Green Investment Bank

Annual Report and Accounts 2014–15

UK Green Investment Bank plc (GIB) Annual Report and Accounts 2014–15

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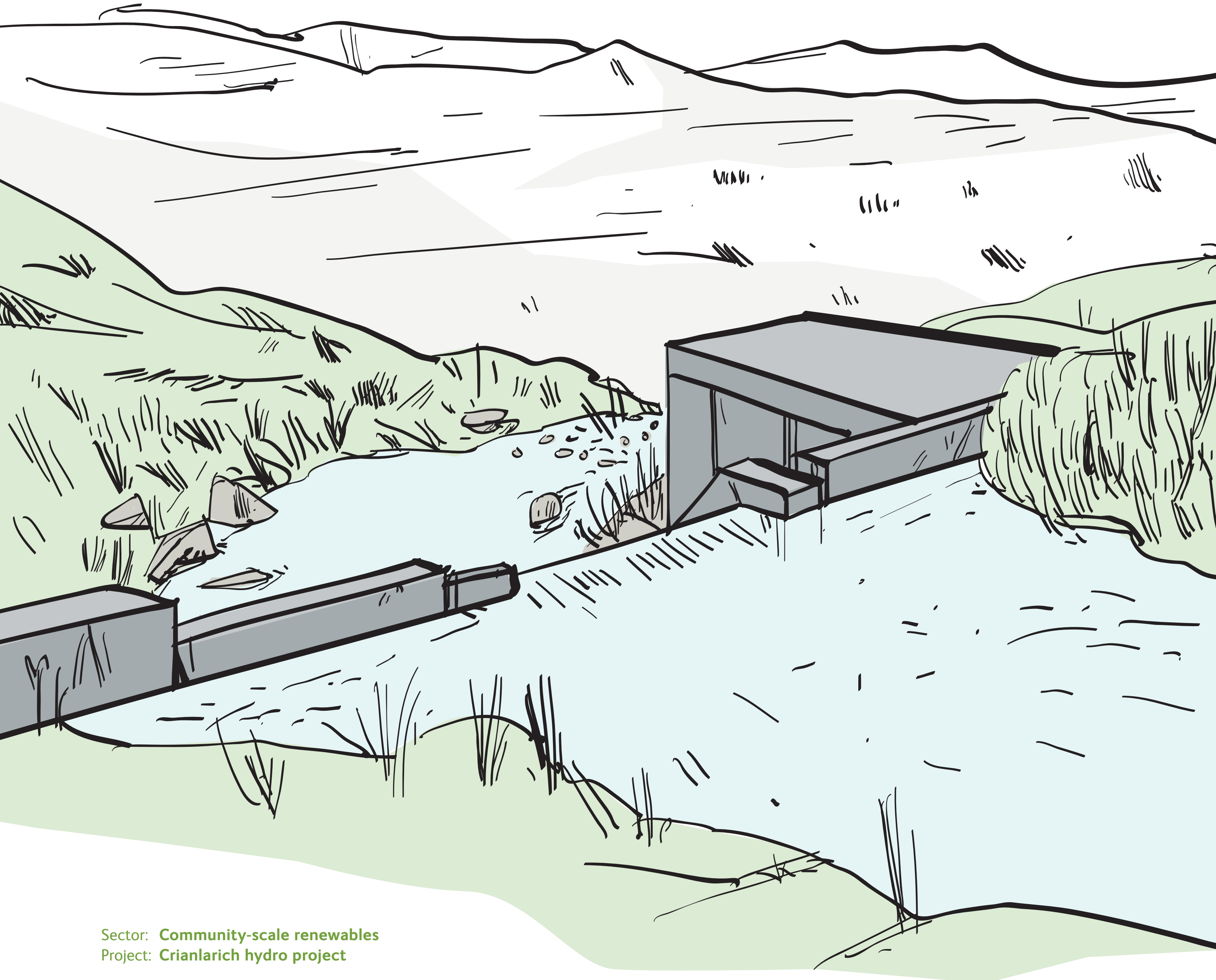
Section 01:

Strategic report



Sector: **Community-scale renewables**
Project: **Crianlarich hydro project**

During the year we created new sources of equity and debt funding for community-scale renewable energy projects. Taken together the funding can support in excess of £300m of new projects including hydro-power and onshore wind. Our £150m is supplemented by investments from KKR and Strathclyde Pension Fund. This funding is available for investment across the UK. One of the first projects we backed was a hydro project north of Loch Lomond.

Who we are

Driving investment in the UK's green economy.

The UK Green Investment Bank plc (GIB) is the first bank of its kind in the world. We back infrastructure projects which are green and profitable. We are the most active green investor in the UK.

Financing vital new infrastructure

In over 200 communities right across the UK we've taken on complex and challenging projects, large and small. These projects needed our help to go ahead and will generate renewable power, keep waste out of landfill and reduce our energy use.

Mobilising private capital

Since inception we have worked with over 70 co-investors to drive investment in the UK's green economy. For every £1 we have invested, we have brought in £3 of additional private capital for UK-based green projects. Our Financial Conduct Authority (FCA) authorised subsidiary has now reached first close on a new offshore wind fund, attracting new investors to the UK's offshore wind sector.

Innovating so others can follow

We are leading the way in financing the deployment of new technologies, helping to create new markets, and building new financial products. Because we are doing this on fully commercial terms we are encouraging other private investors to join us and follow us.

Delivering a UK-wide impact

Our activity is supporting the introduction of innovative technologies on a large scale, strengthening the UK's supply chain, creating thousands of new jobs, and helping to lower the cost of renewable energy and energy efficiency.

Transparency statement

Openness is one of our 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.

Lord Smith of Kelvin KT
Chair

Shaun Kingsbury
Chief Executive

We have built a culture with a strong commercial ethos and the highest standards of transparency and accountability.

We remain 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.

Our commitment to openness begins with our investments. We share details of our investment strategy and each individual transaction. 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.

We encourage you to give us your feedback on this report and our wider progress. Details of how you can contact us are provided on the back page of this report. 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.

Chair's report

This year has brought significant and important strategic progress at GIB. We remain the most active investor in the UK's green economy, backing more green infrastructure projects than ever before.

This year has brought significant and important strategic progress at GIB. We remain the most active investor in the UK's green economy, backing more green infrastructure projects than ever before. We have also laid the foundations we will need for our future growth by turning profitable in the second half of the year, raising private capital and agreeing terms on our first international activity.

Our role, as an independent Board for GIB, is to work with the Leadership Team to set a strategy and to challenge and support them as they pursue it.

This report sets out the key objectives that underpin our strategy and our performance against them. Looking across each of these objectives it has been a year of very good performance. Our core measures of committing our capital to new green infrastructure projects and mobilising additional private capital are broadly in line with, or exceed, our targets. We are innovating and providing leadership in our markets and in the wider green investment community. We have also made progress in what will be a longer-term effort to build a sustainable funding strategy for the business to support its growth, without reliance on additional Government investment in GIB.

During the year we reached three vitally important milestones: our subsidiary reached first close on its offshore wind fund, directly managing private capital for the first time; we achieved a modest profit before tax for the full year; and we agreed the terms of our first overseas activity. While the UK will remain our primary focus, the international pilot programme is just the beginning of what will be a significant opportunity for GIB's long-term expansion.

Becoming profitable is critical on two fronts. First, it carries an important demonstration effect to the wider market that will help to attract other investors and more capital to UK green infrastructure projects. Secondly, it is the key that will help us unlock the private capital we will need to support our ambitious plans for growth.

All of these topics have been the subject of substantial Board discussions.

Lord Smith of Kelvin KT
Chair

Throughout the year the Board has also closely monitored the key risks and uncertainties facing the business. This spans the breadth of investment, operational, green and reputational risk. These risks are set out in our Audit and Risk Committee report and Risk Management and Internal Control report.

Last year we had the Scottish independence referendum and more recently, the UK general election. Such political events bring a degree of uncertainty for a Government-owned company which operates in sectors supported by Government policy. The Board's role is to ensure that the organisation assesses and prepares for the specific risks attached to each event and is sufficiently flexible and resilient to adjust to a range of possible outcomes.

We have also given considerable focus this year to ensuring that GIB continues to employ a high performing team and is a great place to work. The Board is acutely aware that as our organisation matures we face a challenge to retain the talent that has brought our success and is integral to achieving our ambitions.

The Board itself has changed over the past year. We welcomed Laurence Mulliez, an experienced investor, and Peter Knott following his appointment as Chief Financial Officer. We saw the departure of Fred Maroudas, one of our first Board members, who played an invaluable role in establishing GIB and in our Investment Committee in particular. Fred leaves with our very best wishes.

GIB is now well established and is playing a vital role in the modernisation of the UK's energy infrastructure. Two and half years after our launch the organisation is making very positive progress in fulfilling that mission while securing the conditions to support our long-term growth and deliver even greater green impact.

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Chief Executive's review

2014–15 was a good year for GIB. We committed more capital to more projects and added a new investment sector. We became profitable in the second half of the year and produced a modest profit before tax of £0.1m for the full year.

Shaun Kingsbury
Chief Executive

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At the beginning of the year we set four strategic goals for the year: committing more capital to more green profitable infrastructure projects than last year; becoming profitable; reaching first close on a £1bn offshore wind fund; and laying the foundations for a long-term funding strategy.

Investing in green infrastructure

Investing in UK green infrastructure was our main priority throughout the year.

In 2014–15 we backed 22 new projects and committed £723m of capital, improving upon our performance in previous years. We invested in 50% of the transactions that progressed in our core renewable energy sectors (offshore wind and waste and bioenergy). Our investment was critical in advancing projects with a total value of £2.5bn.

In total, by the end of 2014–15, we had committed £1.8bn to 46 projects and helped mobilise a total of £6.9bn for UK green infrastructure.

Our offshore wind investment total was constrained during the year, with fewer than expected transactions closing due to the final stage of the transition to the Contracts for Difference (CfD) regime. This resulted in our capital commitments falling below our original target of £800m (excluding GIB Group's £200m contribution to our offshore wind fund). We backed one project – Sheringham Shoal – but overall offshore wind project activity was down on the previous year. With Renewables Obligation Certificate (ROC) and Investment Contract projects coming to the market in 2015–16, and now that we have the results of the first CfD auction, we expect to see a healthier programme of investment in offshore wind projects moving ahead.

This year, for the first time since our set up, we expanded our investment mandate into a new sector, community-scale renewables – largely hydro projects of less than 8 MW and onshore wind projects of less than 18 MW.

We received state aid clearance in May 2014 to do this and during the year launched two new sources of finance for this sector, £100m of new debt finance alongside global investment firm KKR and £50m of new equity finance alongside Strathclyde Pension Fund.

We continued with our commitment to innovation by financing the deployment of new technologies, helping to create new markets and building new financial products.

We continue to adapt our investment strategy to meet the needs of the market and satisfy our objective to be additional, crowding-in private sector capital. This is most clearly seen in our shift from debt to equity investments over the last three reporting periods.

Becoming profitable

Operating profitably is a key requirement of GIB becoming a long-term, enduring institution. Our profitability is an important signal to other investors and will help to attract new investors and higher levels of investment to UK green infrastructure. It is also a pre-condition of us supplementing the initial commitment of £3.8bn of capital from the UK Government – if we cannot demonstrate profitability we will not be able to borrow from capital markets or attract new equity investors, alongside Government.

Every one of our investments has been made on fully commercial terms with returns in line with other private sector investors. These investments, taken together, project a weighted average debt and equity portfolio rate of return of c. 9%. This is without any debt on our balance sheet, which would significantly improve expected shareholder returns.

However, the vast majority of our investments have been in construction projects which do not fully generate income until they are built and operating – that takes time, with many of our projects having construction periods of two years or more.

We reached operating profitability in the second half of our financial year. For the full year of 2014–15 we made a modest profit before tax of £0.1m.

As more of our existing projects become operational we expect our level of profitability to increase significantly.

Raising our first fund

Our mission is to mobilise investment in UK green infrastructure projects. These projects take between one and two years to build but generally have a lifespan of over 20 years. Once operational they can be attractive to investors with long-term horizons and lower risk appetite who are looking for stable returns. It is vitally important to a healthy financial ecosystem supporting green infrastructure that development and construction stage investors can sell down their stakes in operating assets in order to reinvest in new projects.

Last year we announced an intention to raise, through our FCA authorised subsidiary, a £1bn fund to invest in operating offshore wind farms. The purpose of the fund was to address the need for a stronger secondary market in the UK by attracting long-term investors who were new to the UK green infrastructure market.

In March 2015 our subsidiary reached first close on the fund having raised an initial £463m from UK-based pension funds, a sovereign wealth fund and £200m from GIB. This was the first time that any of these other investors had invested in UK offshore wind projects. We are confident of raising the remaining capital to reach our £1bn target.

A long-term funding strategy

We are now very close to our expected long-term investment run-rate of £800m to £1bn per year. While the £3.8bn of capital commitment from the UK Government was an important start it will not be enough to sustain our level of investment. From the very outset it was always part of the plan that we would need to raise additional capital from the private sector to supplement Government funding.

We have a range of options. We could (with borrowing powers) raise debt finance, attract new equity investors to sit alongside the UK Government, raise additional funds (mirroring our early success of this year) and recycle capital from early investments. In all probability we will look to draw on each of these options to provide us with the capital we need to maintain our position as the most active green investor in the UK.

Over the past year we have begun work to explore these different funding options and started to build a detailed plan. We have made good progress and expect that to continue throughout the year ahead.

Our green impact

The report that follows sets out our green performance with market-leading transparency.

Green impact assessment and reporting is, across our sector, a relatively under-developed area which would be improved from a process of standardisation. This would benefit investors, developers and the wider reputation of our industry: it is in no-one's interest that the term 'green' is used casually or vaguely. We are committed to working with other investors and developers to establish a more robust framework for green impact assessment, monitoring and reporting.

That's why, during the year, we published our Green Investment Handbook, which outlines our full processes in this area and we will continue to play a leading role in its rapid, ongoing development.

Throughout the year we have engaged extensively with our stakeholders, particularly NGOs with a shared interest in the UK green economy. This engagement is important on two fronts. First, where we agree on issues we can make progress more quickly than we could on our own. Second, where we disagree we can have an open conversation to ensure that everyone's position can be tested and challenged.

The team

We have had a stable team during the year with growth in staff numbers mainly due to specific projects, for example the appointment of a team to manage the fund.

The nature of our business means that the biggest single driver of our performance is our human capital – the strength of our team. We have been very fortunate in being able to build a team of high quality talent, attracted by the uniqueness of the organisation and the breadth of experience we can offer. We think a lot about what we can do to ensure that we retain our team and this year we focused on the culture of the organisation.

We commissioned an independent assessment of our culture which showed it to be something that our staff see as one of our major attributes. People value our fast pace, action orientation, openness and directness. The assessment was also helpful in identifying areas that were coming under pressure as we mature and areas where we needed to improve. Our focus on the year ahead will be on improving our diversity, strengthening line management capability throughout the organisation and building on our existing strengths.

The outlook for next year

Our first task for the year ahead will be maintaining our momentum in investing capital. We expect to see a stronger offshore wind market with more projects moving to financial close and starting construction. We also expect to see continued momentum in the waste market with the ongoing shift from local authority PPP/PFI projects to merchant projects. We hope to expand our reach further into smaller scale renewables and build on our pioneering partnership with Glasgow City Council on low energy streetlighting extending our support to other local authorities across the UK.

Our investment mandate will see a further, significant development. We have now agreed terms with the Department of Energy & Climate Change (DECC) on our first involvement in overseas projects. Our £200m pilot, funded with additional capital from DECC, will initially focus on extending our existing investment approach to South Africa, East Africa, and India. In addition to this, we will continue to work with the European Commission to further expand our mandate in the UK.

We will also be continuing in our work to get the organisation into a position where it can attract private capital, drawing on the options I set out above. This is vitally important for our future.

I believe that GIB is in an excellent position to fulfil its mission of becoming a long-term, enduring institution. 2015–16 will be an important year in that process. By the end of the year I expect us to have had another year of strong capital commitment, a full year of clear profitability, our first experience of managing private capital and an expansion of our activity into new markets and geographies.

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Shaun Kingsbury
Chief Executive

The year at a glance: GIB highlights

22 new projects
up 5 on 2013–14

£723m capital committed
up £106m on 2013–14

£2.5bn total transaction value
up from £2.3bn in 2013–14

We remain the most **active investor** in the **UK green economy**

50% share of the market
compared to 56% in 2013–14

Projects supported across **England**, **Scotland**, **Wales** and **N. Ireland**

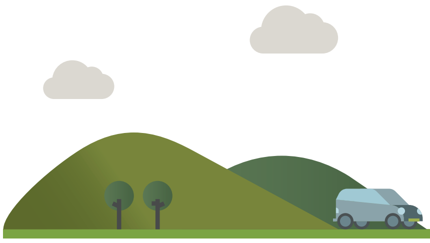
New partner investors
including pension funds and a sovereign wealth fund

9% projected portfolio return
the same as 2013–14

£0.1m profit before tax
compared to a loss before tax of £5.7m last year

16.3 TWh
of renewable energy produced*
up from 12.8 TWh in 2013–14

...enough to power the domestic electricity of **3.9m** homes
up from 3m homes in 2013–14



4.2m t CO_2e
of greenhouse gas saved*
up from 3.5m tonnes in 2013–14

...equivalent to taking **1.9m** cars off the road
up from 1.6m cars in 2013–14

2.1m tonnes
of landfill avoided*
up from 1.3m tonnes in 2013–14

...equivalent to the domestic waste of **2.1m** households
up from 1.3m households in 2013–14

Key milestones

Reaching profitability

We achieved a modest profit before tax of £0.1m for the year, becoming profitable in the second half of the year after two years of operations. As more of our investments become operational, we expect our profitability to increase significantly.

First close on our offshore wind fund

Our FCA authorised subsidiary, GIBFS, reached a first close of £463m on the world's first offshore wind fund. Initial investors, in what we expect to be a £1bn fund, include a major sovereign wealth fund and UK-based pension funds.

A new investment sector

For the first time since our launch we gained approval from the European Commission to extend our investment focus to a new sector of the green economy – community-scale renewables. During the year we committed an initial £150m to support small-scale hydro and onshore wind projects.

International pilot programme

We agreed terms with DECC on a £200m pilot programme to invest in renewable energy and energy efficiency projects in South Africa, East Africa and India.

* *average annual projected.*

The year at a glance: Transaction summary

During the year we committed £723m to 22 new projects with a total transaction size of £2.5bn. Each of these measures has increased on the previous year.

Summary of transactions to date

Project name	No. of projects	Direct investments (£m) GIB investment	Direct investments (£m) Total size of transaction	Fund investments (£m) GIB investment	Fund investments (£m) Total size of transaction	Fund manager	Locations
2014–15 transactions							
Offshore wind:							
Westermost Rough refinance[1]	–	–	377.8	–	–	–	–
Sheringham Shoal offshore wind farm[2]	1	240.0	480.0	–	–	–	1
Waste and bioenergy:							
Old Quarrington anaerobic digestion plant	1	–	–	2.0	4.0	Foresight	1
Tilbury renewable power facility	1	35.0	190.1	–	–	–	1
Levenseat recycling and waste plant[3]	1	10.3	111.0	28.3	111.0	Foresight	1
Hoddesdon gasification plant	1	29.8	60.5	–	–	–	1
Recycling and waste fund (Foresight)	–	50.0	100.0	–	–	–	–
Widnes CHP plant[4]	1	16.9	110.3	13.2	110.3	Foresight	1
North Yorkshire waste treatment plant	1	33.4	319.4	–	–	–	1
Derby energy from waste plant	1	63.6	190.9	–	–	–	1
Speyside CHP project	1	12.8	74.3	–	–	–	1
Northern Ireland on-farm AD: Bridge Energy	1	–	–	1.7	3.5	Foresight	1
Northern Ireland on-farm AD: PAR Renewables	1	–	–	1.5	3.0	Foresight	1
Willen anaerobic digestion project	1	–	–	7.4	14.9	Foresight	1
Energy efficiency:							
Sheltered housing boiler replacement project	1	–	–	2.4	5.0	Equitix	28
Glasgow City Council streetlighting project	1	6.3	6.3	–	–	–	1
Agricultural small carbon biomass platform	1	–	–	5.5	11.5	SDCL	2
Citi data centre retrofit	1	–	–	2.5	5.3	SDCL	1
De Lage Landen funding alliance	1	25.0	50.0	–	–	–	1
SME energy efficiency platform	1	–	–	0.5	2.0	SDCL	–
Distillery biomass platform 2	1	–	–	1.9	3.8	Equitix	3
Equitix fund extension	–	50.0	100.0	–	–	–	–
Community-scale renewables:							
Albion Community Power	2	50.0	100.0	–	–	–	2
Temporis lending programme	1	100.0	200.0	–	–	–	1
2014–15 total	**22**	**723.1**	**2470.6**	**66.9**	**274.3**	–	**51**
2013–14 total	**17**	**616.6**	**2331.9**	**39.8**	**124.3**	–	**185**
2012–13 total	**7**	**460.4**	**2096.5**	**9.8**	**36.9**	–	**7**
Total to date	**46**	**1800.1**	**6899.0**	**116.5**	**435.5**	–	**243**

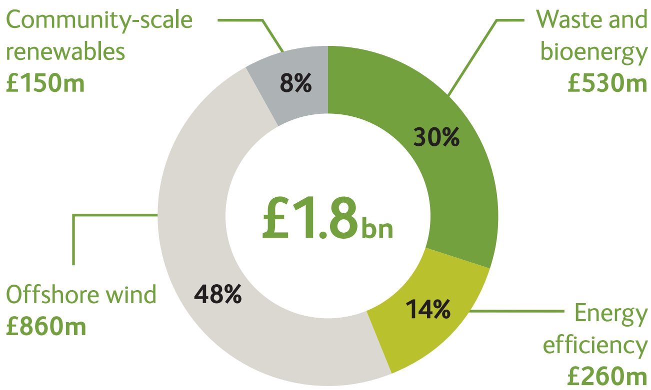
1. Refinancing of £310m equity from original 2013–14 investment with senior debt from five international lending banks. 2. Sheringham Shoal investment was sold to the offshore wind fund on 30 March 2015. 3. GIB provided an additional £10.3m to the Foresight UKWREI fund to allow the fund to invest £28.3m in the £111m project. 4. GIB invested twice in this project: directly and via the Foresight fund. NB Commitment numbers from prior years have been reduced to reflect projects that have been cancelled.

Our portfolio

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

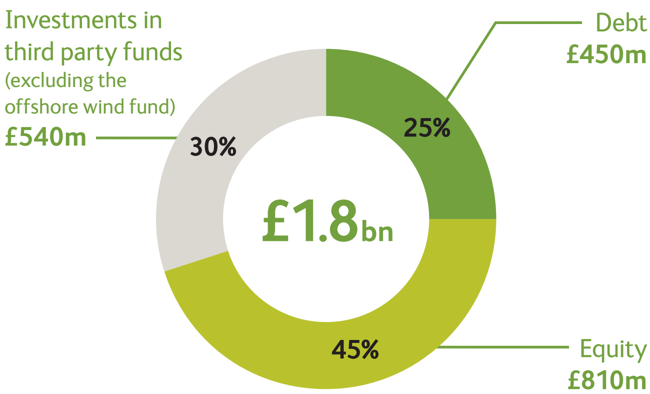
Sector:

Offshore wind represents the largest of our four sectors by commitments given the size of investment we typically make in this sector.



