260m	Wind (on/offshore)
Bluefield Solar	£130m	Solar
TRIG	£300m	Wind and solar
Foresight	£150m	Solar
Infinis Energy (corporate)	£234m	Wind, gas and hydro
Greencoat 2	£83m	Wind (on/offshore)
JL Environmental Fund	£160m	Wind, solar and waste PFIs
Total	**£1.3bn**	

Source: IJ online, Preqin, BNEF, Bloomberg, FT, SA, TRIG IPO prospectus, Reuters, BofAML, Capital IQ, FT, Foresight prospectus.

Our strategy

We have individual investment strategies designed to meet the needs of each sector we target. These are set out below. However, we apply elements of a common approach to all our investments.

We are a flexible investor. We can invest across the full capital structure, from debt to equity to mezzanine to guarantees. We can invest over short periods and long, up to 25 years. We can invest in the construction of new projects or in the refinancing of existing projects where there is a value in creating a secondary market. Our investments in operational assets also allow the asset owner to reinvest their development capital back into the UK's green economy.

We can invest in large projects or programmes directly and smaller projects indirectly through our five funds in the waste and energy efficiency sectors. See p.20 for a summary of the funds we have invested in.

We are a targeted investor, focusing our efforts on investments in projects with proven, bankable technologies that can be deployed at scale.

We use our sector expertise and focus to fully understand the risks associated with each project and price them appropriately. We believe our ability to do this well will build confidence amongst mainstream investors, reducing perceptions of risk, encouraging investment at scale and driving down costs.

We aim to mobilise investment on a project by project basis but also, through a positive demonstration effect, to improve the attractiveness of the wider sector.

We take a proactive approach to managing risk across our business, including investment, operational, green, liquidity and reputational risk.

We target three sectors – offshore wind, waste and bioenergy and energy efficiency. An overview of each of our investment approaches and experience to date for these sectors is set out below.

Target sector investment approach and experience

✓ Low focus area

✔ High focus area

– Not a strategic priority

	Product			Stage		Route to market	Technology
	Debt	Equity	Funds	Construction	Operational		
Offshore wind	✔	✔	–	✔	✔	- Mainly large utilities - Other financiers	- Offshore wind turbines
Waste and bioenergy	✔	✔	✔	✔	✓	- Utilities - Developers	- Energy from waste plants - Anaerobic digestion - Combined heat and power (CHP) plants - Dedicated biomass and coal conversions - Biofuels
Energy efficiency	✔	✔	✔	✔	✓	- Project hosts - Energy Service Companies (ESCOs) - Utilities - Other financiers	- Building retrofits (e.g. lighting, insulation, glazing) - Onsite generation (e.g. CHP, renewable heat, heat pumps) - Industrial process (e.g. motors, pumps, kilns) - Infrastructure (e.g. streetlighting, heat networks, transport, smart meters)

Offshore wind

For details of our investments in offshore wind see p.28 and 29.

The UK is an attractive location for investment in offshore wind. The combination of natural resources (strong and consistent wind), favourable locations for turbines, a stable regulatory regime and a well-established and experienced industry has helped the UK secure its position at the forefront of the global offshore wind sector, with 3.6 GW in operation and 1.4 GW under construction.

GIB has pursued a two-step strategy in this sector.

Our first priority was to help establish a secondary market for operating assets. The purpose of this strategy is to buy operating assets from developers, freeing up their capital to re-invest in the development and construction phases of projects. This strategy is essential if the UK is to realise significant growth in offshore wind as the small number of developers do not have the capital required to build and hold these assets. Also, operating offshore wind assets are low risk, long term investments offering a stable yield – the types of investments ideally suited to long term investors such as sovereign wealth funds and pension funds.

"We aim to mobilise investment on a project by project basis but also, through a positive demonstration effect, to improve the attractiveness of the wider sector."

In pursuit of this strategy, GIB has refinanced or invested equity in three offshore wind projects – Walney, Rhyl Flats and the world's largest, London Array. In addition to this, GIB played a vital role, offering expertise to the UK Government's Department for Business, Innovation and Skills, in the successful flotation of the UK's first listed renewable energy fund, Greencoat Capital, which invested in the Rhyl Flats offshore wind farm alongside us.

The second plank of our strategy is to invest directly in projects in the construction phase. The purpose of this strategy is to ensure that developers can release their capital earlier in the process and to enable larger projects to happen. GIB has, this year, invested equity in two offshore wind projects in the construction phase – Gwynt y Môr and Westermost Rough.

2013-14 was a tough year for the UK's offshore wind industry. The year was dominated with discussions about and the introduction of a new market support mechanism, moving from the long established Renewables Obligation Certificates (ROCs) to Contracts for Difference (CfDs), as part of a wider reform of electricity markets. This inevitably resulted in some uncertainty and an investment hiatus which led to project delays. At the end of the year we have greater certainty with projects supported under the interim Investment Contracts moving ahead while other developers have initiated a review of their long term investment strategy in the sector.

GIB is committed to pursuing its current two-step strategy.

Waste and bioenergy

For details of our investments in waste and bioenergy see p.30 and 31.

The UK has, over the past ten years, seen a transformation in its management of household waste. This has been most marked within local authorities as they make the transition from landfill to recycling/composting and energy recovery.

To date, the main focus of investors has been with local authority PPP/PFI waste projects. The majority of the required investments in this area is now largely behind us, although there are some important projects still outstanding. GIB has supported the tail end of this pipeline including projects at Wakefield, Gloucester, West London, Merseyside and Norfolk.

We are now seeing the waste market move towards what we would term 'merchant' projects. These are projects which utilise private, specialist fuel supply such as refuse derived fuel, commercial and industrial waste, and waste wood. In addition, they tend to utilise new advanced conversion technologies and include specialist sub-sectors like anaerobic digestion. We have backed a number of projects in these areas, both directly and through our funds, such as Evermore in Northern Ireland and Birmingham BioPower.

Like offshore wind, the waste sector has also been spending the year coming to terms with changes in the UK's market support mechanisms with the switch from ROCs to CfDs.

During the year GIB published a report on the issues facing the market within the anaerobic digestion sector, with the objective of identifying the opportunities and barriers for new investment.

GIB has also supported the UK bioenergy sector through involvement in a number of biomass projects. This has included projects which involve conversion from coal to biomass like Drax and dedicated new build, often CHP plants like Evermore. GIB will continue to consider both new build and conversion projects.

Energy efficiency

For details of our investments in energy efficiency see p.32 and 33.

In response to the early stage and fragmented nature of the UK's energy efficiency financing market, GIB's investment strategy has focused on developing financing products for three sets of customers:

the NHS, commercial and industrial players;
- project developers such as ESCOs and utilities; and
- financial services companies that finance projects but lack sufficient capital and/or expertise to expand their energy efficiency business.

Over the last year, GIB has worked with a number of pathfinder organisations in each of these sectors to develop financial products that can help accelerate the development of the market.

First, project hosts, or energy users, are critical as the primary decision-makers for energy efficiency projects. GIB has a set of flexible financing solutions which can be tailored for a specific customer's needs, including the energy efficiency technologies involved, debt tenor and host balance sheet treatment. For example, we recently launched the Green Loan which is a corporate loan for the local authority market. This financing solution is initially targeting over 6.5m inefficient streetlights of a total 7.4m in the UK which are costing £300m to run annually. Our launch partner is Glasgow City Council, which plans to convert to 70,000 high efficiency streetlights.

Secondly, ESCOs and utilities are the main developers of projects in the market, working with hosts to design and deliver the projects. GIB is working with leading ESCOs to develop funding lines to provide certainty of funding costs and terms. GIB plans to launch this into the market in FY2014-15.

Lastly, GIB is focused on partnering with other financiers in the market. Due to the nascent nature of the energy efficiency financing market and the broad range of financiers involved, GIB has identified sub-sectors where its expertise and capital resource can help existing financiers expand their energy efficiency business. For example, we launched a £50m alliance with Societe Generale Equipment Finance in February to finance UK energy efficiency projects. The first project financed was the retrofit of Rampton Hospital in Nottinghamshire, including installation of a CHP unit and biomass boilers.

In addition to working directly with our three customer sets, GIB has invested in three energy efficiency funds, which are focused on developing financing programmes with smaller project hosts and developers. These fund managers, Aviva Investors, SDCL and Equitix, have invested £93m in total with £45m coming from GIB.

Both GIB and our fund managers are focused on a broad range of technologies that reduce energy consumption and/or emissions. Typically these are found in four types of technology:

1. Building retrofits (e.g. lighting, insulation, glazing)
2. Onsite generation (e.g. CHP, renewable heat, heat pumps)
3. Industrial process (e.g. motors, pumps, kilns)
4. Infrastructure (e.g. streetlighting, heat networks, transport, smart meters)

Individual projects can range from single technology (e.g. streetlighting) to multiple technologies (e.g. large industrial retrofit, including building retrofit, onsite generation and industrial process).

Other sectors

In addition to these sectors, GIB will also consider investments in carbon capture and storage, marine energy and biofuels for transport. These sectors are typically at earlier stages in their development. Although we continue to monitor them closely we do not expect to make any significant investments in projects in the near term.

Furthermore, GIB maintains an ongoing review of the other sectors of the UK green economy. This enables us to identify other green and profitable investment areas where our capital is additional, for discussion with our Shareholder and, where necessary, the European Commission.

GIB investments into funds

GIB has capitalised a series of funds to support smaller projects requiring finance of less than £30m and often considerably smaller. Details of the projects backed by these funds are set out in the Performance section, which begins on p.23.

Fund manager	Focus	Capital allocation (£m)	Date of allocation
Foresight	Waste and bioenergy	50	Nov 2012
Greensphere	Waste and bioenergy	30	Nov 2012
SDCL	Energy efficiency	50	Nov 2012
Equitix	Energy efficiency	50	Nov 2012
Aviva Investors	Energy efficiency	50	Mar 2013
Foresight	Additional capital to finance the Evermore transaction	20	July 2013

Outlook

The successful passage of the EMR in 2013 should enable the UK renewables market to benefit from greater stability in the year ahead, enabling more transactions to progress and reach financial close. There is likely to be some pressure to close transactions in the first half of the year, particularly in the waste and bioenergy sector, due to the phasing out of the Renewables Obligation.

The economic recovery is also likely to have a positive effect on both renewables and energy efficiency investments. On the former, EY (Ernst & Young) rates the UK as the second most attractive renewables market for macro-economic stability. On the latter, public and private organisations will be able to finalise longer term investments such as energy efficiency and distributed generation projects which have been held up while the economic recovery has taken hold.

"The economic recovery is likely to have a positive effect on both renewables and energy efficiency investments."

In financial markets, the strengthening of the banks should bring a tightening of pricing, a lengthening of tenor and an increasing risk appetite, all to the benefit of the wider sector. In addition, we believe that institutional investors will continue increasing their allocation to the infrastructure sector. Currently more than half of all institutional investors have less than 1 per cent allocated to infrastructure but a recent study shows that most investors are planning to increase their allocation to the sector.[7] This will also be supported by new routes to the market such as listed "green" vehicles, following the path set by Greencoat Capital.

In the offshore wind sector, in addition to the finalisation of EMR, this year saw two important supply chain developments which we expect will give an important boost to the sector over the following years. First, Siemens announced that it will invest in creating a manufacturing unit in the UK. We believe that this will eliminate various supply chain constraints easing the implementation and potentially lowering the cost of new projects. Secondly, the deployment of larger next generation turbines (e.g. the 6 MW Siemens turbine in the Westermost Rough project) is expected to bring the cost of generation of offshore wind projects down making the sector more competitive and hence more attractive to investment.

Finally, new players like Marubeni and CDPQ (Canadian pension fund) entering the offshore wind sector in 2012-13 sent positive signals to the market. On the other hand some large energy utilities' decision to step back from some future offshore wind projects demonstrates market players are still facing important challenges.

7. *Preqin.*

In the waste sector, the next year will see a transition away from traditional PPP/PFI transactions as most local authorities have now procured their chosen waste management solutions. Therefore 'merchant' opportunities (not backed by local authority guarantees) will represent a larger proportion of the project pipeline for investors to consider. As a result, we expect to see greater focus on securing reliable feedstock supplies, with projects needing to demonstrate effective strategies in light of both regional and export market dynamics. Alternative feedstock sources and specialist sub-sectors such as waste wood, advanced conversion technologies, anaerobic digestion and waste tyres will continue to attract interest from investors and project developers, particularly due to the competitive project economics available. In the broader waste and bioenergy market, we anticipate that the deadlines and grace periods for the Renewable Obligation will drive increased focus for projects to achieve a timely financial close, leading to a significant increase in transaction activity towards Q3/Q4 of 2014.

In energy efficiency, we expect to see a continued maturing of the market in 2014-15. In the public sector, the growth of procurement schemes (such as the Carbon and Energy Fund in the NHS) and regional schemes (such as Warm Up North) will help more energy efficiency projects come to market. In the private sector, there will be increasing awareness of the benefits of energy efficiency and distributed generation, but the need to understand contracting structures and potential accounting treatment could delay projects.

During the next financial year, there are scheduled to be elections to the European Parliament, the appointment of a new College of Commissioners in Brussels and the Scottish independence referendum. Preparations for the UK General Election, to be held in May 2015, will also be underway. Although all of these events could have a significant effect on GIB, the status of UK Green Investment Bank plc as publicly-owned and publicly-financed means that we do not comment on political events.

Fuller details of the principal risks and uncertainties facing GIB are set out in the Audit and Risk Committee report in our full Annual Report.

In May 2014 the European Commission issued a decision approving the expansion of GIB's activities. The approval came in three parts. It cleared an additional £800m for financial year 2015-16 allocated to GIB by the UK Government in the spending round which concluded in summer 2013. It approved GIB extending its investment activities to finance community scale renewable projects. The Commission decision also allows GIB to mobilise third party capital through a new asset management vehicle focused initially on operating offshore wind farms. These latter two new areas will be a major focus of GIB activity in 2014-15.

Measuring our performance against our double bottom line

Our mission is to invest in projects which are both green and profitable; this is our double bottom line.

Performance highlights

Investment performance

In 2013-14 we backed **18 new projects,** taking our total to **26.**

We are the **most active investor** in the UK's green economy.

We have been **innovative** in how we have built and **strengthened our markets.**

Green performance

All our investments make a material contribution to **at least one** of our five green purposes.

Once built our investments will **reduce annual GHG emissions** by 3.5m tonnes CO_2e, equivalent to taking **1.6m cars off the road.**

Once operating our investments **will generate 12.8 TWh** of renewable energy, enough to power **3m homes.**

Our investments are projected to **avoid 1.3m tonnes** of waste from landfill each year, the equivalent of **the waste of 1.3m homes.**

Our portfolio of investments will, on average, **recycle 450,000 tonnes** of material annually when built, equivalent to recycling **the waste of 450,000 homes**.

Financial performance

All our investments were made on **full commercial terms.**

Once operational we project that our current portfolio of investments will generate an **overall return of 8 per cent.**

Our income for the year increased to **£15.4m.**

Our costs are **well below** the industry average.

In line with expectations, the deferral of income and the early stage of most of our investments mean that we posted a **pre-tax loss** for the year of **£5.7m.**

In this section we report on our performance during 2013-14. We provide details of our key performance indicators (KPIs) for the year and report on our investment performance, green performance and financial performance.

In the Investment Performance section we will provide an overview of all our investments. Greater emphasis is placed on projects we committed to in 2013-14 with a brief update on projects where a commitment was made in 2012-13.

In the Green Performance section we provide an overview of the green impact of our investments in aggregate.

In the Financial Performance section, which begins on p.40, we provide a summary of our financial results and accounts.

Our key performance indicators

GIB works to a series of KPIs. These KPIs allow us to track our progress against a number of specific objectives linked to our strategy. They enable us to measure our business performance and report to our Board, Shareholder and the public. We publish our KPIs on a yearly basis as part of our commitment to transparency.

The table below gives an overview of our KPIs for the 2013-14 financial year. These reflect the stage of our operations as we complete our transition from start-up to a fully operational business.

The KPIs demonstrate our focus on:
- committing capital to projects which are both green and profitable;
- ensuring we make a commercial return and mobilise additional capital;
- developing innovative finance solutions and acting as a catalyst to promote the development of the UK's green economy;
- maintaining strong financial discipline;
- being a market-leader on green reporting; and
- ensuring a strong corporate governance culture.

Further details on our performance in the 2013-14 financial year can be found in the rest of this section.

2013-14 KPIs

KPI	Capital commitment	Financial returns	Mobilisation of additional capital
Measure	Amount of capital committed to green, profitable projects.	Forecast portfolio return.	Portfolio mobilisation ratio on transactions.
Target	Capital commitment of £1.0bn in 2013-14 with an average mobilisation ratio of 2.5:1 and a forecast portfolio return greater than 3.5 per cent.	Commercial returns commensurate with the risk taken. At a minimum this must meet our Shareholder Relationship Framework requirement of a minimum 3.5 per cent annual nominal return on total investments, after operating costs but before tax.	Mobilisation of private capital averaging above a 1 to 2.5 ratio.
Performance	£668m in capital committed to green, profitable projects in the 2013-14 year.	Overall portfolio return is estimated at an 8 per cent internal rate of return.	Mobilisation rate of 1:3. This represents approximately £3 in private sector capital into the green economy for every pound we invest.

Innovation	Financial performance	Green leadership	Corporate governance
Innovation in financial products and specific investments to develop the green economy.	Move to profitability through combination of revenue growth from investments and strong cost discipline.	Demonstration of leadership in green policies and reporting.	Demonstration of high standards of corporate governance, in line with industry practice.
Attempt to make investments by way of new or novel approaches to foster innovation in the market, including: • introduction of new financial products; and • use of innovative deal structure.	Direct and operating costs below budget of £25.66m.	Following appropriate internal and external consultation: • complete all Green Policies; • receive Board approval for their adoption; and • provide that all such policies are publicly available; and at the centre of all investment, risk and business operations of GIB.	Corporate governance developed and staff compliance processes and staff training up to date, as part of ensuring the appropriate culture in GIB.
Investment in innovative gasification technology in Birmingham BioPower. Launch of new Green Loan to help local authorities make switch to LED streetlighting. Investment in Westermost Rough, first commercial deployment of 6 MW turbines.	Direct and operating costs of £20.7m are within budget for the 2013-14 year.	Green policies launched in November 2013 following broad consultation, benchmarked to best practice. Green Data and Public Reporting Peer Review and Benchmark Study completed November 2013, with positive results against peers. Sustainable Finance Advisory Group established January 2014.	Comprehensive committee structure in place. Clear reporting lines established. All staff trained on compliance and completed Code of Conduct attestation. A strong compliance and risk management framework established with no material or significant policy breaches.

Investment performance

We have now built a well balanced portfolio with a range of small and large investments spread across the UK, our sectors and the type of product.

Our portfolio

Our existing investments have performed well, with all transactions in 2012-13 and 2013-14 on track to produce financial results in line with our expectations.

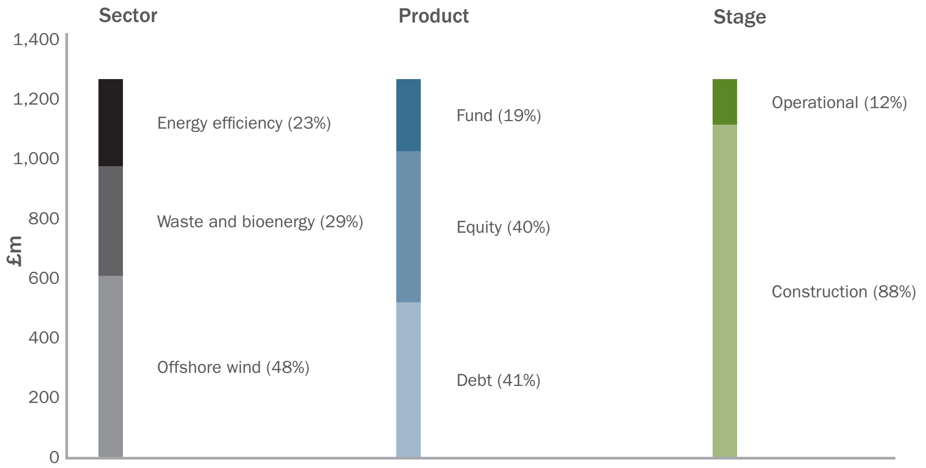
By sector, half our committed capital has been invested in offshore wind projects with the remaining half split between waste and bioenergy and energy efficiency (which is inflated by a one-off investment in the Green Deal). This reflects the scale of the value of our individual investments in offshore wind.

By product, one fifth of our commitments have been to capitalise our five funds to support smaller projects. Of the remaining commitments we have a broadly even split between debt and equity.

All of our commitments have been to fund construction phase projects with the exception of three operating wind farms, in line with our strategy to create a stronger market for operating offshore wind assets. In February 2014, the first project to receive GIB funding, TEG Biogas, became operational, completing on time and on budget.

GIB has supported a balance of small, medium and large infrastructure projects. Seven projects have a total capital requirement of under £10m, four have a total capital requirement between £10m and £30m and the remaining 15 had a total capital requirement of more than £30m, the largest of which was the Westermost Rough offshore wind farm at £888m.

GIB's investment portfolio (at 31 March 2014)



Our investment assessment process

To reach the approval stage, each potential investment has to pass through a robust, consistent investment process. The process has four phases – preview, structure, pre-final and final. A transaction cannot proceed from one stage to another or from the final stage to signing without the formal approval of the Investment Committee. Investments in excess of £50m require an additional approval from the Board. As well as the formal Investment Committee process, a weekly Deal Review Committee examines the quality and status of transaction opportunities.

These Committees play a key role in GIB's business model. The professional expertise and narrow focus of Committee membership allows GIB to scrutinise investment opportunities and effectively consider and price the risk of each investment. In many instances this allows us to invest in transactions that are commercially viable but more innovative than currently considered by mainstream financiers. This supports our mission to be a catalyst in the industry. The committee structure also allows us to ensure that each transaction passes the appropriate tests for green impact and commerciality and that each approved transaction meets the criteria imposed by our mandate.

Working within our mandate

As a Government backed institution GIB is bound by a series of state aid restrictions, agreed between the UK Government and the European Commission. These restrictions determine our mandate and are a critical consideration of whether or how we can invest in any transaction.

A transaction must first sit within our permitted sectors, characterised by a market failure in the availability of finance; primarily offshore wind, waste and bioenergy and energy efficiency. We must be additional, meaning that our support of a transaction must fill a gap; crowding-in and not crowding-out other capital. And we must invest on terms equivalent to and not any better than would be provided by the market; the Market Economy Investor Principle.

These restrictions inevitably limit our investment scope. The practical implication of this is that, where we are sizing a market, we filter out parts of that market which are outside our state aid permitted scope or where private sector capital is already available in sufficient amounts and on acceptable commercial terms.

Taken together, these restrictions mean that we are only able to invest in one third of the UK's wider green economy.

Investment performance highlights

	2013-14	2012-13	Overall
Number of projects	18	8	26
Capital committed (£m)	668	635	1,303
Private capital (£m)	1,879	1,630	3,509
Total funds mobilised (£m)	2,547	2,265	4,812
Mobilisation ratio	1:3	1:3	1:3

Offshore wind

This year, GIB invested £520m in three offshore wind projects. We expanded our mandate to include investment in construction stage projects. Full details of our investment strategy for offshore wind can be found in the preceding Strategy section.

Offshore wind investments to date

Year of investment	Project name	Location	GIB investment (£m)	Product	Phase
2013-14	Westermost Rough	Off Yorkshire and the Humber estuary	241	Equity	Construction
	Gwynt y Môr	Off North Wales	220	Equity	Construction
	London Array	Off SE England	59	Debt	Operational
2012-13	Walney	Off NW England	46	Debt	Operational
	Rhyl Flats	Off North Wales	58	Equity	Operational
Total direct			624		

Westermost Rough

In March 2014, GIB made its first construction phase investment in an offshore wind project. GIB committed £241m, alongside Marubeni Corporation, to purchase jointly a 50 per cent stake in the 210 MW Westermost Rough wind farm, located off the coast of Yorkshire, from DONG Energy, one of the leading Northern European energy groups, headquartered in Denmark.

In addition to this being the first time that GIB has taken construction risk in an offshore wind investment, the project also marks the first commercial deployment of the next generation Siemens 6 MW direct drive turbines in the UK. This is an important development in reducing the construction and operation costs of offshore wind and thus lowering the cost of electricity from renewable energy generation.

DONG Energy is one of a small number of experienced offshore wind developers with an active interest in the UK offshore wind sector. GIB's investment, alongside that of Marubeni Corporation, will see both parties sharing construction risk with DONG Energy. This approach aims to provide a demonstration effect to the market, especially around the use of new turbine technology. The transaction will also free up capital from DONG Energy to allow it to reinvest in future projects. Helping early stage developers to recycle their capital is critical for the continued growth of the UK's offshore wind sector. DONG Energy has a series of projects under construction and new projects in the pipeline in the UK.

Once operational, Westermost Rough will generate over 800 GWh per annum of carbon-free electricity, equivalent to the consumption of c. 200,000 homes, a city the size of Edinburgh.

We are the most active non-utility investor in the UK's offshore wind sector.

1st

We have made our first investment in an offshore wind project in the construction phase.

800 GWh
carbon free electricity generated by Westermost Rough

Equivalent to:

the electricity consumption of
200,000 homes

Gwynt y Môr

In March 2014, GIB agreed to acquire a 10 per cent stake in the 576 MW Gwynt y Môr wind farm, off the coast of Wales, for a purchase price of £220m from RWE Innogy. The transaction is expected to reach financial close once the wind farm's construction is complete.

Once operational, the wind farm will generate over 1,700 GWh of net renewable electricity each year. This is equivalent to the electricity consumption of 400,000 households, a city the size of Birmingham.

London Array

In October 2013, GIB refinanced a significant portion of Masdar's 20 per cent equity stake in the 630 MW London Array project, the world's largest offshore wind farm. This project is part of our strategy to create a secondary market in offshore wind assets.

We invested £59m of senior debt alongside the Bank of Tokyo-Mitsubishi UFJ, Ltd; KfW IPEX-Bank GmbH; Siemens Bank GmbH; and, Sumitomo Mitsui Banking Corporation. The total transaction size was £266m.