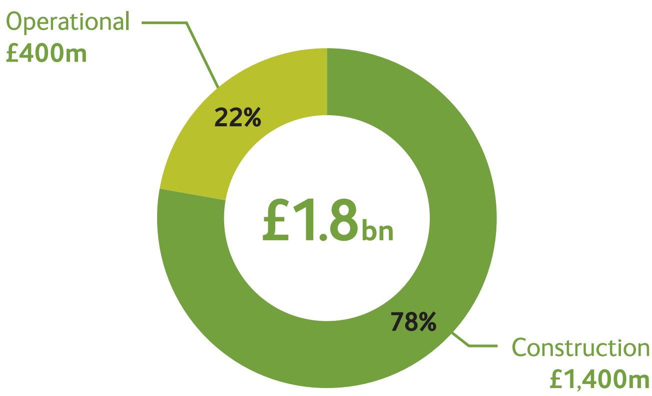
Product:

Over the last year our investments have been predominantly in equity following an initial emphasis on debt, and the remainder of our investments have been in capitalising third party funds in the waste and bioenergy and energy efficiency sectors.



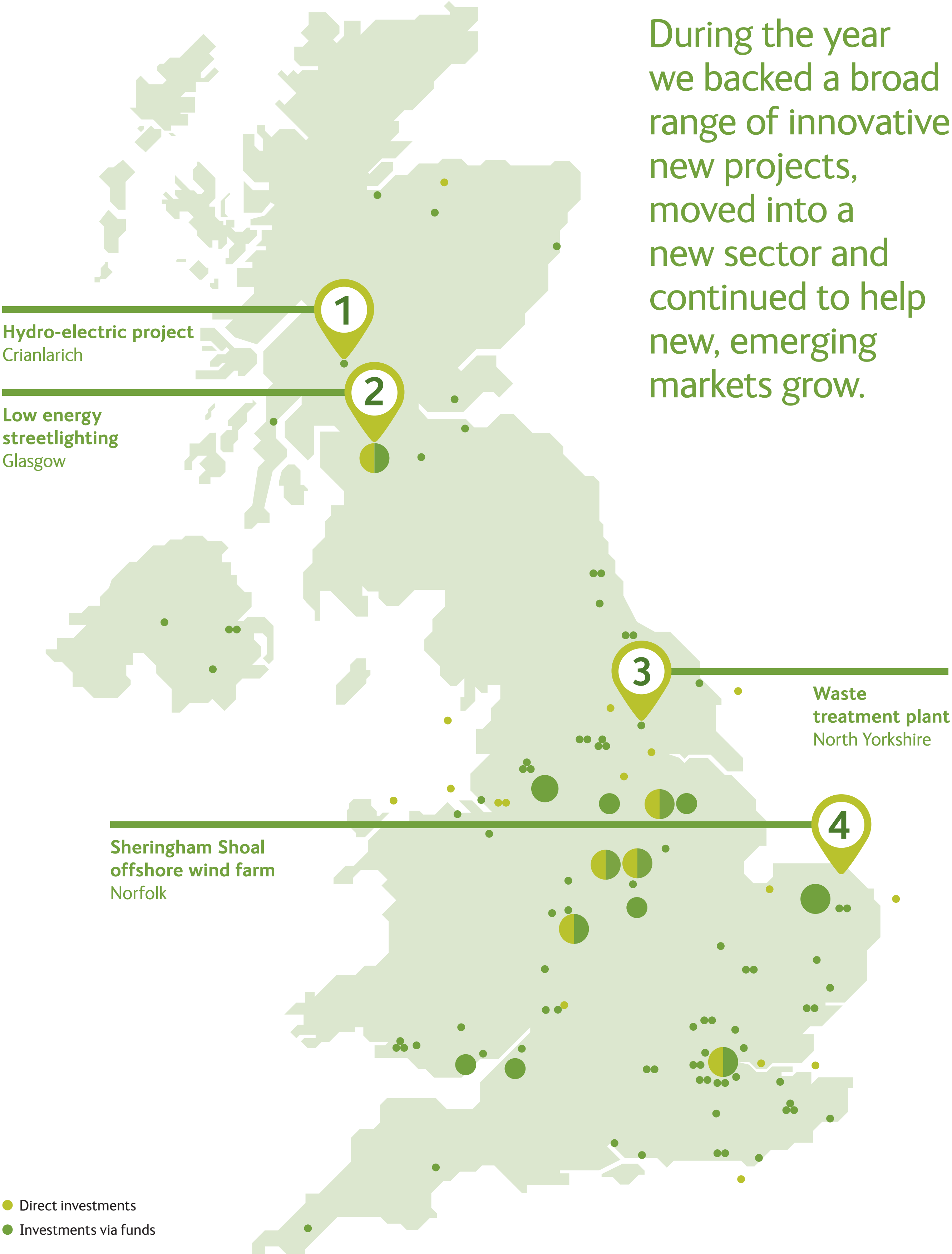
Stage:

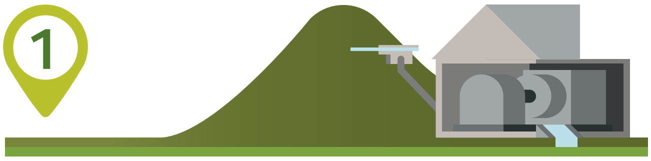
Our investment focus across sectors is primarily in construction assets. These transactions will not reach their operational state in some instances for two years or more.



The year at a glance: Transaction case studies

During the year we backed a broad range of innovative new projects, moved into a new sector and continued to help new, emerging markets grow.





Sector: **Community-scale renewables**
Project: **Crianlarich hydro project**

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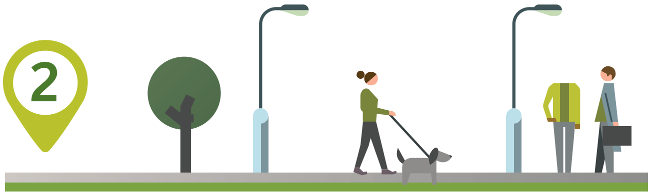
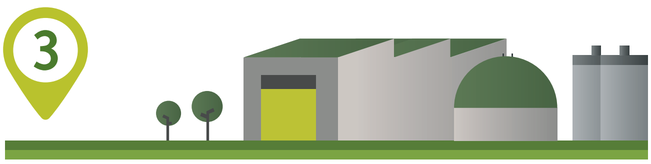


Sector: **Energy efficiency**
Project: **Low energy streetlighting in Glasgow**

We partnered with Glasgow City Council to start the process of replacing 70,000 of its existing streetlights with energy efficient LED lights. We aim to replicate this partnership with local authorities across the UK, improving energy efficiency, cutting carbon emissions and saving local authorities money.



Sector: **Waste and bioenergy**
Project: **North Yorkshire waste treatment plant**

We invested £33m in a new, fully-integrated waste management facility to process waste from the North Yorkshire and City of York council areas. The facility will process waste from over 300,000 households and includes a recycling facility, an anaerobic digestion plant for organic waste and an energy-to-waste plant. Together these facilities will produce enough energy to power 40,000 homes and divert 7m tonnes of waste from landfill.

Sector: **Offshore wind**
Project: **Sheringham Shoal**

We invested £240m to acquire a 20% stake in the Sheringham Shoal wind farm, off the coast of Norfolk. The developers have committed to reinvest the sale proceeds in other UK offshore wind projects. The wind farm produces enough renewable electricity to power 220,000 homes. GIB sold the asset to the new offshore wind fund upon it reaching first close.

Further information about all our investments can be found at:
www.greeninvestmentbank.com

Strategy:
Our mission and business model

Our primary 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, with a funding commitment of £3.8bn. We use this finance to mobilise other private sector capital into the UK's green economy.

We 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 role 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 four sectors – energy efficiency, waste and bioenergy, community-scale renewables 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.
  - 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.
- Through our direct investments we provide the capital necessary for projects to proceed.
- We work to mobilise other private sector capital, crowding-in additional finance, not displacing other investors.
- We are committed to being innovative by building and strengthening the UK market, not simply serving it.

Our business model works

Strategy:
Our market

The UK has now had three years of broadly stable levels of investment in renewable energy.

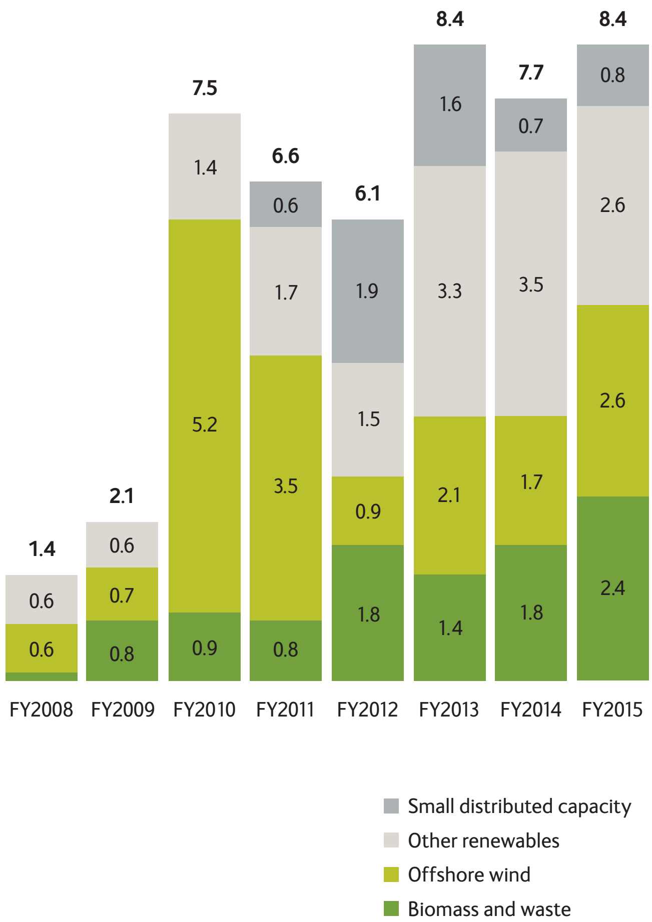
The calendar year 2014 saw renewables' share of electricity generation reach 19%, compared to 15% in the previous year. This increase was primarily due to growth in installed renewables generating capacity, which grew by 23% in 2014 to reach 24 GW. Renewables' share of generation was also boosted by a fall in overall electricity generation as demand fell due to higher temperatures. Gas also grew its share of generation, rising from 27% to 30% as a result of lower wholesale gas prices and nuclear outages. Meanwhile coal's share of generation fell from 36% to 29% following plant closures and conversions.

In the financial year 2014–15, new investment in the construction of UK renewables generating capacity was £8.4bn, growing by 9% on the previous financial year. Although there was a decline in investment in onshore wind, which has faced issues around permitting and grid connection, this was more than offset by increased investment in solar, biomass and offshore wind.

There were £3.9bn of addressable transactions in our core renewable energy sectors (offshore wind, waste and bioenergy), a decline on the previous financial year's total of £4.1bn. This was primarily driven by reduced deal activity in the offshore wind sector where, while balance sheet investment by developers continued, fewer transactions came to market for external finance.

Of those addressable transactions, GIB was involved in 50% by value (13 transactions, including the refinancing of Westermost Rough). This compares with 56% of addressable transactions by value in the previous financial year.

UK investment in new renewable energy construction, FY2008–FY2015 (£bn)



Source: Bloomberg New Energy Finance with GIB adjustment; DECC Energy Trends

Strategy:
Our investment strategy

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

We can invest across the full capital structure, from debt to mezzanine and equity. We can invest over short periods and long. 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 invest directly in large projects or programmes and indirectly in smaller projects through funds.

GIB investment strategy, by sector

	Product: Debt	Equity	Funds*	Stage: Construction	Operational	Route to market	Technology
Offshore wind	✔	✔	–	✔	✔	• Mainly large utilities • Other financiers	• Offshore wind turbines
Waste and bioenergy	✔	✔	✔	✔	✓	• Utilities • Developers	• Energy-from-waste plant • Anaerobic digestion • Combined heat and power (CHP) plants • Dedicated biomass and coal conversions • Biofuels • Gasification
Energy efficiency	✔	✔	✔	✔	✓	• Project hosts • Energy Service Companies (ESCOs) • Utilities • Other financiers	• Building retrofits (e.g. lighting, insulations, glazing) • On-site generation (e.g. CHP, renewable heat, heat pumps) • Industrial process (e.g. motors, pumps, kilns) • Infrastructure (e.g. streetlighting, heat networks)
Community-scale renewables	✓	✓	✔	✔	✓	• Investment manager • Developers	• Hydro-electric • Onshore wind

✔ High focus area

✓ Low focus area

* *External third party funds*

We use our sector expertise and focus to understand fully the risks associated with each project and price them appropriately. We believe our ability to do this well is building confidence amongst 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.

Details of the individual strategies deployed in each of our sectors can be found on the GIB website. An overview of the approaches deployed in each sector is also shown on p.28–31.

GIB continues to evolve and adjust to meet the needs of a changing market and 2014–15 has seen three major developments for the business.

First, in May 2014 GIB gained approval from the European Commission to expand its investment mandate to include community-scale renewables. GIB acted in response to a funding gap in the market for hydro-electric projects below 8 MW and onshore wind projects below 18 MW and in November 2014 made its first investment into this new sector.

Secondly, in March 2015, GIB agreed terms with DECC on a £200m international green investment pilot programme to invest in renewable energy and energy efficiency projects in South Africa, East Africa and India.

Finally, 2014–15 has also seen the launch of an offshore wind fund (the GIB OSW Fund) through GIB's wholly owned and FCA authorised subsidiary – GIBFS – aimed at attracting new investors and capital to the UK offshore wind sector. The fund will create significant benefits for the UK by mobilising capital into the UK offshore wind sector from new, long-term investors seeking good, risk adjusted returns. Attracting additional capital and creating a liquid market for operating assets is an important step in reducing the cost of offshore wind and supporting the continued growth of the sector. It will allow the original developers to recycle their capital to finance new renewable energy projects.

Strategy:
The outlook for our markets

The UK's green economy will, over the coming years, be driven by changes in regulation, energy systems and financing markets.

In the regulatory environment, the UK is now approaching the end of the Electricity Market Reform (EMR) process. 2014 saw the launch of the first CfD auction, whilst in the year ahead the first of the Investment Contract projects will come to market. While this provides near-term certainty the limited visibility of support for renewables post 2020 creates some uncertainty that may affect markets in the years ahead.

In energy systems there has been downward pressure on wholesale price forecasts driven primarily by gas price reductions. At the same time we continue to see innovation and cost reductions in the technologies that underlie our sectors as manufacturers bring new products to market and experience across the supply chain grows. This is exemplified by the results of the first CfD auction round which saw clearing prices for offshore wind at £114/MWh, significantly below the administered strike price of £140/MWh.

The next few years may also give rise to major changes in the energy value chain itself. Growth in renewables and distributed generation as well as opportunities for demand management and energy efficiency will create new opportunities and drive innovation on the part of utilities. One of the key changes likely to emerge will be a shift in business models away from simple energy supply and towards the provision of energy services.

In financing markets, we have seen continued growth of green listed funds (YieldCos). Furthermore, 2014 saw the rise of green bonds accelerate, with global volumes reaching $39bn, more than double the $15bn seen in the previous year.* With increasing standardisation of what constitutes a green bond, this segment is expected to continue to mature as a critical source of capital for the green economy.

* *Source: Bloomberg New Energy Finance*

Performance:
Performance overview

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

Investment performance

- In 2014–15 we backed 22 new projects taking our total to 46.
- We remain the most active investor in the UK's green economy and have expanded our investments into a new sector: community-scale renewables.
- We have continued to innovate in the technologies we have supported and how we have engaged with our markets.

Green performance

- Once built our investments will reduce annual greenhouse gas emissions by 4.2m tonnes CO_2e, equivalent to taking 1.9m cars off the road, up from 3.5m tonnes CO_2e at 31 March 2014.
- Once operating our investments will generate 16.3 TWh of renewable energy, enough to power 3.9m homes, up from 12.8 TWh at 31 March 2014.
- Our investments are projected to avoid 2.1m tonnes of waste from landfill each year, the equivalent of the waste of 2.1m homes, up from 1.3m tonnes of waste at 31 March 2014.
- Our portfolio of investments will recycle 725,000 tonnes of material annually when built, equivalent to recycling the waste of 720,000 homes, up from 450,000 tonnes at 31 March 2014.

Financial performance

- All our investments were made on fully commercial terms and we returned a Group profit before tax of £0.1m with improving profitability in the second half of the year.
- Once operational we project that our current portfolio of investments will generate an overall return of 9%.
- Our income for the year increased to £28.2m, up from £15.4m in 2013–14.
- We maintain a tight cost discipline and our costs remain below the infrastructure fund industry average of 1% of funds under management.
- We made a loss after tax of £2.4m compared to a loss of £4.2m last year.
- Following the launch of the GIB OSW Fund we have recognised a gain on asset disposal, in the Company's accounts.

Performance:
Our key performance indicators

GIB works to a series of key performance indicators (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.

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.

2014–15 Key performance indicators

KPI	Measure	Target	Performance
Capital commitment	Amount of capital committed to green, profitable projects.	Capital commitment of £0.8bn in 2014–15, adjusted for market conditions.	£723m in capital committed in a wider market which saw less investment than expected. This excludes our £200m contribution to the offshore wind fund.
Financial returns	Forecast portfolio return.	Commercial returns commensurate with the risk taken. At a minimum our net return must meet our Shareholder Relationship Framework requirement of a minimum 3.5% annual nominal return on total investments, after operating costs but before tax.	Overall forecast portfolio return is estimated at a 9% internal rate of return once investments are operational. This is expected to exceed the minimum net return target.
Mobilisation of additional capital	Portfolio mobilisation ratio on transactions.	Mobilisation of private capital averaging above a 1 to 2.5 ratio.	Average mobilisation of 1:2.4, including commitments to funds and 1:2.8 on actual commitments to projects, direct and via funds.
Financial performance	Move to profitability through combination of revenue growth from investments and strong cost discipline.	To have full financial year cumulative positive net profit before income tax from continuing operations, excluding the impact of the GIB OSW Fund.	A profit before tax of £0.1m was achieved after £2.2m of offshore wind fund establishment costs were incurred.
Innovation – Introduction of private capital	Look at options around introducing private capital into the Group through the first close on the GIB OSW Fund and other potential capital raising methods.	Develop options for introducing private capital to the Group, including: Reach first close on the GIB OSW Fund by 31 March 2015. Work with our shareholder to develop options for further private capital to be introduced in future years.	Successfully reached first close in March 2015, with £463m in total commitments (including £200m from GIB). Shareholder and Board approval received to pursue introduction of private capital.
Innovation – Products	Innovation in financial products and specific investments to develop the green economy.	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.	Innovation was delivered through: Refinancing of the Westermost Rough to bring £378m of new bank lending into the offshore wind market. Speyside CHP transaction included the first GIB backed bond. Green Loan successfully closed with Glasgow City Council. Gasification projects funded to deliver innovative global technology to the UK.
Green leadership	Demonstration of leadership in green policies and reporting.	Develop criteria and reporting metrics for all five green purposes.	Green ratings have been developed for all five green purposes. We published our Green Investment Handbook.
Corporate governance	Demonstration of high standards of corporate governance, in line with industry practice.	Staff compliance processes and staff training up to date, as part of ensuring the appropriate culture in GIB.	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.

Performance:
Investment performance by sector

Offshore wind

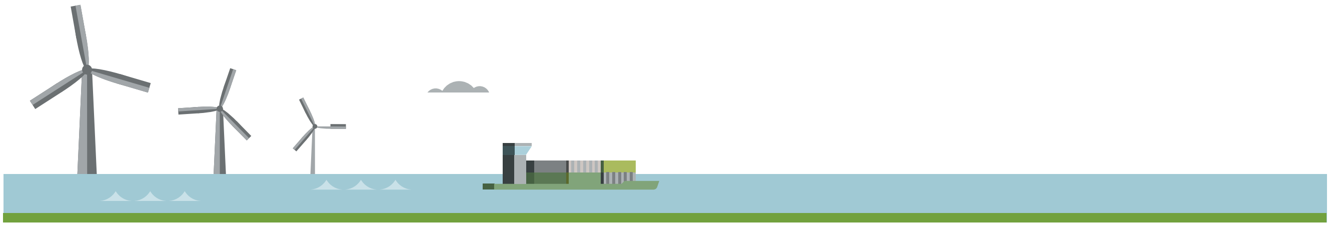
Sector strategy

GIB supports the UK's offshore wind sector by providing debt and equity investment.

Investment in construction phase projects, either levered or unlevered, allows GIB, through proactive management, to take construction risk alongside developers, facilitating timely project delivery.

GIB's investments in operating assets have sought to build a secondary market in offshore wind to allow developers to recycle capital into new projects in the sector.

This year GIB has been involved in 42% of transactions in our market (by value).



Our investments

Since inception, GIB has committed £863m to the UK's offshore wind sector, backing six projects with a total capacity of over 2.1 GW of renewable power.

In November 2014, GIB invested £240m to purchase a 20% stake in the 317 MW Sheringham Shoal operating offshore wind farm located in the Greater Wash area of the UK. The project, which uses Siemens turbines, was constructed by a 50:50 joint venture between Statoil and Statkraft, the Norwegian State-controlled oil and gas and utility companies. The wind farm is operated by Statkraft and has been operational since October 2012. The vendors committed to recycling capital into further UK renewable energy projects with their strong pipeline of UK offshore wind projects, including Dudgeon, Triton Knoll and Dogger Bank.

Sheringham Shoal avoids greenhouse gas emissions of c. 200 ktpa CO_2e and generates over 1 TWh of renewable electricity annually, equivalent to the electricity consumption of over 220,000 homes, approximately equating to the domestic demand of the county of Norfolk, UK.

In April 2015, GIB announced that our FCA authorised subsidiary had reached first close, on commitments of £463m, on its planned £1bn fund to invest in operating offshore wind farms in the UK. The initial investors comprise UK-based pension funds and a major sovereign wealth fund. GIB is also investing £200m.

The fund is an innovative, first-of-a-kind transaction. It is the world's first fund dedicated to investments in offshore wind power generation and, once fully subscribed, it will be the largest renewables fund in the UK.

GIB transferred its investments in two operating assets, Rhyl Flats and Sheringham Shoal, into the fund.

Summary of investments

	2014–15	Cumulative
Number of transactions	1	6
GIB investment £m (direct)	240	862.6
GIB investment £m (funds)	0	0
Total transaction size £m (direct)	857.8	2,791.6
Total transaction size £m (funds)	0	0

Waste and bioenergy

Sector strategy

GIB supports the waste and bioenergy sector directly through debt, levered and unlevered equity investments as well as indirectly through funds.

Direct investments focus on larger biomass and energy from waste plants.

Investments through funds have allowed GIB to support smaller projects such as on-farm anaerobic digestion and to maintain an investment focus on recycling sector opportunities.

Across all investment types GIB focuses on construction phase investments where it can assist in structuring transactions.

This year we have been involved in 59% of transactions in our market.

Our investments

GIB has committed a total of £531m across 21 transactions, including those of our fund managers. When operational these investments will divert some 2.1m tonnes of waste from landfill and generate renewable electricity.

In 2014–15, GIB completed eleven transactions including those of our fund managers, committing £306m of capital. These investments included PPP waste projects, merchant residual waste and waste wood projects, as well as a virgin wood CHP project. GIB continues to back innovative technology with its investment into gasification plants at Derby, Hoddesdon and Levenseat. In January 2015, we demonstrated continued support for small-scale recycling and waste investments through the launch of a second £50m fund with Foresight.

Across the eleven transactions completed over the financial year, GIB and its fund managers have worked with both debt and equity partners to drive additional investment into the UK waste and bioenergy sectors, frequently attracting international capital to UK infrastructure. These have ranged from long-term, senior debt lenders to strategic industrial equity sponsors. In many cases, the projects represent first of a kind investments for our partners, such as in the Tilbury Green Power and Derby Waste PPP projects.