Update on our 2012-13 investments

Rhyl Flats
The wind farm has been fully operational since December 2009 and is continuing to produce renewable energy.

Walney
The wind farm has been fully operational since April 2012 and is continuing to produce renewable energy.

Waste and bioenergy

In 2013-14 we invested £140m in six waste projects, both directly and through our dedicated waste fund managers. Full details of our investment strategy for waste and bioenergy can be found in the preceding Strategy section.

Waste and bioenergy investments to date

Year of investment	Project name	Location	GIB investment (£m)	Product	Phase
2013-14	West London	London & SW England	20	Debt	Construction
	Merseyside	NW & NE England	20	Debt	Construction
	Birmingham BioPower	West Midlands	12	Debt	Construction
	Via our Foresight Fund – Birmingham BioPower	West Midlands	6	Fund	Construction
	Norfolk	East of England	51	Debt	Construction
	Via our Greensphere Fund - Port Talbot	Wales	11	Fund	Operational
	Via our Foresight Fund – Evermore	Northern Ireland	20	Fund	Construction
2012-13	Wakefield	Yorkshire and the Humber	30	Debt	Construction
	Gloucester	SW England	47	Debt	Construction
	Via our Foresight Fund – TEG Dagenham	London	2	Fund	Construction
	Via our Greensphere Fund – Greenlight AD	NE England	8	Fund	Construction
	Drax	Yorkshire and the Humber	100	Debt	Construction
Total direct			280		
Total fund			47		
Overall total			**327**		

Birmingham BioPower

In December 2013, GIB made its first investment into a gasification project.

The £48m plant is the first time that Nexterra's innovative gasification technology, proven in the USA and Canada, has been used in the UK. The 10.3 MWe plant will take locally sourced waste wood and convert it into electricity using a form of advanced thermal treatment. This treatment involves the carbon-based material in the waste being converted into a gas, which is used to raise steam. This is then passed through a turbine to produce electricity.

The plant will generate enough electricity to power 17,000 homes each year. It will reduce greenhouse gas emissions by 2.1m tonnes annually, equivalent to taking 45,000 cars off the road. It will also avoid 1.3m tonnes of waste going to landfill.

The waste wood will be provided by JM Envirofuels Ltd, a local SME. As well as supporting this local business, the project will create 119 jobs, of which 19 will be permanent full time roles.

GIB directly invested £12m in preferred loan stock. Through our cornerstone investment in the Foresight managed fund, UK Waste Resources and Energy Investments (UKWREI), we indirectly invested a further £6.2m in equity. Eternity Capital Management invested £6.2m in equity on the same terms as the UKWREI fund and Balfour Beatty Investments, whose £12.4m completes the c. £24.8m equity investment. GCP Infrastructure Fund (GCP) provided the final £11m as preferred loans.

49 MW
capacity of Merseyside waste power plant

60,000 homes
powered by electricity generated

420,000 tonnes
of waste diverted from landfill per year

126,000 tonnes
of material per year recovered for other uses

PPP/PFI

Over the course of the year, GIB invested a total of £91m into local authority waste projects. These PPP/PFI projects allow local authorities to deal with their waste sustainably and avoid millions of tonnes going to landfill.

Our first PPP/PFI investment of the year, a £244m project with the West London Waste Authority, will collect up to 300,000 tonnes of waste from 1.6m people, diverting 96 per cent of the West London boroughs' waste from landfill. It will produce enough electricity to power 50,000 homes each year and will create 200 construction jobs and 53 full time operations jobs.

The project is part of a 25 year contract between the West London Waste Authority and a consortium led by SITA UK, Scottish Widows Investment Partnership (SWIP) and the ITOCHU Corporation. GIB invested £20m of senior debt alongside a lending club of Credit Agricole Corporate & Investment Bank, Bank of Tokyo-Mitsubishi UFJ Ltd, Sumitomo Mitsui Banking Corporation and Mizuho Bank. Equity will be provided by SITA UK, Japan's ITOCHU Corporation and Scottish Widows Investment Partnership.

Our second PPP/PFI waste project, with the Merseyside Waste Authority, was structured and financed on a similar basis. GIB has invested £20m of the senior debt alongside the same lending club, with the addition of Banco Bilbao Vizcaya Argentaria, S.A., London Branch and Unicredit Bank AG, London Branch. Equity is provided by SITA UK Limited, Sembcorp Utilities Limited and Japan's ITOCHU Corporation (on behalf of I-Environment Investments Ltd).

The project will generate enough electricity to power 60,000 homes and is expected to create more than 100 jobs during construction, with 75 permanent operations jobs.

We announced our third PPP/PFI project in March 2014, a new energy from waste plant in Kings Lynn, Norfolk. GIB has committed £51m, investing alongside the Royal Bank of Scotland Group plc and Sumitomo Mitsui Banking Corporation. In early April Norfolk County Council decided not to proceed, ending our involvement with the project.

Evermore

In July 2013, GIB made its first investment in Northern Ireland into the £81m Evermore Renewable Energy plant in Derry/Londonderry. The project, which will increase Northern Ireland's renewable energy generation by 10 per cent, will produce enough electricity to power more than 25,000 homes. It will be the biggest renewable energy plant in the region and is expected to save around 3.7m tonnes of greenhouse gas emissions over its lifetime.

The 15.8 MWe plant will convert over 2m tonnes of wood to energy, which would have otherwise gone to landfill over the 20 year expected lifetime of the project. The electricity will be sold to the National Grid and the heat output will be used by an integrated wood drying facility, supplying fuel for new biomass boilers within Northern Ireland. The project will also create 200 construction jobs and 20 full time operational jobs.

GIB invested an additional £20m into its Foresight managed UKWREI fund to make the investment. The fund, in which GIB is the cornerstone investor, sourced co-investment from GCP Infrastructure Fund Limited (GCP) and Burmeister & Wain Scandinavian Contractor A/S (BWSC) and worked alongside Investec Bank plc and Eksport Kredit Fonden (EKF) in structuring and financing the project.

2013-14 fund investments

Port Talbot
The retrofit of the plant, to increase its capacity to process waste wood, is underway.

Update on our 2012-13 investments

Wakefield
The Wakefield Waste PFI project is currently in construction and is expected to be operational by September 2015.

Gloucester
Planning approval for the Gloucestershire PFI Project was rejected on 21 March 2013. An appeal has been lodged and a final decision is expected in September 2014.

Drax
Our £100m commitment to Drax's project to convert three of its six generation units from coal to biomass firing was reduced to £50m on 28 March 2013 as Drax refinanced half of our commitment via the private sector. Our remaining £50m facility was drawn during the 2013-14 year.

TEG Dagenham
The project has now been completed and is producing renewable energy and compost for the agricultural industry. The heat offtake is expected to be used by a neighbouring business, Closed Loop Recycling, later in 2014.

Greenlight AD
Construction of the facility is underway.

Energy efficiency

This year, we launched our first energy efficiency funding alliance alongside Societe Generale Equipment Finance (SGEF), which has already financed its first deal. We also launched a new local authority financing solution for low energy streetlighting and we have financed eight new projects via our energy efficiency funds.

Full details of our investment strategy for energy efficiency can be found in the preceding Strategy section.

Energy efficiency investments to date

Year of investment	Project name	Location	GIB investment (£m)	Product	Phase
2013-14	Societe Generale Equipment Finance	Across the UK	25.0	Debt	Construction
	Via our SGEF alliance - Rampton Hospital	East Midlands	–	Debt	Construction
	Via our Aviva Investors Fund – Cheltenham Hospital	SW England	1.2	Fund	Construction
	Via our SDCL Fund – St Barts Hospital	London	1.3	Fund	Construction
	Via our Equitix Fund – Bernard Matthews	East of England	12.0	Fund	Construction
	Via our SDCL Fund – National Car Parks	Across the UK	4.2	Fund	Construction
	Via our Equitix Fund – Tomatin Distillery	Scotland	0.6	Fund	Construction
	Via our Equitix Fund – Schools biomass	Across the UK	0.4	Fund	Construction
	Via our SDCL Fund – Kingspan	Wales	0.4	Fund	Construction
	Via our Equitix Fund – Roundwood Energy	Across the UK	4.9	Fund	Construction
2012-13	Via our Aviva Investors Fund – Addenbrooke's Hospital	SE England	18.4	Fund	Construction
	Green Deal	Across the UK	125.0	Debt	Construction
Total direct			150.0		
Total fund			43.4		
Overall total			**193.4**		

1.3m tonnes
of CO_2e produced annually by UK streetlights

Equivalent to annual CO_2 emissions of
550,000 cars

£300m
cost per year to power UK's streetlights

Currently, fewer than
1,000,000
are low energy

Streetlighting

The UK's seven million streetlights cost over £300m each year in electricity bills. Although this is one of a local authority's largest single costs, fewer than one million lamps are low energy.

In February 2014, GIB launched an innovative Green Loan facility to provide finance for local authorities to make the switch to low energy streetlighting.

The new product from GIB offers UK local authorities a low, fixed rate loan over a period of up to 25 years. The Green Loan has been specifically designed to finance public sector energy efficiency projects, ensuring that repayments are made from within savings. The product can also include a development loan to help local authorities with the costs of progressing their plans.

Local authorities deciding to make the switch to low energy streetlights may have a short payback period on their investment; as early as five years if funding only luminaires. The funding solution therefore allows columns and CMS to be included in the package. After that, they will be able to enjoy a reduction in their electricity bill of up to 80 per cent. Streetlighting can account for as much as 30 per cent of a local authority's energy consumption.

There are also significant environmental savings. The electricity used by UK streetlights produces 1.3m tonnes of CO_2 emissions every year, which is equivalent to the electricity consumption of 674,000 households or the emissions of 550,000 cars on the road.

We are launching our Green Loan to accelerate the installation of 10,000 LED lights with Glasgow City Council, as the first part of a programme to convert to 70,000 high efficiency streetlights.

SGEF

In February 2014, GIB announced that we have joined forces with Societe Generale Equipment Finance to provide £50m of finance for energy efficiency projects, with both parties committing £25m.

Funding from the alliance will allow public and private sector organisations to put in place energy efficiency measures without having to find the finance upfront. Projects could include CHP plants, boilers, building retrofits, lighting and energy reduction technologies for production processes, amongst others.

The first project to benefit from the GIB-SGEF partnership is at Rampton Hospital, managed by Nottinghamshire Healthcare. The £5m investment will finance the installation of a CHP plant, dual fuel boilers, biomass boilers and an effluent treatment plant.

NHS

The NHS estate is one of the biggest in Europe, and given the nature of its activities, the NHS is naturally a heavy user of energy and a significant emitter of greenhouse gases. Across the UK, NHS organisations spend more than £750m every year on energy costs. By investing in energy efficiency measures NHS organisations could cut this cost significantly and reduce their exposure to the risk of rising energy costs. Energy efficiency investment will also reduce emissions and contribute to NHS capital investment requirements.

The governance of the NHS and the diversity of its facilities and needs, means that there can be no 'one size fits all' financing solution for NHS energy efficiency projects. To reflect this, GIB has put together a programme of activity – The GIB Health Energy Efficiency Programme – to offer all parts of the NHS a suite of products to meet their needs and to encourage an increase in the pace of NHS project development. GIB has now backed four NHS energy efficiency projects through a range of funding partners, who are continuing to support development of a significant pipeline of new projects. These projects include the UK's largest energy efficiency retrofit at Addenbrooke's Hospital, as well as retrofits at Rampton Hospital, St Bartholomew's Hospital and Cheltenham General Hospital.

2013-14 fund investments

NCP
The retrofit of NCP car parks across the UK has commenced. The installation of the Manchester sites was completed in February 2014. The rest of the rollout is expected to be completed over the course of 2014.

Bernard Matthews
The rollout of biomass boilers at the Bernard Matthews' poultry farms has commenced and construction is expected to be completed over the course of 2014.

Tomatin (part of distillery biomass platform)
The biomass boiler was installed in August 2013. The project is now delivering greenhouse gas reductions of around 80 per cent.

Roundwood biomass platform
The two initial biomass boiler rollouts by Roundwood Energy were successfully commissioned during November 2013.

Update on our 2012-13 investments

Addenbrooke's Hospital
The Addenbrooke's CHP project has received planning consent and is expected to commence construction later in 2014.

Green Deal
In the 2012-13 financial year we supported the Government's Green Deal by agreeing a £125m debt commitment to the Green Deal Finance Company.

Green performance

Consistent with our double bottom line, GIB reports both the green impact of our investments as well as financial returns. This section provides details of this green impact, as well as providing information highlighting our performance on green leadership, one of our KPIs.

Total GHG emissions reduced by the portfolio in the year 2013-14: **2.6m tonnes CO_2e**

equivalent to **1,200,000** cars off the road for a year

Total renewable electricity generated by the portfolio in the year 2013-14: **3.4TWh**

equivalent to the annual electricity consumption of **Glasgow**

Estimated average annual GHG emissions reduced by the portfolio, when built: **3.5m tonnes CO_2e per annum**

equivalent to **3.7%** of the UK's required GHG economy-wide emissions reduction from 2010 to 2020

Estimated average annual renewable energy generated by the portfolio, when built: **12.8TWh**

equivalent to **5.6%** of the UK's renewable energy target for 2020

Estimated average annual waste-to-landfill avoided by the portfolio, when built: **1.3m tonnes**

contributing **5.6%** of the UK's required biodegradable municipal waste-to-landfill reduction from 2010 to 2020

Estimated average annual waste recycled by the portfolio, when built: **450k tonnes**

contributing **1.0%** of England's household waste recycling target for 2020

Assess › Monitor › Report

In 2013-14 we completed the development and fully implemented our suite of market-leading green policies. These policies govern how we assess, monitor and report the green impact of each project we invest in. We have been fully transparent about how we do this and our pragmatic, principled approach has been welcomed by, and attracted the attention of, co-investors and the wider financial community.

GIB has now backed 26 projects. Once operational these will make a material contribution to the UK's environmental targets. They will reduce GHG emissions by 3.5m tonnes per annum, equivalent to 3.7 per cent of the UK's required GHG emissions reduction from 2010 to 2020. They will also produce 12.8 TWh of renewable energy each year, equivalent to 5.6 per cent of the UK's renewable energy target in 2020.

Our pioneering approach to maximising green impact

In November 2013 we launched our green policies, setting out how we assess, monitor and report the green impact of each investment at all stages of the project lifecycle. Our approach was informed by good practice from across the world. We consulted widely on the policies and continue to engage with those with an interest, in the spirit of continuous improvement. They are available on our website at www.greeninvestmentbank.com and we welcome further comments which will feed into our annual policy reviews.

Assess:

Every investment must pass through a consistent multi-stage Investment Committee approval process. At each stage a green report is provided to the Committee and the Green and Sustainability Team (Green Team) must endorse the project before it can proceed to the next stage.

Each project must make a material contribution to one of GIB's five green purposes:

- the reduction of greenhouse emissions;
- the advancement of efficiency in the use of natural resources;
- the protection or enhancement of the natural environment;
- the protection or enhancement of biodiversity; and
- the promotion of environmental sustainability.

More details of each of these follow on p.38-39.

Monitor:

All approved investments include covenants relating to the green performance and penalties for non-compliance. Investment recipients are required to submit an annual green report of performance and regular meetings are held with clients to discuss green performance against plans, including any revisions to future performance. We monitor all available metrics to enable reporting against our five green purposes.

Report:

We forecast the green impact of every investment with its announcement. We report annually on our green impact against each of our five green purposes, for the reporting period and the project lifetime. Covenant breaches on green issues are treated commensurate to breaches of financial covenants.

We treat our green data as equivalent to our financial data, consistent with our 'double bottom line'. Our full Green Impact Statements show actual and forecast performance and take the form of annual green accounts – these are summarised on p.36. Our published Green Impact Statements are independently assured to ensure their consistency and accuracy. Our Green Impact Statements and Independent Assurance Report can be found in our full Annual Report.

The green impact of our investments

We measure our green impact against five key metrics; greenhouse gas emission reduction, renewable energy generated, energy demand reduced, materials recycled and waste to landfill avoided.

This information is summarised in the table below and shows the portfolio impact in 2013-14 compared to the previous year. For completeness we also show the cumulative impact of our investments over their remaining life and a summary of the average annual impact of our investments when built.

We are working on the development of additional metrics to cover all of our five green purposes.

Green impact of GIB's portfolio in year	Year ended 31.03.14	Year ended 31.03.13
GHG emissions reduction (t CO_2e '000)	2,580	22
Renewable energy generated (GWh)	3,371	67
Energy demand reduced (MWh)	307	-
Materials recycled (t)	9,631	-
Waste to landfill avoided (t)	8,994	-

Future estimated remaining lifetime green impact of GIB's portfolio at year end	31.03.14	31.03.13
GHG emissions reduction (t CO_2e '000)	56,428	42,716
Renewable energy generated (GWh)	200,360	159,263
Energy demand reduced (MWh)	8,459,312	8,227,708
Materials recycled (t)	11,228,573	5,262,405
Waste to landfill avoided (t)	31,727,864	8,066,203

Future estimated average annual green impact of GIB's portfolio at year end	31.03.14	31.03.13
GHG emissions reduction (t CO_2e '000)	3,502	2,742
Renewable energy generated (GWh)	12,840	10,401
Energy demand reduced (MWh)	433,671	386,654
Materials recycled (t)	454,950	217,256
Waste to landfill avoided (t)	1,280,350	332,061

Working with our stakeholders

GIB regularly meets with a broad range of stakeholders to understand developments in the green infrastructure market and latest trends in sustainability best practice. This includes meeting with leading businesses, corporate advisors, finance providers, civil society groups, academics, parliamentarians and representatives of national and local government and other specialist statutory bodies.

Prior to the launch of our Green and Responsible Investment Policies we undertook extensive stakeholder engagement to gain industry responses. In particular, GIB consulted with a range of stakeholders in relation to our waste and bioenergy and offshore wind criteria – culminating in two policy review events involving experts from non-governmental organisations, government, industry and consultancy.

Our creative engagement

We have sought to be creative in engaging with our stakeholders. In addition to the details set out above we have launched an international network of green banks and created a Sustainable Finance Advisory Group (SFAG) described in detail in the Green Committee report in our full Annual Report. We hosted the first Green Bank Congress in October 2013 at our Edinburgh Headquarters. This was attended by a number of new or emerging green banks and some established development banks with significant environmental businesses. The two day summit discussed a range of topics with a focus on maximising green impact. We have also hosted a roundtable on bioenergy and the circular economy in partnership with Green Alliance.

Raising biomass procurement standards

In December 2012, GIB announced its investment in Drax to convert the first three of its six coal units to biomass. The project offers significant green impact potential. Ensuring that all the biomass used is sustainable is of paramount importance to GIB. We carried out extensive due diligence to ensure the proposed fuel strategy was based on sustainably sourced biomass. In addition, as part of our covenants relating to green performance, we required Drax to commit to maintain in place their sustainability policy over time, to upgrade aspects of its biomass procurement processes and to take independent advice on specific risks arising on import of biomass from new geographies.

We also require Drax to monitor and report on the sustainability characteristics of their biomass including the quality of wood used by key category, the impact on forest carbon stocks and the GHG emissions in the biomass supply chain, together with any opportunities for improvement of sustainability standards. In the first year of reporting, Drax confirmed that all of the 1.6m tonnes of biomass consumed was sourced in accordance with their Biomass Sustainability Policy and met the sustainability requirements of the Renewables Obligation and Renewable Energy Directive. The first converted unit exceeded performance expectations and generated 2.9 TWh of renewable electricity in 2013 (around 1 per cent of all UK electricity) and resulted in a reduction of 2.4m tonnes CO_2e, which is equivalent to taking more than 1m cars off the road in the UK.

Our green purposes

We measure our green impact against our five green purposes. We use a combination of quantitative measurement and qualitative assessment in our due diligence where each project is subject to a rigorous process to ascertain performance against each of the green purposes.

The information opposite provides examples of how we assess and monitor operating performance against each of our green purposes.

Reduce greenhouse gas emissions

GIB's operating assets consist of three wind farms (Walney, Rhyl Flats and London Array), the first biomass unit converted from coal at Drax and a number of fund projects: Roundwood, Tomatin, Schools Biomass Platform (Equitix); TEG (Foresight); Port Talbot (Greensphere).

Over their lifetime, GIB's assets are expected to result in average annual GHG emissions reduction of 3.5m tonnes CO2e, which is equivalent to 1.6m cars off the road. This reduction amounts to 3.7 per cent of the UK's annual target reduction in GHG emissions from 2010-2020.

Increase natural resource efficiency

Of our operating assets, TEG and Port Talbot are recycling materials.

Over their lifetime, GIB's committed assets are expected to result in 11m tonnes of materials recycled including ferrous and non-ferrous metals and bottom ash.

Protect
the natural environment

Of our operating assets, TEG is diverting waste from landfill.

Over their lifetime, GIB's committed assets are expected to result in 32m tonnes of waste diverted from landfill.

In addition to waste diverted from landfill, we require ongoing reporting of emissions to air in respect of the Environmental Permit, water consumption of the project and an environmental compliance report summarising any environmental issues encountered and plans for remediation and further prevention.

Enhance
biodiversity

Our Green Team analyses every proposed investment qualitatively in respect of its approach to protection and enhancement of biodiversity by carrying out due diligence prior to investment and continuously monitoring the performance of projects in its portfolio.

For example, in October 2013 GIB refinanced a portion of Masdar's equity stake in Phase 1 of the London Array offshore wind farm. Prior to the investment, GIB's Investment Committee noted that the wind farm was recommended as a Category A project under the Equator Principles, and that its potential operational impacts on the local red-throated diver bird population would require monitoring under the terms of the project's Marine Licence. The Investment Committee also noted that the RSPB had supported the developer's sensitive approach to ecological impacts, and had welcomed the opening of the wind farm.

Preliminary results from the first year of post-construction surveys suggest that red-throated divers may be less affected by wind farms than previously thought. GIB will continue to monitor the results of ongoing bird surveys at the wind farm.

Promote
environmental sustainability

A central part of GIB's strategy is to generate positive 'demonstration' effects to encourage additional long term investment into the green economy. Each investment is appraised not only for the potential direct environmental benefits arising, but also for the potential demonstration effect by which further capital could be attracted to the market, helping to increase the availability and reduce the cost of capital for green infrastructure. The case studies of investments to date set out on p.28-33 give more details of the range of GIB's investments.

Financial performance

Overall result

These financial results are the second time we have reported on our performance and cover the first full year of operations. In 2013-14:

- We committed £668m capital to 18 projects, more than our first year.
- All our investments have been made on full commercial terms and the expected rate of return across our current portfolio averages at 8 per cent.
- Our income was up 673 per cent to £15.4m, reflecting the increase in capital deployed and a full year of operations. We also generated £20.6m in cash from operations during year, up from £4.9m in 2012-13.
- Our direct investment costs were £0.7m, down by £0.9m from last year, reflecting that in 2012-13 we expensed the establishment costs for five funds.
- Our operational expenses were £20.4m, which were up from £6.6m in 2012-13 and reflects a full year of operations.
- In line with our expectations our full-year financial result shows a pre-tax loss of £5.7m and a post-tax loss of £4.2m. Our capital has not yet been fully invested and is, therefore, not generating sufficient returns to cover our investment and operational costs. As our capital commitments are deployed our income will increase and we will move towards profitability.

Consolidated income statement
for the period ended 31 March 2014

	Year to 31.03.14	Period to 31.03.13
	£'000	**£'000**
Investment income	15,407	1,992
Direct investment costs	(746)	(1,603)
Net investment income	**14,661**	**389**
Operational expenses	(20,407)	(6,601)
Loss before income tax from continuing operations	(5,746)	(6,212)
Income tax benefit	1,517	1,205
Loss for the period from continuing operations	**(4,229)**	**(5,007)**

Funding our business

We fund our business through a combination of cash earnings and contributions from our Shareholder.

To fund our capital investments we issue shares to our Shareholder and utilise available cash from our operations, including asset repayments and dividends. For our operational costs we utilise a combination of cash earnings and contributions from our Shareholder. With greater capital deployment we are moving towards being self-financing, moving away from requiring operational funding from our Shareholder.

The table below shows the 2013-14 position.

Funding obtained from:

Funds from Shareholder	£m
Shares issued	156.0
Capital contribution	4.0
	160.0

Funds from operations	£m
Undrawn facility fee and interest income	9.2
Upfront commitment fee income	5.1
Dividends and investments repayments	8.9
	23.2
Funds from consolidated entity co-investor	0.4
Total	**183.6**

Funding utilised on:

Capital investment	£m
Loans and receivables	136.4
Available-for-sale assets	32.2
Investments in associates and joint ventures	1.4
	170.0

Operational expenditure	£m
Investment and operational costs	18.8
Fixed assets	1.7
	20.5
Total	**190.5**
Net reduction	**6.9**

Income statement

Income
As an investment business focusing on generating appropriate risk-adjusted returns on our capital investment our financial performance is dependent on a number of significant items:

- the amount of capital we have committed and the time period over which that funding is deployed;
- the underlying operational performance of our investments and their ability to make either interest and debt repayments or dividends in the case of equity investments; and
- over time the ability to exit investments successfully and make a capital profit.

The income we recognise comprises revenue from our debt and equity investments. Our debt investments generate interest and fees, while for our equity investments we either recognise dividends, our share of the underlying asset's net profit or interest on shareholder loans to investee entities. When we sell an investment, we will also generate profits from disposal, although to date we have not made any disposals.

Income during the year was £15.4m comprising fee income of £3.8m, interest income from loans and receivables of £8.7m and £2.9m from our proportionate share of our associate investments' net profit. This was up from the £2.0m we recognised in the period to 31 March 2013.

Under our accounting policy for equity investments, certain assets are classified as an associate or joint venture because we have significant influence or joint control over the entity. Where this is the case we recognise a proportionate share of the net profit after tax of the underlying operations.

In 2013-14 this resulted in us recognising £2.9m in income for the year, compared to the £6.2m in cash dividends that we received.