Summary of investments

	2014–15	Cumulative
Number of GIB transactions	11	21
GIB investment £m (direct)	251.8	531.2
GIB investment £m (funds)	54.1	80.8
Total transaction size £m (direct)	1,156.5	3,301.1
Total transaction size £m (funds)	246.7	355.5

Energy efficiency

Sector strategy

Financing of energy efficiency in the UK is a developing market, requiring concerted development activities and innovative financing products.

Direct investments target energy efficiency and on-site generation opportunities across the commercial, industrial and public sectors.

GIB tailors financing to meet the needs of different projects. For example, our Green Loan was designed to enable local authorities to finance energy efficient streetlighting.

GIB continues to be involved in a number of market development initiatives in both the public and private sectors, that we expect to come to fruition in coming years.

Our investments

GIB has committed a total of £256m to 16 transactions.

In the current financial year GIB has completed seven transactions, including those of our fund managers, committing £81m of capital. In September GIB committed £25m in a funding alliance with De Lage Landen to support greater energy efficiency in the NHS and agreed the first streetlighting deal with Glasgow City Council (£6.3m).

We also increased our commitment to the Equitix-managed fund (£50m).

We invest through funds to support smaller scale energy efficiency retrofit and onsite generation projects.

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 projects:

- Building retrofits (e.g. lighting, insulation, glazing)
- On-site generation (e.g. CHP, renewable heat, heat pumps)
- Industrial process (e.g. motors, pumps, kilns)
- 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, on-site generation and industrial process).

Summary of investments

	2014–15	Cumulative
Number of GIB transactions	7	16
GIB investment £m (direct)	81.3	256.3
GIB investment £m (funds)	12.8	35.7
Total transaction size £m (direct)	156.3	506.3
Total transaction size £m (funds)	27.6	80

Community-scale renewables

Sector strategy

This year has seen GIB receive state aid approval for, and make its first investments into, community-scale renewables.

The sector experienced a loss of funding after an important lender to this sector withdrew from the market in 2013, creating a financing gap that GIB is now helping to address.

Over the coming years we will continue to explore opportunities to support the sector through both debt and equity financing.

Our investments

In November 2014 GIB and KKR both committed £100m for a new £200m lending programme for community-scale renewable energy projects in the UK. This funding is managed by Temporis Capital LLP and has a particular focus on providing long-term debt financing.

In February 2015 GIB made an investment of £50m, alongside Strathclyde Pension Fund in UK community-scale renewable energy projects, through Albion Community Power plc. This can provide unlevered equity funding for up to 30 projects generating c. 24 MW of new renewable energy, enough to power 17,500 homes. The particular focus will be on feed-in tariff brownfield wind and hydro projects.

The first project announced was a new hydro-electric power scheme near Crianlarich, north of Loch Lomond.

GIB has concentrated on providing new sources of construction funding for smaller wind and hydro projects addressing specific market gaps; in particular through long-term debt financing and unlevered equity.

Summary of investments

	2014–15	Cumulative
Number of GIB transactions	3	3
GIB investment £m (direct)	150	150
GIB investment £m (funds)	0	0
Total transaction size £m (direct)	300	300
Total transaction size £m (funds)	0	0

Performance: Green performance

The green impact of our portfolio has increased this year and we have worked to drive improvements in how the market assesses, monitors and reports green performance.

Green performance summary

- Our portfolio continues to deliver improved green impact performance on both reported actuals and forecasts. Full details on p.77.
- Our projects' greenhouse gas emissions reduction forecasts increased by 19% to 67.3m tonnes CO_2e from 56.4m tonnes. This was as a result of 22 new deals signed during the year and increased forecasts on the existing portfolio.
- The renewable energy forecast to be generated across our assets increased by 23% from 200 TWh to 246 TWh. New deals signed in 2014–15 contributed 27 TWh to this increase, with the remainder coming from increased forecast performance.
- In December 2014 GIB transferred the Green Deal Finance Company loan facility to DECC. Our exit from this transaction has caused the portfolio's forecast remaining lifetime and average annual energy demand reduced to fall.

Green thought leadership

- This year we launched our Green Investment Handbook, showing how we assess, monitor and report on transactions. It aims to share our experiences and start a discussion across the investment community about how green impact assessment can be further improved and standardised.
- As the world's first green bank we took a lead role in the second annual Green Bank Congress, hosted by the New York Green Bank. We are now working to formalise the network with a view to sharing experience and knowledge across our peers.
- Standardisation of carbon accounting methodologies remains an important challenge for the sector. We continue to work with a group of international financial institutions to develop common criteria to report on carbon emission reductions.
- We have developed Environmental, Social and Governance policies which have been adopted by our fund managers, in some cases, across their portfolios including for projects not directly benefiting from GIB funding.

Green impact of GIB's portfolio in year

	Year ended 31.03.15	Year ended 31.03.14
GHG emissions reduction (t CO_2e '000)	3,568	2,580
Renewable energy generated (GWh)	8,829	3,371
Energy demand reduced (MWh)	36,474	307
Materials recycled (t)	33,736	9,631
Waste to landfill avoided (t)	27,032	8,994

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

	Year ended 31.03.15	Year ended 31.03.14
GHG emissions reduction (t CO_2e '000)	67,253	56,428
Renewable energy generated (GWh)	245,527	200,360
Energy demand reduced (MWh)	535,119	8,459,312
Materials recycled (t)	17,736,861	11,228,573
Waste to landfill avoided (t)	52,740,165	31,727,864

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

	Year ended 31.03.15	Year ended 31.03.14
GHG emissions reduction (t CO_2e '000)	4,220	3,502
Renewable energy generated (GWh)	16,334	12,840
Energy demand reduced (MWh)	61,363	433,671
Materials recycled (t)	726,845	454,950
Waste to landfill avoided (t)	2,122,337	1,280,350

Performance:
Financial performance

We moved into profitability at the Group level in the second half of the year, in line with our expectations.

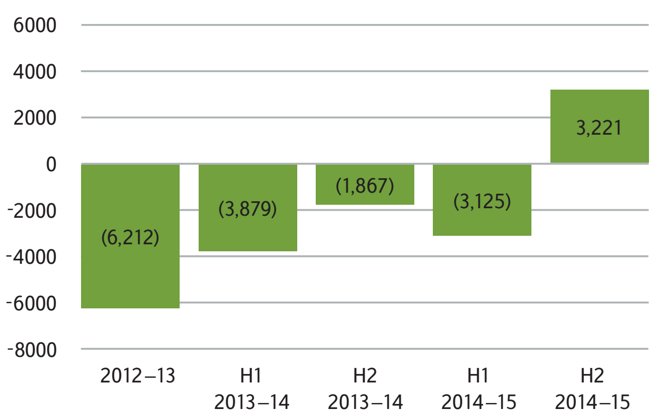
Financial performance summary

- All our investments have been made on fully commercial terms and the expected rate of return across our current portfolio averages at 9%.
- We moved into profitability at the Group level in the second half of the year as illustrated in the chart below, as our deployed capital grew to a sufficient level to produce adequate income to cover our costs. Our full-year financial result shows a Group profit before tax of £0.1m, an improvement on the pre-tax loss for 2013–14 of £5.7m. We incurred a loss after tax of £2.4m (2014: £4.2m).
- Our income was up 83% to £28.2m, from £15.4m in 2013–14, reflecting the increase in capital deployed and projects moving from construction to operations. We also generated £26.1m in cash from operations during year, up from £20.6m in 2013–14.
- Our direct investment costs were £4.2m, up from £0.7m in 2013–14, reflecting payment of fund management fees to the managers of the small-scale investment funds and costs of establishing the GIB OSW Fund.
- Our operational expenses were £23.9m, up from £20.4m in 2013–14 reflecting an increased staffing complement.
- While there has been some impact from reducing wholesale power prices on the variable earnings of our power generating equity investments, these assets are assisted by Government support which ensures some fixed revenue per kWh produced through the ROCs.
- We continue to fund our operational costs and capital investments from cash earnings and contributions from our shareholder.
- In the year to 31 March 2015, we issued 673m shares (2014: 156m) and required £4m in operational funding (2014: £4m).
- The trend of improving underlying performance has delivered a pre-tax profit in the second half of the year.

Consolidated income statement
for the year ended 31 March 2015

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
Total income	28,193	15,407
Direct investment costs	(4,209)	(746)
Operating income	**23,984**	**14,661**
Operating expenses	(23,888)	(20,407)
Profit/(Loss) before income tax from continuing operations	**96**	**(5,746)**
Income tax (expense)/benefit	(2,542)	1,517
Loss for the year from continuing operations	**(2,446)**	**(4,229)**

Profit/(Loss) before tax £'000s



*Only full year results are audited.

Our people

We have assembled a world class team to staff our organisation. As we are now at full strength our focus for the year has been on supporting their development.

On 31 March 2015, the Group employed 113 people. We are recruiting to fill a few vacant roles and, once completed, we will be fully resourced for our current plans.

Board of Directors and Leadership Team

GIB is governed by an independent Board of Directors chaired by Lord Smith of Kelvin.

Members of our Board have a broad spectrum of skills and backgrounds to provide the necessary support and challenge to the Chief Executive and the Leadership Team.

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

The members of the Board (listed on p.36–37) are all contracted directly by GIB, other than Anthony Odgers who is the Shareholder Executive representative on the Board.

In 2015 we appointed two new members to the Board – Laurence Mulliez who joined as a Non Executive Director and Peter Knott, our current Chief Risk Officer, who joined the Board as Chief Financial Officer. We also welcomed Tera Allas as a Board observer for one year as part of the UK Government's Women on Board programme.

Fred Maroudas stepped down from the Board with effect from 31 March 2015. We thank him for his contribution.

Diversity

As at 31 March 2015 there were 12 members of the Board of which 33% are female and 67% male. There are currently 22 members of staff in senior manager positions of which 22% are female and 78% are male. For employees not on the Board or in senior manager positions 43% are female and 57% are male.

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. Through our recruitment and retention polices we seek to maintain a diverse team.

Recruiting and retaining the GIB team

Our approach to recruitment remains rigorous and we work 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 2014–15 we hired 32 new staff from industry, finance and the public sector. Of these, eight were replacements for existing roles and 24 were recruited to new or changed roles. During the period, staff turnover of permanent contracted employees was 13.6%, in line with the industry average.

The process for selection ranges from candidates responding to financial modelling tests at a junior level, through to the completion of case studies and extensive interviewing and referencing at a senior level. All appointments are made on merit, taking into account the specific needs of the business at the relevant time and for the overall benefit of GIB and our shareholder.

The recruitment and retention of talent remains one of our key challenges and risks. As a small, fast growing company with ambitious plans for the future, we place a broad range of demands on our people. Our challenge is that we cannot match the level of remuneration available to individuals for similar roles elsewhere in the market. To mitigate that risk we have worked hard to create a strong employee proposition built on our unique status in the market, a commitment to personal development and professional growth, underpinned by a strong, positive culture.

A great place to work

We continue to offer a structured career path and have key competencies throughout our organisation. These competencies provide clarity on career progression and we support our staff's professional development to help them gain an experience unrivalled at other organisations.

We have a full online appraisal process, e-learning modules to reinforce good corporate governance, and conducted our second year of 360 degree feedback surveys for all staff. We also assess how well employees demonstrate our values during this process and everyone is scored on his/her personal behaviours as well as his/her performance.

We conducted a review of our culture during 2014. Staff identified GIB's culture as being one of the organisation's major attributes as a place to work. Following the review we created a working group to identify what we needed to do to protect and enhance our culture. This group has presented its findings to the Board and is now leading the implementation of the review's recommendations. We will follow up this work with a staff satisfaction survey in 2015.

We support a flexible approach across the business to working hours to help employees manage their work/life balance.

Technology is utilised to allow a more flexible workplace and to capture the benefits from increased collaboration across our organisation.

GIB has an appropriate range of employee benefits which include 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.

Full details of our policy and disclosures on remuneration can be found in the Remuneration Committee report and on our website.

Community and charitable activities

While GIB itself does not make corporate contributions to charity, our staff chose three new charities to support this year. These are Rainforest Foundation UK, the Woodland Trust and WWF. 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.

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.

The Board

Lord Smith of Kelvin KT
Chair

Chair of Chair's Committee, Valuation Committee and Nomination Committee

Lord Smith is one of the UK's most experienced and senior chairs, having led organisations in the private, public and voluntary sectors. Currently chair of IMI Plc, Forth Ports Ltd and SSE (until July 2015), he also chaired the Smith Commission, overseeing the process of devolving more powers to Scotland, and the Organising Committee for Glasgow 2014 (Commonwealth Games). Lord Smith is also Chancellor of the University of Strathclyde. A chartered accountant by profession and formerly President of the Institute of Chartered Accountants of Scotland, Lord Smith has held positions on various private and public boards and number of key positions within the financial services industry. Lord Smith was knighted in 1999, appointed to the House of Lords as an independent cross-bench peer in 2008, and appointed Knight of the Thistle in 2013.

Shaun Kingsbury
Chief Executive & Executive Director

Member of Valuation Committee, Investment 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. Shaun is on the Advisory Board of Envision Energy, a leading Chinese wind turbine manufacturer.

Professor 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 Non Executive Director of the Offshore Renewable Energy Catapult. She was appointed as the UK's Low Carbon Business Ambassador in November 2010.

Peter Knott
Chief Financial Officer & Executive Director

Member of Investment Committee* and Valuation Committee***

Peter Knott qualified as a chartered accountant with Deloitte in 1988 before joining Jardine Fleming where he worked in Hong Kong and Tokyo in the securities and fund management businesses. He later moved to New York as the Chief Financial Officer for JPMorgan Chase's global investment banking coverage and mergers and acquisitions groups. More recently, he worked for Standard Chartered, where he held roles including Group Treasurer, Consumer Banking Group Chief Risk Officer and Group Head of Operational Risk. Peter joined GIB in 2012 as Chief Risk Officer. He became Chief Financial Officer in January 2015 and was appointed to the Board.

Fred Maroudas
Non Executive Director

Member of Investment Committee*

Fred Maroudas is a specialist at HM Treasury as Head of Airports and Rail, Infrastructure UK. He has previously worked as Chief Financial Officer of Eversholt Rail Group and Director of Treasury for Heathrow Airport and Network Rail. Fred stood down from the Board on 31 March 2015.

Laurence Mulliez
Non Executive Director

Member of Investment Committee*

Laurence Mulliez is an experienced chief executive with over 20 years' general management and commercial experience in a range of industries and firms, from large multi-nationals to start-ups. Most recently she was chief executive at Eoxis Renewable Energy, an independent renewable energy power producer. Laurence is a Non Executive Director at Aperam, and SBM Offshore and chairs Voltalia. Before that Laurence held a number of senior roles at BP, including CEO of Castrol Industrial Lubricants and Services as well as Head of Strategy and Planning for all of BP's Gas Power and Renewables. Laurence was appointed to the Board in January 2015.






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.

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 BIS' Shareholder Executive. He has over 20 years' banking experience having joined Morgan Grenfell in 1989 and then Lehman Brothers (1999 – 2007) and Deutsche Bank (2007–10). 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.

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 and the Chairman of Strategy & (formerly Booz and Company), its strategy consultancy. He was originally a UK civil servant and then a leading advisor on infrastructure financing and PPPs. 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 an Honorary 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 in the Home Office and at the Scottish Parliament's Corporate Body.

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.

* *This is not a committee of the Board.*
** *The Green Committee no longer met as of July 2014.*
*** *From June 2015.*

Sustainability

We are constantly working to sustain our position as a market leader in green and responsible investment practices.

Effective assessment, monitoring and reporting of material, social and governance matters can help to achieve improved performance. This integrated approach supports our double bottom line objective.

Responsible investment

Equator Principles

GIB adopted the Equator Principles on 2 December 2013. Full details of our Equator Principles Reporting Criteria can be found on our website.

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 Risk Management and Internal Control report.

The Green Investment Policy and the Responsible Investment Policy set out our approach to the 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 ensure every proposed investment is in line with the requirements of the Green and Responsible Investment Policies and the Equator Principles.

Our Green Team is comprised of four 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, as required.

The table below shows the number of transactions closed in 2014–15 for which the Equator Principles apply, broken down by sector. The table also indicates whether there was an independent review of the transactions' assessment documentation, in accordance with Principle 7 of the Equator Principles.

Equator Principles reporting

	Category A	Category B	Category C
Waste	0	3	0
Offshore wind	0	0	0
Energy efficiency	0	0	0
Independent review of assessment documentation			
Yes	N/A	3	N/A
No	N/A	0	N/A

Note: All projects reported are classified as project finance and are within the UK (and therefore in a 'designated' country under the Equator Principles).

Environmental, health and safety incidents

The environmental, health and safety performance of our projects is the responsibility of the project operator. Project operators report any material environmental or health and safety incidents to us. In 2014–15 we worked with our projects to improve on reporting practices. This improvement in reporting practice resulted in an increase of both health and safety and environmental incidents reported to us, compared to last year.

Environmental, health and safety incidents

	2014–15	2013–14
Material health and safety incidents	17	2
Materially adverse environmental incidents	4	0
Other incidents	0	1

Description of incidents

Within the reporting period we received four reports of material environmental incidents, three of which consisted of release of materials to water at offshore wind farm sites. The remaining incident related to construction activities potentially affecting groundwater. Investigation reports and action plans were provided for each of these events to understand the environmental impacts and risk minimisation measures.

17 material health and safety incidents were reported during the period. Of these, 10 were injuries and a significant near miss at offshore wind farm sites during construction and maintenance activities, five were injuries at the construction sites of waste projects, and two were near misses during maintenance of operational biomass boilers. For all of these health and safety incidents, suitable investigation reports and action plans were provided to GIB.

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 all of our clients and fund managers 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.

Human rights

We respect human rights and avoid causing or contributing to adverse human rights impacts. 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.

With our current investment mandate, our exposure in this area is low to date. Nevertheless, we require that projects report any community or social issues and implement an approved action plan, as required. No such issues have been reported to GIB during the reporting period. This will be an area of increased focus as we begin to invest outside the UK.

PRI

On 24 February 2014 we became a signatory of the Principles for Responsible Investment (PRI) initiative. We are now entering the shadow reporting phase of our PRI membership and will be reporting fully under PRI in 2016.

Our own sustainability

Corporate greenhouse gas footprint

	Scope 2 GHG ($t\ CO_2e$)	Scope 3 GHG ($t\ CO_2e$)	Intensity metric
Offices	170	132	401 kg $CO_2e/m^2/yr$
Travel	0	582	5,817 kg CO_2e/employee
Total ($t\ CO_2e$)	170	714	8,839 kg CO_2e/employee

As in previous years, we double-offset our carbon emissions using both UK tree planting offsets under the Woodland Carbon Code and International Gold Standard offsets.

Improvements in 2014–15

- Introduction of PIN-protected printing has reduced wastage whilst ensuring that printing is more secure. This method of printing allows us to track areas of high printing output in the business and helps us to identify areas for improvement in future.
- Finalisation of recycling contracts including the introduction of food waste collection in our London office.
- We are working with our landlord and fellow tenants at our Edinburgh headquarters to develop an active Sustainability Working Group to identify and implement sustainability improvements in our building.

Opportunities for improvement

- We continue to work towards moving travel from flights to train journeys where practicable.
- We will aim to reduce the amount of paper printed per employee, and particularly the amount of colour printing, through ensuring that more internal documents can be accessed and edited electronically, and through expanding the number of greyscale templates that are available to staff.

Electricity labelling

GIB is participating in a pilot project to monitor the carbon intensity of our electricity supply through the use of an electricity label which rates emissions intensity of electricity supplied from A to G. We purchase our electricity for both our offices from renewable electricity tariffs and we have worked with our electricity supplier to demonstrate the emissions intensity of our London electricity supply using this label. Find out more about the 'Enable the Label' initiative at *www.aldersgategroup.org.uk*.

As part of our commitment to the transition to the low carbon economy we are pleased to support a project on electricity labelling, which aims to inform businesses more clearly about the carbon impact of their electricity supply.

This Strategic Report has given an overview of our business, our strategy, our performance and our people. Further details on governance, risk management, 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 02:

Corporate governance

Sector: **Energy efficiency**
Project: **Low energy streetlighting in Glasgow**

We partnered with Glasgow City Council to start the process of replacing 70,000 of its existing streetlights with energy efficient LED lights. We aim to replicate this partnership with local authorities across the UK, improving energy efficiency, cutting carbon emissions and saving local authorities money.

Overview

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

Corporate governance statement

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

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

One of the requirements of the Code is for the Directors to make a statement that they consider the Annual Report and financial statements, taken as a whole, to be fair, balanced and understandable. As part of this process, the Board received an early draft of the Annual Report to enable time for its review and consideration. The Board Committees have considered, as appropriate, the criteria for a fair, balanced and understandable Annual Report and have reviewed the processes upon which the compilation and assurance of the report have been based. This process has entailed the creation of a Fair, Balanced and Understandable Working Group drawn from across the business to keep the report under review as it has developed and prior to finalisation. Following the meetings of the Board Committees, the Board then considered the Annual Report and financial statements as a whole being mindful of the requirements of the Code and the need for consistency between the narrative sections and the financial statements. 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 and legal and auditor review. The Board's statement on the report is outlined on p.76.

GIB is not subject to the FCA Listing Rules or Disclosure and Transparency Rules as it is not listed, nor is it authorised and regulated by the FCA. However, GIB may become FCA regulated over time and GIBFS, a wholly owned subsidiary, is authorised and regulated by the FCA and has permission to carry out the following activities: (i) advising on investments (except on pension transfers and pension opt-outs); (ii) agreeing to carry on a regulated activity; (iii) arranging (bringing about) deals in investments; and (iv) making arrangements with a view to transactions in investments and is also authorised as an Alternative Investment Fund Manager for the purposes of the Alternative Investment Fund Management Directive.

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.36–37 of the Strategic Report.

Laurence Mulliez and Peter Knott were appointed as Directors on 23 January 2015. Fred Maroudas stepped down as a Director with effect from 31 March 2015.

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

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

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

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

Composition of the Board

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

Roles of the Chair and the Chief Executive

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

The Chair's responsibilities are to:

- lead the Board and be responsible for its operation and governance;
- encourage open debate and constructive discussion; and
- speak on behalf of the Board and represent the Board to the shareholder.

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

- lead the Leadership Team in the day-to-day running of GIB;
- make and execute operational decisions;
- implement the strategy agreed by the Board; and
- represent GIB to external stakeholders, including customers, suppliers, regulatory and governmental authorities and the community.

Senior Independent Director

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

- work closely with the Chair;
- act as an intermediary for other Directors, as and when necessary; and
- meet 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.

Chief Financial Officer

The Chief Financial Officer's responsibilities are:

- to work with the Chief Executive and Board to deliver GIB's strategic vision;
- leadership of the financial business strategy, policies and processes;
- to manage and direct the Finance and Portfolio Management functions; and
- to provide overall management accountability for operations, IT and HR functions.

Board information and development

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

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

The Board and each of its committees annually carry out a review of their performance, constitution and the appropriateness of their terms of reference.

Board and Executive Committees

Executive Committees
Investment
Portfolio Management
Risk and Compliance

Chief Executive and Leadership team

Board Committees
Audit and Risk
Chair's
Nomination
Remuneration
Valuation

Board

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

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

Annual Director election
At the 2015 Annual General Meeting (AGM) all of the current Directors, who were each re-elected at the last AGM held in 2014 (other than Fred Maroudas), together with Peter Knott and Laurence Mulliez who were appointed as Directors of GIB on 23 January 2015, 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 outside non executive directorship where appropriate. The Board's policy is to limit this to one non executive directorship, with the Director retaining the fees.

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

Board Committees
Where appropriate, matters are delegated to committees of the Board, all of which have written terms of reference which are available on GIB's website. 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 and Tony Poulter (Senior Independent Director). Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The committee is authorised by the Board to deal with any matter reserved to the Board which needs to be addressed prior to the next Board meeting and which, in the opinion of the Chair, is not a matter which requires to be determined by the full Board.

Nomination Committee

The members of the Nomination Committee during the period were Lord Smith (Chair), Anthony Odgers, Professor Isobel Sharp and Tony Poulter. Each member is a Non Executive Director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, except for Anthony Odgers, the Shareholder Representative Director. The Nomination Committee 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 four female members of the Board which represents 33% of the total as at 31 March 2015.

Female membership of the Board Committees at 31 March 2015 is as follows:

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

GIB is committed to the approach on diversity set out in the Davies Report 'Women on Boards' and will continue to take diversity matters into account for future Board appointments whilst appointing on merit. GIB's statement on diversity and disability is set out on p.34. The Nomination Committee considers this approach 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;
- review recommendations from the Chief Executive for senior management positions reporting directly to him; and
- have oversight over the Group's diversity policy.

The activities of the Nomination Committee in the period are described in more detail in the Nomination Committee Report on p.49.

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 Anthony Odger, 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:

- to determine and agree with the Board the framework or broad policy for the remuneration of the Chair of GIB, the Executive Directors and other members of the Leadership Team;
- take account of, in determining such a policy, all factors which it deems necessary and, in particular, to ensure that the executives are encouraged to enhance the Group's performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Group;
- monitor the level of remuneration, including bonus arrangements, for senior management, and all other employees, below Board and Leadership Team;
- review the ongoing appropriateness and relevance of the overall remuneration policy;
- within the terms of the agreed policy determine the total individual remuneration packages of each executive; 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.50.

Audit and Risk Committee

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

In addition, the Chair, Chief Executive, Chief Financial Officer, Chief Risk Officer, Finance Director, Head 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 including the management of green risk;
- review the internal audit programme and its implementation;
- receive and review internal audit reports; and
- review accounting policies and tax policy.

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

The activities of the Audit and Risk Committee in the period are set out in more detail in the Audit and Risk Committee report on p.64.

Valuation Committee

The Chair of the Valuation Committee is Lord Smith. The other members during the year were Shaun Kingsbury, David Nish, Professor Isobel Sharp and Jeremy Burke. The Non Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Jeremy Burke will be replaced by Peter Knott, the Chief Financial Officer, following the 2015 AGM.

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 financial statements of GIB.

Green Committee

During the year the Green Committee met once in May 2014. In March 2014 the Board decided that the committee would cease to meet with effect from September 2014 when the matters previously considered by the Green Committee would be a standing item on main Board meeting agendas unless any items were specifically in future delegated to it. The members of the Green Committee in the period were Tessa Tennant (Chair), Professor Dame Julia King and Shaun Kingsbury.

A Green Policy Review Panel comprising Tessa Tennant, Professor Dame Julia King and senior members of the GIB team has been established to advise the Board on proposed changes to GIB's Green Policies.

Investment Committee

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

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:

- making decisions or recommendations in relation to specific investments or divestments on behalf of GIB or entities which have appointed GIB as manager;
- examining the economic context in each geography and sector in which GIB invests and agreeing market focus with the relevant sector teams;
- reviewing detailed investment strategies and mandates proposed by the investment teams; 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							
Chair							
Lord Smith	8/8	–	6/6	–	–	2/2	7/7
Non Executive Directors							
Professor Dame Julia King	8/8	–	–	1/1	7/7	–	–
Fred Maroudas	7/8	–	–	–	–	–	–
Laurence Mulliez	3/3	–	–	–	–	–	–
Tom Murley	8/8	–	–	–	–	–	–
David Nish	5/8	4/6		–	–	–	4/7
Anthony Odgers	7/8	–	5/6	–	7/7	2/2	–
Tony Poulter	8/8	6/6	6/6	–	–	2/2	–
Professor Isobel Sharp	8/8	–	–	–	7/7	–	7/7
Tessa Tennant	7/8	6/6	–	1/1	–	–	–
Executive Directors							
Shaun Kingsbury	8/8	–	–	1/1	–	–	7/7
Peter Knott	3/3	–	–	–	–	–	–

Directors' report

The Directors have pleasure in submitting their Annual Report and financial statements for the year to 31 March 2015.

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.

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

- Chair's report on p.9 of the Strategic Report;
- Chief Executive's review on p.11 of the Strategic Report; and
- the wider Strategic Report on p.7–40.

Finance

The results for the year are shown in the consolidated income statement on p.93 and analysed in the Strategic Report on p.33.

Audit information

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

Directors

The names and biographical details of the present Directors of GIB are set out on p.36–37. 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. Subject to the prior written consent of the shareholder, the Directors of GIB have authority to allot shares in the capital of GIB or grant rights to subscribe for or to convert any security into shares in the capital of GIB up to an aggregate nominal amount of £3bn, which unless renewed, varied or revoked shall expire on 31 March 2018.

Directors' indemnities

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

Share capital

Details of changes in share capital are set out in Note 22 of the financial statements.

Report on greenhouse gas emissions

Details of GIB's emissions in the financial year to 31 March 2015 are set out on p.40.

Financial instruments

GIB uses financial instruments to manage interest rate risk. Where GIB enters into an investment that results in the receipt of fixed rate cash flows, our objective is to manage the risk that exposure to interest rates could lead to a decrease in the value of the investment or income deterioration. Further details of the objectives and management of these instruments and an indication of the Group's sensitivity to such risks is contained in Note 29 to the financial statements.

Material developments since 31 March 2015

Since 31 March 2015 GIB has made an investment of £236m in the Rampion offshore wind farm by purchasing an equity stake from E.ON.

GIB has also entered into binding contractual arrangements with DECC to establish a limited liability partnership (UK Climate Investments LLP) and implementing terms previously agreed to invest in renewable energy and energy efficiency projects in certain overseas jurisdictions.

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

Nomination Committee report

The make-up and key responsibilities of the Nomination Committee are set out on p.45.

During the period the Nomination Committee met twice and the individual attendance by the members is set out on p.47. The committee recommended that its membership be supplemented by an additional appointment to help ensure that a wide range of experience and perspectives were brought to its activities and welcomed the Board's appointment of Professor Isobel Sharp to the committee in response to that recommendation.

The committee has considered the structure, size and composition of the Board during the period. In doing so it has taken account of GIB's commitment to diversity and also the finding of the Board Effectiveness Evaluation carried out by Egon Zehnder in early 2014.

The committee recommended to the Board the appointment of an additional Non Executive Director with direct experience of investing in clean and renewable energy projects and also that a Chief Financial Officer be appointed as an additional executive director to the Board. The Board accepted these recommendations and the committee oversaw search processes (using external search agents Odgers Berndtson) for each position.

After extensive searches the committee nominated Laurence Mulliez as an additional Non Executive Director and Peter Knott as Chief Financial Officer and Executive Director. These nominations were approved by the shareholder in accordance with the Articles of Association and became effective on 23 January 2015. Biographical details for Laurence Mulliez and Peter Knott can be found on p.36–37.

During the period the committee also considered the effectiveness of GIB's approach to diversity; details of which can be found at p.34.

Details of the GIB Chair's other significant commitments and all changes to them are set out on p.36. The committee also examined GIB's succession planning for key roles including those of Chair and Chief Executive and have ensured that suitable succession plans are in place.

Signed and approved for and on behalf of the Board 12 June 2015

Lord Smith of Kelvin KT
Chair of Nomination Committee

Remuneration Committee report

I present the remuneration report for the year to 31 March 2015, prepared in accordance with the regulations governing the disclosure and approval of Directors' remuneration.

In addition to covering all Directors of GIB, the report also provides information on the remuneration of the 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. The policy differs from the policy adopted at the 2014 AGM only insofar as it relates to redundancy policy and the implementation of a new incentive scheme for certain individuals in respect of the GIB OSW Fund (the GIB OWF Carried Interest Fund) and providing flexibility to introduce other fund specific incentive plans from time to time.
- 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 for change as the business develops and adapts. During 2015 we reached first close on the GIB OSW Fund, which requires a different approach to remuneration; and
- transparency of the quantum, timing and conditionality of all remuneration of the Board and Leadership Team.

The make-up and key responsibilities of the Remuneration Committee are set out on p.45. During the period the Remuneration Committee met on seven occasions and the individual attendance by the members is set out on p.47.

The key decisions made by the Remuneration Committee during 2014–15 and approved by the Board on current and future remuneration were:

- the business and personal performance elements for the incentive plans in 2014–15;
- the appointment of an independent remuneration advisor (Deloitte LLP);
- a review of the market position of all GIB executive pay;
- a review of the specific employees invited to be part of the Short Term Incentive Plan (STIP);
- a review of the Long Term Incentive Plan (LTIP) and STIP, concluding that no policy changes should be made to either plan with effect from 1 April 2015; and
- final payment methodology for the GIB OSW Fund team and allocation of incentives on achievement of first close on the fund.

The Remuneration Committee recommended to the Board that 88.5% of the business performance element of the incentive plans be paid for 2014–15 (74% was paid in 2013–14) in recognition of meeting the key objectives of the business for the year.

The remuneration of the Board and Leadership Team is set out on p.60–61. In short the remuneration of the Chair and Non Executive Directors remained unchanged. Basic pay for the Chief Executive remained unchanged at £325,000, with an amount of £147,560 awarded under the LTIP. Peter Knott joined the Board as Chief Financial Officer on 23 January 2015. His salary is £280,225, with £127,231 awarded under the LTIP.

Peter has also received an initial allocation under the GIB OWF Carried Interest Plan. Any payments under this plan are capped at 20% of salary annually. No payment is due under this plan for the year 2014–15 and the amount of any payment due in the future will be dependent on the performance of the GIB offshore wind fund.

The Remuneration Committee's main work for 2015–16 will centre on remuneration practices which continue to meet the obligations of being a publicly funded organisation, whilst enabling the recruitment and retention of talented individuals to ensure the continuing success of GIB. The Remuneration Committee seeks to be fully aware of trends in the market and will consider their impact on both quantum and structure of remuneration across GIB. The appointment of Deloitte LLP as an independent remuneration advisor assists in this monitoring to ensure appropriate reward strategies are in place. We continue to recognise the need to balance GIB's ability to secure and retain talent, and manage our cost base. The 'Our People' section on p.34 covers this in more detail and demonstrates the importance we place in this area.

Signed and approved for and on behalf of the Board 12 June 2015

Isobel Sharp
Chair of Remuneration Committee

Directors' remuneration policy

This part of the remuneration report sets out the binding remuneration policy for Directors and also includes details in respect of members of the Leadership Team. It has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the Code and the views of the shareholder. This policy will be subject to shareholder agreement at the 2015 AGM.

Policy overview

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

In respect of the remuneration of the Chair, the Executive Directors and the Non Executive Directors, it has been recommended that there is no change for the year 2015–16. In setting the remuneration policy for the Executive Directors and the Leadership Team, the Remuneration Committee takes into account the following principles:

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

Remuneration policy for Executive Directors and Leadership Team

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

Remuneration policy for the Chair

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

Remuneration policy for Non Executive Directors

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

Recruitment

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

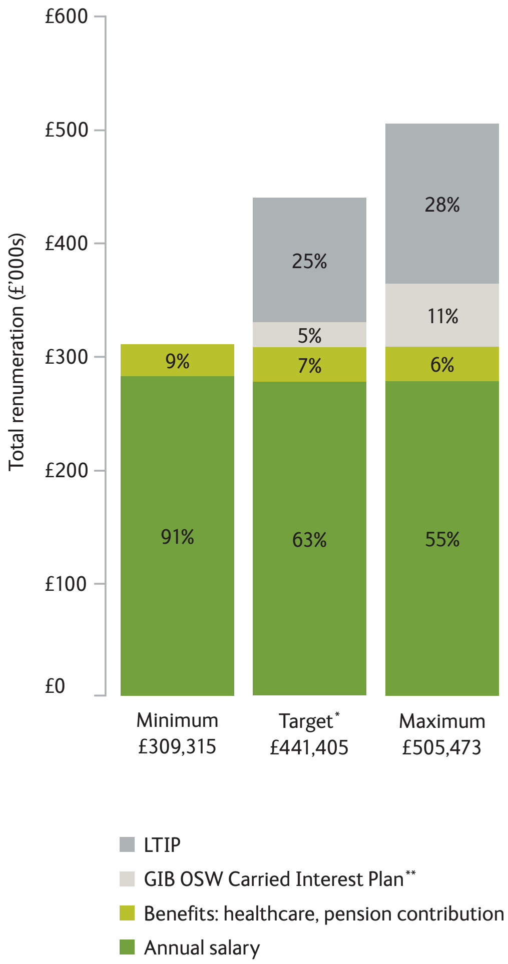
Accordingly, the Remuneration Committee will ensure that: (i) salary levels of any new Director are competitive relative to peer group; and (ii) variable remuneration will be awarded within the parameters outlined on p.57. In making any decision on any aspect of the remuneration package for a new recruit, the Remuneration Committee would balance shareholder expectations, current best practice and the requirements of any recruit and would not strive to pay more than is necessary to achieve the recruitment. The Remuneration Committee would give full details of the terms of the package of any new recruit in the next Annual Report.

Scenario chart for total remuneration opportunity for the Executive Directors

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

Chief Executive

Chief Financial Officer



* *A performance target of meeting a minimum of 80% of all business and personal objectives.*

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

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, GIB has an obligation to report back to the shareholder on the remuneration of GIB staff below Board level and to provide a comparison against comparable roles in the private sector. This is done on an annual basis using external data, provided by McLagan. McLagan have no other connection with GIB. We have benchmarked every job against our peer group and following further analysis in Q3 2014 the results were shared with the shareholder.

The committee appointed external advisors (Deloitte LLP) during the financial year following a competitive tender. Deloitte LLP is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Part of its work was the review of the benchmarking exercise upon which it reported to the committee. The committee has reviewed the advice it received during the year and is comfortable that it is independent and objective.

The fees paid to Deloitte were £23,550, reflecting the time spent in the provision of its advice on a number of matters. Deloitte LLP also provides assurance services to GIB in respect of green impact data.

As an additional control the Secretary of State for Business, Innovation and Skills has to approve all remuneration for the Executive Directors. The remuneration report and remuneration policy for the year to 31 March 2015 will be proposed to the shareholder at the AGM held in June 2015.

GIB wide remuneration

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

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

Service contracts

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

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

External appointments

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

In 2014–15 Shaun Kingsbury was a Non Executive Director with Envision Energy Ltd and is entitled to receive an annual fee of £75,000 from it.

Current incentive plans

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

A specific fund incentive scheme is now also in place following the successful first close of the offshore wind fund, which will reward individuals directly involved in the management of the fund and those employees of the Group who provide additional services. The Chief Executive is unable to participate in this plan. No payment has been made under this scheme for the year ending 31 March 2015.

STIP

The purpose of the STIP is to reward members of GIB for their performance during the year based on an assessment of both business and personal objectives. Any awards under this scheme are paid in June of each year following completion of the annual audit and Board approval of the financial statements. Performance is considered in the context of targets set for the financial year. The maximum annual incentive payable is 20% of base salary. This performance incentive is subject to personal performance, the performance of the business and other relevant considerations with personal objectives comprising 30% to 70% and business objectives comprising the balance, depending on the role. The annual incentive is paid wholly in cash. Those participating in the STIP are not eligible for the LTIP. Following a market review it was decided to extend this scheme to the majority of GIB employees from 1 April 2015, unless specifically excluded or part of the LTIP scheme.

LTIP

The purpose of the LTIP 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 LTIP are not eligible for the STIP. Awards are calculated based on personal and business performance with the element attributable to business performance being 80% for Executive Directors and 70% for others, with the balance being attributable to personal performance.

Adjustment period

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

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

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

Business objectives in the STIP and the LTIP

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.

Specific fund incentives

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

There are two such incentive schemes currently in place, both relating to the GIB OSW Fund: one for relevant GIB employees and one for relevant employees of the fund manager GIBFS (a wholly owned subsidiary of GIB).

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, the Chief Executive, the Group Operations Director and the Head of HR accepted invitations to attend meetings in 2014–15. The Company Secretary acts as Secretary to the Remuneration Committee.

Remuneration Committee agenda 2014–15

Month	Key agenda items
May 2014	2014–15 business objectives Directors' Remuneration Report Approval on performance related pay
June 2014	Fund personnel hiring considerations Final business objectives 2014–15
July 2014	Business objectives 2014–15 LTIP update
September 2014	Remuneration consultants presentations Proposed calculation methodology for LTIP and STIP
November 2014	Approval of Secretary of State letter in regards to GIB boundary conditions
January 2015	Review of proposed extension of STIP Review of agreement not to change LTIP for 2015–16 Consideration of reward changes for business 2015–16
March 2015	Recommendations for Chair salary 2015–16 Approval of rules for LTIP and STIP Leadership team salary changes for 2015–16

Performance assessment

Performance of the business for the 2014–15 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 one of "accelerating the UK's transition to a green economy and creating an enduring institution operating independently of Government". Our success is measured against a double bottom line being:

- our green impact; and
- our financial returns/investments.

Green investment objective

For the green investment objectives, make, depending on the size of GIB's investable market, new capital commitments of £805m which:

- are within acceptable risk profiles;
- meet our green criteria,
- seek an average mobilisation of third party capital of 2.5:1; and
- are allocated across GIB's sectors.

Other performance indicators

Other performance indicators are:

- turning profitable;
- showing innovation in reaching first close on the offshore wind fund and showing new or novel approaches to fostering innovation in the market;
- facilitation of the introduction of private sector capital;
- introduction of reporting metrics for all five green purposes; and
- strong compliance behaviour within GIB.

The Board, on the Remuneration Committee's recommendation, awarded GIB 88.5% against the business objectives that had been set for the relevant period. This reflects the excellent performance in 2014–15, and modified by lower than planned offshore wind investments and mobilisation rates and profitability.

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, introduction of capital and staff compliance and training).

The Board, on the Remuneration Committee's recommendation, awarded Shaun Kingsbury and Peter Knott payment of 100% for the achievement of their personal objectives. Taking these two awards together, this equates to a payment for the 12-month period from 1 April 2014 to 31 March 2015 £147,560 for Shaun Kingsbury and £127,231 for Peter Knott, both of which will be paid in 2017 subject to shareholder approval and the terms, conditions and provisions of the LTIP. For other members of the Leadership Team, a total of £483,407 in LTIP was awarded. Those on the LTIP will have the awards paid in 2017 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

Chair and Non Executive Directors	Fee 2014–15 £	Annual equivalent fee 2014–15 £	Fee 2013–14 £	Annual equivalent fee 2013–14 £
Lord Smith	120,000	120,000	120,000	120,000
Professor Dame Julia King	25,000	25,000	25,000	25,000
Fred Maroudas	25,000	25,000	25,000	25,000
Laurence Mulliez	4,647	25,000	–	–
Tom Murley	25,000	25,000	25,000	25,000
David Nish	30,000	30,000	30,000	30,000
Anthony Odgers	No fee	No fee	No fee	No fee
Tony Poulter	40,000	40,000	28,667	40,000
Professor Isobel Sharp	30,000	30,000	30,000	30,000
Tessa Tennant	27,083	25,000	30,000	30,000

– *Non Executive Directors do not receive any pension, benefits or long-term incentives.*
– *Anthony Odgers is the Shareholder Representative and employed by the Department for Business, Innovation and Skills.*
– *Fred Maroudas left the Board of Directors on 31 March 2015.*
– *Tessa Tennant received a committee chairmanship fee for the Green Committee until September 2014, when the committee stopped meeting. From that date her fee reduced accordingly.*

Executive Director remuneration

	Actual remuneration					Annual equivalent
Executive Director	Salary £	Pension £	Taxable benefits £	LTIP £	Total £	Salary £
Shaun Kingsbury 2014–15	325,000	32,500	964	147,560	506,024	325,000
Shaun Kingsbury 2013–14	325,000	32,500	858	128,700	487,058	325,000
Peter Knott 2014–15	53,171	5,317	202	24,141	82,832	280,225

– *Shaun Kingsbury and Peter Knott's LTIP awards remain subject to shareholder approval in July 2015.*
– *Peter Knott was appointed as an Executive Director of GIB on 23 January 2015.*

Leadership Team remuneration

Members at 31 March 2015	Actual remuneration Salary £	Pension £	Taxable benefits £	STIP £	LTIP £	Total £	Annual equivalent Salary £
Shaun Kingsbury	325,000	32,500	964	–	147,560	506,024	325,000
Jennifer Babington	64,609	12,500	555	6,144	–	83,808	125,000
Jeremy Burke*	130,000	13,000	624	–	59,771	203,395	130,000
Oliver Griffiths	142,660	14,266	293	–	65,592	222,811	142,660
Peter Knott*	280,225	28,023	1,067	–	127,231	436,546	280,225
Robert Mansley*	244,560	24,456	733	44,977	–	314,726	244,560
Euan McVicar*	280,225	28,023	334	–	128,841	437,423	280,225
Stephen Moir*	23,777	2,378	122	–	–	26,277	142,660
Edward Northam*	280,225	28,023	882	–	128,841	437,971	280,225
Bill Rogers	244,560	24,456	733	43,510	–	313,259	244,560
Members during the year							
Rob Cormie	233,521	23,352	583	–	100,362	357,818	280,225

- *Shaun Kingsbury and Peter Knott are Board members and members of the Leadership Team. Their remuneration is shown in both tables.*
- *Remuneration disclosure is for the period of membership of the Leadership Team only.*
- *Pension benefit includes any cash allowances made in lieu of pension for Edward Northam.*
- *Stephen Moir joined the Leadership Team on 1 February 2015.*
- *Rob Cormie left GIB's Leadership Team on 31 January 2015.*
- *Taxable benefits include private health insurance.*
- *The LTIP award is subject to a two-year adjustment period, as outlined earlier in the Remuneration Committee report.*
- *Jennifer Babington, Robert Mansley and Bill Rogers are members of the STIP. Stephen Moir was not part of this scheme in 2014–15 but joins with effect from 1 April 2015.*
- *Jennifer Babington was on maternity leave during 2014–15.*

* *Has also received an initial allocation under the GIB OWF Carried Interest Plan. Any payments under this plan are capped at 20% of salary annually. No payment is due under this plan for the year 2014–15 and any payments due in the future will be dependent on the performance of the GIB offshore wind fund.*

History of Chief Executive's remuneration

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

- *The Chief Executive is not entitled to an annual bonus. The Chief Executive is only eligible for awards under the LTIP (details of which are set out earlier in this report).*
- *Shaun Kingsbury received no long-term incentive payment in the 2012–13, 2013–14 or 2014–15 period. The long-term incentive awarded for both periods is subject to shareholder approval and a two-year adjustment period.*
- *Shaun Kingsbury's salary did not increase between 2012–13 and 2013–14 or between 2013–14 and 2014–15. There was an average change in the annual equivalent salary for the 2014–15 period of 3.5% for all GIB employees taken as a whole, relating to increases as a result of promotion, change of role or cost of living.*

Board of Directors terms of engagement

Chair and Non Executive Directors	Contract date	Term
Lord Smith	25.05.15	36 mths*
Professor Dame Julia King	29.10.12	36 mths
Fred Maroudas***	29.10.12	36 mths
Tom Murley	29.10.12	36 mths
Laurence Mulliez	23.01.15	36 mths
David Nish	29.10.12	36 mths
Anthony Odgers**	Appointed by shareholder	36 mths
Tony Poulter	15.07.13	36 mths
Professor Isobel Sharp	29.10.12	36 mths
Tessa Tennant	29.10.12	36 mths

* *Lord Smith was reappointed on 25 May 2015.*
** *Shareholder Representative.*
*** *Fred Maroudas left the Board on 31 March 2015.*

Board of Directors fees

Chair and Non Executive Directors	Fee (£)
Chair	120,000
Senior Independent Director	40,000
Other Board members*	25,000
Supplement for Chair of Audit and Risk Committee	5,000
Supplement for Chair of Remuneration Committee	5,000
Supplement for Chair of Green Committee**	5,000

* *Other than the Shareholder Representative Director, who receives no fee, and the Executive Directors, who receive no additional fee other than their salaries detailed on p.61.*
** *The Green Committee stopped meeting as a separate committee during the year, with its work consolidated into the main Board. A pro-rata amount was paid to the Chair of the committee. Amount shown above is the annual fee.*

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 3.8 times the median salary of the GIB workforce, which is £85,000. In 2014 this ratio was 3.6 times. Including performance related pay, the total remuneration earned by the highest paid Director for the year 2015 will be £472,560. The total remuneration received by the median member of the GIB workforce will be £93,338, giving a multiple of 5.06 times. The multiple in 2014 was 4.53, the increase results from (i) the performance of the highest paid Director being higher and (ii) a change in the profile of staff lowering the median salary at GIB.