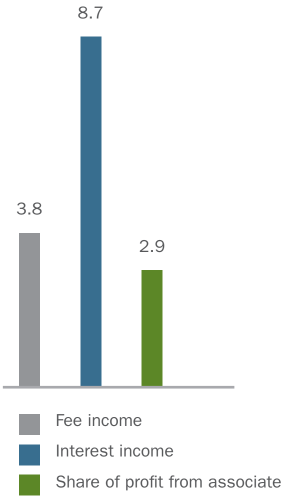
Transaction and operating costs
Transaction and operating costs totalled £21.1m for the period and comprise the costs associated with running the operations of the Company[8], including the fund management costs associated with the consolidated funds.

The main operating cost, as is expected in a company where success depends on the quality of its people, is people costs of £14.1m.

The other significant costs during the period were direct investment costs of £0.7m, professional fees of £1.7m, which reflect the need to finalise our staff recruitment and develop our operations and policies, and premises costs of £1.1m.

Tax
In the period, the Group[9] has recognised a tax asset of £1.5m, as a result of the tax losses generated from operations during the period. In doing so, the Directors have taken the view that the Group expects to make sufficient profits to benefit from the deferred tax asset recognised.

Revenue by income stream
£m



8. *The Company refers to the parent company, UK Green Investment Bank plc.*
9. *By the Group, we mean UK Green Investment Bank plc and its subsidiary undertakings*

Balance sheet

Our assets

A significant portion of the investments we have committed to since we commenced operations in October 2012 are either construction assets or investment allocations to fund managers for future deployment.

As the underlying investments require capital the Group provides it. This means there is, at times, a delay between our investment commitment and capital being drawn. During the period to 2013-14, we deployed £278.7m in capital, against which £2.7m in upfront fees was offset. As at 31 March 2014, the Group has £393.1m of investment assets, net of deferred fees, on its balance sheet.

The split of these investments reflects that the Group has made investments across a range of product types:

- loans and other receivables £188.9m;
- available-for-sale assets £42.4m; and
- investment in associates and joint ventures £161.8m.

In March we committed to invest £51.2m in an energy from waste plant in Norfolk, led by Norfolk County Council. In early April the Council decided not to proceed, ending our involvement with the project. Our outstanding loan was repaid in May 2014. At 31 March 2014 we reclassified this loan as a current asset, with net income of c.£800k being recognised in the 2014-15 period (when the Council's decision was made and the loan repaid).

Our funding

We require funding to make investments and run our operations. Depending on our requirements these can be met from two sources, our investment earnings and our Shareholder.

Funding for our investments is provided by the UK Government, which is the Group's only Shareholder through the Secretary of State for Business, Innovation and Skills. At 31 March 2014, UK Government held shares totalling £301.9m in the Company, comprising the entire share capital of the Company. In the year to 31 March 2014 the Company issued a further 156m shares and received £156.0m in funding from the UK Government.

Our operations are funded through earning revenue from our investment activity and where necessary further operational funding from our Shareholder.

In the year to 31 March 2014 the Group received £23.2m in operational cash. The timing of when this was received meant an amount of £4m in operational funding was required from the UK Government, which is recognised as a capital contribution from our Shareholder.

The Group used £170.0m to invest in portfolio assets and £20.5m to cover fixed asset purchases and operational expenditure.

At 31 March 2014, £20.9m is held as cash allowing the Company to maintain an appropriate liquidity position.

The majority of these funds (£20.5m) are held within the Government Banking Service, ensuring the Group has adequate liquid funds available to meet its investment and operational commitments.[10]

10. £0.5m of these funds are held outside the Government Banking Service by consolidated entities.

Overview of wider team

We have now completed the initial recruitment of the GIB team. We have managed to assemble world class talent, all drawn to the opportunity of building a unique, globally important institution. Now that the team is in place our job is to make sure that we develop and enhance individual and company performance. As we worked through our first full year of operations we put in place a full suite of employee policies and developed an organisational-wide training plan.

On 31 March 2014, GIB employed 92 people. While we have completed the initial phase of recruitment we continue to recruit for a small number of positions across the organisation.

Board of Directors and Leadership Team

GIB is governed via an independent Board of Directors chaired by Lord Smith of Kelvin KT. Members of our Board have a broad spectrum of skills and backgrounds to provide the necessary support and challenge to the Chief Executive and his Leadership Team. The Leadership Team provides day-to-day leadership for the business and is responsible for delivering the agreed strategy. The members of the Board and the Leadership Team (listed on p.46-49) are all employed directly by GIB (other than Anthony Odgers who is the Shareholder Executive Representative on the Board).

Diversity

There are ten members of the Board of which 30 per cent are female and 70 per cent male. There are currently 23 members of staff in senior manager positions of which 22 per cent are female and 78 per cent are male. For employees not on the Board or in senior manager positions 45 per cent are female and 55 per cent are male and represent over 12 nationalities speaking over 12 languages.

GIB actively seeks diversity in the workplace to ensure it benefits from a broad range of experience. We are an equal opportunities employer and strive to treat everyone fairly regardless of their age, gender, race, ethnic affiliation, disability, religion, sexual orientation or marital status.

Recruiting and retaining the GIB team

Our approach to recruitment remains rigorous and we look to attract and retain the best talent. We look across many different industries to ensure we have a broad range of knowledge and skills. During 2013-14 we attracted seven individuals at a senior level from industry, finance and the public sector. The process for selection ranges from candidates responding to case studies and financial modelling tests at a junior level through to extensive interviewing and referencing at a senior level. Any appointments that we have made are based on merit, taking into account the specific needs of the business at the relevant time and for the overall benefit of the company and its stakeholders.

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

In the past year staff turnover of permanent contracted employees was 13 per cent.

A great place to work

GIB is committed to providing a safe, sustainable and positive workplace to attract and retain high quality staff and has incorporated a range of HR policies to meet these aims.

- Every employee has the opportunity to build their professional skills through formal and informal training opportunities. A training calendar is in place within the business and personal development is at the heart of our appraisal process.
- We continue to offer a structured career path and have key competencies for every role within our investment team. This provides clarity on career progression and our policy is for everyone to develop professionally, regardless of role and gain a wide range of knowledge and opportunity unrivalled at other firms.
- We have introduced a full online appraisal process, e-learning modules to reinforce good corporate governance and have conducted 360 degree feedback surveys for all staff. We also assess how well employees demonstrate our values during this process. Later this year we will conduct our first employee satisfaction survey.
- We support flexible working to accommodate those employees who work less than full time hours. We have developed a number of return to work programmes for staff members who have had a long term absence from work.
- Technology is utilised to allow a more flexible workplace and to capture the benefits from increased collaboration across the firm.
- Our Edinburgh headquarters recently won an award from the British Council of Offices for the creation of a sustainable and positive working environment.

To continue to attract and retain the right people, GIB has an appropriate range of employee benefits which includes a salary, pension contributions (subject to a minimum personal contribution), private medical care, life assurance and permanent health insurance. In addition, we offer salary sacrifice options including childcare vouchers. In 2013 we also introduced an extended range of options including bike to work and season ticket loans and now offer medicals to a number of individuals.

Full details of our policy and disclosures on remuneration can be found in the Remuneration Committee report in our full Annual Report and on our website at www.greeninvestmentbank.com.

Company values

During the year we conducted an extensive internal consultation process to develop a set of robust and sustainable company values to guide how we do business.

The five values that were agreed upon are:

Prudence

Courage

Directness

Openness

Passion

Each month, the Leadership Team reviews nominations for an ‘employee of the month’. Nominations can be submitted by anyone and are judged on which individual has best demonstrated one or more of our values.

Community and charitable activities

While GIB itself does not make corporate contributions to charity, our staff identified Renewable World as its chosen charity. We encourage staff to take part in charitable events and in the past year members of staff have supported a wide range of charities and community groups. We see this type of community activity as a critical part of our culture and expect these activities to broaden over time.

The Board

Lord Smith of Kelvin KT, Chair
**Chair of Nomination Committee,
Chair's Committee and Valuation Committee**

Lord Smith has a strong financial services background and a wealth of experience gleaned from a wide range of positions. Currently Chair of SSE, which is the second largest producer of energy in the UK and has the largest renewables portfolio in Britain, he has a comprehensive knowledge of energy trends. He is also Chair of the Organising Committee for Glasgow 2014 (Commonwealth Games) and a Non Executive Director of Standard Bank Group Ltd. He stood down as Chairman of the Weir Group plc on 31 December 2013 and has previously held positions on various private and public boards including the Financial Services Authority and Financial Reporting Council (FRC) and a number of key positions within the banking industry. He chaired the group set up by the FRC in 2003 to clarify the role of audit committees.

Prof. Dame Julia King DBE, Non Executive Director
**Member of Remuneration Committee
and Green Committee**

Professor Dame Julia King is the Vice-Chancellor of Aston University and a Fellow of the Royal Academy of Engineering. She has had a career in academia and industry, including senior engineering and manufacturing roles at Rolls-Royce plc in marine, energy and aerospace. Julia is a member of the Board of Universities UK, a council member of the Engineering and Physical Sciences Research Council and of the Committee on Climate Change and a director of the Greater Birmingham and Solihull Local Enterprise Partnership. She was appointed as the UK's Low Carbon Business Ambassador in November 2010.

Shaun Kingsbury, Chief Executive
**Member of Valuation Committee and
Green Committee**

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

Fred Maroudas, Non Executive Director
Member of Investment Committee*

Fred Maroudas is a specialist in financing the UK's core infrastructure, most recently as Chief Financial Officer of Eversholt Rail Group.Fred previously worked as Director of Treasury for Heathrow Airport and Network Rail and was responsible for raising close to £40bn from the banking and capital markets to fund investment programmes. He is also Deputy Chair of Local Partnerships and sits on the investment committee for a number of pension schemes.

This is not a Committee of the Board.

Tom Murley, Non Executive Director
Member of Investment Committee*

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

This is not a Committee of the Board.

Lord Smith of Kelvin KT

Shaun Kingsbury

Professor Dame Julia King DBE

Fred Maroudas

Tom Murley

David Nish

Anthony Odgers

Tony Poulter

Professor Isobel Sharp CBE

Tessa Tennant

David Nish, Non Executive Director
Chair of Audit and Risk Committee, Member of Valuation Committee

David Nish has been Chief Executive at Standard Life since January 2010. He is also Deputy Chair of the Association of British Insurers, a member of the UK Strategy Committee of TheCityUK and of the Financial Services Advisory Board of the Scottish Government. He was formerly a partner with Price Waterhouse, Finance Director of Scottish Power plc and a Non Executive Director of Northern Foods plc, Thus plc and the Royal Scottish National Orchestra.

Anthony Odgers, Shareholder Representative Director
Member of Nomination Committee, Remuneration Committee, Chair's Committee and Investment Committee*

Anthony Odgers is Deputy Chief Executive of the Department for Business, Innovation and Skills' Shareholder Executive. He has over 20 years banking experience having joined Morgan Grenfell in 1989 and then subsequently at Lehman Brothers (1999-2007) and Deutsche Bank (2007-2010). His experience includes project finance, corporate finance, restructuring advisory and general management. At the Shareholder Executive, Anthony has overall responsibility for the corporate finance practice; he also has specific responsibility for issues relating to Urenco and the Post Office.

**This is not a Committee of the Board.*

Tony Poulter, Senior Independent Director
Member of Nomination Committee, Audit and Risk Committee and Chair's Committee

Tony Poulter is a partner at PwC, where he is the Global Head of Consulting. He was originally a UK civil servant and then a leading adviser on infrastructure financing and Public-Private Partnerships. He has 20 years' experience of working with governments and developers in the UK and internationally, during which he has helped to develop new industry and contractual structures and to raise equity and debt for over £15bn of infrastructure investment.

Professor Isobel Sharp CBE, Non Executive Director
Chair of Remuneration Committee; Member of Nomination Committee and Valuation Committee

Isobel Sharp is a Chartered Accountant. She retired as senior technical partner of Deloitte LLP in May 2012. She is a Visiting Professor and member of the International Advisory Board at the University of Edinburgh Business School. Isobel is a Non Executive Director and Audit Committee Chair at Winton Capital Group. She holds similar roles at HM Passport Office and is a member of the Home Office's Audit and Risk Committee.

Tessa Tennant, Non Executive Director
Chair of Green Committee; Member of Audit and Risk Committee

Tessa Tennant has devoted her career to innovation in financial services for sustainability. She co-founded the UK's first green equity investment fund in 1988, now called the Jupiter Ecology Fund. She co-founded The Ice Organisation, creator of the environmental rewards programme myice.com, and is now its non executive President. Tessa has co-founded numerous initiatives, such as asria.org in Hong Kong and The Carbon Disclosure Project, cdproject.net. She has served on fund, company and not-for-profit boards.

Leadership Team

Shaun Kingsbury, Chief Executive

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

Jennifer Babington, Chief of Staff

Jennifer works directly for the Chief Executive, liaising with the Leadership Team and the wider business. Jenn is responsible for advising the Chief Executive and the Leadership Team on key business and strategic priorities. Jenn is a corporate lawyer, who practised at international law firm Norton Rose LLP for seven years, specialising in private equity investments. Prior to joining GIB, Jenn spent four years as Legal Counsel at Element Power, a leading renewable IPP where she was responsible for legal aspects of the company's Northern European projects and the Group's global corporate administration and taxation policy.

Jeremy Burke, Finance Director

Jeremy is responsible for the finance function of the Group. He leads on financial and management reporting to the Board and Shareholder as well as ensuring compliance with the Group's valuation, taxation and travel and expenses policies. Jeremy joined GIB from the Department for Business, Innovation and Skills where he led on strategic financial planning. He is a Chartered Accountant and has worked in the private and public sector in Melbourne, New York and London and is currently the chair of school governors at Grange Primary in Southwark and was previously involved with the Alternative Technology Association in Melbourne.

Rob Cormie, Group Operations Director

Rob is responsible for the operational aspects of GIB, including communications, human resources, IT and the green and technical teams. He also acts as a key interface with the Scottish Government and represents GIB externally on a range of issues. Rob works closely with the Chair on all matters relating to Scotland. Rob joined GIB after 20 years of commercial experience in banking and specifically the renewable energy sector where he has held senior roles as a partner at KPMG, CIBC World Markets, Commerzbank and the Sakura Bank.

Oliver Griffiths, Head of Government Affairs and Policy

Oliver is responsible for GIB's interactions with its Shareholder, the UK Government, as well as with the Welsh Government and the Northern Ireland Executive. His role includes providing input into the formation of public policy that supports the financing of the green economy. Oliver previously practised as a corporate lawyer at Freshfields Bruckhaus Deringer. He joined GIB from the Shareholder Executive, where he managed the UK Government's 100 per cent shareholding in Post Office Ltd and latterly led the Government team that set up GIB.

Shaun Kingsbury

Jennifer Babington

Jeremy Burke

Rob Cormie

Oliver Griffiths


Peter Knott


Rob Mansley


Euan McVicar


Edward Northam


Bill Rogers

Peter Knott, Chief Risk Officer

As Chief Risk Officer, Peter has responsibility for GIB's Risk and Compliance functions and has oversight responsibility for the Portfolio Management and Finance functions. He chairs the Portfolio Management Committee and the Risk and Compliance Committee and is a member of the Investment Committee. Peter qualified as a Chartered Accountant with Deloitte and has over 25 years' experience in investment banking working in London, New York and Asia for JP Morgan Chase and Standard Chartered, where he held roles including Group Treasurer, Consumer Banking Group Chief Risk Officer and Group Head of Operational Risk.

Rob Mansley, Head of Capital Markets*

Rob is responsible for managing GIB's capital market activities and relationships with third party investors. Rob works closely with both the investment banking team and the Leadership Team in identifying innovative financing and structuring options at both a project investment level and a corporate level. Prior to joining GIB Rob was a Managing Director and Head of European Renewables at Morgan Stanley. He previously worked at Credit Suisse and HSBC where he led transactions across multiple products such as mergers and acquisitions and restructuring, initial public offerings and equity issues and debt capital markets.

**Joined Leadership Team on 24 February 2014*

Euan McVicar, General Counsel

Euan joined GIB in August 2013 as General Counsel and Company Secretary with responsibility for managing the Group's legal risk and corporate governance. Euan succeeded Tony Marsh as Chair of the Investment Committee, which is responsible for approving each of the Group's investments. Euan joined GIB following 18 years as a lawyer advising the energy industry, latterly as a partner leading the Energy Projects team of an international law firm. For the last 12 years of his private practice career his focus was on renewable energy and other low carbon projects on which he advised a number of leading banks, project developers and equity investors.

Edward Northam, Head of Investment Banking

Ed is Head of Investment Banking and is responsible for GIB's investment origination and execution activities. Ed manages the investment banking team and, along with the sector managing directors, is responsible for the training and development of the investment banking team members. Ed has been involved in the global renewable energy industry for 20 years and during that time has developed and financed more than 80 renewable energy projects globally. In his early career Ed acted as a legal adviser to public and private organisations engaged in the power sector, before working in industry in various project and corporate development and fundraising roles. Prior to joining GIB, he spent ten years as co-founder and Chief Executive Officer of an Australian based clean energy investment fund.

Bill Rogers, Head of Strategy and co-Managing Director of Energy Efficiency*

Bill has a dual role at GIB. As Head of Strategy he is responsible for GIB's corporate and investment strategy, including covering GIB's non-core sectors and reviewing potential areas for expansion. As co-Managing Director of Energy Efficiency he is jointly responsible for GIB's investment activities in the energy efficiency and community scale renewables sectors. Prior to joining GIB he spent 15 years in private equity and the energy sector, including senior roles at Hudson, Candover, McKinsey and Shell.

**Joined Leadership Team on 24 February 2014*

During the year Anthony Marsh left his role within GIB. Anthony made an important contribution to the development of GIB and leaves with the best wishes of the organisation. Ian Nolan served on the Leadership Team up until 30 April 2014 after which he took on a different, part-time role, with executive responsibility for GIB's five funds.

Our commitment to sustainability

We aspire to become a market leader in responsible investment practices. Effective assessment, monitoring and reporting of material environmental, social and governance (ESG) matters can help to achieve improved performance. They also provide wider societal benefits and can improve financial returns especially over the long term. This integrated approach is entirely consistent with achieving our 'double bottom line' objective.

Human rights

GIB's Responsible Investment Policy states that we expect entities and projects in which we invest to comply with all applicable social laws (including all health and safety) and to demonstrate that they have the commitment, capacity and management systems to identify, monitor and manage the environmental, social and governance risks facing their business. In engaging with our stakeholders, we seek to align ourselves with the highest standards of conduct and integrity. We respect human rights and avoid causing or contributing to adverse human rights impacts. With our UK-only investment mandate, our exposure in this area is low, however we nevertheless require that projects report any such community or social issues and implement an approved action plan. No such issues have been reported to GIB during the reporting period.

Equator Principles

Following a period of shadowing compliance, GIB fully adopted the Equator Principles on 2 December 2013. The Equator Principles are a global risk management framework, for determining, assessing and managing environmental and social risk in projects and supporting responsible risk decision-making. Full details of our experience of Equator Principles implementation and project reporting are provided on p.51.

Since adopting the Equator Principles two applicable projects have reached financial close. Both are waste sector projects and have been assessed as being 'Category B'. Such projects present limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

PRI

On 24 February 2014 we became a signatory of the Principles for Responsible Investment (PRI) initiative. The PRI initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. We support PRI's goal to understand the implications of sustainability for investors and incorporate these issues into investment decision-making and ownership practices. The six principles are:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

Materially adverse environmental and social incidents

As part of our stated commitment to market-leading good practice and transparency in responsible investment, we require all projects to report on material breaches in environmental and social operational compliance (including health and safety). Within the reporting period we received notification of two health and safety incidents. One related to the discovery of asbestos-containing materials during pre-construction activities and the other involved a project contractor receiving an injury to a hand which included broken fingers. In each case the Health and Safety Executive was notified. No material environmental incidents have been notified to GIB. However, one project was required to resubmit an environmental permit to ensure future compliance.

Monitoring and engagement

Once an investment has been made we monitor the performance of the investment. This includes compliance with agreed covenants and management of wider environmental and social risks over the life of the investment. In the reporting year we engaged with the majority of our clients to discuss environmental, social and responsible investment issues. The nature and extent of monitoring and engagement is a function of the specific characteristics of the investment, its sector, size of investment, the nature of covenants agreed and an assessment of the environmental and social risks associated with each project.

Improvements made to our offices
2013-14

Equator Principles reporting: Projects that have reached financial close within the reporting period

	Project breakdown by Category		
	Category A	Category B	Category C
Waste	0	2	0
Independent review of assessment documentation			
Yes	N/A	1	N/A
No	N/A	1	N/A

Note: All projects reported are classified as project finance, are within the UK (and therefore in a 'designated' country under the Equator Principles) and are within the waste sector only. The data reported comprises all applicable projects completed after GIB adopted the Equator Principles on 2 December 2013.

Our own sustainability

Corporate GHG footprint

	Scope 2 GHG (t CO_2e)	Scope 3 GHG (t CO_2e)	Intensity metric
Offices	238	13	511 kg $CO_2e/m^2/yr$
Travel	0	335	3,868 kg CO_2e/employee
Total (t CO_2e)	**238**	**348**	**6,772 kg CO_2e/employee**

In November 2013 GIB also adopted formally our Corporate Environmental Policy (available at www.greeninvestmentbank.com), which sets out how we consider and manage environmental impacts associated with our activities and those of our key suppliers. Our policy focuses on our impact arising from travel emissions, operation of our premises and procurement of subcontractors and suppliers.

In January 2014 we began to collect data relating to our usage of the video conferencing facilities at our Edinburgh and London offices. By the year end we recorded 264 hours of outgoing calls and we intend to use this metric as a measure of avoided travel in future.

In addition to our GHG footprint, GIB is measuring our paper usage in order to identify opportunities for improvement.

Equator Principles implementation

Our environmental and social risk appetite is considered as an integral part of GIB's risk framework which is reviewed and approved by the Audit and Risk Committee of the Board. Details of GIB's risk framework can be found in the Audit and Risk Committee report in our full Annual Report.

The Green Investment Policy and the Responsible Investment Policy set out our approach to assessment, monitoring and reporting of environmental and social risk including the incorporation of Equator Principles.

Our in-house Green Team works with the investment banking team to analyse every proposed investment in line with the requirements of the Equator Principles (in addition to our Green and Responsible Investment Policy suite) in accordance with the Equator Principles Reporting Criteria, which can be found on our website.

Our Green Team is comprised of five environmental and sustainability specialists. One Green Team member is allocated responsibility for each specific investment sector. Working alongside colleagues from the Investment Banking, Risk, Compliance, Legal, and Portfolio Investment Management teams, this integrated team ensures the projects are appropriately categorised, assessed, covenanted and monitored.

For each proposed investment, the findings of the environmental and social due diligence, along with potential risk controls and mitigants are presented for consideration to our Investment Committee. All Investment Committee papers include consideration of the Equator Principles as standard.

If the transaction is approved, the Portfolio Investment Management team works with the Risk and Green Teams to monitor the project ensuring that the risks are appropriately managed and the project is in compliance with applicable standards, which includes environmental and social requirements as appropriate.

All members of the Green Team have been involved with the development of the environmental and social risk framework and have received training on the implementation of environmental and social risk within the investment process. Initial Equator Principles awareness raising has commenced within GIB, with formal training scheduled for roll-out for all key functions before the end of June 2014.

This Strategic Report has given an overview of our business, our strategy, our performance and our people. Further details on governance, financial accounts and results and our green impact can be found in our full Annual Report, available at www.greeninvestmentbank.com.

Shaun Kingsbury
Chief Executive

Section 2

Corporate governance

Overview

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

Corporate governance statement

The constitution of GIB consists of its Articles of Association and a Shareholder Relationship Framework Document (together the "Constitution"). The Shareholder Relationship Framework Document provides that GIB shall operate a corporate governance framework which, so far as practicable, accords with the best practice in corporate governance and in compliance with the provisions of the UK Corporate Governance Code 2012 (the "Code") as it applies to small quoted companies (other than in respect of Section E (Relations with Shareholders)) or specify and explain any non-compliance in its Annual Report. Accordingly, this section outlines our governance structure and demonstrates how our arrangements align with the guidelines and principles set out in the Constitution and the Code. The Board believes that it complies with the Code (where relevant) and its Constitution in all material respects.

GIB is not subject to the Financial Conduct Authority Listing Rules or Disclosure and Transparency Rules as it is not listed, nor is it authorised and regulated by the Financial Conduct Authority. However, GIB may become Financial Conduct Authority regulated over time and UK GIB Financial Services Ltd, a wholly owned subsidiary, is authorised and regulated by the Financial Conduct Authority and has permission to carry out the following activities: (i) advising on investments (except on pension transfers and pension opt-outs); (ii) agreeing to carry on a regulated activity; (iii) arranging (bringing about) deals in investments; and (iv) making arrangements with a view to transactions in investments.

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

The Board has considered the changes to the Code in the context of GIB's governance practices. One of these changes has been the requirement for Directors to make a statement that they consider the Annual Report and Financial Statements, taken as a whole, to be fair, balanced and understandable. As part of this process, the Board received an early draft of the Annual Report to enable time for their review and consideration. The Board Committees have considered the criteria for a fair, balanced and understandable Annual Report and have reviewed the processes upon which the compilation and assurance of the report have been based. Following the meetings of the Board Committees, the Board then considered the Annual Report and Financial Statements as a whole being mindful of the changes to the Code and the need for consistency between the narrative sections and the financial statements. As part of this process, the Board reviewed GIB's internal processes that form its reporting governance framework, including the role of the Board Committees, the use of content owners, and legal and auditor review. The Board's statement on the report is outlined on p.82.

Role and responsibilities of the Board

The names of the current Directors and their relevant experience and brief biographical information are set out on p.46-47 of the Strategic Report.

Sir Adrian Montague resigned as a Director of GIB on 30 April 2013 and Tony Poulter was appointed as a Director of GIB on 15 July 2013.

The Board is collectively responsible for the long term success of the Company and in particular to its Shareholder to set the strategy to maximise value for the Shareholder. The Board has a schedule of matters reserved to it for its decision. This schedule is reviewed regularly and includes approving, overseeing and challenging:

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

All of the Directors bring their own independent judgement to the major matters affecting GIB and each of the Non Executive Directors is considered by GIB to be independent, with the exception of Anthony Odgers who is the Shareholder Representative on the Board. None of the other Non Executive Directors has any material business or other relationship with GIB or its management.