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 0.3% in line with the Consumer Price Index with effect from 1 April 2015.

2015–16 focus

The focus for the 2015–16 Remuneration Committee will be:

- review and sign off 2015–16 objectives;
- review and sign off 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 2016 or later years.

The metrics for the performance awards for 2015–16 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.

Audit and Risk Committee report

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

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

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

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

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

The ARC meets according to the requirements of GIB's financial calendar. There were six meetings of the ARC in the financial year 2014–15. The table on p.47 identifies the attendance record of individual Directors at the ARC meetings held during the year.

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

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

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

Oversight of Risk Management and Internal Control

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

- Recommending risk appetite to the Board for approval and approving risk limits under the risk appetite;
- Recommending to the Board new and updated policies on Risk, Compliance, Operations and other matters;
- Overseeing the GIB risk management framework;
- Approving terms of reference for executive-level committees, including the Risk and Compliance Committee (RCC) and Portfolio Management Committee (PMC); and
- Receiving regular risk reports encompassing all risk types and deeper analyses of specific issues.

Interaction with the external auditor

The duties of the ARC in relation to interaction with the external auditors are as follows:

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

Green risk

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

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

- The risk of unsuitable biomass entering supply chains and the mitigation of this risk through extensive due diligence;
- The risk of changes in biomass legislation leaving specific assets unable to meet the new requirements;
- Health and safety issues affecting smaller developers in certain of our priority sectors;
- Issues relating to the timeliness and accuracy of green data from certain investments; and
- The risk that certain disputes could force GIB to disclose information that would adversely affect deal flow.

The committee was satisfied that a robust and rigorous framework is in place for managing green risk and that current risks are mitigated to within the risk appetite of GIB.

Protecting GIB's reputation

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

Specific reputational risks considered by the committee included:

- The risk of being adversely affected by political contests, such as the Scottish independence referendum and the UK general election;
- The possibility of undue public criticism of GIB due to objections to specific investments GIB has made.

The committee was satisfied that we have processes in place to identify reputational risks and escalate them appropriately through the organisation. We assess these risks in line with a standard methodology and record them in the regular risk report. The Communications Team and other functions work to mitigate risks and identify the key residual risks which are then escalated to the Board as appropriate.

Operational risk

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

Specifically, it considered:

- Approval of operational risks with high ratings for likelihood or impact;
- Key mitigants in place to address the most significant risks;
- The controls testing and stress testing programmes;
- Supporting elements of risk management, including information security, business continuity planning and management of financial crime risk; and
- Specific risk events and near misses that had arisen during the period.

Key operational risks considered by the committee included:

- The possibility that GIB might have insufficient resourcing to meet key strategic goals, and mitigation of this risk through detailed reviews of HR-related risk and use of temporary resource where needed;
- The possibility of erroneous decisions due to flaws in financial models, and its mitigation through model governance arrangements;
- Conflicts of interest that could arise due to external interests of key GIB staff and directors, and their mitigation through close monitoring of such interests; and
- Delays and errors in key payments and mitigation through enhanced monitoring of key providers of payment services.

Information security and business continuity

The ARC oversaw a detailed review, conducted by external specialists, of the information security risks faced by GIB. Based on the findings of this review, a thorough Information Security Management System (ISMS) was developed and is now being implemented. In addition, a business continuity plan was implemented and associated communication and data retrieval systems were tested, with ARC reviewing the appropriateness of testing conducted.

Governance of financial models

The committee recommended to the Board a models policy establishing the standards to be met in controlling financial and other analytical models within GIB. This included classification of models by criticality and a range of controls, to ensure reasonable economic assumptions and accurate calculations. Reports of specific issues relating to models and proposed mitigants were received and addressed.

Financial crime and anti-money laundering

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

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

Oversight of financial reporting

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

- Reviewing the accounting policies adopted to ensure GIB complies with Accounting Standards and presents accounts that are true and fair;
- Reviewing methods used to account for significant or unusual transactions where different approaches are possible;
- Overseeing implementation of the tax policy as agreed with the Shareholder;
- Assessing the extent to which GIB has complied with the financial reporting requirements of BIS; and
- The committee oversaw a review process to ensure that the Annual Report is fair, balanced and understandable.

Key accounting matters

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

- Group accounting boundary and asset classification;
- assurance over component activity and the consistent application of accounting policies;
- 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 auditor's Group audit plan, when the auditor provided the Audit Progress report in May 2015 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 GIB-managed offshore wind fund, which comprises two separate Limited Partnerships, as well as the seven small-scale funds to which we have committed capital and the continued treatment of shareholder loans to investee companies as available-for-sale assets. This required consideration by management and the committee as consolidation is based on a subjective assessment of control, based on the exposure to variable returns and ability to direct the operations of an entity. Depending on the determination made, the entities included within the consolidated Group will differ materially. Particular discussion was held regarding the GIB OSW Fund as consolidation of the Limited Partnerships means the disposal of assets by UK Green Investment Bank plc to the GIB OSW Fund become intra-group transfers.

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

Assurance over component activity and the consistent application of accounting policies

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

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

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

Management presented to the committee on how adequate information had been obtained, including the receipt of audited or draft accounts from the investee entities, accounting policy application reviews, and obtaining supporting calculations and evidence of underlying transactions. 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, as well as fair value investments that have been hedged. To accomplish this, a valuation process, using a discounted cash flow valuation technique, is undertaken and the resulting economic value is compared to the accounting carrying value to consider whether any impairments or adjustments are required to the reported value.

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

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

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

Revenue recognition

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

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

The committee considered in detail the application of consistent policies across the investee portfolio, with a particular focus on the recognition of compensation payments as revenue. Management detailed instances where investee companies would be entitled to compensation in a project's construction phase and how the Group recognises this income.

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

- the likelihood that there will be an entitlement to such payments; and
- how such payments will be measured for the accounts.

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

Misstatements

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

Fair, balanced and understandable

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

Accounting policies

Use of estimates and judgements

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a 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.
- Share of net profit or loss of associates and joint ventures: the Group has associates and joint venture investments, a number of which are projects under construction. With differing accounting periods and policies, management needs to ensure consistent application of Group accounting policies. Particular judgement is required regarding the recognition of compensation payments on construction projects and ensuring appropriate application of International Financial Reporting Standards (IFRS) across all projects. If assumptions around the amount of compensation a project will receive were changed then this could have a material, positive or negative, impact on the reported Group results.

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

Tax

The Group has recognised deferred tax assets in the financial statements. In doing so management has assessed the potential future taxable profits of the Company, including income from current investments and commitments and future plans. This requires judgements and estimates on whether it is likely that the Company 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.

Oversight of internal audit

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

- Approving audit plans for GIB plc and its authorised subsidiary GIBFS;
- Re-approving the internal audit Charter setting out the mandate, and responsibilities of the internal audit function;
- Approving methodologies and reporting formats to be used in respect of internal audit reports;
- Reviewing the effectiveness of the internal audit function;
- Reviewing the opinion of internal audit regarding the effectiveness of the control environment; and
- Reviewing the extent of management's implementation of the recommendations of internal audit.

The internal audit function

As part of its governance, risk and control framework, GIB maintains an internal audit function that was led on an interim basis by the Chief Risk Officer until the recruitment of a permanent Head of Internal Audit in August 2014. In addition, a co-sourcing arrangement with KPMG LLP (KPMG) has been established in which extra resources or technical expertise can be provided to support specific 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. The committee ensured that relevant standards from the Chartered Institute of Internal Auditors were applied, oversaw the appointment of the Head of Internal Audit and confirmed that internal audit had adequate resources during the year.

Audits undertaken

A total of 16 internal audit assignments were completed during the year 2014–15 across a range of operational processes and business areas, as approved by the ARC. 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, no reports with ratings of "unsatisfactory" were issued.

Specific areas in which audits were carried out in 2014–15 were:

- Processes for green assessment of investments;
- Investment valuations and Effective Interest Rate calculations;
- The Private Placement Memorandum created for raising the GIB offshore wind fund;
- Compliance with shareholder governance requirements;
- Compliance with state aid rules;
- The application of fair, balanced and understandable requirements in creating the annual report;
- Data migration between systems and the replication of data as part of business continuity planning;
- Accounting for financial instruments;
- Conflicts of interest management;
- Financial crime and cash management;
- Monitoring of construction investments;
- Resourcing and talent retention; and
- Internal culture.

Key themes in audit findings

Audit findings have been categorised into key themes which are as follows:

- Oversight and monitoring;
- Clarity of responsibilities and alignment of objectives;
- Documentation of actions and evidence of review;
- Clarity and consistency across processes, teams and transactions;
- Resourcing issues and constraints;
- Timeliness of actions or committee meetings; and
- Documentation of processes and controls.

These themes reflect the ongoing development of the organisation, with lessons learned communicated across GIB.

Future internal audit plans

Last year, the ARC agreed to adopt a '6 plus 6' audit plan approach in which the audit plan is clearly defined for an initial 6-month period and more flexible for a subsequent 6-month period. This allows the plan to be adapted to emerging risks and business needs.

Evaluation of internal and external audit

As well as receiving reports from internal audits, 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.

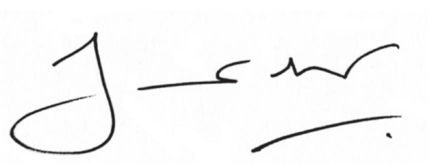
Evaluation of the performance of the ARC

The committee's performance was evaluated in an independent Board effectiveness review. Following discussion, the committee concluded that it continued to perform effectively and in line with its terms of reference.

Whistleblowing and financial crime

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

Signed and approved for and on behalf of the Board 12 June 2015



David Nish
Chair of the Audit and Risk Committee

Risk management and internal control

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

The governance, risk and control framework

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

Board and Committee structure

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

We have three Executive Committees, whose role is to implement 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. Three Non Executive Directors and the Chief Financial Officer, together with other senior members of executive management, are members of the IC.

The RCC is accountable for assessing operational, green, liquidity and reputational risk, as well as compliance and internal audit matters; the 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 period 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

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

Investment risk appetite is defined in greater detail through investment criteria and concentration limits for sectors, project type and counterparties. Investments are assigned a risk rating, which 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 parts of this matrix are within risk appetite.

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

Primary risk	
Investment risk	GIB 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 greenhouse gas 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.

Policies and procedures

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

Independence and the Three Lines of Defence

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

- 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.

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 the wider GIB Group.

Code of Professional Conduct

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

Key risks and mitigants

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

Risk category	Examples of key risk factors	Example mitigants
Investment risk Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process. In line with our mandate from Government, our portfolio is currently entirely in green and sustainable projects in the UK, with concentrations at the sector level in offshore wind, energy efficiency and waste projects.	• Adverse changes in key policy areas. • Technical or product quality issues in a project. • Construction – phase risks e.g. project delays. • Concentration of risk to specific counterparties or technologies. • Improvements in technologies that are alternatives to those used by our projects. • Policy or market shifts in favour of alternative technologies. • A mandate that restricts our ability to achieve a balanced portfolio. • Disincentives to investment arising from policy uncertainty in the UK, which could affect the willingness of other parties to co-invest alongside GIB. • Adverse fluctuations in key external variables including wind yield, power prices, interest rates and exchange rates. • Specific investment risks associated with our planned investment activity in international markets.	• We 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, and have introduced stress testing of wider systemic factors affecting our portfolio, such as UK power prices. • Our concentration risk limits are designed to limit sectoral and other concentrations and achieve the benefits of diversification. • Our hedging strategy mitigates market risk.
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.	• Failure in the documentation which underpins our rights in respect of our assets. • Data or calculation errors in our financial models. • Breach of regulatory and legal requirements relating to financial crime, money laundering, conflicts of interest, safe-keeping and disclosure of information. • Price-sensitive information being used for personal gain by employees. • Loss of or damage to our physical premises, IT systems and staff. • Failures in the management of existing portfolio assets e.g. failure to make or monitor payments. • Conflicts of interest or confidentiality breaches harming our clients. • The inability to execute our desired strategy as a result of a failure to recruit or retain appropriate staff. • Failure of outsourced services.	• We have a reporting process for operational risk events and near miss events. • We have independent second line control functions such as operational risk and compliance. • We maintain 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. • We have introduced a models governance framework to ensure integrity in analytical models and controls testing to provide assurance based on random sampling of key controls. • Strong HR policies enable us to identify appropriate resourcing levels and to recruit and retain suitable staff. • Due diligence and monitoring of outsourcing providers.

Risk category	Examples of key risk factors	Example mitigants
Reputational risk Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions. As an organisation which is simultaneously a bank, an instrument of Government policy and an investor in renewable energy projects, we are subject to intense public scrutiny. As guardians of taxpayers' money and a key agent of green and sustainable development in the UK, it is appropriate that we are subject to such scrutiny. Our reputation is constantly at risk.	• External parties disagree with our objectives, structure or activities and make adverse public comments e.g. local opposition to construction of energy from waste plants. • Withdrawal of political support. • Making investments in association with unsuitable counterparties. • Funding or investing in a project that does not ultimately meet the green criteria. • Being fined for failing to comply with regulatory requirements. • Loss or leakage of commercially sensitive information provided by counterparties in a transaction. • Proliferation of safety, health and environment issues in our investments.	• We are transparent and disclose information about how we operate, manage risk and assess the green impact of our investments. • We provide information to interested stakeholders and the media in a clear and understandable fashion. • We 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. • Working with our project partners to ensure that safety, health and environment issues are given a high priority.
Green risk Green risk is the risk that transactions represent an unacceptably low level of green or sustainability benefits 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.	• 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. • Challenges in obtaining accurate information from investments that could affect our ability to accurately quantify green impact.	• We carry out extensive due diligence of each investment and the associated supply chain. • We place covenants in deal documentation relating to sourcing of feedstock and environmental monitoring. • We would consider withdrawing support if covenants were breached. • We carry out close and continuous monitoring of investments. • We update green accounting and reporting in response to new information on specific investments.
Liquidity risk Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources. We have a limited exposure to liquidity risk, because of the way we are funded by Government. We draw down on our capital allocation as and when required for our investment commitments.	• Insufficient cash to pay all liabilities as they fall due. • An operational failure in Government or GIB cash management systems. • Failure of our outsourced cash management services in the fund management business.	• 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 review and audit our outsourced services on a regular basis.

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 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 GIB Group and enable them to ensure that the GIB Group financial statements comply with the 2006 Act and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the GIB Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance section that complies with the 2006 Act and those regulations, all as applicable to GIB taking into account the provisions of the Enterprise and Regulatory Reform Act 2013.

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

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

Going concern

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

Audit and accounts

The Board appointed the Comptroller and Auditor General to be its external auditor for the 2014–15 financial period at its Board meeting on 17 June 2014. Details of auditor remuneration are shown in Note 8 to the financial statements.

Fair, balanced and understandable

In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable. These are described on p.42. The Board considers that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's position and performance, business model and strategy.

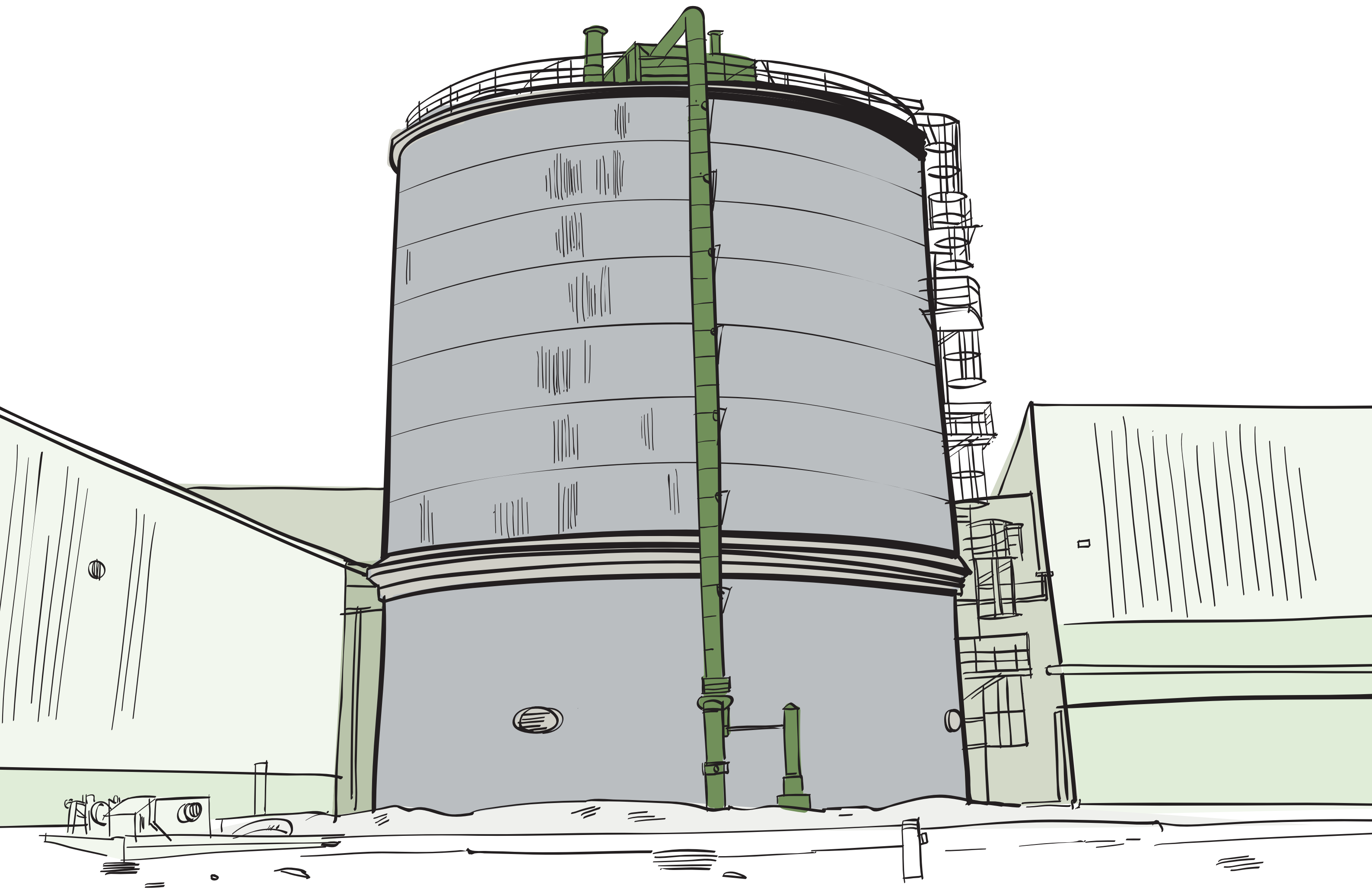
Signed and approved for and on behalf of the Board 12 June 2015

Euan McVicar
Company Secretary

Shaun Kingsbury
Chief Executive

Section 03:

Green impact statements



Sector: **Waste and bioenergy**
Project: **North Yorkshire waste treatment plant**

We invested £33m in a new, fully-integrated waste management facility to process waste from the North Yorkshire and City of York council areas. The facility will process waste from over 300,000 households and includes a recycling facility, an v digestion plant for organic waste and an energy-to-waste plant. Together these facilities will produce enough energy to power 40,000 homes and divert 7m tonnes of waste from landfill.