Composition of the Board

The Board and each of its Committees have the appropriate balance of skills, diversity, experience, independence and knowledge of GIB to enable them to discharge their respective duties and responsibilities effectively. The Constitution provides that the Board is to consist of no fewer than eight Directors and that the Chair and independent Non Executive Directors are to constitute a majority of the Board.

Roles of the Chair and the Chief Executive

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

The Chair:

- leads the Board and is responsible for its operation and governance;
- encourages open debate and constructive discussion; and
- speaks on behalf of the Board and represents the Board to the Shareholder.

The Chief Executive, as delegated by the Board:

- leads the Leadership Team in the day-to-day running of GIB;
- makes and executes operational decisions;
- implements the strategy agreed by the Board; and
- represents GIB to external stakeholders, including customers, suppliers, regulatory and governmental authorities and the community.

Senior Independent Director

A new Senior Independent Director, Tony Poulter was appointed on 15 July 2013, replacing Sir Adrian Montague. The Senior Independent Director:

- works closely with the Chair;
- acts as an intermediary for other Directors as and when necessary; and
- meets with other Non Executive Directors to review the Chair's performance.

Non Executive Directors

The Non Executive Directors assist the Chief Executive by scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. They are responsible for determining appropriate levels of remuneration of the Chief Executive and the Leadership Team and have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning. Their views are essential in overseeing the performance of GIB and ensuring the integrity of the financial information, controls and risk management processes.

Board information and development

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

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

The Board and each of its Committees annually carry out a review of their performance, constitution and the appropriateness of their terms of reference. Additionally, in the current financial year, the Board engaged Egon Zehnder Limited to carry out a Board effectiveness evaluation. Egon Zehnder reported to the Board in March 2014 having interviewed all of the Directors and key members of the Leadership Team. The report findings were positive but identified a number of areas in which Board papers and meetings can be made more effective and their recommendations have subsequently been implemented. Egon Zehnder has no connection to GIB.

Board and Executive Committees

Executive Committees

- Investment
- Portfolio Management
- Risk and Compliance

Chief Executive and Leadership Team

Board

Board Committees

- Audit and Risk
- Chair's
- Green
- Nomination
- Remuneration
- Valuation

Independent advice

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

Terms of appointment

The Chief Executive has a contract of service with six months' notice, whilst Non Executive appointments are for a period of three years. Details of the service contract and remuneration of the Chief Executive, Non Executive Directors and Leadership Team are set out in the Remuneration Committee report.

Annual Director election

At the 2014 AGM all of the current Directors, who were each re-elected at the last AGM held in 2013, together with Tony Poulter who was appointed as a Director of GIB on 15 July 2013, will retire and offer themselves for re-election/election. All Directors hold office subject to annual re-election by the Shareholder.

Outside appointments

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

Directors' conflicts of interests

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

Directors' indemnities

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

Board Committees

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

Chair's Committee

The members of the Chair's Committee during the period were Lord Smith (Chair), Anthony Odgers, Professor Isobel Sharp (on an interim basis until 15 July 2013) and Tony Poulter (Senior Independent Director). Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The Committee is authorised by the Board to deal with any matter reserved to the Board which needs to be addressed prior to the next Board Meeting and which, in the opinion of the Chair, is not a matter which requires to be determined by the full Board.

Nomination Committee

The members of the Nomination Committee during the period were Lord Smith, who chaired the Committee, Anthony Odgers, Professor Isobel Sharp (on an interim basis until 15 July 2013) and Tony Poulter. Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The Nomination Committee uses external search consultants to assist it in its work and has used Odgers Berndtson. Odgers Berndtson has no other connections with GIB. All appointments to the Board are based on the diversity of contribution, experience and required skills, irrespective of gender. There are three female members of the Board which represents 30 per cent of the total.

Female membership of the Board Committees at 31 March 2014 is as follows:

- Audit and Risk 33 per cent
- Chair's 0 per cent
- Green 66 per cent
- Nomination 0 per cent
- Remuneration 66 per cent
- Valuation 20 per cent

GIB is committed to the approach on diversity set out in the Davies Report 'Women on Boards' and will continue to take diversity matters into account for future Board appointments whilst appointing on merit. GIB's statement on diversity and disability is set out on p.44. The Nomination Committee considers these policies in discharging its duties.

The Nomination Committee's key roles are to:

- identify candidates for Executive and Non Executive Board positions;
- regularly evaluate the structure, size and composition of the Board including skills, knowledge, diversity and experience; and
- review recommendations from the Chief Executive for senior management positions reporting directly to him.

Remuneration Committee

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

The responsibilities of the Remuneration Committee are as follows:

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

The activities of the Remuneration Committee in the period are described in more detail in the Remuneration Committee report on p.63.

Audit and Risk Committee

The Chair of the Audit and Risk Committee is David Nish. During the period other members of the Committee were Tessa Tennant and Professor Isobel Sharp, who became an interim member of the Committee on 3 May 2013 pending the appointment of a new Senior Independent Director and was succeeded by Tony Poulter on his appointment. All members of the Audit and Risk Committee are Non Executive Directors independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

In addition, the Chair, Chief Executive, Finance Director, Chief Risk Officer, representatives of Internal Audit and external auditors are invited to attend each meeting. Internal Audit and external auditors also have access to the Chair of the Audit and Risk Committee outside formal committee meetings.

The Board is satisfied that David Nish has recent and relevant financial experience. The Audit and Risk Committee has the ability to call on Group employees to assist in its work and also has access to independent advice. The Board has delegated to the Audit and Risk Committee responsibility for overseeing the financial reporting and internal risk management control functions and for making recommendations to the Board in relation to the appointment of the Group's external auditors.

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

- consider the appointment, resignation or dismissal of the auditors and the level of audit fee;
- review the Financial Statements before submission to the Board for approval;
- discuss any problems and reservations arising from the annual audit and any matters the auditors may wish to raise;
- oversee the implementation of systems for financial control and risk management;
- review the internal audit programme and its implementation;
- receive and review internal audit reports; and
- review treasury policy.

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

The activities of the Audit and Risk Committee in the period are set out in more detail in the Audit and Risk Committee report on p.71.

Valuation Committee

The Chair of the Valuation Committee is Lord Smith. The other members are Shaun Kingsbury, David Nish, Professor Isobel Sharp and Jeremy Burke. They are all Non Executive Directors, who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Shaun Kingsbury and Jeremy Burke (the Finance Director, who is not a Director of GIB).

The Valuation Committee is authorised by the Board to:

- review the valuation policies of GIB from time to time and recommend any changes to the Audit and Risk Committee and the Board;
- determine and recommend to the Board, valuations to be placed on the investment assets of GIB; and
- consider and make recommendations to the Audit and Risk Committee and the Board in relation to all other matters relating to valuations for the purpose of the accounts of GIB.

Green Committee

The Chair of the Green Committee is Tessa Tennant. The other members of the Green Committee during the period were Professor Dame Julia King and Shaun Kingsbury. Other Non Executive Directors can attend any meetings and provide information to the meetings.

The duties of the Green Committee include the following:

- review of GIB's mission and green objectives and ensure that these are fully integrated into the policies and practices of all GIB's activities;
- consider the best mechanisms for reviewing and implementing effective policies and procedures;
- develop a responsible investment policy, in line with market best practice and covering such matters as ESG requirements relating to GIB's investments;
- guide the development of a framework and broad policy by which GIB will achieve sustainable and responsible management practices concerning its own activities; and
- advise on the development of metrics and information management to measure the performance of GIB as a responsible investor and corporate citizen, with special focus on the green impact of its investments.

The Green Committee has in the period approved our Green Investment Principles, Green Investment Policy, Green Impact Reporting Criteria, Corporate Environmental Policy and Responsible Investment Policy (all of which are available on our website www.greeninvestmentbank.com). Work also began on green metrics and the development of a reporting format for the Board.

The Green Committee was established to oversee the creation of GIB's policies and procedures. Now these are in place green issues will be considered at main Board meetings with effect from July 2014.

Investment Committee

The Investment Committee does not report directly to the Board, but reports to the Chief Executive. However, investments in excess of £50m require Board approval and over £300m require Shareholder approval. The other Executive members are the Finance Director, Chief Risk Officer, General Counsel, Chief Investment Officer, Head of Investment Banking and Head of Sustainable Finance. The Non Executive members are Anthony Odgers, Fred Maroudas and Tom Murley.

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

The exercise of this authority by him, however, is subject to there being "no objection" noted by the Chief Risk Officer and to the endorsement of at least one of the nominated Non Executive Board Members.

The Investment Committee's duties include the following:

- ensuring that a pipeline of potential loans/investments is presented to the Board and/or the Chair's Committee in advance of any consideration of such loan/investment at a meeting of the Investment Committee;
- examining the economic context in each geography and sector in which customers invest and agreeing market focus with the relevant sector teams;
- reviewing detailed investment strategies and mandates proposed by the investment teams to the Company; and
- ensuring a consistent quality of decision-making processes within business lines.

Attendance at Board and Committee meetings

Attendance	Board	Audit and Risk	Chair's	Green	Remuneration	Nomination	Valuation
TOTAL NUMBER OF MEETINGS	9	8	6	5	6	–	5
Chair							
Lord Smith	9	–	6	–	–	–	5
Non Executive Directors							
Dame Julia King	8	–	–	5	6	–	–
Fred Maroudas	7	–	–	–	–	–	–
Sir Adrian Montague	1 / 1	–	–	–	–	–	–
Tom Murley	9	–	–	–	–	–	–
David Nish	8	7	–	–	–	–	5
Anthony Odgers	8		6	–	6	–	
Tony Poulter	7 / 7	4 / 4	3 / 4	–	–	–	–
Professor Isobel Sharp	9	4 / 4	–		6	–	5
Tessa Tennant	9	8	–	5	–	–	–
Executive Director							
Shaun Kingsbury	9	–	–	5	–	–	5

Directors' report

The Directors have pleasure in submitting their Annual Report and Financial Statements for the year to 31 March 2014.

Principal activity and business review

The principal activity of GIB is the making of investments and loans which give effect to its green purposes as set out in its Articles of Association (and which are described on p.102).

Further information on the Group's business, which is required by the Companies Act 2006, can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- Chair's report on p.7 of the Strategic Report;
- Chief Executive's review on p.8-9 of the Strategic Report; and
- Strategic Report on p.3-52.

Finance

The results for the year are shown in the Consolidated Income Statement on p.96.

Directors

The names and biographical details of the present Directors of GIB are set out on p.46-47. Details of changes in the composition of the Board and details of the arrangements for re-election of Directors are set out in the Corporate Governance section of our Annual Report, in particular in the Overview and Remuneration Committee Report. Subject to the prior written consent of GIB's sole Shareholder, the Directors of GIB have authority to allot shares in the capital of GIB or grant rights to subscribe for or to convert any security into shares in the capital of GIB up to an aggregate nominal amount of £3bn, which unless renewed, varied or revoked shall expire on 13 March 2018.

Share capital

Details of changes in share capital are set out in Note 18 of the Financial Statements.

Report on greenhouse gas emissions

Details of GIB's emissions in the financial year to 31 March 2014 are set out on p.51.

Company information

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

By order of the Board

Euan McVicar
Company Secretary

Green Committee report

The Green Committee of the Board was formed and tasked to embed the processes of assessing, monitoring and reporting green impact into the fabric of GIB. Now these procedures are in place, green matters will become a standing item considered by the full Board in the coming year.

This year we have made great strides in GIB's activities. The starting point was to create a robust framework which translates GIB's five green purposes into workable procedures in the day-to-day activities of the organisation.

The framework is comprised of the following principles and practices:

- Green Investment Principles
- Green Investment Policy
- Responsible Investment Policy
- Corporate Environmental Policy

The green policies and procedures were signed off by the Board in September 2013 and published in November 2013. These are documents designed to work in an investment environment. They cover how we manage the green impact of our investments, our role in transactions as a responsible investor and how we manage our own corporate environmental footprint.

During development, expert independent input was sought to ensure that policies were consistent with the latest science and technology, as well as market developments. In addition to development of policies and procedures, GIB has adopted the Equator Principles, concerning responsible investment processes and standards for the financing of large-scale projects (greater than $10m value) and become a signatory to the Principles of Responsible Investment.

The next stage of the Green Committee's work involves developing reporting templates so that green matters become a standing Board agenda item over the course of 2014.

A robust framework

GIB's framework of principles and policies are now used as integral documents in the day-to-day operations of the business covering both our investments and how we operate.

Our Green Investment Principles and Green Investment Policy are the beginning of a journey to provide more structure and consistency to green assessment, monitoring and reporting. As the world's first dedicated Green Investment Bank our goal is to accelerate investment into the green economy and we are committed to ensuring our approach is at the forefront of market practice. We want to help catalyse a sector-wide improvement in these areas. However, this is a relatively new area of banking. We have therefore adopted an approach based on 'learning through doing' underpinned by a commitment to continuous improvement. We welcome input from all our stakeholders to ensure we remain at the forefront of reporting in sustainable finance.

We have also updated our Green Impact Reporting Criteria as a complementary document to our Annual Report. We anticipate that this document will now be republished annually to reflect the amended emissions factors and additional data we collect and report, in line with our goal of continuous improvement.

Green Investment Principles

The Green Investment Principles are an integral part of our investment process. Every investment we make has to satisfy these investment principles. And, by investing alongside us, other banks and investors are demonstrating support for the same principles.

We are committed to working in an open and transparent way, so that others – whether they are co-investors or not – can see the methods and approach that we apply. By publishing these investment principles, we aim to create momentum for a co-ordinated effort to build a greener global economy and, over time, to set a benchmark for the wider investor community.

- Principle 1: Positive contribution to a recognised green purpose
- Principle 2: Reduction of global greenhouse gas emissions
- Principle 3: Enduring green impact
- Principle 4: Clear and firm investment criteria
- Principle 5: Robust green impact evaluation
- Principle 6: Effective covenants, monitoring and engagement
- Principle 7: Transparent reporting

Green Investment Policy

The Green Investment Policy is designed to ensure that our activities are in line with the Green Investment Principles. The Green Investment Policy will apply to all forms of investment, throughout the investment cycle, from pre-investment, acquisition, ownership and exit from an investment, to help ensure that the potential green impact of all our investments is appropriately assessed, monitored and reported.

Responsible Investment Policy

Our Responsible Investment Policy underlines our commitment to deploying our capital and expertise as a responsible investor. We take environmental, social and governance issues into consideration as an integral part of our entire investment process. In December 2013 we adopted the Equator Principles and in February 2014 became a signatory to the six Principles for Responsible Investment. More details of both of these can be found in the Sustainability section of the Strategic Report on p.50.

Corporate Environmental Policy

The Corporate Environmental Policy sets out how we will consider and manage environmental impacts associated with our activities and those of our key suppliers.

Stakeholder engagement

We are grateful to the many stakeholders who took an active role in shaping our policies. Representatives from the world of finance and consulting as well as government and non-governmental organisations all contributed to shaping our Green Investment Principles and Policy. However this process is one of evolution so we continue to seek external input and advice to ensure we remain at the forefront of green reporting.

Transparency

To fulfil our mission will require a major collective effort. Our greatest contribution will come from the effect that we can have on the wider investment community. We can act as a catalyst by demonstrating that commercial returns can be achieved through following robustly green policies to secure the long term impact of our investments. To this end our Green Policies are published in full and available on our website at www.greeninvestmentbank.com.

In addition GIB is committed to ensuring that core elements of its green performance are independently assured by a trusted independent third party. This year, Deloitte has been appointed as independent third party assurance provider and has assured that the published green impact data for GIB's portfolio of investments for 2013-14 (see p.84-89) and GIB's own GHG footprint (see p.51) have been calculated in accordance with the methodologies set out in the Green Impact Reporting Criteria 2013-14 and the Corporate GHG Emissions Reporting Criteria 2013-14 respectively. The Independent Assurance Report on p.91 specifies the data that has been assured. Green impact data for GIB's portfolio of investments includes:

- GHG emission reductions;
- renewable energy generated;
- energy demand reduction;
- materials recycled; and
- waste to landfill avoided.

Green Committee membership

The membership of the Committee comprises two independent Non Executive Directors, Tessa Tennant and Professor Dame Julia King who together bring a wealth of experience of environmental issues and responsible investment issues. The Chief Executive, Shaun Kingsbury, is also a member of the Committee, helping to ensure that its work gains rapid traction within the business, given its critical importance to GIB's core activities.

Several members of the GIB Leadership Team have also been invited to attend meetings of the Green Committee, including the Chair of Investment Committee, the Chief Risk Officer, the Group Operations Director and the Head of Sustainable Finance.

Sustainable Finance Advisory Group

In order to remain abreast of developments on a broad range of issues both locally and internationally the Sustainable Finance Advisory Group was convened in January 2014. The duties of the group include:

- to review and advise on emerging risk and policy issues in the area of sustainable finance with a focus on macro level risks which may affect investments within the scope of GIB;
- to review and advise on emerging climate change and sustainability policy issues that could affect the mission of GIB;
- to review and advise on emerging standards, metrics and protocols that could be considered for deployment by GIB;
- to review and advise on academic scientific and research developments work that could help GIB's due diligence and investment appraisal process;
- to review and advise on emerging risks across GIB's five green purposes;
- to identify emerging risk and policy across GIB's sectors;
- to note emerging sectors that could in the future form part of GIB's strategy, subject to state aid rules;
- to identify emerging issues in the broader responsible investor environment; and
- to identify broader emerging corporate sustainability issues.

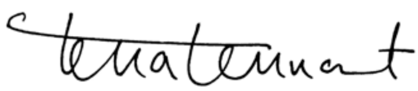
The Group Operations Director, Rob Cormie, acts as chair with attendance from the Head of Sustainable Finance and the Chief Executive, Shaun Kingsbury on an ad-hoc basis. The current members of the group are:

- Abyd Karmali – Managing Director, Head of Carbon Markets, Bank of America Merrill Lynch
- Professor Sir Jim MacDonald – Vice Chancellor, University of Strathclyde
- Helen Wildsmith – Head of Ethical and Responsible Investment, CCLA
- Jon Williams – Partner, Sustainability and Climate Change, PricewaterhouseCoopers

The group aims to meet three times a year and insights are shared with the Board. The role of the group is solely advisory.

2014-15 focus

Now that the framework of principles and policies has been established, the Green Committee has completed the development of an appropriate reporting format to the Board. Once finalised, green matters will become a standing item considered by the full Board.



Tessa Tennant
Chair of the Green Committee

Signed and approved for and on behalf of the Board 9 June 2014

Remuneration Committee report

I present the remuneration report for the year to 31 March 2014, prepared in accordance with the new regulations governing the disclosure and approval of Directors' remuneration which came into force for financial years ending on or after 30 September 2013. In addition to covering all Directors of GIB, the report also provides information on the remuneration of GIB's Leadership Team. Those sections of the report that have been audited by the National Audit Office have been identified as such. This report is divided into two parts:

- policy on Directors' remuneration, which will be subject to a binding Shareholder resolution at the forthcoming AGM; and
- annual report on remuneration, which provides information on how the policy has been applied during the year and which will be subject to an advisory resolution at the forthcoming AGM.

The principles of our remuneration policy are summarised as follows:

- set at a level to attract, motivate and retain Executives with the level of skill and determination to deliver the business goals of GIB, while recognising the unique nature of the organisation and the requirements of the Shareholder;
- allow adaptation as the business develops. GIB continues to consider funding structures such as a potential fund for offshore wind and GIB's policy allows for appropriate remuneration structures to be put in place; and
- transparency of the quantum, timing and conditionality of all remuneration of the Board and Leadership Team.

The key decisions made by the Remuneration Committee and approved by the Board on current and future remuneration were:

- the business objectives for 2013-14;
- the salary benchmarking methodology;
- the remuneration structures for the Leadership Team if a decision is taken to create a fund for offshore wind;
- salaries for the Leadership Team in 2014-15; and
- the Business Objectives components of the Long Term Incentive Plan awards for 2013-14.

The Remuneration Committee recommended to the Board that 74 per cent of the business performance element of the incentive plans be paid for 2013-14. This reflects GIB staff's great efforts in what has been a challenging year as discussed elsewhere in this report. A summary of the remuneration of the Board and Leadership Team is set out on p.68-69 of this document.

The Remuneration Committee's main new work for 2014-15 will be to begin a review of GIB's performance related pay and the Long Term and Short Term Incentive Plan. 2014-15 will be the third period in which these will have been in force and so we believe it is time to check that these are still in keeping with leading practice.

As this is the first full year of operation, the Remuneration Committee has sought to understand trends in the market on both quantum and structure of remuneration across GIB. We have commissioned this work as we recognise the need to balance the need to secure and retain talent while managing our cost base. The employment section in the Strategy Report of this document (see p.44) covers this in more detail and demonstrates the importance we place in this area.

Professor Isobel Sharp
Chair of Remuneration Committee

Directors' remuneration policy

This part of the remuneration report sets out the remuneration policy for Directors and members of the Leadership Team. It has been prepared in accordance with 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 UK Corporate Governance Code 2012 and the views of the Shareholder. The policy will be put to a binding Shareholder vote at the forthcoming AGM and, if approved will take effect from the date of that meeting. While the current guidance notes that the remuneration policy should be set for three years, the Remuneration Committee notes that, as GIB is in the early days of its existence, the policy may need to be revisited to respond to significant changes in the nature, strategy and ownership model of GIB and to ensure that GIB continues to adopt leading practice in its remuneration policies and practice.

Policy overview

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

In respect of the remuneration of the Chair, the Executive Director and the Non Executive Directors, it has been recommended that as GIB is in start-up mode, there should be no change to these pay levels for at least 2014-15. In setting the remuneration policy for the Executive Director and the Leadership Team, the Remuneration Committee takes into account the following principles:

- the need to attract, retain and motivate talented Executive Directors and senior management, whether on the Board or not and to ensure that, as public money is involved, our investments are selected and managed by a team of sufficient expertise and quality;
- alignment with the interests of the Shareholder; and
- structuring remuneration to drive the correct behaviours and cognisance of trends in the market driven by regulation and commercial pressures.

The following table summarises the key elements of GIB's remuneration policy for Executive Directors and the Leadership Team:

Element and purpose	Operation, opportunity and performance framework
Base salary To provide a base salary to attract and retain talented leaders	Base salaries are reviewed annually by reference to roles and responsibilities and, in roles below Board level, comparable roles in the private sector. The Remuneration Committee also takes account of the economic environment and employment conditions.
Long Term Incentive Plan 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 of GIB are eligible to participate in the Long Term Incentive Plan. The incentive is an annual cash award of up to 50 per cent of base salary, which is deferred for two years after award date. The amount awarded is calculated for Executive members of the Board with a weighting of 80 per cent based on the business performance in that year and 20 per cent on personal performance in accordance with specific personal objectives. For the remainder of the Leadership Team the weighting is 70 per cent business performance and 30 per cent personal performance in accordance with specific personal objectives. The Remuneration Committee defines business performance in advance of any award and measures this after the end of each year, with appropriate input from other committees of the Board. Performance incentives are not awarded if the employee: (i) has left GIB or is working their notice, except where the Remuneration Committee determines the employee to be a good leaver under the terms of any relevant performance pay scheme (for example in circumstances where the employee leaves in circumstances akin to redundancy); or (ii) has been designated a bad leaver under the terms any relevant performance pay scheme.
Pension and other benefits To provide a competitive package to attract and retain talented leaders	The contribution by GIB of 10 per cent of base salary to a defined contribution scheme is subject to a minimum personal contribution of 3 per cent. A small number of individuals, however, who are not paying into a UK pension scheme, receive a separate payment equal to the amount all other employees receive contractually as a company pension contribution. Other benefits provided are private medical cover, permanent health insurance and life assurance.
Loss of office payments To provide fair but not excessive contract features	The terms of loss of office are governed by the relevant service contract. There is no provision for compensation on early termination other than that payment may be given in lieu of notice, which is six months for the Executive Director and three months for members of the Leadership Team.
New Executive Director remuneration To provide a remuneration package to attract and retain talented leaders	Remuneration for new appointments will be set in accordance with the policy detailed in this table.

The following table summarises the key elements of GIB's remuneration policy for the Chair:

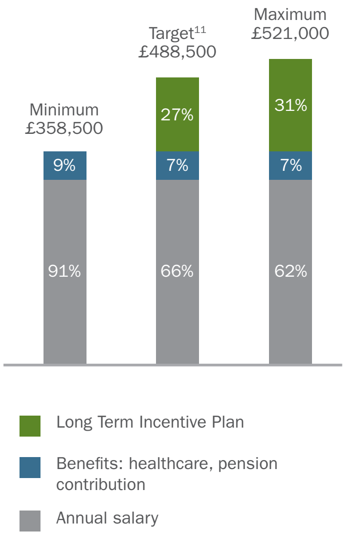
Element and purpose	Operation, opportunity and performance framework
Basic fee – Chair Remuneration is in the form of cash fees. Remuneration practice is consistent with recognised best practice standards for a Chair's remuneration and the quantum and structure of the Chair's remuneration will primarily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

The following table summarises the key elements of GIB's remuneration policy for Non Executive Directors:

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

Scenario chart for total remuneration opportunity for the Executive Director

The chart below provides a scenario for the total remuneration opportunity for the Executive Director. The fixed component in the chart includes current salary, taxable benefits and pension.



Recruitment

The Remuneration Committee expects any new Executive Director to be engaged on terms that are consistent with the policy as described on the preceding pages. The Remuneration Committee recognises that it cannot always predict accurately the circumstances in which any new Directors may be recruited. The Remuneration Committee may determine that it is in the interests of GIB and its Shareholder to secure the services of a particular individual which may require the Remuneration Committee to take account of the terms of that individual's existing employment and/or their personal circumstances. Accordingly, the Remuneration Committee will ensure that: (i) salary levels of any new Director are competitive relative to peer group; and (ii) variable remuneration will be awarded within the parameters outlined on p.64. In making any decision on any aspect of the remuneration package for a new recruit, the Remuneration Committee would balance Shareholder expectations, current best practice and the requirements of any recruit and would not strive to pay more than is necessary to achieve the recruitment. The Remuneration Committee would give full details of the terms of the package of any new recruit in the next Annual Report.

11. A performance target of meeting a minimum 80 per cent of all business and personal objectives

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

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

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

As mentioned above, GIB has an obligation to report back to the Shareholder on the remuneration of GIB staff below Board level and to provide a comparison against comparable roles in the private sector. This is done on an annual basis using external data, provided by McLagans. McLagans have no other connection with GIB. We have benchmarked every job against our peer group and following further analysis in Q3 2014 the results will be shared with the Shareholder. As an additional control the Secretary of State for Business, Innovation and Skills has to approve all remuneration for the Chief Executive. The remuneration report and remuneration policy for the year to 31 March 2013 were both approved by the Shareholder at the last AGM held on 19 June 2013.

GIB wide remuneration
GIB seeks to apply its remuneration policy in a consistent way. All staff receive pension contributions, medical and life assurance alongside their base salary. A discretionary performance incentive of up to 20 per cent of base salary is available for specific members of staff.

The Leadership Team and the Remuneration Committee receive updates from the Head of Human Resources on trends in the market and issues that may need to be addressed to ensure we attract and retain the staff we need to deliver our business goals.

The Shareholder approved the last Directors' Remuneration Report as part of the Annual Report and Financial Statements for the period ended on 31 March 2013.

Service contracts
It is GIB's policy that Executive Directors should have a service contract. The key terms of the Chief Executive, who is the only Executive Director, are:

- notice period – three months by either party during the first six months of employment and six months' notice by either party thereafter;
- termination payment – no provision for compensation on early termination other than that payment may be given in lieu of notice;
- remuneration – salary, pension, benefits and participation in Long Term Incentive Plan;
- non-compete – during employment and for six months after the agreed departure date; and
- contract date – 29 October 2012.

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

In 2013-14 Shaun Kingsbury was a Non Executive Director with Envision Energy Ltd and is entitled to receive an annual fee of £75,000 from them.

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

Short Term Incentive Plan
The purpose of the Short Term Incentive Plan is to reward selected members of GIB for their performance during the year based on an assessment of both business and personal objectives. Any awards under this scheme are paid in June of each year following completion of the annual audit and Board approval of the Financial Statements. Performance is considered in the context of targets set for the financial year. The maximum annual incentive payable is 20 per cent of base salary. This performance incentive is subject to personal performance, the performance of the business and other relevant considerations with personal objectives comprising 30 to 70 per cent and business objectives comprising the balance, depending on the role. The annual incentive is paid wholly in cash. Those participating in the Short Term Incentive Plan are not eligible for the Long Term Incentive Plan.

Long Term Incentive Plan
The purpose of the Long Term Incentive Plan is 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 are discretionary and are conditional upon approval by the Board on the recommendation of the Remuneration Committee. Those participating in the Long Term Incentive Plan are not eligible for the Short Term Incentive Plan. The Long Term Incentive Plan consists of two parts. One part relates to some members of the Leadership Team and the second part relates to Executive members of the Board (only the Chief Executive to date) whose awards are also subject to formal approval by the Shareholder.

Specific fund incentives
Where a member of the Group provides fund management services it is recognised investors are likely to require some specific employee incentives linked to performance of the relevant fund. It has been agreed in principle that separate incentive pools are likely to be appropriate for staff in direct fund management roles and for other staff taking on additional workload in addition to their existing commitments. Any specific proposals will be subject to Committee and Board approval and oversight.

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

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

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

Business objectives in the Short Term Incentive Plan and the Long Term Incentive Plan
The business objectives elements in both Incentive Plans are measured on an identical basis. The business objectives are set by the Remuneration Committee and performance against those objectives is determined by the Remuneration Committee.

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

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013. The annual report on remuneration will be put to an advisory Shareholder vote at the forthcoming AGM.

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

In addition, the Chair and the Chief Executive accepted invitations to attend meetings in 2013-14. The Company Secretary acts as Secretary to the Remuneration Committee.

Remuneration Committee agenda 2013-14

Month	Agenda items
May 2013	• 2013-14 business objectives • Performance related pay
July 2013	• Leadership team objectives
September 2013	• Salary benchmarking protocol
November 2013	• Shareholder approval requirements • Remuneration policy for the future regulated subsidiary and in the context of a potential fund to be managed by it
January 2014	• Remuneration policy for the future regulated subsidiary and in the context of a potential fund to be managed by it
March 2014	• Salary proposals for 2014-15
May 2014	• 2014-15 business objectives • Performance related pay for 2013-14 • Annual Reporting

Performance assessment
Performance of the business for the 2013-14 period has been measured against the following objectives approved by the Remuneration Committee. These objectives were intended to be stretching and designed to promote the long term success of GIB.

GIB's mission is to help accelerate the UK's transition to a green economy and creating an enduring institution operating independently of Government. As such the performance of the business in 2013-14 has been measured against the following criteria including the relative weighting:

- green investment criteria (80 per cent); and
- other performance indicators (20 per cent).

Green investment objective
For the green investment objective, make new capital commitments of £1bn which:

- are within acceptable risk profiles;
- meet our green criteria;
- seek an average mobilisation of third party capital of 2.5:1; and
- have an average forecast portfolio return of not less than 3.5 per cent.

Other performance indicators
The other performance indicators are:

- following appropriate internal and external consultation, complete all Green Policies, receive Board approval for their adoption, and provide that all such policies are, where appropriate publicly available and at the centre of all investment, risk and business operations of GIB;
- attempt to make investments by way of new or novel approaches to foster innovation in the market;
- deal and other operational costs within budget; and
- staff compliance processes and staff training up to date, as part of ensuring the appropriate culture in GIB.

The Board, on the Remuneration Committee's recommendation, awarded GIB a score of 74 per cent against the business objectives that had been set for the relevant period. This reflects capital commitments in 2013-14 of £668m, a great achievement given the circumstances in the market, but less than the targeted £1bn.

It was also taken into account that GIB had passed all of its other (non-investment) business objectives (relating to its Green Policies, innovation in the market, control of operational costs and staff compliance and training). The Board, on the Remuneration Committee's recommendation, awarded Shaun Kingsbury payment of 100 per cent for the achievement of his personal objectives. Taking these two awards together, this equates to a payment for the 12 month period from 1 April 2013 to 31 March 2014 of £128,700 which will be paid in 2016 subject to Shareholder approval and the terms, conditions and provisions of the Long Term Incentive Plan. For other members of the Leadership Team, a total of £728,779 was awarded. Those on the Long Term Incentive Plan will have the awards paid in 2016 subject to the terms, conditions and provisions of the plan.

Board of Directors and Leadership Team remuneration

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

Board of Directors remuneration

	Fee 2013-14	Annual equivalent fee 2013-14	Fee 2012-13	Annual equivalent fee 2012-13
	£	£	£	£
Chair and Non Executive Directors				
Lord Smith	120,000	120,000	102,258	120,000
Prof. Dame Julia King	25,000	25,000	10,417	25,000
Fred Maroudas	25,000	25,000	10,417	25,000
Sir Adrian Montague	6,250	75,000	63,911	75,000
Tom Murley	25,000	25,000	10,417	25,000
David Nish	30,000	30,000	12,500	30,000
Anthony Odgers	–	–	–	–
Tony Poulter	28,667	40,000	N/A	N/A
Isobel Sharp	30,000	30,000	12,500	30,000
Tessa Tennant	30,000	30,000	11,250	30,000

- Non Executive Directors do not receive any pension, benefits or long term incentives.

Executive Director remuneration

	Actual remuneration					Annual equivalent
	Salary	Pension	Benefits	Long term incentive	Total	Salary
	£	£	£	£	£	£
Executive Director						
Shaun Kingsbury 2013-14	325,000	32,500	858	128,700	487,058	325,000
Shaun Kingsbury 2012-13	139,167	13,917	286	52,000	205,370	325,000

- Sir Adrian Montague resigned from the Board effective 30 April 2013.
- Anthony Odgers is the Shareholder representative and employed by the Department for Business, Innovation and Skills.
- Shaun Kingsbury's Long Term Incentive Plan award remains subject to Shareholder approval in July 2014.
- Tony Poulter was appointed as a Director of GIB on 15 July 2013.

Leadership Team remuneration

	Actual remuneration for 2013-14						Annual equivalent
	Salary	Pension	Taxable benefits	Short term incentive	Long term incentive	Total	Salary
	£	£	£		£	£	£
Members at 31 March 2014							
Shaun Kingsbury	325,000	32,500	858	–	128,700	487,058	325,000
Jennifer Babington	105,000	10,500	217	18,270	–	133,987	105,000
Jeremy Burke	125,000	12,500	454	–	51,125	189,079	125,000
Rob Cormie	275,000	27,500	593	–	112,475	415,568	275,000
Oliver Griffiths	140,000	14,000	271	–	57,260	211,531	140,000
Peter Knott	275,000	27,500	25,939	–	112,475	440,914	275,000
Rob Mansley	20,000	2,000	56	3,272	–	25,328	240,000
Euan McVicar	165,064	16,506	215	–	68,167	249,952	250,000
Ian Nolan	300,000	30,000	993	–	122,700	453,693	300,000
Edward Northam	272,083	27,208	789	–	112,475	412,555	275,000
Bill Rogers	20,000	2,000	35	2,881	–	24,916	240,000
Members during the year							
Anthony Marsh	283,462	25,208	985	–	–	309,655	275,000
Christopher Saunders	66,667	–	–	10,907	–	77,574	200,000

- Shaun Kingsbury is a Board member and member of the Leadership Team. His remuneration is shown in both tables.
- Remuneration disclosure is for the period of membership of the Leadership Team only. Euan McVicar joined GIB and the Leadership Team in August 2013.
- During the year Christopher Saunders left the Leadership Team in August 2013. Anthony Marsh left the Leadership Team in February 2014 and received holiday pay for holidays accrued and untaken. Ian Nolan left the Leadership Team in April 2014.
- Pension benefit includes any cash allowances made in lieu of pension for Ian Nolan and Ed Northam.
- Taxable benefits include private health insurance. Peter Knott also received £25,000 as a relocation allowance for his move to Edinburgh.
- The Long Term Incentive Plan award is subject to a two year adjustment period, as outlined earlier in the Remuneration Committee report.
- Jennifer Babington, Rob Mansley, Bill Rogers and Christopher Saunders are members of the Short Term Incentive Plan.

History of Chief Executive's remuneration

Year	Chief Executive	Salary	Pension	Taxable benefits	Long term incentive[i]	Total remuneration	Performance incentive plan as percentage of maximum
2013-14	Shaun Kingsbury	325,000	32,500	858	128,700[ii]	487,058	79
2012-13[iii]	Shaun Kingsbury	325,000[iv] **(139,167)**	32,500 **(13,917)**	828 **(286)**	125,125[v] **(52,000)**	483,453 **(205,370)**	77

i. The Chief Executive is not entitled to an annual bonus. The Chief Executive is only eligible for awards under the Long Term Incentive Plan (details of which are set our earlier in this report).

ii. Shaun Kingsbury received no long term incentive payment in the 2013-14 period. The long term incentive awarded for 2013-14 is subject to shareholder approval and a two year adjustment period and will be payable in the 2016-17 year.

iii. Shaun Kingsbury was appointed to his role on 31 October 2012. Actual figures are shown in brackets with the main figure shown as a full year value to aid comparison.

iv. Shaun Kingsbury's salary did not increase between 2012-13 and 2013-14. There was a change in the annual equivalent remuneration for the 2013-14 period of 0.8 per cent for all GIB employees taken as a whole, relating to a small number of individuals whose role changed in the period.

v. Shaun Kingsbury received no long term incentive payment in the 2012-13 period. The long term incentive awarded in for 2012-13 is subject to a two year adjustment period and will be payable in the 2015-16 year.

Board of Directors terms of engagement

	Contract date		Term	Notice period
Lord Smith	25.05.12	–	36 mths	6 mths
Professor Dame Julia King	29.10.12	–	36 mths	6 mths
Fred Maroudas	29.10.12	–	36 mths	6 mths
Sir Adrian Montague	25.05.12	Resigned 30.04.13	36 mths	6 mths
Tom Murley	29.10.12	–	36 mths	6 mths
David Nish	29.10.12	–	36 mths	6 mths
Anthony Odgers*	Appointed by Shareholder	–	36 mths	6 mths
Tony Poulter	15.07.13	–	36 mths	6 mths
Professor Isobel Sharp	29.10.12	–	36 mths	6 mths
Tessa Tennant	29.10.12	–	36 mths	6 mths

**Shareholder Representative*

Board of Directors fees

Role	Fee £000's
Chair	120
Senior Independent Director	40
Board Member	25
Supplement for Chair of Audit and Risk Committee	5
Supplement for Chair of Remuneration Committee	5
Supplement for Chair of Green Committee	5

Non Executive Directors

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

The Shareholder Representative Director, appointed by the Department for Business, Innovation and Skills, receives no remuneration from GIB in respect of his role as a Director.

Public sector remuneration disclosure

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

The annual salary of the highest paid Director in GIB is £325,000. This is 3.6 times the median salary of the GIB workforce, which is £90,000. Including potential performance related pay, the total cash paid to the highest paid Director for the year 2014 will be £453,700. The total cash received by the median member of the GIB workforce is £100,000, giving a multiple of 4.53 times.

No employees receive a salary in excess of the highest paid Director. Annual full time equivalent salaries range from £22,000 to £325,000.

The majority of GIB employees received an increase in their base salaries of 1.9 per cent in line with the Consumer Price Index with effect from 1 April 2014.

2014-2015 focus

The focus for the 2014-15 Remuneration Committee will be:

- Review and sign off of 2014-15 objectives;
- Review and sign off of scoring metrics for the measurement of business performance; and
- Commencement of the review of the incentive plans to determine whether any change should be made for 2015 or later years.

The metrics for the performance awards for 2014-15 will reflect the KPIs and strategic objectives for the year.

Share ownership

GIB is wholly owned by the Secretary of State for Business, Innovation and Skills.

Professor Isobel Sharp
Chair of Remuneration Committee

Signed and approved for and on behalf of the Board 9 June 2014

Audit and Risk Committee report

The Audit and Risk Committee helps the Board to discharge its responsibilities for financial reporting, risk management and internal control, ensuring that our conduct is open, principled and accountable.

The Audit and Risk Committee ("ARC") is governed by the principles of the UK Corporate Governance Code (2012) ("the Code"). We have reflected these principles and the guidance on audit committee activities in the ARC's terms of reference, which are published on our website at www.greeninvestmentbank.com.

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

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

The ARC receives regular structured reports on key aspects of the organisation including transactions, portfolio management, finance, risk, internal audit and policy. They also receive periodic in-depth analyses that rotate through different risk types.

The ARC meets according to the requirements of GIB's financial calendar. There were 8 meetings of the ARC in the financial year 2013-14. The table on p.59 identifies the attendance record of individual Directors at the ARC meetings held during the year.

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

Responsibilities and activities of the ARC

The fundamental role of the ARC is to ensure true and fair public reporting and to ensure that risks which could harm GIB and its objectives are appropriately managed. terms of reference for the ARC are reviewed annually by the Committee and subsequently reviewed and approved by the Board. These terms of reference are available to download from GIB's website. These establish the ARC's accountability for financial reporting, internal controls, and internal and external audit. The ARC discharged its responsibilities in the following ways:

Oversight of Financial Reporting

- Reviewed the accounting policies adopted to **ensure GIB complies with Accounting Standards** and presents accounts that are true and fair.
- **Reviewed methods** used to account for significant or unusual transactions where different approaches are possible.
- Reviewed the **revised tax policy** as agreed with the shareholder.
- Assessed the extent to which GIB has complied with the **financial reporting requirements** of the Department for Business, Innovation and Skills.

Oversight of Risk Management and Internal Controls

- Oversaw development of a **Governance, Risk and Control Framework**.
- **Approved Terms of Reference** for Executive Committees.
- Recommended **GIB policies in respect of operations, risk, compliance** and other matters to the Board.
- Recommended the **GIB Risk Appetite Statement** to the Board.
- Approved **risk limits** under the overarching GIB risk appetite.
- Received, at each Committee meeting, risk reports that **provide coverage of external trends,** principal risk types, compliance and internal audit.
- Received more **detailed reports** covering specific risk types on a rotating basis.

Interaction with the External Auditor

- **Approved the re-appointment** of the **National Audit Office** as external auditors.
- **Agreed the scope** of the external audit work.
- **Discussed the conclusion** of the external audit work and the opinion given on the Financial Statements.
- **Reviewed the effectiveness** of the External Audit function.

Oversight of Internal Audit

- Approved the Internal Audit Charter **setting out the mandate, and responsibilities** of the Internal Audit function.
- **Approved the Internal Audit plan** for 2013-14.
- Approved **rating definitions for Internal Audit findings** and associated standard deadline periods for remedial actions.
- Approved **KPIs** to be used in respect of Internal Audit reviews.
- Reviewed **thematic reviews** presented by the Internal Audit function and gap analyses against the Institute of Internal Audit ("IIA") code and instructed actions to be taken based on these analyses.
- Reviewed the **effectiveness of the Internal Audit function**.
- Reviewed the opinion of Internal Audit regarding the effectiveness of the control environment.

KEY ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK COMMITTEE IN 2013-14

Oversight of financial reporting

After discussion with both management and the external auditor, the Committee determined that the key accounting matters and judgements in respect of the Group's Financial Statements are:

- Group accounting boundary and asset classification;
- assurance over component activity;
- investment valuation and recoverability of debt; and
- revenue recognition.

These issues were discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the auditors' Group audit plan, when the auditor provided the Audit Progress report in May 2014 and also at the conclusion of the audit of the Financial Statements.

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

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

Specific areas considered were the Group's decision to consolidate the five funds to which we have committed capital, the investment in the Westermost Rough joint venture and the treatment of shareholder loans to investee companies as available-for-sale assets.

The Committee interrogated management's key assumptions and considered the appropriateness of the final recommendations to understand their impact on the Financial Statements. The Committee was satisfied that the recommended treatment had been appropriately scrutinised, challenged and reflects the nature of the investments being made.

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

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

Management presented to the Committee on how adequate information had been obtained, including the receipt of audited or draft accounts from the investee entities, accounting policy application reviews, and obtaining supporting calculations and evidence of underlying transactions. The Committee was satisfied that appropriate work was completed to ensure the reported results apply consistent accounting policies. As the Group develops in size and complexity the approach to this area will need to adapt and the Committee will monitor this on an ongoing basis.

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

The Group accounts for investments in different ways:

- unlisted debt: the Group records these assets at amortised cost less impairments after adjusting for effective interest rate adjustments;
- unlisted minority equity investments and related shareholder loans: the Group records these assets at fair value as they are classified as available-for-sale assets;
- unlisted equity investments classified as associates: the Group applies the equity method of accounting for these assets, where carrying value is based on the initial cost and then adjusted for the post-acquisition change in the Group's share of net assets of the investee, which is primarily an increase from the recognition of net income and a decrease from the receipt of dividends or distributions; and
- joint ventures: where a joint arrangement is classified as a joint venture the Group records the investment at cost and then applies the equity accounting method outlined for associates above.

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

Management highlighted how they arrived at the key assumptions to estimate future cash flows for the investments, including forward power prices and production, market-based interest rates and discount rates. The Committee were content that adequate challenge had been conducted and was further satisfied with the disclosures in the Financial Statements.

Revenue recognition
The Group recognises income in line with the relevant accounting standards and treatment. In certain circumstances this requires management judgement to determine the appropriate amount to recognise, which can materially impact the Group's results.

The Committee received papers from management detailing the accounting options available in relation to the recognition of upfront fees, non-utilisation/undrawn facility fees and interest from loans where interest is rolled up rather than received in cash. Management brought to the attention of the Committee the fact that different accounting treatment could materially impact current and future reported results.

The Committee challenged management's assessment of the appropriateness of recognising, or deferring, revenue and in particular discussed how management consider:

- expected loan tenors and the likelihood of them being drawn – this impacts the period over which upfront fees are recognised; and
- any uncertainty over interest being recognised where loans involve the rolling up of interest – this determines whether income is recognised in the current or future period.

The Committee was satisfied that a sufficiently robust process was followed to assess the appropriateness of revenue recognition and that the reported revenue was appropriate.

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

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

Oversight of Risk Management and Internal Control

There is risk involved in establishing a new investment bank with a mandate to invest in sustainable projects which have not received adequate support from private markets. Investment banking is intrinsically affected by credit, market, operational, liquidity and other risks, along with wider systemic and strategic challenges. Setting up a new institution under intense public scrutiny involves additional challenges beyond those which affect a typical investment bank. So too does focusing on a very specific range of economic sectors and ensuring that we comply with our mandate to support only those sectors requiring our support.

Ultimate accountability for oversight of risk resides with the Board, underpinned by independent oversight from Non Executive Directors. The Board delegates its authority to the ARC for oversight of financial reporting, risk management and audit matters. To manage these risks and achieve our objectives while safeguarding the funds that have been entrusted to us by UK taxpayers, GIB has established and continues to develop a risk governance framework. This framework starts with strategic-level risk management tools such as Committee terms of reference, risk appetite and GIB policies, then uses these to guide the development of risk management processes at the operational level.

The ARC continuously evaluates the effectiveness of risk management, using the risk reports that are presented to it. Based on this information, the Committee evaluates the effectiveness of risk management and instructs any improvements that are required. Refer to the Risk Management and Internal Control section of this report for details of how GIB has developed its risk management framework. Based on information provided by Internal Audit and the Risk function, ARC has concluded that the Control environment overall is effective and adequate to ensure compliance with our risk appetite, subject to ongoing improvements designed to reflect the development of GIB.

Oversight of Internal Audit

The role of Internal Audit
As part of its governance, risk and control framework, GIB maintains an Internal Audit capability, headed on an interim basis by the Chief Risk Officer pending the recruitment of a permanent Head of Internal Audit. In addition, a co-sourcing arrangement with KPMG LLP (“KPMG”) has been established in which resources are provided to conduct internal audit reviews. These reviews and the recommendations arising from them remain the responsibility of GIB Executives and oversight of all aspects of Internal Audit, including the KPMG co-sourcing arrangement, is the responsibility of the ARC. We are satisfied that there are appropriate controls in place to maintain the independence of the internal audit function.

Audits undertaken
A total of fourteen internal audit assignments were completed during the year 2013-14 across a range of operational processes and business areas, as approved by the ARC in July 2013. Findings from these reviews were discussed at the ARC, together with remediation plans, as agreed by management. The tracking of these plans, particularly highlighting any overdue action points, is discussed at the ARC with management being held to account for their resolution. In the period, two reports were rated unsatisfactory and we are satisfied that appropriate remediation plans are under way. The areas covered by these reports will be assessed by follow-up audit work in the coming year.

Areas covered by Internal Audit in 2013-14

Transaction and Portfolio Management	Transaction approval	Portfolio Investment Management	Model Policy Design			
Legal, Risk and Finance	Financial Control	Governance Effectiveness	Compliance Policies	Financial Crime Due Diligence		
	Mandate Compliance	3rd Party Engagements	Risk Management	Procurement	State Aid Requirements	
Green and Operations	Employee expenses	Payroll and HR	Public Complaints	Information Security	Green Target Review	Green Due Diligence

Key themes in audit findings
Audit findings have been categorised into nine themes which are shown below. These themes reflect the developing nature of the organisation and we have ensured that the lessons learned have been communicated across GIB.

Future internal audit plans
For 2014-15, the ARC has agreed to adopt a '6 plus 6' audit plan approach in which the audit plan is clearly defined for an initial six month period and more flexible for a subsequent six month period. This will allow the plan to be adapted to emerging risks and business needs.

Evaluation of internal and external audit
The ARC monitors and reviews the effectiveness of Internal Audit by means of KPIs, the results of quality assurance procedures and feedback obtained from other teams. From this evaluation, the Committee has concluded that the Internal Audit function is performing effectively.

The Committee also concluded that the co-sourced services provided by KPMG were effective and that there were no material conflicts affecting the services provided by KPMG.

The Committee has reviewed the effectiveness of the external auditor and its compliance with relevant regulation and codes of practice. It has deemed the performance of the auditor to comply with these standards. The tenure to date of the external auditor has been two years and its continuity will be evaluated next year.

Provision of non-audit services
The appointed external auditor has not provided any non-audit services during the financial year and our view is that the external auditor is objective and independent. The Committee has approved a policy on the engagement of the external auditor to supply non-audit services. This sets out the formal standards which specify the types of non-audit services which are pre-approved, those which require specific approval of the Committee, and those from which the external auditor is excluded.

Evaluation of the performance of the ARC
The Committee's performance was evaluated in an independent Board effectiveness review. Following discussion, the Committee concluded that it had no recommendations on its performance or constitution to make to the Board.

Whistleblowing and financial crime
The Code requires us to review the arrangements by which staff may, in confidence, raise concerns about any improprieties in matters of financial reporting or other matters and this responsibility is reflected in the Committee's terms of reference. We have completed this review and are satisfied that appropriate arrangements are in place.