Reduction of greenhouse gas emissions

Consolidated statement of greenhouse gas emissions reduction of GIB portfolio for the year ended 31 March 2015

	Notes 1, 2	Year ended 31.03.15	Year ended 31.03.14
		t CO_2e '000	t CO_2e '000
Offshore wind		225	136
Waste		37	24
Non-domestic energy efficiency		9	0
Domestic energy efficiency via Green Deal		3	0
Biomass		3,294	2,420
Community-scale renewables		0	0
Total		**3,568**	**2,580**

Consolidated statement of estimated lifetime greenhouse gas emissions reduction of GIB portfolio at 31 March 2015

	Note 3	Year ended 31.03.15	Year ended 31.03.14
		t CO_2e '000	t CO_2e '000
Cumulative historical greenhouse gas emissions reduction of GIB portfolio			
Total carried forward from last year		2,602	22
Net contribution this year		3,568	2,580
Total historical greenhouse gas emissions reduction		6,170	2,602
Estimated remaining lifetime greenhouse gas emissions reduction of GIB portfolio, by sector			
Offshore wind		6,919	6,397
Waste		21,186	11,950
Non-domestic energy efficiency		389	604
Domestic energy efficiency via Green Deal		0	1,691
Biomass		38,674	35,786
Community-scale renewables		85	0
Total estimated remaining lifetime greenhouse gas emissions reduction		67,253	56,428
Total estimated lifetime greenhouse gas emissions reduction		**73,423**	**59,031**

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

	Note 4	Year ended 31.03.15	Year ended 31.03.14
		t CO_2e '000	t CO_2e '000
Domestic energy efficiency via Green Deal		1,688	0
Total		**1,688**	**0**

Generation of renewable energy

Consolidated statement of renewable energy generated by portfolio for the year ended 31 March 2015

	Notes 1,2	Year ended 31.03.15	Year ended 31.03.14
		GWh	GWh
Offshore wind		707	418
Waste		87	66
Non-domestic energy efficiency		1	0
Domestic energy efficiency via Green Deal		3	0
Biomass		8,031	2,887
Community-scale renewables		0	0
Total		**8,829**	**3,371**

Consolidated statement of estimated lifetime renewable energy generated by portfolio at 31 March 2015

	Note 3	Year ended 31.03.15	Year ended 31.03.14
		GWh	GWh
Cumulative historical lifetime renewable energy generated by GIB portfolio			
Total carried forward from last year		3,438	67
Net contribution this year		8,829	3,371
Total historical lifetime renewable energy generated		12,267	3,438
Estimated remaining lifetime renewable energy generated by GIB portfolio, by sector			
Offshore wind		39,976	36,038
Waste		32,521	15,338
Non-domestic energy efficiency		233	544
Domestic energy efficiency via Green Deal		0	1,483
Biomass		172,320	146,957
Community-scale renewables		477	0
Total estimated remaining lifetime renewable electricity generated		245,527	200,360
Total estimated lifetime renewable electricity generated		**257,794**	**203,798**

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

	Note 4	Year ended 31.03.15	Year ended 31.03.14
		GWh	GWh
Domestic energy efficiency via Green Deal		1,483	0
Total		**1,483**	**0**

Energy demand reduction

Consolidated statement of energy demand reduced by portfolio for the year ended 31 March 2015

	Notes 1, 2	Year ended 31.03.15	Year ended 31.03.14
		MWh	MWh
Electricity		23,750	0
Heating fuels		12,724	307
Total		**36,474**	**307**

Consolidated statement of estimated lifetime energy demand reduced by portfolio at 31 March 2015

	Year ended 31.03.15	Year ended 31.03.14
	MWh	MWh
Cumulative historical energy demand reduced by GIB portfolio		
Total carried forward from last year	307	0
Net contribution this year	36,474	307
Total historical energy demand reduced	36,781	307
Estimated remaining lifetime energy demand reduced, by fuel type		
Electricity	428,381	1,211,226
Heating fuels	106,738	7,248,086
Total estimated remaining lifetime energy demand reduced	535,119	8,459,312
Total estimated lifetime energy demand reduced	**571,900**	**8,459,619**

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

	Note 4	Year ended 31.03.15	Year ended 31.03.14
		MWh	MWh
Electricity		787,640	0
Heating fuels		7,207,855	0
Total		**7,995,495**	**0**

Recycling of materials

Consolidated statement of materials consumption avoided through materials recycling by portfolio for the year ended 31 March 2015

	Notes 1, 2	Year ended 31.03.15	Year ended 31.03.14
		tonnes	tonnes
Compost		8,127	2,654
Digestate (PAS 110)		25,609	6,977
Compost-like output		0	0
Plastics – mixed		0	0
Ferrous metals		0	0
Non-ferrous metals		0	0
Paper/card		0	0
Glass		0	0
Mineral aggregates		0	0
Waste electrical and electronic equipment (WEEE)		0	0
Other		0	0
Total		**33,736**	**9,631**

Consolidated statement of estimated lifetime materials consumption avoided through materials recycling by portfolio at 31 March 2015

	Year ended 31.03.15	Year ended 31.03.14
	tonnes	tonnes
Cumulative historical materials consumption avoided by GIB portfolio		
Total carried forward from last year	9,631	0
Net contribution this year	33,736	9,631
Total historical materials consumption avoided	43,367	9,631
Estimated remaining lifetime materials consumption avoided by GIB portfolio, by recyclate type		
Compost	881,591	424,888
Digestate (PAS 110)	3,371,725	2,164,779
Compost-like output	2,115,297	1,149,297
Plastics – mixed	768,667	187,027
Ferrous metals	1,010,517	595,829
Non-ferrous metals	263,641	154,990
Paper/card	552,463	12,738
Glass	57,626	57,626
Mineral aggregates	8,352,184	6,152,578
Waste electrical and electronic equipment (WEEE)	60,805	26,476
Other	302,345	302,345
Total estimated remaining lifetime materials consumption avoided	17,736,861	11,228,573
Total estimated lifetime materials consumption avoided	**17,780,228**	**11,238,204**

Avoidance of waste to landfill

Consolidated statement of waste to landfill avoided by portfolio for the year ended 31 March 2015

	Notes 1, 2	Year ended 31.03.15	Year ended 31.03.14
		tonnes	tonnes
Biodegradable waste		27,032	8,994
Non-biodegradable waste		0	0
Total		**27,032**	**8,994**

Consolidated statement of estimated lifetime waste to landfill avoided by portfolio at 31 March 2015

	Year ended 31.03.15	Year ended 31.03.14
	tonnes	tonnes
Cumulative historical waste to landfill avoided by GIB portfolio		
Total carried forward from last year	8,994	0
Net contribution this year	27,032	8,994
Total historical energy demand reduced	36,026	8,994
Estimated remaining lifetime waste to landfill avoided by GIB portfolio, by waste type		
Biodegradable waste	37,164,639	22,060,147
Non-biodegradable waste	15,575,526	9,667,717
Total estimated remaining lifetime waste to landfill avoided	52,740,165	31,727,864
Total estimated lifetime waste to landfill avoided	**52,776,191**	**31,736,858**

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 2014–15, a copy of which is published on GIB's website.

Green impact is reported for the projects remaining in GIB's portfolio. In accordance with the Green Impact Reporting Criteria 2014–15, forecast green impact in respect of the Addenbrooke's project is excluded on the basis that the project was cancelled in October 2014. Forecast green impact in respect of the Willows Power and Recycling Centre, Norfolk, which was cancelled in April 2014, had already been excluded from last year's annual report. See Note 4 regarding exited transactions.

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

Selected totals for data reported in the green impact statements (see p.78–82) in respect of the financial year 2014–15 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p.85.

All estimates and calculations referred to below have been made in accordance with the methodology set out in GIB's Green Impact Reporting Criteria 2014–15.

The table overleaf shows how the remaining lifetime green impact at the end of 2014–15 compares to that at the end of 2013–14, and provides a breakdown of the year-on-year changes.

2. Adjusted reporting period for fund projects

In 2014, GIB agreed with its fund managers that they will report the performance of projects for the January to December calendar year. Previously the fund managers reported performance for the period April to March. To avoid double counting of the January to March 2014 period included in last year's annual report, a number of projects have therefore only reported performance for the nine-month April to December 2014 period.

This affects two projects under the Foresight-managed waste fund, four projects under the Equitix-managed energy efficiency fund, two projects under the SDCL-managed energy efficiency fund, one project under the Greensphere-managed waste fund, and one project under the Aviva-managed energy efficiency fund.

The performance of these projects from April to December 2014 represents 1.8% of the reported greenhouse gas savings, 1.8% of the renewable energy generated, 65.1% of the energy demand reduction, 100% of the recycling and 100% of the landfill avoided by GIB's portfolio in 2014–15.

3. Reforecast of Drax green impact

In 2014, the Drax coal-to-biomass conversion project achieved renewable energy generation that was 21.6% higher than previously forecast. In accordance with GIB's Green Impact Reporting Criteria 2014–15, GIB has therefore reforecast the remaining lifetime green impact of the project. This has resulted in an increase of 18.7% to the project's forecast remaining lifetime greenhouse gas savings from 2015 onwards, and an increase of 18.7% to the project's forecast remaining lifetime renewable energy generated.

The effect of this reforecast on GIB's overall portfolio is that forecast remaining lifetime greenhouse gas savings from 2015 onwards have increased by 9.4%, and forecast remaining lifetime renewable energy generated has increased by 11.8%.

The project's forecast remaining lifetime greenhouse gas savings are based on a conservative estimate of the lifecycle emissions intensity of biomass of 214 kg CO_2e/MWh. This estimate will be revised once there is a demonstrable track record of performance of the biomass supply chain, i.e. after three years of operation of three converted generation units.

4. Estimated remaining lifetime green impact of exited transactions

In accordance with GIB's Green Impact Reporting Criteria 2014–15, remaining lifetime green impact for exited transactions is reported as a separate item from future estimated portfolio green impact. The sole transaction exited (and not cancelled) in 2014–15 was GIB's loan facility to the Green Deal Finance Company, which was transferred to DECC in December 2014.

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

	GHG emissions reduction	Renewable energy generated	Energy demand reduced	Materials recycled	Waste to landfill avoided
	t CO_2e '000	GWh	MWh	t	t
Year ended 31.03.14	**56,428**	**200,360**	**8,459,312**	**11,228,573**	**31,727,864**
New investments made in the period	11,583	27,156	288,336	6,555,875	21,049,673
Projects exited (see Note 4) or cancelled (see Note 1) in the period	(2,107)	(1,951)	(8,214,677)	0	0
Actual green impact realised by existing projects in the period	(3,558)	(8,796)	(36,474)	(33,736)	(27,032)
Reforecasts of performance on existing projects (see Note 3)	4,907	28,758	38,622	(13,851)	(10,340)
Year ended 31.03.15	**67,254**	**245,527**	**535,119**	**17,736,861**	**52,740,165**

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 2015.

Our unqualified conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with GIB's Green Impact Reporting Criteria, the Corporate Greenhouse Gas Emissions Criteria and the Equator Principles Criteria (the "Reporting Criteria"), materially misstate GIB's Corporate and Green Impact for the year ended 31 March 2015.

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

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

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

Our procedures consisted primarily of:

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

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

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.40)	
GIB's corporate greenhouse gas footprint	(t CO_2e)
Green Impact Data (Annual Actual 2014–15, Lifetime and Average Annual) (see p.32 and 78–82)	
Greenhouse gas emissions reduction	(t CO_2e)
Renewable energy generated	(GWh)
Energy demand reduced	(MWh)
Materials consumption avoided through materials recycling	(t)
Waste to landfill avoided	(t)
Equator Principles (see p.38)	
Total number of Project Finance transactions and Project-Related Corporate Loans that reached financial close within the reporting period.	

Inherent limitations and Emphasis of Matter

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

The Drax Biomass Conversion investment is a material component of the projected future greenhouse gas emissions reduction data set out on p.78 of the Annual Report, accounting for the majority of that measure as at 31 March 2015. GIB's performance monitoring confirms that actual greenhouse gas reduction performance in the reporting period has materially exceeded that forecast at the time of transaction, with this over-performance due to a complex series of factors.

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

Independence

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

Deloitte LLP

Deloitte LLP
Chartered Accountants
and Statutory Auditor
London, 12 June 2015

Section 04:

Financial statements

Sector: **Offshore wind**
Project: **Sheringham Shoal**

We invested £240m to acquire a 20% stake in the Sheringham Shoal wind farm, off the coast of Norfolk. The developers have committed to reinvest the sale proceeds in other UK offshore wind projects. The wind farm produces enough renewable electricity to power 220,000 homes. GIB sold the asset to the new offshore wind fund upon it reaching first close.

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 2015 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied 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 (GIB) for the year ended 31 March 2015 which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union 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.

My audit approach

The sections below explain the areas of particular audit focus together with my responses to them, my approach to materiality and an explanation of the scope of my audit.

Risks significant to my audit

I consider the following areas of particular audit focus to be these areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year.

I have also set out how my audit addressed these specific areas in order to support the opinion on the financial statements as a whole, and any comments I make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by my audit.

The areas of focus were discussed with the Audit and Risk Committee; their report on those matters that they considered to be significant issues in relation to the financial statements is set out on p.66–68.

<table>
<tr><th>Risk</th><th>My response</th></tr>
<tr><td>The financial reporting implications of new investment activities.
GIB exercises judgement in determining the appropriate accounting treatment for new investments, with particular consideration of the extent to which GIB controls the entities into which it has invested. GIB has entered into a number of high value investments in 2014–15 including the creation of the GIB OSW Fund. These judgements have a significant impact on the financial statements.</td><td>I reviewed the assessments made of the extent of GIB's control of new investments and the proposed accounting treatment. I considered these proposals against the actualities of the arrangements and the requirements of the relevant accounting standards. Where GIB controls a reporting entity, that entity is consolidated into the Group accounts. Control exists where GIB:
• is exposed to variable returns as a result of their involvement,
• has power over the relevant activities that affect those returns, and
• has the ability to use that power to affect the variable returns.
The consideration of the application of these requirements to the GIB OSW Fund incorporated rights and authorities throughout the Group as a whole.</td></tr>
<tr><td>Investment valuation and recoverability of debt.
GIB exercises judgement in assessing whether the valuations of investments may require impairment and the extent to which debt is recoverable. In doing so GIB is dependent on the availability of sufficient, reliable information from the investees. Investments in projects are the most significant element of GIB's accounts and so these judgements have a significant impact on the financial statements.</td><td>When considering indicators of impairment the Company considers the carrying value (calculated in accordance with Accounting Standards) as compared to the economic value (being the fair value on an investment basis). These assessments are considered in detail by the Investment Committee. I considered their assessments and conclusions to gain adequate assurance over impairments, 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.</td></tr>
<tr><td>Application of revenue accounting policies across the group.
The growing complexity of GIB's group structure increases the risk that accounting policies may not be applied consistently across the group. As I apply a lower level of materiality to GIB's income figures any inconsistency of revenue accounting policies within the group has the potential to be significant.</td><td>Management considers whether the reported results from their consolidating entities are prepared in line with group accounting policies. Where they are found not to be in line then adjustments are made on consolidation to bring them into line. I reviewed the results of the work performed and the consequential consolidation adjustments and confirmed that they are adequately supported by underlying evidence. I also considered whether all adjustments expected had been identified and included.
Where the consolidated funds reported significant levels of income I also performed direct audit work to confirm that the amounts were correctly recognised and complete.</td></tr>
<tr><td>Recognition of upfront fees and transaction costs
GIB has adopted accounting policies requiring judgement in determining the timing of the recognition of upfront fees. Judgement is also required in respect of transaction costs as to whether they can be capitalised or whether they should be expensed. These judgements have a significant impact on GIB's profitability.</td><td>I reviewed the accounting models for upfront fees and confirmed that the accounting treatment complies with accounting standards. I confirmed that these models are functioning correctly, have been properly prepared, are subject to review and that key assumptions underpinning the calculations are reasonable.
I have tested a sample of transaction costs to ensure the accounting treatment complies with accounting standards.</td></tr>
</table>

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 £11.6m, which is approximately 1% 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 £0.5m was set for transactions reported in this statement on the basis that this represents approximately 2% of current year expenditure.

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

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

I agreed with the Audit and Risk Committee that I would report to it all corrected and uncorrected misstatements identified through my audit in excess of £150,000, as well as differences below that threshold that in my view, warranted reporting on qualitative grounds.

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

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

Group audit approach

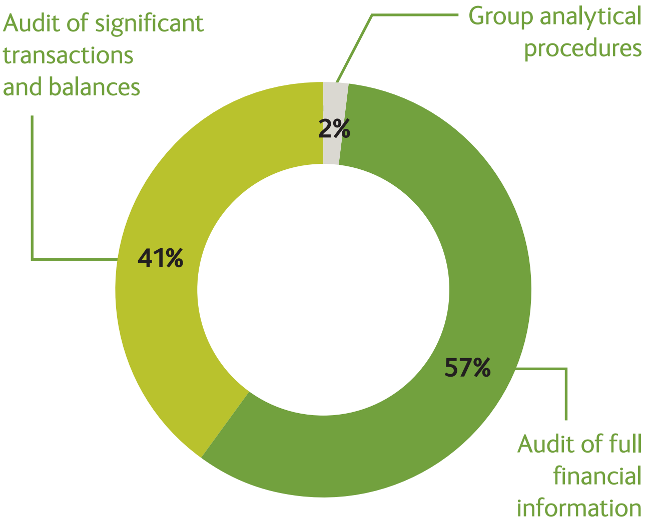
Total assets for the Group are £1,165.3m. The GIB Group has grown during 2014–15 and so the account now consolidates the results of eleven subsidiary entities, of which four are dormant, and seven limited partnerships. In establishing an overall approach I considered the size and risk characteristics of the consolidated entities and determined the type of work that needed to be performed at each.

The parent and three of the consolidated entities are individually significant by virtue of their size and I audited the full financial information of these. The three consolidated entities were all created during 2014–15 and their first company accounts will be for the extended period to 31 March 2016. Consequently the group audit team performed all the audit procedures for these bodies. The group audit team also performed further testing on significant transactions and balances within four of the smaller consolidated entities that are affected by my areas of focus. The extent of the audit work was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at these locations.

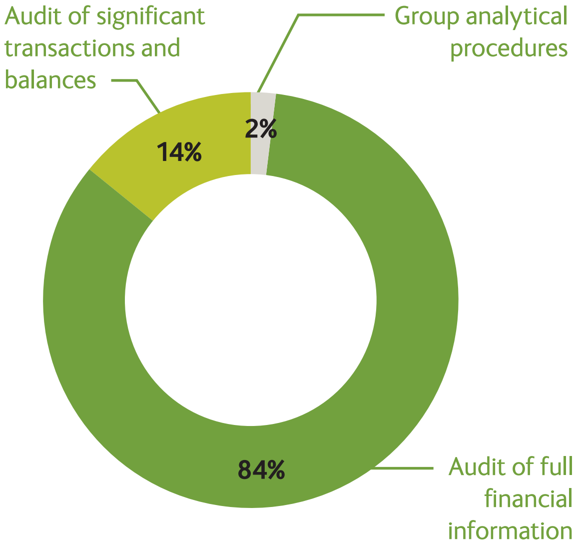
The remaining eleven consolidated entities are subject to audit work for the purpose of confirming that there are no risks of material misstatement within these entities to the Group financial statements.

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

Group income



Total assets



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 Remuneration Committee 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 Remuneration Committee 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 am required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we 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

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. 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.

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

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

12 June 2015

Hilary Lower
Senior Statutory Auditor

Consolidated income statement

For the year ended 31 March 2015

	Notes	Group Year ended 31.03.15 £'000	Group Year ended 31.03.14 £'000
Operating income			
Interest income	5	18,253	8,722
Fee income	5	5,819	3,777
Share of profit from associate		3,279	2,908
Realised profits on disposal of investments		644	—
Unrealised profits on the revaluation of investments	20	564	—
Movement in the fair value of derivatives	20	(658)	—
Gross investment income		27,901	15,407
Direct investment costs	6	(4,209)	(746)
Net investment income		**23,692**	**14,661**
Other income	7	292	—
Total operating income		**23,984**	**14,661**
Operating expenses			
Employee and Board compensation	6	(15,881)	(14,099)
Professional fees	6	(2,456)	(1,744)
General and administrative expenses	6	(3,634)	(2,997)
Premises costs	6	(1,237)	(1,085)
Depreciation and amortisation	6	(680)	(482)
Total operating expenses		**(23,888)**	**(20,407)**
Profit/(Loss) before tax		**96**	**(5,746)**
Tax (expense)/benefit	9	(2,542)	1,517
Loss for the year from continuing operations		**(2,446)**	**(4,229)**
Profit/(Loss) attributable to:			
Owners of the Company		(1,618)	(4,234)
Non-controlling interests		(828)	5
		(2,446)	**(4,229)**

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Group	Group
	Year ended 31.03.15	Year ended 31.03.14
	£'000	£'000
Loss for the year	(2,446)	(4,229)
Items that may be reclassified subsequently to profit or loss:		
Revaluation of available-for-sale financial assets, net of tax	2,790	1,973
Other comprehensive income for the year, net of tax	2,790	1,973
Comprehensive income for the year	**344**	**(2,256)**
Comprehensive income attributable to:		
Owners of the Company	1,137	(2,285)
Non-controlling interests	(793)	29
	344	(2,256)

Consolidated statement of financial position

At 31 March 2015

	Notes	Group 31.03.15 £'000	Group 31.03.14 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	2,141	2,501
Intangible assets	12	513	523
Loans and receivables	14, 17	232,448	174,681
Available-for-sale assets	14	108,743	42,426
Investments in associates and joint ventures	14	379,392	161,845
Investments held at fair value through profit and loss	20	3,899	—
Deferred tax	9	—	2,235
Total non-current assets		**727,136**	**384,211**
Current assets			
Cash and cash equivalents	16	255,794	20,934
Loans and receivables	14	13,830	14,176
Prepayments and other receivables	18	168,563	910
Total current assets		**438,187**	**36,020**
Total assets		**1,165,323**	**420,231**

Consolidated statement of financial position *continued*

	Notes	Group 31.03.15 £'000	Group 31.03.14 £'000
Liabilities			
Non-current liabilities			
Deferred income	5	2,011	4,349
Provisions	19	1,957	1,354
Derivative financial instruments	20	658	
Third party interest in consolidated funds	15	165,107	450
Deferred tax	9	996	—
Total non-current liabilities		**170,729**	**6,153**
Current liabilities			
Deferred income	5	282	24
Provisions	19	283	—
Creditors, accruals, and other liabilities	21	12,670	110,867
Total current liabilities		**13,235**	**110,891**
Total liabilities		**183,964**	**117,044**
Equity			
Issued capital	22	974,850	301,850
Capital contribution reserve	23	12,600	8,600
Revaluation reserve	24	4,763	1,973
Retained earnings	25	(10,854)	(9,236)
Total equity		**981,359**	**303,187**
Total equity and liabilities		**1,165,323**	**420,231**

Approved by the Board of Directors
12 June 2015

Shaun Kingsbury
Director and Accounting Officer

Company statement of financial position

At 31 March 2015

	Notes	Company 31.03.15 £'000	Company 31.03.14 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	2,141	2,501
Intangible assets	12	513	523
Investment in controlled entities	13	231,290	94,553
Loans and receivables	14, 17	220,316	171,706
Available-for-sale assets	14	1,849	—
Investments in associates and joint ventures	14	99,556	106,767
Investments held at fair value through profit and loss	14	3,143	—
Deferred tax	9	1,307	2,951
Total non-current assets		**560,115**	**379,001**
Current assets			
Cash and cash equivalents	16	253,559	20,272
Loans and receivables	14	13,830	13,347
Prepayments and other receivables	18	290,101	402
Total current assets		**557,490**	**34,021**
Total assets		**1,117,605**	**413,022**

Company statement of financial position *continued*

	Notes	Company 31.03.15 £'000	Company 31.03.14 £'000
Liabilities			
Non-current liabilities			
Deferred income	5	2,011	4,349
Provisions	19	1,957	1,354
Derivative financial instruments	20	658	—
Total non-current liabilities		**4,626**	**5,703**
Current liabilities			
Deferred income	5	282	24
Provisions	19	283	—
Creditors, accruals, and other liabilities	21	133,089	110,129
Total current liabilities		**133,654**	**110,153**
Total liabilities		**138,280**	**115,856**
Equity			
Issued capital	22	974,850	301,850
Capital contribution reserve	23	12,600	8,600
Retained earnings	25	(8,125)	(13,284)
Total equity		**979,325**	**297,166**
Total equity and liabilities		**1,117,605**	**413,022**

Approved by the Board of Directors
12 June 2015

UK Green Investment Bank plc
SC424067

Shaun Kingsbury
Director and Accounting Officer

Statement of cash flows

For the year ended 31 March 2015

	Notes	Group Year ended 31.03.15	Group Year ended 31.03.14	Company Year ended 31.03.15	Company Year ended 31.03.14
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Upfront and service fees received		4,196	5,158	4,196	5,158
Non-utilisation fees received		550	2,443	550	2,443
Interest received		8,657	6,757	6,541	6,352
Distributions received	14	14,556	6,226	—	—
Other fee income		46	—	46	—
Cash generated from operations		28,005	20,584	11,333	13,953
Cash paid to suppliers and employees		(22,221)	(18,784)	(21,650)	(18,263)
Net cash flow generated/(used) for operating activities		**5,784**	**1,800**	**(10,317)**	**(4,310)**
Cash flows from investing activities					
Acquisition of loan and receivable assets		(62,660)	(136,365)	(54,118)	(133,443)
Repayment of loan and receivable assets		11,671	2,681	9,251	2,681
Acquisition of available-for-sale financial assets		(63,843)	(32,206)	(1,849)	—
Repayment of available-for-sale financial assets		3,260	—	—	—
Investments in associates and joint ventures		(484,006)	(1,392)	(250,679)	(1,153)
Repayment of associates and joint ventures		151,078	—	151,078	—
Acquisition of fair value assets		(3,357)	—	(2,882)	—
Investment in controlled entities		—	—	(305,899)	(35,696)
Controlled entity loan repayments		—	—	22,355	6,326
Acquisition of property, plant and equipment		(532)	(1,242)	(532)	(1,242)
Acquisition of intangible assets		(121)	(502)	(121)	(502)
Net cash used in investing activities		**(448,510)**	**(169,026)**	**(433,396)**	**(163,029)**
Cash flows from financing activities					
Issue of new shares	22	673,000	156,000	673,000	156,000
Capital contribution from shareholder	23	4,000	4,000	4,000	4,000
Capital flows from third party interest in consolidated funds		586	375	—	—
Net cash from financing activities		**677,586**	**160,375**	**677,000**	**160,000**
Net increase/(decrease) in cash and cash equivalents		**234,860**	**(6,851)**	**233,287**	**(7,339)**
Cash and cash equivalents at beginning of the period		20,934	27,785	20,272	27,611
Cash and cash equivalents at the end of the period		**255,794**	**20,934**	**253,559**	**20,272**

Statement of changes in equity

For the year ended 31 March 2015

Group	Notes	Issued capital £'000	Capital contribution reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2013		**145,850**	**4,600**	—	**(5,007)**	**145,443**
Loss for the period	25	—	—	—	(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	22	156,000	—	—	—	156,000
Capital contribution	23	—	4,000	—	—	4,000
Balance at 31 March 2014		**301,850**	**8,600**	**1,973**	**(9,236)**	**303,187**
Loss for the period	25	—	—	—	(1,618)	(1,618)
Other comprehensive income for the period, net of tax		—	—	2,790	—	2,790
Total comprehensive income for the period		—	—	2,790	(1,618)	1,172
Issue of ordinary shares	22	673,000	—	—	—	673,000
Capital contribution	23	—	4,000	—	—	4,000
Balance at 31 March 2015		**974,850**	**12,600**	**4,763**	**(10,854)**	**981,359**

Company	Notes	Issued capital £'000	Capital contribution reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2013		**145,850**	**4,600**	—	**(4,649)**	**145,801**
Loss for the period	25	—	—	—	(8,635)	(8,635)
Total comprehensive income for the period		—	—	—	(8,635)	**(8,635)**
Issue of ordinary shares	22	156,000	—	—	—	156,000
Capital contribution	23	—	4,000	—	—	4,000
Balance at 31 March 2014		**301,850**	**8,600**	—	**(13,284)**	**297,166**
Profit for the period	25	—	—	—	5,159	5,159
Total comprehensive income for the period		—	—	—	5,159	**5,159**
Issue of ordinary shares	22	673,000	—	—	—	673,000
Capital contribution	23	—	4,000	—	—	4,000
Balance at 31 March 2015		**974,850**	**12,600**	—	**(8,125)**	**979,325**

Notes to the financial statements

For the year ended 31 March 2015

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 2015 ("2014–15") were approved and authorised for issue in accordance with a resolution of the Directors on 12 June 2015.