Key themes in audit findings

Evidence and details of review	Responsibility with **outsource providers**	**Monitoring of budget** and Work in Progress
Quality and content of Management Information	Approving, documenting and **communicating policies**, processes and controls	Information **Security control**
Model governance and **calculation** errors	Key Person **Risk**	Internal **communication**

David Nish
Chair of the Audit and Risk Committee

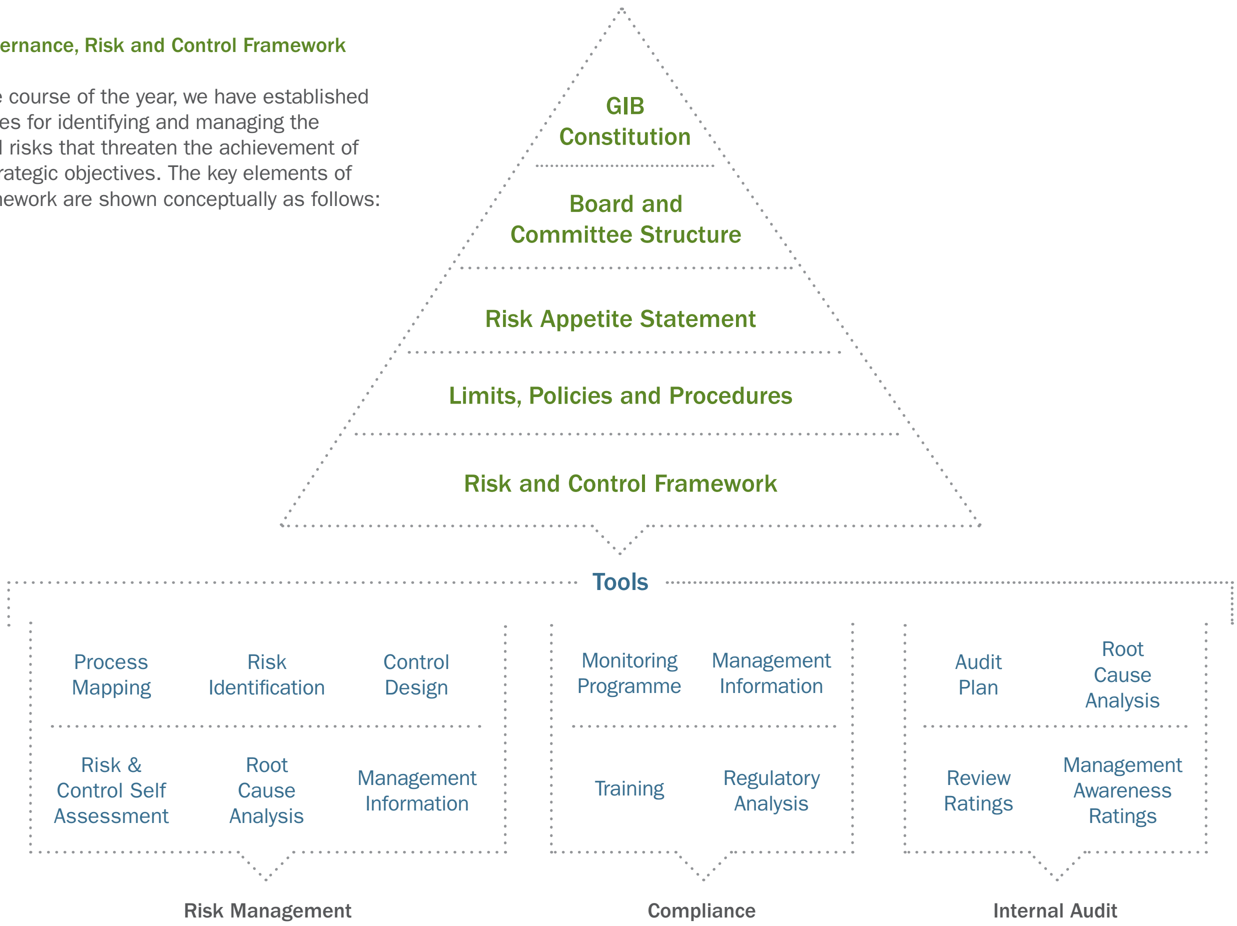
Signed and approved for and on behalf of the Board 9 June 2014

Risk management and internal control

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

The Governance, Risk and Control Framework

Over the course of the year, we have established processes for identifying and managing the principal risks that threaten the achievement of GIB's strategic objectives. The key elements of our framework are shown conceptually as follows:



Board and Committee structure

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

We have established three Executive Committees, whose role is to set policy, make decisions and oversee the management of risks and performance. The Investment Committee ("IC") is chaired by the General Counsel and considers all investment decisions before making recommendations to the Chief Executive. All investments over £50m must be approved by the full Board and the Shareholder's approval is required for all investments over £300m. Three Non Executive Directors are members of the IC. The Risk and Compliance Committee ("RCC") is accountable for assessing operational, green, liquidity and reputational risk, as well as compliance and internal audit matters; the Portfolio Management Committee ("PMC") is accountable for assessing risks and trends that arise within GIB's portfolio of investment assets. The RCC and PMC are chaired by the Chief Risk Officer and report to the ARC.

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

Risk Appetite Statement

One important risk management tool mandated by GIB policy is the Risk Appetite Statement. This is a strategic-level tool that sets out the overall levels of risk that GIB is willing to accept. The development of all other elements of our risk management framework follows logically from our risk appetite.

Doing business intrinsically entails risk: in an unpredictable and interconnected world, investments and systems sometimes fail. The level of risk can never be reduced to zero. Different approaches to doing business, with different levels of control, entail different levels of risk.

So, in designing our control framework, we have assessed the level of risk we are willing to accept in relation to each of the principal risk types.

Our approach to risk appetite is as follows:

Objective	• A clearly articulated statement of risk appetite applied to all areas of our business through the Governance, Risk and Control Framework.
Responsibilities	• Board sets and approves risk appetite. • Process owners ensure their processes operate within risk appetite. • Risk function monitors risks against risk appetite and reports to the Board.
Scope of risk appetite	• We maintain a Risk Appetite Statement for each of the five principal risk categories.
How we govern risk appetite	• Controls are established and limits set to ensure we remain within our overall risk appetite. • These are managed and tested as part of the three lines of defence model.

The Risk Appetite Statement, which was approved by the Board and will be reviewed annually at a minimum, is as follows:

Primary risk

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

- **Investment risk appetite** is defined in greater detail through investment criteria and concentration limits for sectors, project type and counterparties. Investments are assigned a risk rating, which is subject to a full and independent review at least annually. In addition an 'early alert' rating is used when there are concerns about the performance of an investment.
- **Operational, green and reputational risks** are assessed on a 5x5 matrix of likelihood and impact, both on an inherent and residual (i.e. post mitigation) basis. GIB has defined standards for which regions of this matrix are within risk appetite.

Policies and procedures

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

GIB policies

Risk
- Risk Rating
- Operational Risk
- Credit Risk
- Market Risk
- Reputational Risk
- Transaction Approval
- Enhanced Monitoring
- Quantitative Models

Compliance
- Financial Crime
- Client Suitablity
- Conflicts of Interest
- Gifts and Hospitality
- Personal Account Dealing

Operations
- Business Continuity
- External Communications
- Freedom of Information
- Information Security
- Record Keeping and Data Protection

Finance
- Travel and Expenses
- Taxation Matters
- Valuation
- Procurement
- Outsourcing
- Managing Market Exposures

Green
- Green Investment
- Corporate Environmental
- Responsible Investment

HR
- Human Resources Manual
- GIB Code of Conduct

Independence and the Three Lines of Defence

We have implemented a "Three Lines of Defence" risk governance model in which:

- our business units (the first line) are responsible for managing their own risk within limits established by policy;
- our oversight functions (the second line) operate independently of the first line in providing review, challenge and advice; and
- our independent assurance functions (the third line) operate independently of the first and second lines in assessing the effectiveness of the overall framework.

The risk governance model has been implemented as follows:

1st

Business Units and Control Functions

Business Units take on risk under predefined policies

- Establishing a risk and control environment
- Document procedures
- Evaluating risk exposure through control self assessments against the risk and control framework
- Responsible for managing their own risks

2nd

Oversight Functions (Risk, Compliance)

Develop and maintain risk processes and challenge execution of risk management

- Policy and procedure oversight
- Monitoring risk appetite
- Risk reporting and management information
- Provide review, challenge and advice to Line 1

3rd

Independent Assurance (Internal Audit, External Audit)

Independent assessment of overall system of internal control processes

- Challenge and assessment
- Adding value through streamlining controls and reducing duplication
- Identifying themes of control weaknesses across the business

Risk and Compliance Committee / Investment Committee / Portfolio Management Committee

Audit and Risk Committee

Board

Risk and Control Framework

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

Risk identification and management is embedded in GIB's day-to-day management, operational and support processes, with the approach varying according to the types of risks faced. All relevant reports are provided to the RCC then to the ARC and, where appropriate, the Board. The aim is to promote sound, compliant and reliable operations. In addition, we carry out a periodic review of risks and risk management plans at the level of functional teams within GIB as part of the self-assessment framework. If further action is required, we assess and implement the proposed risk mitigations. As part of this framework, specific consideration is given to any open control issues; any outstanding internal and external audit findings; regulatory reviews and any outstanding regulatory compliance matters; compliance with policies; records of operational incidents and loss or near miss events; experience of all types of fraud; and any other material control-related matters that have been raised either by management or via independent or external review.

Communicating the risk management framework

We have communicated the risk management framework to all staff via training sessions and e-learning modules, to help embed a robust risk and compliance culture within GIB.

Code of Professional Conduct
We believe that integrity, honesty and high standards of professional behaviour must be part of our culture. In July 2013 we adopted a Code of Professional Conduct to which all employees have confirmed adherence.

Principal risks

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

Investment risk

Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process.

In line with our mandate from government, our portfolio is entirely in green and sustainable projects in the UK, with concentrations at the sector level in offshore wind, energy efficiency and waste projects. Such concentrations are particularly deep in the early stages of our development.

Examples of key risk factors

- Adverse changes in key policy area e.g. EMR.
- Technical or product quality issues in a project.
- Construction risk, especially in offshore wind.
- Improvements in technologies that are alternatives to those used by our projects.
- Policy or market shifts in favour of alternative technologies, such as nuclear power or hydraulic fracturing.
- A mandate that restricts our ability to achieve a balanced portfolio.
- Adverse fluctuations in key external variables including wind speeds, power prices, interest rates and exchange rates.

Example mitigants

- We use risk rating methodologies for debt, equity and fund investments.
- We have a robust five stage origination and transaction approval process for new investment proposals that is designed to assess and challenge the vulnerability of each proposed deal.
- We carry out rigorous sensitivity testing of exposure to risk factors.
- Our concentration risk limits are designed to limit sectoral and other concentrations and achieve the benefits of diversification.
- We have a hedging strategy for interest rate and FX exposures.

Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events.

Operational risk is an intrinsic aspect of our business model as we have complex business processes in areas such as transaction management, portfolio management, financial reporting and control, maintenance of internal operating infrastructure, assessment of risk and environmental impact and other activities.

We employ an operational risk management framework. As part of this framework, all functional teams are required to participate in a Risk and Control Self-Assessment (RCSA) in which they map business processes and report risks, controls and assessments of risk likelihood and impact to an independent operational risk function.

Examples of key risk factors

- Failure in the documentation which underpins our rights in respect of our assets.
- Errors in data or calculations.
- Breach of regulatory and legal requirements relating to financial crime, money laundering, conflicts of interest, safe-keeping and disclosure of information.
- Price-sensitive information being used for personal gain by employees.
- Loss of or damage to our physical premises, IT systems and staff.
- Failures in the management of existing portfolio assets e.g. failure to make or monitor payments.
- Conflicts of interest or confidentiality breaches harming our clients.

Example mitigants

- We have a reporting process for operational risk events and near miss events.
- We have independent second line control functions such as operational risk and compliance.
- We maintain strong policies to protect against employee misconduct and test the effectiveness of controls around these policies.
- We provide risk and compliance training to all staff.
- We maintain two independent operating locations to support business continuity.
- We have an operational Business Continuity Plan.

Reputational risk

Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions.

As an organisation which is simultaneously a bank, an instrument of government policy and an investor in renewable energy projects, we are subject to intense public scrutiny. As guardians of taxpayers' money and a key agent of green and sustainable development in the UK, it is appropriate that we are subject to such scrutiny. Our reputation is constantly at risk.

Examples of key risk factors

- External parties disagree with our objectives, structure or activities and make adverse public comments e.g. local opposition to construction of energy from waste plants.
- Withdrawal of political support.
- Making investments in association with unsuitable counterparties.
- Funding or investing in a project that does not ultimately meet the green criteria.
- Being fined for failing to comply with regulatory requirements.
- Loss or leakage of commercially sensitive information provided by counterparties in a transaction.
- Inability to deploy our capital.

Example mitigants

- We are transparent and disclose information about how we operate, manage risk and assess the green impact of our investments.
- We provide information to interested stakeholders and the media in a clear and understandable fashion.
- We train all employees on their responsibilities in respect of external communication.
- GIB's Code of Professional Conduct clarifies employees' obligation in relation to managing our reputation.
- A robust client suitability policy that assesses the reputational risks posed by key parties within a transaction.
- Green due diligence is carried out to ensure that we invest in projects that meet our green criteria.
- A compliance framework is in place to manage regulatory obligations.
- Our Information Security Policy puts in place controls to ensure that commercially sensitive information is appropriately managed and protected.

Green risk

Green risk is the risk that transactions represent an unacceptably low level of green or sustainability benefits or reflect irresponsible investing.

Our fundamental purpose is to invest in green and sustainable projects. Therefore one of our fundamental risks is a failure to meet this objective, by making investments that have lower positive impact than anticipated or which have unforeseen negative impacts.

Examples of key risk factors

- A project produces lower than expected CO_2 savings.
- A project processes less waste than anticipated.
- A green project adversely affects local or global environment e.g. biodiversity in the area.
- Biomass feedstock is inappropriately sourced.
- Our investment inadvertently facilitates increased use of fossil fuels.

Example mitigants

- We carry out extensive due diligence of each investment and the associated supply chain.
- We place covenants in deal documentation relating to sourcing of feedstock or environmental monitoring.
- We would withdraw support if covenants were breached.
- We carry out close and continuous monitoring of investments.

Liquidity risk

Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources.

We have a limited exposure to liquidity risk, because of the way we are funded by government. We draw down on our capital allocation as and when required for our investment commitments.

Examples of key risk factors

- Insufficient cash to pay all liabilities as they fall due.
- An operational failure in government or GIB cash management systems.

Example mitigants

- Senior executive accountability for forecasting our cash requirements on the basis of operational and investment payments to be made and received.
- We maintain a sufficient liquidity buffer to meet requirements as they fall due.
- We replenish this buffer as required by means of additional funding requests to the Department for Business, Innovation and Skills.

Directors' statement of responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (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;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the 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 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, Director's remuneration report and Corporate Governance Section that complies with the 2006 Act and those regulations, all as applicable to the Company 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 give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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 the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities.

Audit and accounts

The Board appointed the Comptroller and Auditor General to be its external auditor for the 2013-14 financial period at its Board meeting on 17 September 2013. Details of auditor remuneration are shown in Note 7 to the Financial Statements. So far as each of the Directors is aware, there is no relevant audit information of which the Company'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 the Company's auditors are aware of that information.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable. These are described on p.54. The Board considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance, business model and strategy.

Euan McVicar
Company Secretary

Shaun Kingsbury
Director and Accounting Officer

Signed and approved for and on behalf of the Board 9 June 2014

Section 3

Green impact statements

Reduction of greenhouse gas emissions

Consolidated statement of GHG emissions reduction of GIB portfolio for the year ended 31 March 2014

	Note 2	Year ended 31.03.14	Year ended 31.03.13
		t CO_2e '000	t CO_2e '000
Offshore wind		136	22
Waste		24	–
Non-domestic energy efficiency		–	–
Domestic energy efficiency via Green Deal		–	–
Biomass		2,420	–
Total		**2,580**	**22**

Consolidated statement of estimated lifetime GHG emissions reduction of GIB portfolio at 31 March 2014

	Note 3	31.03.14	31.03.13
		t CO_2e '000	t CO_2e '000
Cumulative historic GHG emissions reduction of GIB portfolio			
Total carried forward from last year		22	–
Net contribution this year		2,580	22
Total historic GHG emissions reduction		2,602	22
Estimated remaining lifetime GHG emissions reduction of GIB portfolio, by sector			
Offshore wind		6,397	1,566
Waste		11,950	1,754
Non-domestic energy efficiency		604	200
Domestic energy efficiency via Green Deal		1,691	1,691
Biomass		35,786	37,505
Total estimated remaining lifetime GHG emissions reduction		56,428	42,716
Total		**59,030**	**42,738**

Generation of renewable energy

Consolidated statement of renewable energy generated by portfolio for the year ended 31 March 2014

	Note 4	Year ended 31.03.14	Year ended 31.03.13
		GWh	GWh
Offshore wind		418	67
Waste		66	–
Non-domestic energy efficiency		–	–
Domestic energy efficiency via Green Deal		–	–
Biomass		2,887	–
Total		**3,371**	**67**

Consolidated statement of estimated lifetime renewable energy generated by portfolio at 31 March 2014

	Note 5	31.03.14	31.03.13
		GWh	GWh
Cumulative historic lifetime renewable energy generated by GIB portfolio			
Total carried forward from last year		67	–
Net contribution this year		3,371	67
Total historic lifetime renewable energy generated		3,438	67
Estimated remaining lifetime renewable energy generated by GIB portfolio, by sector			
Offshore wind		36,038	7,117
Waste		15,338	2,797
Non-domestic energy efficiency		544	–
Domestic energy efficiency via Green Deal		1,483	1,483
Biomass		146,957	147,866
Total estimated remaining lifetime renewable energy generated		200,360	159,263
Total		**203,798**	**159,330**

Energy demand reduction

Consolidated statement of energy demand reduced by portfolio for the year ended 31 March 2014

	Note 6	Year ended 31.03.14	Year ended 31.03.13
		MWh	MWh
Electricity		–	–
Heating fuels		307	–
Total		**307**	**–**

Consolidated statement of estimated lifetime energy demand reduced by portfolio at 31 March 2014

	Note 7	31.03.14	31.03.13
		MWh	MWh
Cumulative historic energy demand reduced by GIB portfolio			
Total carried forward from last year		–	–
Net contribution this year		307	–
Total historic energy demand reduced		307	–
Estimated remaining lifetime energy demand reduced by GIB portfolio, by sector			
Electricity		1,211,226	979,315
Heating fuels		7,248,086	7,248,393
Total estimated remaining energy demand reduced		8,459,312	8,227,708
Total		**8,459,619**	**8,227,708**

Recycling of materials

Consolidated statement of materials consumption avoided through materials recycling by portfolio for the year ended 31 March 2014

	Note 8	Year ended 31.03.14	Year ended 31.03.13
		tonnes	tonnes
Compost		2,654	–
Digestate (PAS 110)		6,977	–
Compost-like output		–	–
Plastics - mixed		–	–
Ferrous metals		–	–
Non-ferrous metals		–	–
Paper/card		–	–
Glass		–	–
Mineral aggregates		–	–
Waste electrical and electronic equipment (WEEE)		–	–
Other		–	–
Total		**9,631**	**–**

Recycling of materials (cont.)

Consolidated statement of estimated lifetime materials consumption avoided through materials recycling by portfolio at 31 March 2014

	Note 9	31.03.14	31.03.13
		tonnes	tonnes
Cumulative historic materials consumption avoided by GIB portfolio			
Total carried forward from last year		–	–
Net contribution this year		9,631	–
Total historic materials consumption avoided		9,631	–
Estimated remaining lifetime materials consumption avoided by GIB portfolio, by recyclate type			
Compost		424,888	430,894
Digestate (PAS 110)		2,164,779	2,176,832
Compost-like output		1,149,297	1,146,204
Plastics - mixed		187,027	186,311
Ferrous metals		595,829	159,011
Non-ferrous metals		154,990	38,703
Paper/card		12,738	11,690
Glass		57,626	56,981
Mineral aggregates		6,152,578	727,880
Waste electrical and electronic equipment (WEEE)		26,476	26,403
Other		302,345	301,496
Total remaining lifetime materials consumption avoided		11,228,573	5,262,405
Total		**11,238,204**	**5,262,405**

Avoidance of waste to landfill

Consolidated statement of waste to landfill avoided by portfolio for the year ended 31 March 2014

	Note 10	Year ended 31.03.14	Year ended 31.03.13
		tonnes	tonnes
Cumulative historic waste to landfill avoided by GIB portfolio			
Biodegradable waste		8,994	–
Non-biodegradable waste		–	–
Total		**8,994**	**–**

Consolidated statement of estimated lifetime waste to landfill avoided by portfolio at 31 March 2014

	Note 11	31.03.14	31.03.13
		tonnes	tonnes
Cumulative historic waste to landfill avoided by GIB portfolio			
Total carried forward from last year		–	–
Net contribution this year		8,994	–
Total historic waste to landfill avoided		8,994	–
Estimated remaining lifetime waste to landfill avoided by GIB portfolio, by waste type			
Biodegradable waste		22,060,147	5,776,506
Non-biodegradable waste		9,667,717	2,289,697
Total remaining lifetime waste to landfill avoided		31,727,864	8,066,203
Total		**31,736,858**	**8,066,203**

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 2013-14, a copy of which is published on GIB's website at www.greeninvestmentbank.com

Green impact is reported for the projects remaining in GIB's portfolio. In accordance with the Green Impact Reporting Criteria 2013-14, forecast green impact in respect of the Willows Power and Recycling Centre, Norfolk, is excluded on the basis that the project was cancelled in April 2014.

All data in the Green Impact Statements (see p.84-89) in respect of the financial year 2013-14 has been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p.91.

All estimates and calculations referred to below have been made in accordance with the methodology set out in GIB's Green Impact Reporting Criteria 2013-14.

2. GHG emissions reduced by GIB's portfolio

For 2013-14, the following projects in which GIB has invested were operational and achieving GHG savings: Walney, Rhyl Flats and London Array offshore wind farms, the Green Deal (below 0.5 kt CO_2e saved and therefore reported as zero), Drax coal-to-biomass conversion, three of the Equitix managed energy efficiency fund's investments, TEG Dagenham (investment by the Foresight managed waste fund), and Port Talbot biomass plant (investment by the Greensphere managed waste fund). Projects using predominantly waste wood feedstock are classed as waste projects.

3. Estimated lifetime GHG emissions reduced by GIB's portfolio

Future lifetime GHG savings are estimated for each investment to which capital is either committed or deployed. GIB holds investments (either committed or deployed) in respect of each of the sectors for which data are shown. The sum of the cumulative emissions reduction to date and the future estimated remaining lifetime GHG emissions reduction provides the total estimated lifetime emissions reduction. Projects anticipated to use predominantly waste wood feedstock are classed as waste projects.

4. Renewable energy generated by GIB's portfolio

For 2013-14, the following projects in which GIB has invested were operational and generating renewable energy: Walney, Rhyl Flats and London Array offshore wind farms, the Green Deal (below 0.5 GWh generated and therefore reported as zero), Drax coal-to-biomass conversion, TEG Dagenham (investment by the Foresight managed waste fund), and Port Talbot biomass plant (investment by the Greensphere managed waste fund).

5. Estimated lifetime renewable energy generated by GIB's portfolio

The renewable energy expected to be generated over the remaining lifetime of the portfolio projects is estimated for each investment to which GIB capital is either committed or deployed. The sum of the renewable energy generation to date and the future estimated remaining lifetime renewable energy generation provides the total estimated lifetime renewable energy generation.

6. Energy demand reduced by GIB's portfolio

For 2013-14, none of the electricity demand reduction projects to which GIB has committed or deployed capital were yet operational. The Green Deal is the only project to contribute to heating fuels energy demand reduction. Heating fuels energy demand reduction represents a reduction in primary energy use, whereas electricity demand reduction represents a reduction in end-use electricity.

7. Estimated lifetime energy demand reduced by GIB's portfolio

The quantity by which energy demand is expected to be reduced over the remaining lifetime of the portfolio is estimated for each investment in an energy demand reduction project to which GIB capital is either committed or deployed. Heating fuels energy demand reduction represents a reduction in primary energy use, whereas electricity demand reduction represents a reduction in end-use electricity.

8. Materials consumption avoided through materials recycling by GIB's portfolio

For 2013-14, the sole operational project in which GIB has invested which was recycling waste materials was: TEG Dagenham (investment by the Foresight managed waste fund) which generates compost and digestate.

9. Future estimated lifetime materials consumption avoided through materials recycling by GIB's portfolio

The lifetime materials consumption avoided through materials recycling by the portfolio is estimated for each waste project investment to which GIB capital is either committed or deployed. The sum of the materials recycled to date and the future estimated remaining lifetime materials recycling provides the total estimated lifetime materials consumption avoided. Minerals aggregates includes the re-use of ashes for aggregate.

10. Waste to landfill avoided by GIB's portfolio

For 2013-14, the sole operational project avoiding waste to landfill to which GIB has committed or deployed capital was TEG Dagenham (investment by the Foresight managed waste fund), which processes biodegradable waste. Other landfill avoidance projects in which GIB has invested are due to become operational in the following year.

11. Future estimated lifetime waste to landfill avoided by GIB's portfolio

A conservative estimate of the waste avoided from landfill over the estimated asset life of each of GIB's portfolio projects has been made for each waste project investment to which GIB capital is either committed or deployed. The sum of the waste to landfill avoided to date and the future estimated remaining lifetime landfill avoided provides the total estimated lifetime waste to landfill avoided.

Independent assurance report

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

We have been engaged by the Directors of the UK Green Investment Bank plc ("GIB") to conduct a limited assurance engagement relating to the Assured Disclosures concerning Corporate Impact Data and portfolio performance-related Green Impact Data (together the "Corporate and Green Impact Data") and the application of the Equator Principles within the Annual Report for the year ended 31 March 2014.

Our unqualified conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with GIB's Green Impact Reporting Criteria, the Corporate GHG Emissions Criteria and the Equator Principles Criteria (the "Reporting Criteria"), materially misstate GIB's Corporate and Green Impact for the year ended 31 March 2014.

The data has been prepared on the basis of the methodology set out in GIB's respective Reporting Criteria as set out at www.greeninvestmentbank.com.

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

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

Respective responsibilities of the Directors and assurance provider

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

Corporate Impact Data (see p.51)	
GIB's corporate greenhouse gas footprint	(t CO_2e)
Green Impact Data (Annual Actual 2013-14, Lifetime and Average Annual) (see p.84-89)	
GHG emissions reduction	(t CO_2e)
Renewable energy generated	(GWh)
Energy demand reduced	(MWh)
Materials consumption avoided through materials recycling	(t)
Waste to landfill avoided	(t)
Equator Principles (see p.51)	
Total number of Project Finance transactions and Project-Related Corporate Loans that reached financial close within the reporting period	

Our procedures consisted primarily of:

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

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

Inherent limitations

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

Independence

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

Deloitte LLP
Chartered Accountants

Auditor
London
9 June 2014

Section 4

Financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I have audited the financial statements of the UK Green Investment Bank plc for the year ended 31 March 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration Committee Report that is described in that report as having been audited.

Auditor Commentary

Assessment of risks of material misstatement
In arriving at my opinion on the financial statements I assessed the risks of material misstatement in the financial statements. Those risks that had the greatest effect on the audit strategy, the allocation of resources in the audit, and the direction of the efforts of the engagement team were as follows:

- **Group Accounting Boundary:** Management's judgements on whether to consolidate the accounts of managed funds in which GIB is a Limited Partner are of such significance to the financial statements that they need to be revisited each year, with conclusions on existing arrangements refreshed, and new partnerships assessed in depth. Management also needs to exercise judgement on the accounting treatment for GIB's new equity investments.
- **Assurance over Component Activity:** Component bodies are not audited to the same timetable as the group accounts. In the absence of this independent assurance, management need to satisfy themselves and be able to provide sufficient evidence as to the truth and fairness of the component information; and the regularity of the component's activity to be consolidated.
- **Investment Valuation and Recoverability of Debt:** The most significant information within the UK Green Investment Bank plc financial statements relates to debt and equity investments made directly in green projects, or through fund managers. These investments are unique and not obviously tradeable so their valuations may not be straightforward or easily derived, therefore it is important that management ensures there is sufficient, reliable information to support the balances reported.
- **Revenue Recognition:** There is an ISA (UK & Ireland) presumed risk of fraud in revenue recognition as investment return is a performance measure for the group and therefore revenue could be subject to manipulation to achieve results.
- **Management Override:** ISAs (UK & Ireland) require that I consider the risk that management has exercised undue influence over controls with a view to manipulating the required results.

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

The choice of materiality requires professional judgement and for the group financial statements as a whole was set at £4.36m, which is approximately 1 per cent of group total assets, a benchmark that I consider to be the principal consideration for users in assessing the financial performance of the group. As the figures in the Consolidated Statement of Financial Position are disproportionate to those in the Consolidated Income Statement, which I also consider to be of significant interest to users, a materiality of £0.15m, on the basis that this represents 1 per cent of group revenue, was set for transactions reported in this statement.

I agreed with the Audit Committee that I would report to it all corrected and uncorrected misstatements identified through my audit in excess of £25,000, as well as differences below that threshold that in my view, warranted reporting on qualitative grounds.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any expenditure incurred without authority. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

An overview of the scope of my audit
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Directors' Report and the Green Impact Statements sections of the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

My audit approach is risk-based, informed by a good understanding of the operations of the UK Green Investment Bank plc and an assessment of the risks associated with the financial statements and of the regularity of underlying transactions. This approach focuses audit effort towards higher risk areas, such as management judgements and estimates and those that are considered significant based upon size, complexity and risk.

I review management controls and identify additional controls that mitigate audit risks. These controls are tested and where they are found to be effective, assurance is gained from their operation. Where I am unable to gain assurance from controls or where it is more efficient to do so, I adopt a substantive approach.

My group audit scope focussed on those balances assessed as being of the greatest significance to the group financial statements and their users. In establishing an overall approach I considered the size and risk characteristics of the consolidated entities and determined type of work that need to be performed at each. Total assets for the Group are £420.2m of which £413.0m are attributable to the parent company, UK Green Investment Bank plc. Audits of the consolidated entities' complete financial information were not required and instead specific audit procedures on certain specified balances and transactions were undertaken. This audit work was performed by the Group Audit team and together with additional procedures performed at Group level, gave me the evidence that I needed for my opinion on the Group financial statements as a whole.

The way in which I scoped my response to the significant risks identified above was as follows:

- **Group Accounting Boundary:** For existing partnerships I confirmed that management had revisited previous assessments of control to ensure they remain current and completed my own detailed assessment of changes to current partnerships and any newly established partnership structures against the relevant accounting standards. For new equity investments I confirmed that management's assessment of the consolidation status and subsequent accounting treatment was based in standards and that appropriate disclosures were made in the financial statements.
- **Assurance over Component Activity:** I verified the controls that the UK Green Investment Bank plc have in place to assure themselves that information provided by fund managers and entities in whom they have invested is accurate and reliable. I also performed direct audit work on the transactions entered into by the consolidated funds to the extent that was required from a group perspective to support their consolidation into the group financial statements.
- **Investment Valuation and Recoverability of Debt:** In line with auditing standards I performed detailed procedures to ensure I was able to gain assurance from the work of GIB's Portfolio Investment Management Team, including confirming that they performed their work free from undue management influence. Their work provides a sound basis for valuation and by testing their controls was able to gain assurance over impairments, issues of recoverability and potential credit risk adjustments. I also undertook valuation testing on a sample of investments and sought to take assurance from the work of experts and auditors, such as those of the limited partnerships, and the work of any independent valuers.

- **Revenue Recognition:** For direct investments I tested income models on a risk basis to ensure they were functioning correctly and contained the correct inputs, were consistent with UK Green Investment Bank plc's accounting policies and compliant with international accounting standards. For investments through managed funds I performed direct testing of fund income.
- **Management Override:** I addressed this risk through my testing of journals, estimates and through a review of any significant or unusual transactions in the year.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which I am required to report by exception

Adequacy of accounting records and explanations received
Under the Companies Act 2006 I am required to report to you if, in my opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 I am also required to report if in my opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. I have nothing to report arising from these matters or my review.

My duty to read other information in the Annual Report
Under the ISAs (UK and Ireland), I am required to report to you if, in my opinion, information in the Annual Report is:

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

In particular, I have considered whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which I consider should have been disclosed.

I confirm that I have not identified any such inconsistencies or misleading statements.

Respective responsibilities of the Directors and the auditor

Responsibility of Directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibility
My 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). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Bryan Ingleby
Senior Statutory Auditor

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP
on 9 June 2014

Consolidated income statement

For the year ended 31 March 2014

	Notes	Group Year ended 31.03.14 £'000	Group 15.05.12 to 31.03.13 £'000
INVESTMENT INCOME			
Interest income	5	8,722	699
Fee income	5	3,777	1,293
Share of profit from associate	13	2,908	–
Gross investment income		15,407	1,992
Direct investment costs	6	(746)	(1,603)
Net investment income		**14,661**	**389**
OPERATING EXPENSES			
Employee and Board compensation	6	(14,099)	(4,160)
Professional fees	6	(1,744)	(1,366)
General and administrative expenses	6	(2,997)	(526)
Premises costs	6	(1,085)	(433)
Depreciation and amortisation	10, 11	(482)	(116)
Total operational expenses		**(20,407)**	**(6,601)**
Loss before tax from continuing operations		**(5,746)**	**(6,212)**
Tax benefit	8	1,517	1,205
Loss for the period from continuing operations		**(4,229)**	**(5,007)**
Loss attributable to:			
Owners of the Company		(4,234)	(5,003)
Non-controlling interests		5	(4)
		(4,229)	**(5,007)**

Consolidated statement of comprehensive income

For the year ended 31 March 2014

	Group	Group
	Year ended 31.03.14	15.05.12 to 31.03.13
	£'000	£'000
Loss for the period	(4,229)	(5,007)
Items that may be reclassified subsequently to profit or loss:		
Revaluation of available-for-sale financial assets, net of tax	1,973	–
Other comprehensive income for the period, net of tax	**1,973**	**–**
Total comprehensive income for the period	**(2,256)**	**(5,007)**
Comprehensive income attributable to:		
Owners of the Company	(2,285)	(5,003)
Non-controlling interests	29	(4)
	(2,256)	**(5,007)**

Consolidated statement of financial position

At 31 March 2014

	Notes	Group 31.03.14 £'000	Group 31.03.13 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,501	1,268
Intangible assets	11	523	81
Loan and receivables	13	174,681	54,486
Available-for-sale assets	13	42,426	6,655
Investments in associates and joint ventures	13	161,845	58,156
Deferred tax	8	2,235	1,205
Total non-current assets		**384,211**	**121,851**
Current assets			
Cash and cash equivalents	14	20,934	27,785
Loans and receivables	13	14,176	3,197
Prepayments and other receivables		910	181
Total current assets		**36,020**	**31,163**
Total assets		**420,231**	**153,014**
LIABILITIES			
Non-current liabilities			
Deferred income	5	4,349	3,860
Provisions	16	1,354	283
Third party interest in consolidated funds		450	70
Total non-current liabilities		**6,153**	**4,213**
Current liabilities			
Deferred income	5	24	63
Creditors, accruals, and other liabilities	17	110,867	3,295
Total current liabilities		**110,891**	**3,358**
Total liabilities		**117,044**	**7,571**
EQUITY			
Issued capital	18	301,850	145,850
Capital contribution reserve	19	8,600	4,600
Revaluation reserve		1,973	–
Retained earnings	20	(9,236)	(5,007)
Total equity		**303,187**	**145,443**
Total equity and liabilities		**420,231**	**153,014**

Approved by the Board of Directors on
9 June 2014

Shaun Kingsbury
Director and Accounting Officer

Company statement of financial position

At 31 March 2014

	Notes	UK GIB plc 31.03.14 £'000	UK GIB plc 31.03.13 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,501	1,268
Intangible assets	11	523	81
Investment in controlled entities	12	94,553	65,182
Loans and receivables	13	171,706	54,486
Investments in associates and joint ventures	13	106,767	–
Deferred tax	8	2,951	1,205
Total non-current assets		**379,001**	**122,222**
Current assets			
Cash and cash equivalents	14	20,272	27,611
Loans and receivables	13	13,347	3,197
Prepayments and other receivables		402	126
Total current assets		**34,021**	**30,934**
Total assets		**413,022**	**153,156**
LIABILITIES			
Non-current liabilities			
Deferred income	5	4,349	3,860
Provisions	16	1,354	283
Total non-current liabilities		**5,703**	**4,143**
Current liabilities			
Deferred income	5	24	63
Creditors, accruals, and other liabilities	17	110,129	3,149
Total current liabilities		**110,153**	**3,212**
Total liabilities		**115,856**	**7,355**
EQUITY			
Issued capital	18	301,850	145,850
Capital contribution reserve	19	8,600	4,600
Retained earnings	20	(13,284)	(4,649)
Total equity		**297,166**	**145,801**
Total equity and liabilities		**413,022**	**153,156**

Approved by the Board of Directors on 9 June 2014

Shaun Kingsbury
Director and Accounting Officer

UK Green Investment Bank plc SC424067

Statement of cash flows

For the year ended 31 March 2014

	Group	Group	Company	Company
	Year ended 31.03.14	15.05.12 to 31.03.13	Year ended 31.03.14	15.05.12 to 31.03.13
	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Upfront fees received	5,158	4,246	5,158	4,246
Non-utilisation fees received	2,443	608	2,443	608
Interest received	6,757	42	6,352	42
Dividends received	6,226	–	–	–
Cash generated from operations	20,584	4,896	13,953	4,896
Cash paid to suppliers and employees	(18,784)	(5,775)	(18,263)	(5,507)
Net cash received from/(used for) operating activities	**1,800**	**(879)**	**(4,310)**	**(611)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of loan and receivable assets	(136,365)	(56,696)	(133,443)	(56,696)
Repayment of loan and receivable assets	2,681	–	2,681	–
Acquisition of available-for-sale financial assets	(32,206)	(6,655)	–	–
Investments in associates and joint ventures	(1,392)	(57,535)	(1,153)	–
Investment in controlled entities	–	–	(35,696)	(64,632)
Controlled entity loan repayments	–	–	6,326	–
Acquisition of property, plant and equipment	(1,242)	(900)	(1,242)	(900)
Acquisition of intangible assets	(502)	–	(502)	–
Net cash used in investing activities	**(169,026)**	**(121,786)**	**(163,029)**	**(122,228)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of new shares	156,000	145,850	156,000	145,850
Capital contribution from shareholder	4,000	4,600	4,000	4,600
Capital flows from third party interest in consolidated funds	375	–	–	–
Net cash from financing activities	**160,375**	**150,450**	**160,000**	**150,450**
Net increase/(decrease) in cash and cash equivalents	**(6,851)**	**27,785**	**(7,339)**	**27,611**
Cash and cash equivalents at beginning of the period	27,785	–	27,611	–
Cash and cash equivalents at the end of the period	**20,934**	**27,785**	**20,272**	**27,611**

Statement of changes in equity

For the year ended 31 March 2014

Group	Notes	Issued capital	Capital contribution reserve	Revaluation reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 15 May 2012		–	–	–	–	–
Loss for the period		–	–	–	(5,007)	(5,007)
Other comprehensive income for the period, net of tax		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(5,007)	(5,007)
Issue of ordinary shares	18	145,850	–	–	–	145,850
Capital contribution	19	–	4,600	–	–	4,600
Balance at 31 March 2013		145,850	4,600	–	(5,007)	145,443
Loss for the period		–	–	–	(4,229)	(4,229)
Other comprehensive income for the period, net of tax		–	–	1,973	–	1,973
Total comprehensive income for the period		–	–	1,973	(4,229)	(2,256)
Issue of ordinary shares	18	156,000			–	156,000
Capital contribution	19	–	4,000	–	–	4,000
Balance at 31 March 2014		301,850	8,600	1,973	(9,236)	303,187

Company	Notes	Issued	Capital	Revaluation	Retained	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 15 May 2012		–	–	–	–	–
Loss for the period		–	–	–	(4,649)	(4,649)
Other comprehensive income for the period, net of tax		–	–	–	–	-
Total comprehensive income for the period		–	–	–	(4,649)	(4,649)
Issue of ordinary shares	18	145,850	–	–	–	145,850
Capital contribution	19	–	4,600	–	–	4,600
Balance at 31 March 2013		145,850	4,600	–	(4,649)	145,801
Loss for the period		–	–	–	(8,635)	(8,635)
Other comprehensive income for the period, net of tax		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(8,635)	(8,635)
Issue of ordinary shares	18	156,000	–	–		156,000
Capital contribution	19	–	4,000	–	–	4,000
Balance at 31 March 2014		301,850	8,600	–	(13,284)	297,166

Notes to the financial statements

For the year ended 31 March 2014

1. Authorisation of Financial Statements

The Consolidated Financial Statements of UK Green Investment Bank plc (the "Company") and its controlled entities (together, the "Group") for the year ended 31 March 2014 ("2013-14") were approved and authorised for issue in accordance with a resolution of the Directors on 9 June 2014.

Comparative information is included for the period 15 May 2012 to 31 March 2013 ("2012-13"), which was the first period of operations for the Group.

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

2. Principal activities

The Company has been established to accelerate the UK's transition to a greener economy and to create an enduring institution, operating independently of Government. The operations and principal activities of the Company consist of financial investments to designated green sectors.

3. Accounting policies

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

The Consolidated Financial Statements of UK Green Investment Bank plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to Companies reporting under IFRS.

These Financial Statements comply with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury in that they include disclosure that goes beyond the Companies Act 2006. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector context.

Where IFRS permit a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected.

These Financial Statements have been prepared 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 2014 was £8.6m.

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 judgement and estimation areas are noted below:

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

- Upfront fees: these are integral to the loan facility and are initially deferred then recognised over the expected length of the loan, as part of the effective interest rate. Judgement is required over whether the loan facilities will be drawn and the period they will be drawn over. 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

Assessment of impairment
IFRS require companies to carry out impairment testing on any assets which show indications of impairment. In carrying out this assessment, management 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 management 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 will be 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, the Directors have reviewed the Group's budgets, plans and cash flow forecasts. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in Note 24 as well as the support being provided by GIB's sole Shareholder, the Secretary for State for the Department for Business, Innovation and Skills.

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

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

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- 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.

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 12.

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 per cent of the voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity, which is subject to joint control arising from a contractual agreement.

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

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

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

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 effective interest rate 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 effective interest rate 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 effective interest rate are recognised when the service has been provided; for example, non-utilisation or undrawn facility fees

- If there is an associated financial instrument, fees that are an integral part of the effective interest rate of that financial instrument are included in the effective interest rate 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 effective interest rate 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.

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.

As at 31 March 2014 the Group had investments within the loans and receivables and available-for-sale categories.

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, held by the Group, comprise cash and cash equivalents, receivables and loans.

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 effective interest rate.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets classified as loans and receivables or available-for-sale assets are 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 individually or 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 effective interest rate 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 effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

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.

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. More information about the measurement techniques used to determine their carrying value in the Financial Statements is provided in Note 13.

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 Statement of Financial Position 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.

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.

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: three to five years
- Furniture, fixtures and fittings: seven 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 to ten years, and the value is amortised on a straight line basis.

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.

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.

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 loss 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.

Equity
Ordinary shares are classified as equity and have been issued at par in the period to 31 March 2014.

Reserves
Capital contributions from the Department for Business, Innovation and Skills are non-reciprocal in nature and are recognised directly in a capital contribution reserve in equity. In the period to 31 March 2014 these contributions provided funding for ongoing operational costs as required by the Group.

Value Added Tax
The Group is not registered for Value Added Tax (VAT) and it is, therefore, accounted for as follows:

- Irrecoverable VAT on expenditure is charged to the Income Statement, and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in additions

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, which are disclosed in Note 22, are not discounted.

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, as a liability on the Statement of Financial Position after deducting any amount paid.

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments that can require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. There are no restatements required in respect of these standards for the Group.

The application of IFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

Standards issued but not yet effective
The standards and interpretations 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, if applicable, when they become effective. The Group has not sought early adoption of any standards or amendments.

IFRS 9: Financial instruments
In November 2009, the IASB issued IFRS9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. In December 2011, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2018 and introducing revised transitional arrangements including additional transition disclosures.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments. The Group will assess the effect of IFRS 9 which will depend on the results of IASB's reconsideration of IFRS 9's classification and measurement requirements and the outcome of the other phases in the development of IFRS 9.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since the Company would not qualify to be an investment entity under IFRS 10.

IAS 36: Recoverable Amount Disclosures for Non Financial Assets - Amendments to IAS 36
Effective for reporting periods beginning on or after 1 January 2014, the amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The amendements remove the requirement to disclose information which might have been regarded as commercially sensitive though it adds the two following requirements:

- additional information about the fair value measurment of impaired assets when the recoverable amount is based on fair value less costs of disposal
- information about the discount rates that have been used when the rcoverable amount is based on fair value less costs of disposal using a present value techique

4. Segmental reporting

The Group has determined that there is only one operating segment, being investment in green infrastructure. This is consistent with the internal reporting provided to the Executive Committee, which is considered the Group's chief operating decision maker.

The company operates in one geographical location, being the UK.

5. Interest and fees receivable

As discussed previously in the Directors' Report, the Group earns and recognises income in different periods based on the timing of loan drawdowns and the nature of the income.

The following disclosure shows how the income is represented in the Financial Statements.

(i) Calculation of deferred income
During the year the Group generated revenue from fees and interest. In line with our accounting policies a significant portion of this is deferred.

	Company	Group	Company	Group
	Year ended 31.03.14		15.05.12 to 31.03.13	
	£'000	£'000	£'000	£'000
Opening deferred income	6,133	6,133	–	–
Income generated during the period	12,175	14,580	8,093	8,125
Income recognised during the period	(10,094)	(12,499)	(1,960)	(1,992)
Income deferred	**8,214**	**8,214**	**6,133**	**6,133**

This amount is recognised in the accounts as follows:

	Company	Group	Company	Group
	Year ended 31.03.14		15.05.12 to 31.03.13	
	£'000	£'000	£'000	£'000
Adjustment to the effective interest rate for Loans and Receivables	3,841	3,841	2,210	2,210
Deferred income	4,373	4,373	3,923	3,923
Total	**8,214**	**8,214**	**6,133**	**6,133**

(ii) Estimated recognition of deferred income
The deferred income will be recognised in future years based on when loans are drawn and the number of years that the loan is outstanding. Where the loan is drawn the deferred income is transferred to be an adjustment to the effective interest rate 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 2014 the estimated recognition timing is as follows:

	Company	Group	Company	Group
		As at 31.03.14		As at 31.03.13
	£'000	£'000	£'000	£'000
Recognition within 1 year	24	24	63	63
Recognition dependent on loan drawdown or over 1 year	4,349	4,349	3,860	3,860
Total	**4,373**	**4,373**	**3,923**	**3,923**

(iii) Reconciliation of total interest and fee income recognised
The below tables show the recognised and unrecognised fee and interest income during the 12 months to 31 March 2014.

Where the loan is drawn the deferred income is transferred to be an adjustment to the effective interest rate for Loans and Receivables and recognised as interest income over the life of the loan.

Company			Year ended 31.03.14			15.05.12 to 31.03.13
	Total recognised	Total unrecognised	Total	Total recognised	Total unrecognised	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Upfront commitment fee	–	8,214	8,214	500	6,133	6,633
Undrawn facility fee	3,777	–	3,777	793	–	793
Interest income	6,317	–	6,317	667	–	667
Total	**10,094**	**8,214**	**18,308**	**1,960**	**6,133**	**8,093**

Group			Year ended 31.03.14			15.05.12 to 31.03.13
	Total recognised	Total unrecognised	Total	Total recognised	Total unrecognised	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Upfront commitment fee	–	8,214	8,214	500	6,133	6,633
Undrawn facility fee	3,777	–	3,777	793	–	793
Interest income	8,722	–	8,722	699	–	699
Total	**12,499**	**8,214**	**20,713**	**1,992**	**6,133**	**8,125**

6. Expenses

(i) Direct investment costs
Direct expenses for the 12 months to 31 March 2014, totalling £746k for the Group, include fund management costs as well as direct costs related to investment activity that cannot be capitalised. Direct expenses for the period to 31 March 2013, totalling £1.6m for the Group, include the establishment and fund management costs related to the consolidated entities capitalised during the period, as well as direct costs related to investment activity that cannot be capitalised.

(ii) Operating expenses

	Notes	Company	Group	Company	Group
		Year ended 31.03.14		15.05.12 to 31.03.13	
		£'000	£'000	£'000	£'000
EMPLOYEE AND BOARD COMPENSATION					
Wages, salaries and other staff costs		9,957	9,957	2,912	2,912
Annual and Long Term Incentive Plan		1,807	1,807	473	473
Board costs		320	320	234	234
National insurance		1,198	1,198	351	351
Pension costs – defined contribution schemes		817	817	190	190
		14,099	**14,099**	**4,160**	**4,160**
OTHER EXPENSES					
Professional fees		1,639	1,744	1,355	1,366
General and administrative expenses		2,878	2,997	499	526
Premises costs		1,085	1,085	433	433
		5,602	**5,826**	**2,287**	**2,325**
DEPRECIATION AND AMORTISATION					
Property, plant and equipment	10	422	422	109	109
Intangible assets	11	60	60	7	7
		482	**482**	**116**	**116**
Total operating expenses		**20,183**	**20,407**	**6,563**	**6,601**

7. Auditor remuneration

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

During the year the external auditor was only engaged for statutory audit services.

	12 months to 31.03.14	15.05.12 to 31.03.13
	£'000	£'000
Fees payable for the audit of the Group's annual accounts	108	72
Fees payable to the auditor and its associates for other services	–	–
Total	**108**	**72**

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £96k (2012-13: £72k) and fees payable to the Company's auditor for the audit of the Company's subsidiaries were £12k (2012-13: £nil). Other auditors are engaged for the provision of audit services to controlled entities within the Group.

8. Tax

	Company	Group	Company	Group
	12 months to 31.03.14		15.05.12 to 31.03.13	
	£'000	£'000	£'000	£'000
Current tax:				
Current tax benefit on loss for the period	2,015	2,015	1,129	1,129
Adjustment for prior year	38	38	-	-
Deferred tax:				
Origination of temporary difference	160	(69)	76	76
Changes in tax rate	(467)	(467)	-	-
Income tax benefit	**1,746**	**1,517**	**1,205**	**1,205**

RECONCILIATION OF TAX BENEFIT

	Company	Group	Company	Group
	12 months to 31.03.14		15.05.12 to 31.03.13	
	£'000	£'000	£'000	£'000
Loss before tax	(10,381)	(5,746)	(5,853)	(6,212)
Loss before tax multiplied by rate of corporation tax in UK of 23% (2012-13: 24%)	2,388	1,321	1,405	1,491
Tax effects of				
Expenses not deductible for tax purposes	(57)	(57)	(197)	(197)
Tax losses for which no deferred tax asset was recognised	-	-	-	(86)
Adjustments to taxable income from consolidated funds	(132)	-	-	-
Associate income not taxable	-	669	-	-
Deferred tax asset at different tax rate	(24)	13	(3)	(3)
Adjustment for prior year	38	38	-	-
Changes in tax rate	(467)	(467)	-	-
Tax benefit	**1,746**	**1,517**	**1,205**	**1,205**

In recognising the tax asset, the view has been taken that the Group will make sufficient taxable profits in the future to utilise any carried forward losses. To the extent profits are not deemed adequately probable, either in relation to the Company or consolidated entities, the Group does not recognise a tax asset.

The following table shows the movement in the tax asset:

	Company	Group
	£'000	£'000
Balance at 15 May 2012	-	-
Additions	1,205	1,205
Balance at 31 March 2013	**1,205**	**1,205**
Additions	1,746	1,517
Deferred tax liability from AFS asset reduction, through Other Comprehensive Income	-	(487)
Balance at 31 March 2014	**2,951**	**2,235**

During the year a deferred tax liability of £487,000 was recognised through Other Comprehensive Income. This relates to the revaluation of available-for-sale assets.

9. Dividends

During the 12 months to 31 March 2014 the Company did not make any dividend payments (period to 31 March 2013: nil). As at 31 March 2014, the Company does not propose to pay any dividends.

10. Property, plant and equipment

	Leasehold improvements	Computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
COST				
At 15 May 2012	–	–	–	–
Acquisitions	900	255	222	1,377
At 31 March 2013	**900**	**255**	**222**	**1,377**
Acquisitions	1,121	312	222	1,655
At 31 March 2014	**2,021**	**567**	**444**	**3,032**
DEPRECIATION AND IMPAIRMENT LOSSES				
At 15 May 2012	–	–	–	–
Depreciation for the period	(80)	(19)	(10)	(109)
At 31 March 2013	**(80)**	**(19)**	**(10)**	**(109)**
Depreciation for the period	(307)	(68)	(47)	(422)
At 31 March 2014	**(387)**	**(87)**	**(57)**	**(531)**
Net book value at 31 March 2014	**1,634**	**480**	**387**	**2,501**

The following useful lives are used in the calculation of depreciation:

Leasehold improvements: Five years
Computer equipment: Five years
Fixtures and fittings: Seven years

11. Intangible assets

	Computer software	Total
	£'000	£'000
COST		
At 15 May 2012	–	–
Acquisitions	88	88
At 31 March 2013	**88**	**88**
Acquisitions	502	502
At 31 March 2014	**590**	**590**
AMORTISATION AND IMPAIRMENT LOSS		
At 15 May 2012	–	–
Amortisation for the period	(7)	(7)
At 31 March 2013	**(7)**	**(7)**
Amortisation for the period	(60)	(60)
At 31 March 2014	**(67)**	**(67)**
Net book value at 31 March 2014	**523**	**523**

Computer software consists of licenses and software development costs which are amortised over the estimated useful life of five years.