Comparative information is included for the year ended 31 March 2014 ("2014").

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

2. Principal activities

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

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

3. Accounting policies

Basis of preparation

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

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

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

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

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

Use of estimates and judgements

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

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

Revenue recognition

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

Specifically the judgements and estimates included are:

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

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

Tax
The Group has recognised deferred tax assets in the financial statements. In doing so we have assessed the potential future taxable profits of the Group, including income from current investments and commitments and future plans. This requires judgements and estimates on whether it is likely that the Group will generate sufficient future profits in order to utilise the tax assets. These judgements and estimates 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, we have reviewed the Group's budgets, plans and cash flow forecasts. We have also considered the potential impact of credit risk and liquidity risk as detailed in Note 29 as well as the support being provided by GIB's sole shareholder, the Secretary for State for the Department for Business, Innovation and Skills.

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

Basis of consolidation

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

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

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

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

– Exposure, or rights, to variable returns from its involvement with the investee, 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 13.

Revenue recognition

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

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

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

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

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

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

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

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

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

Assets are depreciated over the following periods:

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

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

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

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

Amortised cost:

- Loans and receivables
- Held-to-maturity investments

Fair value:

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

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

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

Loans and receivables, 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 EIR.

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

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

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

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

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

Fair value through profit or loss

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

Available-for-sale assets

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

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

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

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

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

Associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value Added Tax

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

A basis for input VAT recovery methodology has been submitted to Her Majesty's Revenue and Customs for approval. This will be applied retrospectively in line with VAT registration dates. Pending approval no input VAT has been recovered.

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

Equity

Ordinary shares are classified as equity and have been issued at par in the period to 31 March 2015.

Reserves

Capital contributions from BIS are non-reciprocal in nature and are recognised directly in a capital contribution reserve in equity. In the period to 31 March 2015 these contributions provided funding for ongoing operational costs as required by the Group.

Pensions

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

Holiday entitlements

When an employee has rendered service during an accounting period, the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognised 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.

This included IAS 36: Recoverable Amount Disclosures for Non Financial Assets – Amendments to IAS 36.

There is no impact of this amendment or required restatement to the consolidated financial statements as the Group have identified no asset impairment.

Standards issued but not yet effective

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

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

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

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

The amendments to IAS 1 Presentation of Financial Statements clarify:

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

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2017.

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

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group will assess the effect of the revenue recognition requirements per IFRS 15 compared with IAS 10 which is currently applied in the preparation of the consolidated financial statements future accounting periods.

IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2018.

The amendments introduced by IFRS 9 include a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement
IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

Impairment
IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting
IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

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

The Group earns and recognises income in different periods based on the timing of loan drawdowns and the nature of the income.

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

(i) Calculation of deferred income

	Company	Group	Company	Group
		Year ended 31.03.15		Year ended 31.03.14
	£'000	£'000	£'000	£'000
Opening deferred income	8,214	8,214	6,133	6,133
Income generated during the period	11,170	19,027	12,175	14,580
Income recognised during the period	(16,215)	(24,072)	(10,094)	(12,499)
Income deferred	**3,169**	**3,169**	**8,214**	**8,214**

This amount is recognised in the balance sheet as follows:

	Company	Group	Company	Group
		Year ended 31.03.15		Year ended 31.03.14
	£'000	£'000	£'000	£'000
Adjustment to the EIR for loans and receivables	876	876	3,841	3,841
Deferred income	2,293	2,293	4,373	4,373
Total	**3,169**	**3,169**	**8,214**	**8,214**

(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 EIR for loans and receivables and recognised as interest income over the life of the loan.

Based on the amount of funding drawn at 31 March 2015 the estimated recognition timing is as follows:

	Company	Group	Company	Group
		Year ended 31.03.15		Year ended 31.03.14
	£'000	£'000	£'000	£'000
Recognition within 1 year	282	282	24	24
Recognition over 1 year	2,011	2,011	4,349	4,349
Total	**2,293**	**2,293**	**4,373**	**4,373**

(iii) Reconciliation of total interest and fee income recognised

The tables below show the recognised and unrecognised fee and interest income during the year.

Where the loan is drawn the deferred income is transferred to be an adjustment to the EIR for loans and receivables and recognised as interest income over the life of the loan.

Company

			Year ended 31.03.15			Year ended 31.03.14
	Total recognised	Total unrecognised	Total	Total recognised	Total unrecognised	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Upfront commitment fee	2,500	3,169	5,669	—	8,214	8,214
Undrawn facility fee	2,171	—	2,171	3,777	—	3,777
Interest income	10,433	—	10,433	6,317	—	6,317
Other fee income	1,111	—	1,111	—	—	—
Total	**16,215**	**3,169**	**19,384**	**10,094**	**8,214**	**18,308**

Group

			Year ended 31.03.15			Year ended 31.03.14
	Total recognised	Total unrecognised	Total	Total recognised	Total unrecognised	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Upfront commitment fee	2,500	3,169	5,669	—	8,214	8,214
Undrawn facility fee	2,208	—	2,208	3,777	—	3,777
Interest income	18,253	—	18,253	8,722	—	8,722
Other fee income	1,111	—	1,111	—	—	—
Total	**24,072**	**3,169**	**27,241**	**12,499**	**8,214**	**20,713**

6. Expenses

(i) Direct investment costs

Direct expenses of £4.2m (2014: £0.7m) for the Group, include fund administration costs on direct investments and the offshore wind fund, direct costs related to investment activity that cannot be capitalised and costs of £1.8m related to the set up of the offshore wind fund. More information on the set up of the offshore wind fund is included in Note 15.

(ii) Operating expenses

	Notes	Company	Group	Company	Group
			Year ended 31.03.15		Year ended 31.03.14
		£'000	£'000	£'000	£'000
Employee and Board compensation					
Wages, salaries and other staff costs		10,751	11,235	9,957	9,957
STIP and LTIP		1,992	2,027	1,807	1,807
Board costs		327	327	320	320
National Insurance		1,272	1,327	1,198	1,198
Pension costs – defined contribution schemes		921	965	817	817
		15,263	15,881	14,099	14,099
Other expenses					
Professional fees		2,034	2,456	1,639	1,744
General and administrative expenses		3,344	3,634	2,878	2,997
Premises costs		1,237	1,237	1,085	1,085
		6,615	7,327	5,602	5,826
Depreciation and amortisation					
Property, plant and equipment	11	549	549	422	422
Intangible assets	12	131	131	60	60
		680	680	482	482
Total operating expenses		**22,558**	**23,888**	**20,183**	**20,407**

7. Other income

(i) Rental income

Income was received during the year on the sub-lease of part of Atria One in Edinburgh which commenced on 1 July 14.

(ii) Service income

Other income for the year ended 31 March 2015 was generated for the provision of support services to related parties.

	Company	Group	Company	Group
	Year ended 31.03.15		Year ended 31.03.14	
	£'000	£'000	£'000	£'000
Rental income	96	96	—	—
Service income	207	196	—	—
Total other income	**303**	**292**	—	—

8. 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 is 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.

	Year ended 31.03.15	Year ended 31.03.14
	£'000	£'000
Fees payable for the audit of the Group's annual accounts	180	108
Total	**180**	**108**

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £156,000 (2014: £96,000) and fees payable to the Company's auditor for the audit of the Company's subsidiaries were £24,000 (2014: £12,000). Other auditors are engaged for the provision of audit services to controlled entities within the Group.

9. Tax

	Company	Group	Company	Group
		Year ended 31.03.15		Year ended 31.03.14
	£'000	£'000	£'000	£'000
Current tax:				
Current tax benefit (expense) on result for the period	(1,954)	(2,020)	2,015	2,015
Adjustment for prior year	(7)	(7)	38	38
Deferred tax:				
Origination of temporary difference	224	(611)	160	(69)
Changes in tax rate	93	96	(467)	(467)
Income tax benefit/(expense)	**(1,644)**	**(2,542)**	**1,746**	**1,517**

Reconciliation of tax (expense)/benefit	Company	Group	Company	Group
		Year ended 31.03.15		Year ended 31.03.14
	£'000	£'000	£'000	£'000
Profit/(Loss) before tax	6,803	96	(10,381)	(5,746)
Profit/(Loss) before tax multiplied by rate of corporation tax in UK of 21% (2013–14: 23%)	(1,429)	(20)	2,388	1,321
Tax effects of				
– Expenses not deductible for tax purposes	(90)	(289)	(57)	(57)
– Tax losses for which no deferred tax asset was recognised	—	—	—	—
– Adjustments to taxable income from consolidated funds	(200)	(179)	(132)	—
– Associate income not taxable	—	689	—	669
– Taxable assets disposal	—	(2,863)	—	—
– Deferred tax asset at different tax rate	(11)	31	(24)	13
– Adjustment for prior year	(7)	(7)	38	38
– Changes in tax rate	93	96	(467)	(467)
Tax (expense)/benefit	**(1,644)**	**(2,542)**	**1,746**	**1,517**

In recognising any tax asset, the view has been taken that the Group or Company will make sufficient taxable profits in the future to utilise any carried forward losses. To the extent profits are not deemed adequately probable, either in relation to the Company or consolidated entities, the Group does not recognise a tax asset.

The following table shows the movement in the tax asset/(liability):

	Company	Group
	£'000	£'000
Balance at 31 March 2013	1,205	1,205
Additions	1,746	1,517
Deferred tax liability from available-for-sale asset revaluation, through other comprehensive income	—	(487)
Balance at 31 March 2014	**2,951**	**2,235**
Additions/(utilisation)	(1,644)	(2,542)
Deferred tax liability from available-for-sale asset revaluation, through other comprehensive income	—	(689)
Balance at 31 March 2015	**1,307**	**(996)**

10. Dividends

During the 12 months to 31 March 2015 the Company did not make any dividend payments (2014: nil). The Company does not propose to pay any dividends in respect of the year ended 31 March 2015.

11. Property, plant and equipment

	Leasehold Improvements	Computer Equipment	Fixtures and Fittings	Company and Group
	£'000	£'000	£'000	£'000
Cost				
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**
Acquisitions	108	71	10	189
At 31 March 2015	**2,129**	**638**	**454**	**3,221**
Depreciation and impairment losses				
At 31 March 2013	**(80)**	**(19)**	**(10)**	**(109)**
Depreciation for the period	(307)	(68)	(47)	(422)
At 31 March 2014	**(387)**	**(87)**	**(57)**	**(531)**
Depreciation for the period	(365)	(116)	(68)	(549)
At 31 March 2015	**(752)**	**(203)**	**(125)**	**(1,080)**
Net book value at 31 March 2015	**1,377**	**435**	**329**	**2,141**
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	5 years
Computer equipment	5 years
Fixtures and fittings	7 years

12. Intangible assets

	Company and Group
	£'000
Cost	
At 31 March 2013	**88**
Acquisitions	502
At 31 March 2014	**590**
Acquisitions	121
At 31 March 2015	**711**
Amortisation and impairment loss	
At 31 March 2013	**(7)**
Amortisation for the period	(60)
At 31 March 2014	**(67)**
Amortisation for the period	(131)
At 31 March 2015	**(198)**
Net book value at 31 March 2015	**513**
Net book value at 31 March 2014	**523**

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

13. Consolidated entities

Consolidated entities are carried at cost.

	Total
	£'000
Balance at 31 March 2013	**65,182**
Additions	35,697
Repayment of shareholder loan	(6,326)
Balance at 31 March 2014	**94,553**
Additions	432,710
Disposals	(273,618)
Repayment of shareholder loan	(22,355)
Balance at 31 March 2015	**231,290**

The principal subsidiary undertakings of the Company are shown below. The capital of each entity depends on its nature and consists of ordinary shares or Limited Partner (LP) contributions.

Entity	Fund Manager	Country of incorporation	Nature of business	Shares held	Group interest
Energy Saving Investments L.P	Equitix Investment Management Limited	UK	Investment in non-domestic energy efficiency	99%	99%
UK Waste Resources & Energy Investments LP	Foresight Group LLP	UK	Investment in small-scale waste operations	99%	99%
UK Green Sustainable Waste & Energy Investment LP	Greensphere Capital LLP	UK	Investment in small-scale waste operations	99%	99%
UK Energy Efficiency Investments 1 LP	SDCL EE Co (UK) LLP	UK	Investment in non-domestic energy efficiency	98%	98%
Aviva Investors REaLM Energy Centres LP	Aviva Investors Global Services Limited	UK	Investment in non-domestic energy efficiency in the NHS	100%	100%
The Recycling and Waste LP	Foresight Group LLP	UK	Investment in small-scale waste operations	99%	99%
The Waste Asset LP	Foresight Group LLP	UK	Investment in small-scale waste operations	99%	99%
UK Green Community Lending Ltd	N/A	UK	Investment in community scale renewables	100%	100%
UK Green Investment Bank Financial Services Limited	N/A	UK	Regulated financial services activities	100%	100%
UK Green Investment (OSW) GP Limited	N/A	UK	General Partner – offshore wind fund	100%	100%
UK Green Investment Bank Offshore Wind Fund LP	N/A	UK	Investment in offshore wind	67%	67%
UK Green Investment Offshore Wind Fund B LP	N/A	UK	Investment in offshore wind	20%	20%
UK Green Investment Offshore Feeder I LLP	N/A	UK	Inactive entity at 31 March 2015	100%	100%
UK Green Investment Rhyl Flats Limited (formerly: UK GIB Rhyl Flats Investment Limited)	N/A	UK	Offshore wind investment	43%	43%
UK Green Investment Sheringham Shoal Limited	N/A	UK	Offshore wind investment	43%	43%
UK Green Investment ShelfCo. 1 Limited*	N/A	UK	Inactive entity at 31 March 2015	100%	100%
UK Green Investment Community Lending Limited*	N/A	UK	Inactive entity at 31 March 2015	100%	100%
UK Green Investment ShelfCo. 3 Limited*	N/A	UK	Inactive entity at 31 March 2015	100%	100%

To align interests and incentivise external managers, GIB will often require managers to take a minority LP interest. The Fund Manager LP amounts are treated as third party interest in consolidated funds in the consolidated accounts of the Group.

** Dormant company exempt from the requirement to prepare and deliver individual accounts under ss 349A and 448A of the 2006 Companies Act.*

14. Investments

	Company	Group	Company	Group
		31.03.15		31.03.14
	£'000	£'000	£'000	£'000
Investment in controlled entities	231,290	—	94,553	—
Loans and receivables	234,146	246,278	185,053	188,857
Available-for-sale investments	1,849	108,743	—	42,426
Investment in associates and joint ventures	99,556	379,392	106,767	161,845
Investments held at fair value through profit and loss	3,143	3,899	—	—
Total	**569,984**	**738,312**	**386,373**	**393,128**

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

(i) Carrying Value

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

The following table shows how the investment balance is calculated:

Year ended 31 March 2015

Carrying Value – Company	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	235,022	(876)	234,146
Investment in controlled entities	231,290	—	231,290
Available-for-sale investments	1,849	—	1,849
Investment in associates and joint ventures	99,556	—	99,556
Investments held at fair value through profit and loss	3,143	—	3,143
Total	**570,860**	**(876)**	**569,984**

Carrying Value – Group	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	247,154	(876)	246,278
Available-for-sale investments	108,743	—	108,743
Investment in associate and joint ventures	379,392	—	379,392
Investments held at fair value through profit or loss	3,899	—	3,899
Total	**739,188**	**(876)**	**738,312**

14. Investments *continued*

Year ended 31 March 2014

Carrying Value – Company	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	188,894	(3,841)	185,053
Investment in controlled entities	94,553	—	94,553
Investment in associate	106,767	—	106,767
Total	**390,214**	**(3,841)**	**386,373**

Carrying Value – Group	Investment amount	Deferred upfront fee	Carrying value
	£'000	£'000	£'000
Loans and receivables	192,698	(3,841)	188,857
Available-for-sale investments	42,426	—	42,426
Investment in associate	161,845	—	161,845
Total	**396,969**	**(3,841)**	**393,128**

(ii) Disclosure of IFRS 7 risk requirements is detailed in Note 29.

(iii) The Company holds loans that carry interest with a weighted average interest rate of 3.2% per annum. The loans have maturity dates ranging between 0.4 to 26.7 years from the end of the reporting period. None of these assets were past due or impaired at the end of the reporting period.

The Group holds loans that carry interest with a weighted average interest rate of 5.5% per annum, these include loans treated as available-for-sale assets. The loans have maturity dates ranging between 0.4 to 26.7 years from the end of the reporting period. None of these assets were past due or impaired at the end of the reporting period.

(iv) Investments in associate and joint ventures.

	Company	Group
	£'000	£'000
Balance at 31 March 2013	—	**58,156**
Additions	106,767	107,007
Share of profit from associates and joint ventures	—	2,908
Distributions received	—	(6,226)
Balance at 31 March 2014	**106,767**	**161,845**
Additions	143,867	380,487
Repayments	(151,078)	(151,663)
Share of (loss)/profit from associates and joint ventures	—	3,279
Distributions received	—	(14,556)
Balance at 31 March 2015	**99,556**	**379,392**

Distributions recognised relate to investments in Rhyl Flats Wind Farm Limited and Scira Offshore Energy Limited (Sheringham Shoal Wind Farm).

14. Investments *continued*

Profits and losses relate to the following entites:

Rhyl Flats Wind Farm Limited – Associate

The summarised financial information of Rhyl Flats Wind Farm Limited are:

	2014 (unaudited)	2013
Assets	£202.8m	£212.8m
Liabilities	£29.3m	£21.7m
Revenues for the year to 31 December	£25.6m	£14.3m
Profit for the year to 31 December	£4.2m	£9.5m

The financial statements utilised are as at 31 December, being the financial reporting date of the associate. The Group has accounted for its investment in Rhyl Flats Wind Farm Associate Limited by utilising management accounts for the year ended 31 March 2015, as the audit of the financial statements is not yet complete.

The Group has provided an indemnity for the satisfaction of obligations under contractual arrangements (for example undertakings related to rehabilitation activities and supplier agreements). These would require the GIB Group, in common with all the other shareholders, to contribute its share (calculated in proportion to the Group's 24.95% minority equity holding) of any unpaid decommissioning costs of the offshore wind farm and any rent arrears during operations should the operational entity fail to meet these obligations. The total amount of indemnities is £5.0m (2014: £4.6m) and is not provided for in the Statement of Financial Position.

Scira Offshore Energy Limited (Sheringham Shoal Wind Farm) – Associate

The summarised financial information of Scira Offshore Energy Limited are:

	2014
Assets	£1,270.0m
Liabilities	£814.5m
Revenues for the year to 31 December	£125.7m
Profit for the year to 31 December	£8.2m

The Group acquired a 20% stake of this entity on 25 November 2014. The financial statements utilised are as at 31 December, being the financial reporting date of the associate. The Group has accounted for its investment in Scira Offshore Energy Limited by utilising management accounts for the period ended 31 March 2015.

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 20% minority equity holding) of any obligations under the OFTO O&M agreement should the operational entity fail to meet these obligations. The total amount is £7m and is not provided for in the Statement of Financial Position.

14. Investments *continued*

WMR JV HoldCo Limited – joint arrangement classified as a Joint Venture

The Group owns 50% of WMR JV Holdco Limited, which in turn owns 50% of the wind farm, Westermost Rough Limited (Westermost Rough Wind Farm).

The summarised financial information of Westermost Rough Limited are:

	2014
Assets	£702.0m
Liabilities	£283.2m
Revenues for the year to 31 December	£1.8m
Loss for the year to 31 December	(£6.6m)

The financial statements utilised are as at 31 December, being the financial reporting date of the Westermost Rough Wind Farm joint venture. The Group has accounted for its investment in WMR JV HoldCo Limited by utilising management accounts for the period ended 31 March 2015.

The Group has accounted for its investment in WMR JV HoldCo Limited by utilising management accounts for the period ended 31 March 2015.

The Group has provided a total of £16.1m (2014: £48.4m) in indemnities, £12.0m of these expired on 7th April 2015. 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 foreign exchange hedging obligations of the project company.

Speyside Renewable Energy Partnership HoldCo Limited – Joint Venture

The Group owns 41.6% of this entity which became a joint venture on 16 August 2014.

The summarised financial information of Speyside Renewable Energy Partnership HoldCo Limited are:

	2015
Assets	£78.1m
Liabilities	£78.1m
Revenues for the year to 31 March	£0.0m
Loss for the year to 31 March	(£0.0m)

The financial statements utilised are as at 31 March, being the financial reporting date of the joint venture. These financial statements are unaudited as the audit is not yet complete.

14. Investments *continued*

The financial statements utilised are as at 31 March, being the financial reporting date of the joint venture.

Tilbury Green Power Holdings Limited – Joint Venture

Tilbury Green Power Holdings Limited was incorporated on 3 February 2015 and had no income or expenditure to 31 March 2015. The Group owns 48.6% of this entity which became a joint venture on 23 March 2015.

The summarised financial information of Tilbury Green Power Holdings Limited are:

	2015
Assets	£43.1m
Liabilities	£38.7m
Revenues for the year to 31 March	£0.0m
Loss for the year to 31 March	(£0.0m)

There are no financial statements available; management accounts to 31 March 2015 have been utilised.

Gwynt y Môr transaction – joint arrangement expected to be classified 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 £8.9m (2014: £5.0m).

(v) At 31 March 2015 all available-for-sale investments were made through consolidated entities (being Limited Partnerships or one consolidated company) and comprise equity ownership between 20% and 50%.

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 unrelated to the Group.

For the consolidated company's investment the management services agreement with a private sector manager determines the operational policies of the investee entity and the Company does not significantly influence the implementation of these policies.

(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
		31.03.15		31.03.14
	Level 3	Level 3	Level 3	Level 3
	£'000	£'000	£'000	£'000
Loans and receivables	234,146	246,278	185,053	188,857
Available-for-sale investments	1,849	108,743	—	42,426
Investments held at fair value through profit and loss	3,143	3,899	—	—
Total	**239,138**	**358,920**	**185,053**	**231,283**

14. Investments *continued*

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description
Level 1	Quoted prices (unadjusted) from active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	Inputs that are not based on observable market data

Each of the loans and receivables, available-for-sale assets and investments held at fair value through profit and loss are classified as Level 3 assets.