12. Consolidated entities

Consolidated entities are carried at cost less impairment.

	Total
	£'000
Balance at 15 May 2012	–
Additions	65,182
Balance at 31 March 2013	**65,182**
Additions	35,697
Repayment of shareholder loan	(6,326)
Balance at 31 March 2014	**94,553**

The principal subsidiary undertakings of the company are shown below. The capital of each entity depends on its nature and consists of ordinary shares or Limited Partner contributions.

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	100%	100%
UK Waste Resources & Energy Investments L.P	Foresight Group LLP	UK	Investment in small-scale waste operations	100%	100%
UK Green Sustainable Waste & Energy Investment L.P	Greensphere Capital LLP	UK	Investment in small-scale waste operations	100%	100%
UK Energy Efficiency Investments 1 LP	SDCL EE Co (UK) LLP	UK	Investment in non-domestic energy efficiency	100%	100%
Aviva Investors REaLM Energy Centres LP	Aviva Investors Global Services Limited	UK	Investment in non-domestic energy efficiency in the NHS	100%	100%
UK GIB Rhyl Flats Investment Limited	N/A	UK	Offshore wind investment	100%	100%
UK GIB Financial Services Limited	N/A	UK	Regulated financial services activities	100%	100%
UK GIB 1 Limited	N/A	UK	Inactive entity at 31 March 2014	100%	100%
UK GIB 2 Limited	N/A	UK	Inactive entity at 31 March 2014	100%	100%
UK GIB 3 Limited	N/A	UK	Inactive entity at 31 March 2014	100%	100%

To align interests and incentivise external managers, GIB will often require managers to take a minority Limited Partner interest. GIB investment amounts are rounded, for commercial reasons, to 100 per cent above. The Fund Manager LP amounts are treated as third party interest in consolidated funds in the consolidated accounts of the Group.

13. Investments

	Company	Group	Company	Group
		31.03.14		31.03.13
	£'000	£'000	£'000	£'000
Investment in controlled entities	94,553	–	65,182	–
Loans and receivables	185,053	188,857	57,683	57,683
Available-for-sale investments	–	42,426	–	6,655
Investments in associate and joint ventures	106,767	161,845	–	58,156
Total	**386,373**	**393,128**	**122,865**	**122,494**

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

(i) Carrying Value
The carrying value of loans and receivables is net of adjustments for the effective interest rate.

The following table shows how the investment balance is calculated:

Year ended 31 March 2014	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Reconciliation of Carrying Value – Company			
Loans and receivables	188,894	(3,841)	185,053
Investment in controlled entities	94,553	–	94,553
Investments in associate	106,767	–	106,767
Total	**390,214**	**(3,841)**	**386,373**

	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Reconciliation of Carrying Value – Group			
Loans and receivables	192,698	(3,841)	188,857
Available-for-sale investments	42,426	–	42,426
Investments in associate	161,845	–	161,845
Total	**396,969**	**(3,841)**	**393,128**

15 May 2012 to 31 March 2013	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Reconciliation of Carrying Value – Company			
Loans and receivables	59,893	(2,210)	57,683
Investment in controlled entities	65,182	–	65,182
Total	**125,075**	**(2,210)**	**122,865**

	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Reconciliation of Carrying Value – Group			
Loans and receivables	59,893	(2,210)	57,683
Available-for-sale investments	6,655	–	6,655
Investments in associate	58,156	–	58,156
Total	**124,704**	**(2,210)**	**122,494**

(ii) Disclosure of IFRS 7 risk requirements is detailed in Note 24

(iii) The Company holds loans that carry interest with an weighted average interest rate of 3.3 per cent per annum. The loans have maturity dates ranging between 1.4 to 27.7 years from the end of the reporting period. None of these assets had been past due or impaired at the end of the reporting period.

The Group holds loans that carry interest with an weighted average interest rate of 4.5 per cent per annum, these include loans treated as available-for-sale assets. The loans have maturity dates ranging between 1.4 to 27.7 years from the end of the reporting period. None of these assets had been past due or impaired at the end of the reporting period.

(iv) Investments in associate and joint ventures

	£'000 Company	£'000 Group
		£'000
Balance at 15 May 2012	–	–
Additions	–	58,156
Balance at 31 March 2013	**–**	**58,156**
Additions	106,767	107,007
Share of profit from associates and joint ventures	-	2,908
Dividends received	-	(6,226)
Balance at 31 March 2014	**106,767**	**161,845**

All profit and dividends recognised relate to the investment in Rhyl Flats Wind Farm Limited.

Rhyl Flats Wind Farm Limited - Associate

The summarised financial information of Rhyl Flats Wind Farm Limited are:

	2013	2012
Assets	£212.8m	£238.2m
Liabilities	£21.7m	£226.6m
Revenues for the year to 31 December	£14.3m	£16.3m
Profit for the year to 31 December	£9.5m	£6.8m

The Financial Statements utilised are as at 31 December, being the financial reporting date of the associate.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share (calculated in proportion to the Group's 24.95 per cent minority equity holding) of any unpaid decommissioning costs of the offshore wind farm, and any rent arrears during operations, should the operational entity fail to meet these obligations. The total amount is £4.6m and is not provided for in the Statement of Financial Position.

WMR JV HoldCo Limited - joint arrangement classifed as a Joint Venture

The investment in WMR JV HoldCo Limited is classified as a joint venture and will be accounted for using the equity method. This entity was incorporated on 4 March 2014 and has zero net assets at 31 March 2013. It was established to enable GIB and Japan's Marubeni Corporation to jointly purchase a 50 per cent stake in the Westermost Rough offshore wind farm, from DONG Energy. The Group has provided a total of £48.4m in indemnities. These cover the Group's share of items such as any unpaid decommissioning costs of the offshore wind farm and any rent arrears during operations, should the operational entity fail to meet these obligations. In addition, an indemnity has been provided to cover certain construction liabilities and foreig exchange hedging obligations of the project company.

Gwynt y Môr transaction - joint arrangement expected to be classifed as a Joint Venture

The transaction is expected to reach financial close once the wind farm's construction is complete. Classification of the investment will be finalised at the time of completion. Similar indemnities will be required to be made by the Group as in the Rhyl Flats and Westermost Rough transactions. The amount and duration will be finalised at transaction close, with an expected minimum of £5m.

(v) At 31 March 2014 all available-for-sale investments are made through consolidated entities (being Limited Partnerships) and in certain instances comprise equity ownership between 20 and 50 per cent.

The Group has concluded that it does not have significant influence over the operations of these investee entities as the Limited Partnership Agreements of the consolidated entities prevent the Group from participating in the policy-making process of the investee entity. This function, as well as Board representation, is undertaken by the Fund Manager of the Limited Partnership which is an unrelated party to the Group.

(vi) Valuation
The investment portfolio consists of assets carried at amortised cost (loans and receivables) and fair value (available-for-sale) as follows:

	Company	Group	Company	Group
		31.03.14		31.03.13
	Level 3	Level 3	Level 3	Level 3
	£'000	£'000	£'000	£'000
Loans and receivables	185,053	188,857	54,486	54,486
Available-for-sale investments	–	42,426	–	6,655
Total	**185,053**	**231,283**	**54,486**	**61,141**

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description
Level 1	Quoted prices (unadjusted) from active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	Inputs that are not based on observable market data

Both the loans and receivables and available-for-sale assets are classified as Level 3 assets.

The Group completes regular valuation exercises to assess the fair value of each class of assets.

At 31 March 2014, based on the valuation assessment available-for-sale assets were increased by £2.46m, with an amount net of deferred tax of £1.9m taken to Other Comprehensive Income. This is the only balance in the Revaluation Reserve.

The valuation assessment indicates there is no significant variation between fair value and carrying value for loans and receivables, after recognising any adjustment to the carrying value for Effective Interest Rate calculations for assets at amortised cost.

The primary valuation methodology used for investments is the discounted cash flow method ("DCF"). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, discounted at the appropriate risk-adjusted discount rate. The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has a periodically updated model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes. Stress testing is completed across the portfolio, with a suite of relevant sensitivities applied to assess potential variances, e.g. the impact of a change in interest rates. Each fair value assessment includes an evaluation of the underlying performance of the project and its ability to meet agreed commercial obligations as well as any factors which may indicate any impairment.

Where an asset is in the early stage of 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 2014.

Additional information on valuation and investment sensitivities is disclosed in Note 24.

14. Cash and cash equivalent

The cash and cash equivalents balance of £20.9m is comprised solely of cash at bank.

The Company holds its cash at bank with the Government Banking Service (31 March 2014: £20.3m; 31 March 2013: £27.6m) and draws funding from the Department for Business, Innovation and Skills as investment and operations require. Funding held in the Government Banking Service is non-interest bearing.

As at 31 March 2014, the Group held £451k of cash at bank outside the Government Banking Service. The amount is held entirely in the accounts of the consolidated entities.

15. Financial assets and liabilities

Company At 31 March 2014	Notes	Loans and receivables	Controlled entities	Total carrying amount
		£'000	£'000	£'000
ASSETS				
Investments	13	185,053	201,320	386,373
Cash and cash equivalents	14	20,272	–	20,272
Total		**205,325**	**201,320**	**406,645**
LIABILITIES				
Deferred income	5	4,373	–	4,373
Total		**4,373**	–	**4,373**

Company At 31 March 2013	Notes	Loans and receivables	Controlled entities	Total carrying amount
		£'000	£'000	£'000
ASSETS				
Investments	13	57,683	65,182	122,865
Cash and cash equivalents	14	27,611	–	27,611
Total		**85,294**	**65,182**	**150,476**

LIABILITIES				
Deferred income	5	3,923	–	3,923
Total		**3,923**	–	**3,923**

Group At 31 March 2014	Notes	Loans and receivables	Equity investment	Total carrying amount
		£'000	£'000	£'000
ASSETS				
Investments	13	188,857	204,271	393,128
Cash and cash equivalents	14	20,934	–	20,934
Total		**209,791**	**204,271**	**414,062**
LIABILITIES				
Deferred income	5	4,373	–	4,373
Total		**4,373**	–	**4,373**

Group At 31 March 2013	Notes	Loans and receivables	Equity investment	Total carrying amount
		£'000	£'000	£'000
ASSETS				
Investments	13	57,683	64,811	122,494
Cash and cash equivalents	14	27,785	–	27,785
Total		**85,468**	**64,811**	**150,279**
LIABILITIES				
Deferred income	5	3,923	–	3,923
Total		**3,923**	–	**3,923**

Maturity analysis	< 1 yr	1 – 5yrs	> 5yrs	Total
	£'000	£'000	£'000	£'000
At 31 March 2014				
Loans and receivables	14,176	50,172	128,350	192,698
At 31 March 2013				
Loans and receivables	1,951	22,685	32,060	56,696

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

16. Provisions

	Total
	£'000
Balance at 15 May 2012	–
Addition	283
Balance at 31 March 2013	**283**
Addition	1,071
Balance at 31 March 2014	**1,354**

At 31 March 2014 a provision of £1.2m (31 March 2013: £0.3m) exists in respect of Long Term Incentive Plan payments to current or former members of the Leadership Team. 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 2014 a provision of £0.2m (31 March 2013: Nil) 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.

17. Creditors, accruals, and other liabilities

	Company	Group	Company	Group
		31.03.14		31.03.13
	£'000	£'000	£'000	£'000
Accrued expenses	3,283	3,301	1,335	1,481
Related party liabilities	396	396	974	974
Payroll liabilities	766	766	462	462
Creditors	105,684	106,404	378	378
Total	**110,129**	**110,867**	**3,149**	**3,295**

The material creditor balance is £104.3m in relation to the Westermost Rough transaction. Of this £96.3m was paid on 3 April 2014 to settle the initial purchase consideration and the balance is deferred subject to transaction completion. Funding for this payment was provided by a further share issue to the Department for Business, Innovation and Skills.

18. Issued capital

	Allotted, called up and fully paid	
	Number of shares	Ordinary shares
	'000	£'000
Balance at 15 May 2012	–	–
Issue of ordinary shares	145,850	145,850
Balance at 31 March 2013	**145,850**	**145,850**
Issue of ordinary shares	156,000	156,000
Balance at 31 March 2014	**301,850**	**301,850**

During the year ended 31 March 2014, 156,000,000 ordinary shares of £1 each were issued to the Government Shareholder.
During the year ended 31 March 2013, 145,850,000 ordinary shares of £1 each were issued to the Government Shareholder.

The Directors have approval to allot shares up to an aggregate nominal amount of £3bn.

19. Capital contribution reserve

	Total
	£'000
Balance at 15 May 2012	–
Capital contribution	4,600
Balance at 31 March 2013	**4,600**
Capital contribution	4,000
Balance at 31 March 2014	**8,600**

In addition to funding received from share issues, the Company receives operational funding from its Shareholder which is recognised as a capital contribution from shareholders but does not form part of the shareholding in the Company. These amounts are non-interest bearing and non-repayable. During the period ended 31 March 2014 £4m in operational funding was received (2013: £4.6m).

20. Retained earnings

	Company	Group
	Total	Total
	£'000	£'000
Balance at 15 May 2012	–	–
Loss for the period	(4,649)	(5,007)
Balance at 31 March 2013	**(4,649)**	**(5,007)**
Loss for the period	(8,635)	(4,229)
Balance at 31 March 2014	**(13,284)**	**(9,236)**

21. Retirement benefits

Defined contribution scheme
Retirement benefits for employees are solely provided by defined contribution schemes, funded by contributions from the Company and employees. The Company makes a 10 per cent contribution subject to a minimum employee contribution of 3 per cent. The amount charged to the profit and loss account of £817k (to 31 March 2013: £190k) represents contributions payable in the period to this scheme at rates specified in the rules of the plan. As at 31 March 2014, contributions of £0.1m (31 March 2013: £0.1m) due in respect of the current reporting period had not been paid over to the scheme.

22. Commitments

Capital commitments	< 1 yr	1 – 5yrs	> 5yrs	Subject to project requirements	Cancelled post year end	Total
	£'000	£'000	£'000	£'000		£'000
Investment commitments	405,862	86,974	–	178,480	48,545	719,861

Operational commitments	< 1 yr	1 – 5yrs	> 5yrs	Total
	£'000	£'000	£'000	£'000
Operating leases	618	2,869	1,842	5,329

Operational commitments reflect leases including premises, including Atria One in Edinburgh, which was signed on 24 April 2013, as well as the lease at Millbank Tower in London and other operational leases.

For the year ended 31 March 2014, lease payments totalling £737k were recognised as an expense in the year.

23. Related parties

UK Green Investment Bank plc is 100 per cent owned by the UK Government, with the shareholder being the Secretary of State for the Department for Business, Innovation and Skills. As a result the UK Government and UK Government controlled bodies are related parties of the Company. The Group has elected to take the exemption under IAS 24 regarding disclosure of transactions with related parties because the UK Government has control over both the Company and other entities. The Company trades with Government bodies on an arm's length basis on commercial terms in line with our contractual agreements. The main Government bodies transacted with are the Department for Business, Innovation and Skills as our shareholder and UK Shared Business Services Limited, who are responsible for providing outsourced services including payroll, HR, IT, procurement and finance services. Other transactions include taxes, national insurance contributions and local authority rates.

The balances outstanding with related parties at 31 March 2014 are disclosed below:

	£'000
UK Shared Business Services Limited	396

This balance represents short term liabilities which are expected to be paid within the next 12 months and relate to set up costs and operational service costs.

Associates and joint ventures
The only associate of the Company during the 2013-14 period was Rhyl Flats Wind Farm Limited. The only joint venture of the Company during 2013-14 was WMR JV HoldCo Limited. More information is included in Note 13.

Key management compensation
Key management comprises all Directors, both Executive and Non Executive and the Leadership Team of the Company totalling 19 at the date of signing this report. Detailed disclosures of Directors' and Executives' remuneration for the period are contained within the audited section of the Directors' Remuneration Committee Report.

The compensation for key management is summarised below:	2013-14
	£'000
Salaries and other short term employee benefits	3,582
Post employment benefits	173
Total compensation earned by key management	**3,755**

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

Average number of people employed

	31.03.14
Number of employees	86
Average number people (including Executive Directors) employed	
Investment	42
Operations	44
Total	**86**

The above has been calculated for the period 1 April 2013 to 31 March 2014.
The staff in post at 31 March 2014 was 92; a further 3 had been recruited but not yet commenced employment.

24. Risk disclosure

This note presents information about the nature and extent of risks arising from our financial instruments. It also discloses management's objectives and policies for managing these risks.

GIB has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board is responsible for the establishment and oversight of the Governance, Risk and Control Framework. During the period, the Board managed governance and risk matters arising from our investments and our use of financial instruments through:

- The independent review of proposed investments by the Investment Committee
- The Portfolio Management Committee, an Executive Committee comprising the Chief Risk Officer and members of senior management
- The Portfolio and Investment Management and Finance functions, to oversee the control of these activities
- Policies for risk management

Credit risk
Credit risk is the risk of a 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.

Credit risk also includes settlement risk when a counterparty fails to settle their side of a transaction and concentration risk arising from counterparty exposure to a business or common underlying factors such as technology and sector.

Credit risk assessment is carried out as part of the investment approval process and on an ongoing basis as part of the GIB portfolio management process. Investments are independently assessed by GIB's Valuation Committee.

Quantitative credit risk disclosure, with the exception of maximum exposure by asset class, is not provided in respect of direct investment assets or fund assets as the Shareholder is not directly exposed to credit risk from non-controlling interests or assets held by third parties in consolidated funds.

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 13.

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.

GIB produces credit risk ratings for its investments based on a risk grading of the financial obligor and the estimated Loss Given Default on that investment. Risk drivers assessed in setting the ratings include the financial viability and lending safety of the investment and, if available, the rating assigned by an external credit agency.

The Group is deemed to have no financial assets that are past due or impaired.

Liquidity risk
Liquidity risk is the risk that an entity does not have sufficient financial resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources. GIB has minimum exposure to liquidity risk because it does not have a leveraged balance sheet.

GIB's policy is to manage exposure to liquidity risk by monitoring forecast and actual cash flows and ensuring that sufficient funding is available to meet potential downside scenarios.

Market risk
Market risk is the risk of a loss of earnings or economic value due to adverse changes in financial market rates or prices.

GIB does not have material exposure to currency risk as we only invest in our functional currency.

GIB will identify market risk arising from an inability to exit an investment within the intended time frame.

GIB's investments are a combination of fixed and variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate. GIB does not use derivatives to hedge interest rate risk.

The table below provides a holistic view of the key direct market risks which GIB is exposed to through its mandate. In addition to these risks there might also be indirect risks specific to each transaction.

Direct risk exposure per type of investment

Type of investment	Power prices	Interest rates[1]	Inflation	Fuel[2]
Debt		✓		✓
Equity	✓		✓	✓
Funds	✓		✓	✓

1. LIBOR
2. e.g. wind, thirdparty waste, biofuel, etc.

The impact of a 1 per cent increase or decrease in the interest rate applicable to investments is disclosed below.

Sensitivity analysis
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 £14.4m 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 £14.1m over the life of the investment

Power price sensitivity in operational equity investments
- The impact of a 1 per cent increase in the power price applicable to investments would be an approximate increase in income of £0.8m over the life of the investment
- The impact of a 1 per cent. decrease in the power price applicable to investments would be an approximate decrease in income of £0.8m over the life of the investment

Tax sensitivity in operational investments
- The tax impact on the above would be dependent on the timing of the change, when tax is payable and the corporation tax rate at the time.

25. Post balance sheet events

There have been no significant events between the year end and the date of approval of these accounts which would require a change to the accounts.

GIB made a payment of £96.3m on 3 April 2014 in respect of settling the purchase of the Westermost Rough joint venture investment. A further £17.4m was invested in the joint venture on 7 April 2014, in line with the capital requirements agreed at the time of closing the transaction, and further amounts will be deployed as the asset is constructed.

GIB issued a further 140,000,000 in shares to the Department for Business, Innovation and Skills, for £140,000,000 in consideration. These were issued to fund the settlement of the Westermost Rough transaction and other capital requirements of the Group.

On 22 April, UK Waste Resources & Energy Investment L.P (Foresight) committed £1.5m to Par Biogas, a 499 kW anaerobic digestion project in Northern Ireland.

On 2 May, UK Waste Resources & Energy Investment L.P (Foresight) committed £7.5m to Willen Biogas, a £15m anaerobic digestion facility in Middlesex.

On 24 April, the Group received notification that the commitment entered into in relation to the Norfolk investment had been cancelled following Norfolk County Council's decision not to proceed, which was taken on 7 April 2014. The contract was therefore deemed to be terminated on 16 May 2014 with full repayment of £2.8m to the Group on 20 May 2014.

Glossary

Advanced conversion technology	One of a range of more innovative technologies for energy recovery (in the form of heat, electricity or fuel). Examples include gasification and pyrolysis.
Advanced thermal treatment	This term is used interchangeably with advanced conversion technology.
Anaerobic digestion	Anaerobic digestion is a collection of processes by which microorganisms break down biodegradable material in the absence of oxygen. The process is used for industrial or domestic purposes to manage waste and/or to produce fuels.
ARC	Audit and Risk Committee.
Assess, monitor, report	This is the process by which GIB identifies the green impact of its investments.
Bioenergy	Renewable energy derived from animal or plant matter of recent origin.
BNEF	Bloomberg New Energy Finance.
Bottom ash	Bottom ash is part of the non-combustible residue of combustion in a furnace or incinerator.
BREEAM	Building Research Establishment Environmental Assessment Methodology.
C&I	Commercial and Industrial.
Capital investment	Funds invested in the acquisition of capital assets or fixed assets.
CfD	Contracts for Difference.
CHP	Combined heat and power.
Circular economy	A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life.
CO_2e	Equivalent carbon dioxide.
Company	UK Green Investment Bank plc.
Consolidated entities	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.
Constitution	GIB's Articles of Association and Shareholder Relationship Framework Document.
Contracts for Difference	Form of hedging on the future price of a commodity in which a strike price is pre-specified. Payments are made between counterparties depending on the difference between the strike price and the market price at the time. It is the UK Government's market support mechanism under Electricity Market Reform.
Corporate Environmental Policy	This policy sets out GIB's approach to management of its own environmental impact.
Debt investment	An obligation that enables the issuing party to raise funds by promising to repay a lender in accordance with the terms of a contract.
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'.
EE	Energy efficiency.

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 in the project company. This can provide the Group with influence over the operations of the project company.
Equivalent carbon dioxide	The mass of carbon dioxide emission that would give rise to the same level of radiative forcing, integrated over a 100-year time period, as a given mixture of greenhouse gas emissions.
ESCO	Energy service company.
ESG	Environmental, Social and Governance.
EY	Ernst & Young (now known as EY).
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.
Funds	This refers to the series of funds which GIB capitalised: the Energy Saving Investments L.P, UK Waste & Energy Investments L.P, UK Green Sustainable Waste & Energy Investment L.P., UK Energy Efficiency 1 LP, Aviva Investors REaLM Energy Centres LP. The word 'Fund' relates to one of the above.
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.
GDFC	Green Deal Finance Company.
GHG	Greenhouse Gas.
GIB	Green Investment Bank.
GmbH	Gesellschaft mit beschränkter Haftung - German "company with limited liability".
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	UK Green Investment Bank plc 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.
IC	Investment Committee.
IFRS	International Financial Reporting Standards.
Investment Risk	Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process.
IPO	Initial Public Offering.
KPI	Key Performance Indicator.
kt	kilotonne. Equal to 1,000 tonnes.
kWh	kilowatt hour. Equal to 1000 Watt hours.
LED	Light Emitting Diode.
Liquidity risk	Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources.
Loans and receivables	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Merchant	Projects which utilise private, specialist fuel supply such as refuse derived fuel, commercial and industrial waste and waste wood.
Mt	Megatonne. Equal to 1,000,000 tonnes.
MW	Megawatt. Equal to 1,000,000 Watts.
MWe	Megawatt electrical. Electricity generation capacity equal to 1,000,000 Watts.
MWh	Megawatt hour. Equal to 1,000,000 Watt hours.
NCP	National Car Parks.
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.
Non-utilisation fees/ undrawn facility fees	GIB provides loan facilities to borrowers to enable them to complete construction projects. In return for providing this, GIB receives a fee on the undrawn portion of the facility, calculated in arrears.
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.
Pathfinder organisations	An organisation which discovers or shows other organisations a way forward.
PMC	Portfolio Management Committee.

PPP/PFI	Public-private partnership/Private Finance Initiative.
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.
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.
Refinance	Refers to the replacement of an existing debt obligation with another debt obligation under different terms.
Refuse derived fuel	Refuse-derived fuel or solid recovered fuel/ specified recovered fuel is a fuel produced by shredding and dehydrating solid waste with a Waste converter technology. RDF consists largely of combustible components of municipal waste such as non-recoverable plastics and biodegradable waste.
Renewable Energy Directive	The Renewable Energy Directive sets mandates for the use of renewable energy in the European Union.
Renewable Heat Incentive	The Renewable Heat Incentive is a UK payment system for the generation of heat from renewable energy sources.
Renewable Obligation Certificates	Suppliers meet their obligations under the RO by presenting Renewable Obligation Certificates (ROCs) to Ofgem. ROCs are intended to create a market and be traded at market prices that differ from the official buy-out price.
Renewables Obligation	Places an obligation on licensed electricity suppliers in the United Kingdom to source an increasing proportion of electricity from renewable sources.
Reputational risk	Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions.
Responsible Investment Policy	Defines GIB's approach to responsible investment.
ROC	Renewables Obligation Certificate.
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.
SGEF	Societe General Equipment Finance
State aid	State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.
Tax assets	An asset that may be used to reduce any subsequent period's income tax expense.
The Code	UK Corporate Governance Code.
TWh	Tera Watt hour. Equal to 1,000,000,000,000 Watt hours.
Upfront fees	A fee paid by a borrower to a lender for making a loan. Usually paid at the time a contract is signed.
Watt	A unit of power. For example a 6 MW wind turbine can generate up to a maximum of 6m 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.

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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