The Group completes regular valuation exercises to assess the fair value of each class of assets.

At 31 March 2015, based on the valuation assessment available-for-sale assets were increased to £5.9m, with an amount of £2.8m (net of deferred tax of £1.2m) recognised in the Statement of Other Comprehensive Income. This is the only balance in the Revaluation Reserve.

The valuation assessment indicates there is no significant variation between fair value and carrying value for loans and receivables, after recognising any adjustment to the carrying value for EIR calculations for assets at amortised cost.

The primary valuation methodology used for investments is the discounted cash flow (DCF) method. Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, discounted at the appropriate risk-adjusted discount rate. The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has a periodically updated model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes. Stress testing is completed across the portfolio, with a suite of relevant sensitivities applied to assess potential variances, e.g. the impact of a change in interest rates. Each fair value assessment includes an evaluation of the underlying performance of the project and its ability to meet agreed commercial obligations as well as any factors which may indicate any impairment.

Where an asset is 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 2015.

Additional information on investment sensitivities is disclosed in Note 29.

15. Offshore wind fund establishment

On 30 March 2015 GIBFS reached first close on commitments of £463m on its planned £1bn fund to invest in operating offshore wind farms in the UK.

The initial investors comprise UK-based pension funds and a major sovereign wealth fund. The Company has also committed investment of £200m in the GIB OSW Fund.

At the balance sheet date, the GIB OSW Fund had called capital of £289.8m and agreed the purchase of seed assets from the Company.

At GIB Group level, the GIB OSW Fund is considered a controlled entity and was fully consolidated in the Group accounts.

The financial impact of the GIB OSW Fund start-up and seed asset transfer have been reflected in the financial statements as set out below.

(i) Operating expenses

The Fund establishment costs comprise professional fees and other expenses incurred in the authorisation of GIBFS as an Alternative Investment Fund manager, support and advice on the establishment of the Fund, investor due diligence and valuation of seed assets. These have been reflected in the income statement as follows:

Fund establishment costs

	Year ended 31.03.15
	£'000
Direct investment costs	1,822
Professional fees	112
General and administrative expenses	273
	2,207

(ii) Consolidated statement of financial position

Amounts due from non GIB Group investors on the first capital call of £164.9m are included in third party interest in consolidated funds in non-current liabilities. The remaining balance of £0.2m relates to minority LP interest held by fund managers on small-scale funds.

(iii) Company statement of changes in equity

As a result of the sale of its investments in Rhyl Flats and Sheringham Shoal, the Company recorded a gain on sale of £13.6m which was eliminated on consolidation in the Group's results.

16. Cash and cash equivalent

The cash and cash equivalents balance of £255.8m (2014: £20.9m) is comprised solely of cash at bank.

The Company and GIBFS holds its cash at bank with the Government Banking Service and draws funding from BIS as investments and operations require.

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

As at 31 March 2015, the Group held £0.8m of cash at bank outside the Government Banking Service. The amount is held entirely in the accounts of the consolidated entities that are managed by private sector fund managers.

17. Financial assets and liabilities

Company At 31 March 2015	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	234,146	3,143	332,695	569,984
Cash and cash equivalents	16	253,559	—	—	253,559
Total		**487,705**	**3,143**	**332,695**	**823,543**
Liabilities					
Deferred income	5	2,293	—	—	2,293
Total		**2,293**	—	—	**2,293**

Company At 31 March 2014	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	185,053	—	201,320	386,373
Cash and cash equivalents	16	20,272	—	—	20,272
Total		**205,325**	—	**201,320**	**406,645**
Liabilities					
Deferred income	5	4,373	—	—	4,373
Total		**4,373**	—	—	**4,373**

17. Financial assets and liabilities *continued*

Group At 31 March 2015	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	246,278	3,899	488,135	738,312
Cash and cash equivalents	16	255,794	—	—	255,794
Total		**502,072**	**3,899**	**488,135**	**994,106**
Liabilities					
Deferred income	5	2,293	—	—	2,293
Total		**2,293**	—	—	**2,293**

Group At 31 March 2014	Notes	Loans and receivables	Investments held at fair value through profit and loss	Equity investment	Total carrying value
		£'000	£'000	£'000	£'000
Assets					
Investments	14	188,857	—	204,271	393,128
Cash and cash equivalents	16	20,934	—	—	20,934
Total		**209,791**	—	**204,271**	**414,062**
Liabilities					
Deferred income	5	4,373	—	—	4,373
Total		**4,373**	—	—	**4,373**

Maturity Analysis	<1 yr	1–5 yrs	>5 yrs	Total
	£'000	£'000	£'000	£'000
At 31 March 2015				
Loans and receivables	13,830	118,951	114,374	247,155
At 31 March 2014				
Loans and receivables	14,176	50,172	128,350	192,698

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

18. Prepayments and other receivables

	Company	Group	Company	Group
		31.03.15		31.03.14
	£'000	£'000	£'000	£'000
Prepayments	229	3,458	363	363
Other receivables	248	165,105	39	547
Intercompany receivables	289,624	—	—	—
Total	**290,101**	**168,563**	**402**	**910**

At 31 March 2015 the Group was due £163.7m from external investors into the Limited Partnerships comprising the offshore wind fund.

The Company was due £288.2m from the Limited Partnerships comprising the offshore wind fund for the purchase of their holding in the Rhyl Flats and Sheringham Shoal wind farms.

19. Provisions

	Total
	£'000
Balance at 31 March 2013	**283**
Addition	1,071
Balance at 31 March 2014	**1,354**
Addition	886
Balance at 31 March 2015	**2,240**

At 31 March 2015 a provision of £2.0m (2014: £1.2m) exists in respect of LTIP payments to current or former members of the Leadership Team. £0.3m of this provision is payable within one year. The amount provided for is an estimate of the amount that will be payable when the liability falls due, and is not discounted for the time value of money as this is deemed to be non-material.

At 31 March 2015 a provision of £200,000 (2014: £200,000) 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.

20. Derivative financial instruments

Where the Group enters into an investment that results in the receipt of fixed rate cash flows we are taking interest rate risk that could lead to a decrease in the value of the investment. As the Group has been established to recycle our capital we want to protect the carrying value of our investments.

The Group has agreed commercial terms with our shareholder, the Secretary of State for Business, Innovation and Skills, to enable hedging of interest rate risk on our fixed interest investments.

All hedged assets are designated as Fair Value through Profit or Loss. The Group is not applying hedge accounting as these assets do not meet the relevant criteria under IAS 39, therefore gains and losses on hedged assets are recognised in the income statement as they arise. Gains and losses arising on the hedged asset and hedged instrument are separately disclosed on the income statement and balance sheet.

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

(i) Consolidated income statement

	Year ended 31.03.15
	£'000
Unrealised profits on the revaluation of investments	564
Movement in the fair value of derivatives	(658)
	(94)

(ii) Consolidated statement of financial position

	Company and Group
	31.03.15
	£'000
Investments held at fair value through profit and loss	
Asset carrying value	3,335
Fair value revaluation	564
	3,899
Derivative financial liabilities	658
	658

21. Creditors, accruals, and other liabilities

	Company	Group	Company	Group
		31.03.15		31.03.14
	£'000	£'000	£'000	£'000
Accrued expenses	3,787	5,700	3,283	3,301
Related party liabilities	126,811	—	396	396
Payroll liabilities	874	912	766	766
Creditors	1,617	6,058	105,684	106,404
Total	**133,089**	**12,670**	**110,129**	**110,867**

At 31 March 15 the Company owed £124.9m to the Limited Partnerships comprising the offshore wind fund in relation to its investment in these entities.

The material creditor balance in the prior year was £104.3m in relation to the Westermost Rough transaction. This amount was paid during the year.

22. Issued capital

	Allotted, called up and fully paid	
	Number of shares	Ordinary shares
	'000	'000
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**
Issue of ordinary shares	673,000	673,000
Balance at 31 March 2015	**974,850**	**974,850**

During the year ended 31 March 2015, 673,000,000 ordinary shares of £1 each were issued to the Government shareholder. During the year ended 31 March 2014, 156,000,000 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.

23. Capital contribution reserve

	Company and Group
	£'000
Balance at 31 March 2013	**4,600**
Capital contribution	4,000
Balance at 31 March 2014	**8,600**
Capital contribution	4,000
Balance at 31 March 2015	**12,600**

In addition to funding received from share issues, the Company receives operational funding from its shareholder which is recognised as a capital contribution from shareholders but does not form part of the shareholding in the Company. These amounts are non-interest bearing and non-repayable. During the year, £4m in operational funding was received (2014: £4m).

24. Revaluation reserve

	Group
	£'000
Balance at 31 March 2013	—
Revaluation of available for sale assets	1,973
Balance at 31 March 2014	**1,973**
Revaluation of available for sale assets	2,790
Balance at 31 March 2015	**4,763**

25. Retained earnings

	Company	Group
	Total	Total
	£'000	£'000
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)**
Profit/(Loss) for the period	5,159	(1,618)
Balance at 31 March 2015	**(8,125)**	**(10,854)**

26. Retirement benefits

Retirement benefits for employees are solely provided by defined contribution schemes, funded by contributions from Group Companies and employees. Group Companies make a 10% contribution subject to a minimum employee contribution of 3%. The amount charged to the profit and loss account of £1m (2014: £0.8m) represents contributions payable in the period to this scheme at rates specified in the rules of the plan. As at 31 March 2015, contributions of £0.1m (2014: £0.1m) due in respect of the current reporting period had not been paid over to the scheme.

27. Commitments

Capital Commitments	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Cancelled post year end	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment Commitments	315,927	159,546	94,785	**23,504**	—	**593,762**
Total	**315,927**	**159,546**	**94,785**	**23,504**	—	**593,762**

Operational Commitments	<1 yr	1–5 yrs	>5 yrs	Subject to project requirements	Cancelled post year end	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating Leases	948	2,089	1,787	—	—	4,824
Total	**948**	**2,089**	**1,787**	—	—	**4,824**

Operational commitments reflect leases including premises, including Atria One in Edinburgh, Millbank Tower in London and other IT related operational leases.

For the year ended 31 March 2015, lease payments totalling £0.8m were recognised as an expense in the year.

28. Related parties

The UK Green Investment Bank plc is 100% owned by the UK Government, with the shareholder being the Secretary of State for the Department for Business, Innovation and Skills. As a result the UK Government and UK Government controlled bodies are related parties of the Company. The Group has elected to take the exemption under IAS 24 regarding disclosure of transactions with related parties because the UK Government has control over both the Company and other entities. The Company trades with Government bodies on an arm's length basis on commercial terms in line with our contractual agreements. The main Government bodies transacted with are the Department for Business, Innovation and Skills as our shareholder and UK Shared Business Services Limited, who are responsible for providing outsourced services including payroll, HR, IT, procurement and finance services. Other transactions include taxes, National Insurance contributions and local authority rates.

The balances outstanding with related parties are disclosed below:

	31.03.15 £'000	31.03.14 £'000
UK Shared Business Services Limited	102	396
Total	**102**	**396**

This balance represents short-term liabilities which are expected to be paid within the next 12 months and relate to operational service costs.

Lord Smith of Kelvin is Chair of Forth Ports plc. During the period there were no direct transactions between the GIB Group and Forth Ports however a wholly-owned subsidiary of Forth Ports plc, Port of Tilbury (London) Limited, is (i) the landlord under a lease with a project company (Tilbury Green Power Limited) in which GIB made an investment in the period; (ii) a tenant under a tenancy at will arrangement with the same project company. Lord Smith declared his position with Forth Ports plc to the Board prior to his appointment taking effect and had no involvement or influence in these transactions or GIB's investment and removed himself from Board discussions related to the transactions and GIB's investment.

Tony Poulter is a partner in PricewaterhouseCoopers LLP (PwC). During the period (and also in the preceding period) the GIB Group engaged PwC on a number of matters. Mr Poulter was not involved in any decision to appoint or not appoint PWC and has not been involved in any discussions at Board level in relation to such matters. Under arrangements put in place to manage the potential conflict of interest caused by Mr Poulter's roles, as both a partner and PwC, Mr Poulter is prohibited from being involved in discussions or decisions in relation to the appointment or dismissal of PwC and, for so long as Mr Poulter is a director of GIB, PwC is not permitted to be engaged to carry out audit work, assurance work or work concerning evaluation or assessment of the Board or remuneration of directors or advisory work in relation to the GIB Group corporate structure or GIB's accounting and tax policies.

Associates and Joint Ventures

The associates of the Company during the 2014–15 period were Rhyl Flats Wind Farm Limited and Scira Offshore Energy Limited. The joint ventures of the Company during 2014–15 were WMR JV HoldCo Limited, Speyside Renewable Energy Partnership HoldCo Limited and Tilbury Green Power Holdings Limited. More information is included in Note 14.

Key management compensation

Key management comprises all Directors, both executive and non executive and the Leadership Team of the Company totalling 20 at the date of signing this report. Detailed disclosures of Directors' and Executives' remuneration for the period are contained within the audited section of the Directors' Remuneration Committee Report.

The compensation for key management during time in key management positions is summarised below:

	31.03.15 £'000s	31.03.14 £'000s
Salaries and other short-term employee benefits	2,627	3,582
Post employment benefits	767	173
Total compensation earned by key management	**3,394**	**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

	31.03.15	31.03.14
Number of employees	102	86
Average number of people (including executive directors) employed		
Investment	50	42
Operations	52	44
Total	**102**	**86**

The above has been calculated for the period 1 April 2014 to 31 March 2015.

Staff in post at 31 March 2015 was 113 (2014: 92).

29. Risk disclosure

This note presents information about the nature and extent of risks arising from our financial instruments. The sections of the annual report on the Audit and Risk Committee and Risk Management and Internal Control provide details of GIB's approach to risk management. Specifically, they identify the main risk types to which we are exposed, our risk appetite for each and details of specific risks identified within each risk type.

Credit risk

Credit risk is the risk of loss due to the failure of a counterparty to meet its obligations to pay GIB in accordance with agreed terms. Credit risk may arise in any asset where there is the potential for default including direct loans and equity investments with a contractual repayment.

The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time. The amount invested in each class of financial asset is detailed in Note 14.

For current debt investments appropriate collateral is held. Collateral does not apply to equity investments and the nature of collateral may change over time depending on the investments which GIB holds in any given period. The Group does not have any financial assets that are past due or impaired.

Liquidity risk

Liquidity risk is the risk that an entity does not have sufficient resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources. GIB's policy is to manage exposure to liquidity risk by monitoring forecast and actual cash flows and ensuring that sufficient funding is available to meet downside scenarios.

Market risk
Market risk is the risk of loss of earnings or economic value due to adverse changes in financial market rates or prices. In UK-based projects, GIB mitigates exposure to currency risk by investing in sterling with project obligations in foreign currencies being managed at the project level.

When GIB makes an investment which results in the receipt of fixed rate cash flows, interest rate risk arises. Therefore, the Group has agreed commercial terms with our shareholder, the Secretary of State for Business, Innovation and Skills, to undertake hedging of interest rate risk on our fixed interest investments.

Hedged debt investments will be carried at fair value through profit and loss. The Group will consider a hierarchy of valuation (as recognised in IAS39) to ascertain the fair value of each of the Group's investments on the Valuation Date:

- where an asset is listed the best evidence of fair value is a quoted price in an active market; and
- where an asset is unlisted, valuations will ordinarily be produced using a DCF methodology unless another valuation technique is deemed to be more appropriate.

The DCF methodology is applied as follows:

- the investment valuation model is run on the basis of the initial investment terms;
- the model is updated for any material changes in assumptions and adjusted for any changes to expected cash flow; and
- projected cash flows are discounted to present value using an appropriate discount rate.

Sensitivity analysis

The impact of 1% movements in interest rates (specifically three-month GBP LIBOR) and UK merchant power prices on our portfolio is as follows:

LIBOR sensitivity in operational debt investments:

- The impact of a 1 percentage point increase in the interest rate applicable to investments would be an approximate increase in income of £18.6m over the life of the investment.
- The impact of a 1 percentage point decrease in the interest rate applicable to investments would be an approximate decrease in income of £18.6m over the life of the investment.

Power price sensitivity in operational equity investments:

- The impact of a 1% increase in the power price applicable to investments would be an approximate increase in income of £5m over the life of the investment.
- The impact of a 1% decrease in the power price applicable to investments would be an approximate decrease in income of £5.4m over the life of the investment.

30. Post balance sheet events

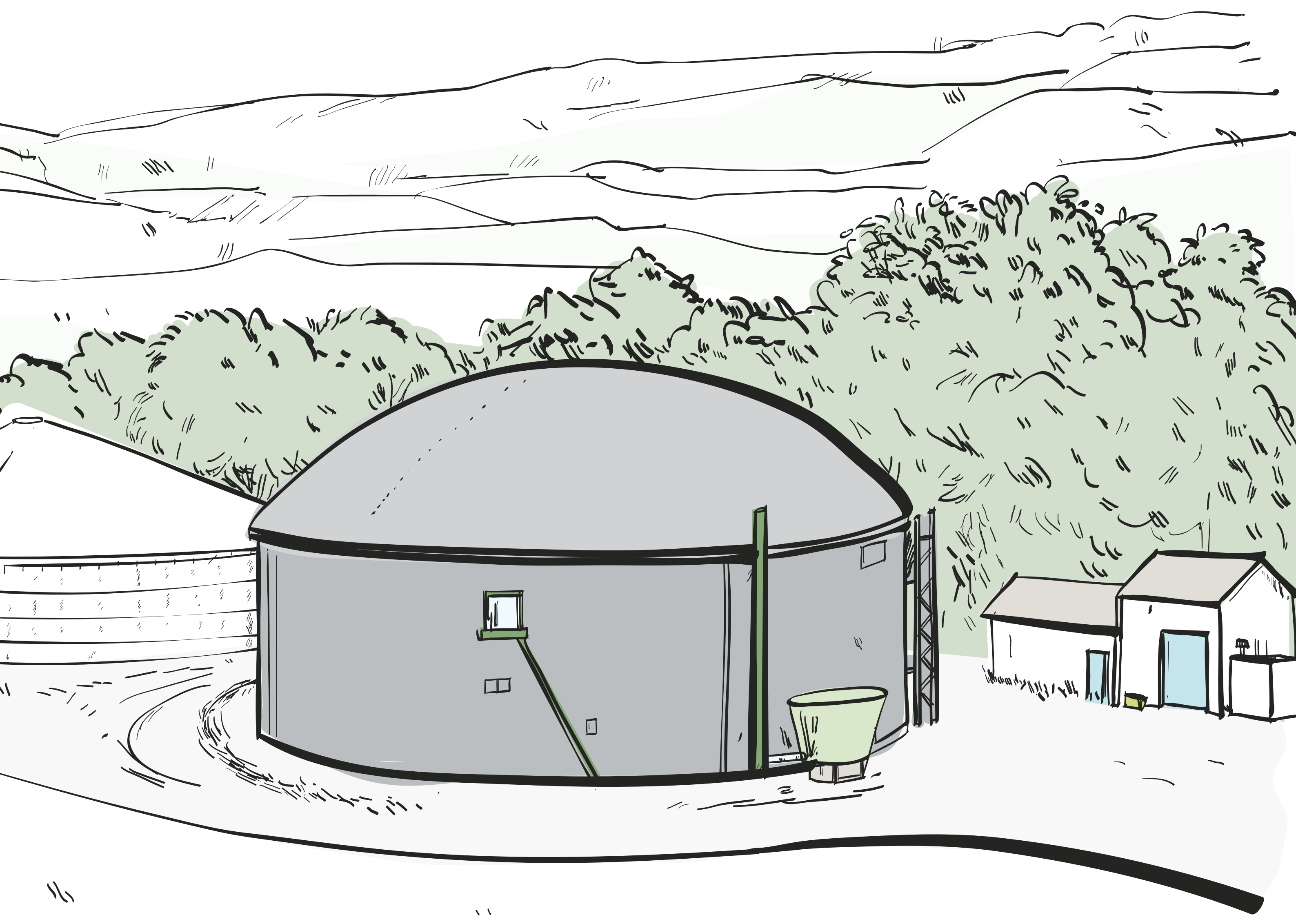
There have been no significant events between the year end and the date of approval of these accounts which would require a change to the information presented.

Other key events following the year end are summarised below:

UK GIB plc made a payment of £124.9m on 16 April in settlement of its initial investment in GIB OSW Fund following the first close and capital call of the fund on 30 March 2015. On 20 April, the GIB OSW Fund completed payments for the purchase of seed investments in Rhyl Flats and Sheringham Shoal from the Company.

On 14 May, UK GIB plc acquired a £236m stake in a joint venture with E.ON to construct and own the Rampion offshore wind farm, off the coast of Sussex.

Appendices



Glossary

Anaerobic digestion	Anaerobic digestion is a collection of processes by which microorganisms break down biodegradable material in the absence of oxygen. The process is used for industrial or domestic purposes to manage waste and/or to produce fuels.
ARC	Audit and Risk Committee.
Bioenergy	Renewable energy derived from animal or plant matter of recent origin.
BIS	Department for Business, Innovation & Skills.
CfD	Contracts for Difference.
CHP	Combined heat and power.
CO_2e	Equivalent carbon dioxide.
CSR	Community-scale renewables.
Community-scale renewables	Under GIB's investment mandate, this means onshore wind projects of less than 18 MW and hydro-electric projects of less than 8 MW.
Consolidated Entities	Entities (being companies or other corporate vehicles such as Limited Partnerships) in which the Group directly or indirectly holds the majority of the voting rights and/or where it could determine their financial and business policies and is able to exercise control over them in order to benefit from their activities.
Constitution	GIB's Articles of Association and Shareholder Relationship Framework Document.
DECC	Department of Energy & Climate Change.
DCF	Discounted Cash Flow.
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.
EIR	Effective Interest Rate.
EfW	Energy from waste.
Electricity Market Reform	EMR is being introduced by the UK Government in order to help deliver 'greener energy and reliable sources at the lowest possible cost'. EMR comprises two main elements – Contracts for Difference and Capacity Market. GIB's principal focus is on Contracts for Difference.
EMR	Electricity Market Reform.
EP	Equator Principles.
Equator Principles	The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

Equity investment	Investment in a project through purchase of shares.
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.
FBU	Fair, balanced and understandable.
FRC	Financial Reporting Council.
FReM	Financial Reporting Manual.
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.
Gasification	A process that converts organic or fossil based carbonaceous materials into carbon monoxide, hydrogen and carbon dioxide. This is achieved by reacting the material at high temperatures (>700 °C), without combustion, with a controlled amount of oxygen and/or steam. The resulting gas mixture is called syngas (from synthesis gas or synthetic gas) and is itself a fuel.
GHG	Greenhouse Gas.
GIB	UK Green Investment Bank plc.
GIBFS	UK Green Investment Bank Financial Services Limited.
GIB Group	GIB together with its subsidiary undertakings.
GIB OSW Fund	The offshore wind fund that was launched in 2014–15 and is managed by the FCA authorised subsidiary, UK Green Investment Bank Financial Services Limited.
Green Impact	A positive measure of performance against GIB's five Green Purposes.
Green Impact Reporting Criteria	Set out GIB's approach to measuring Green Impact.
Green Investment Policy	Defines GIB's approach to green investment.
Green Investment Principles	Define GIB's approach to investment.
Green Purposes	Five measures, set out in our Articles of Association, against which we measure Green Impact.
Green risk	Green risk is the risk that transactions represent an unacceptably low level of green or sustainability benefits or reflect irresponsible investing.

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.
ISMS	Information Security Management System.
Internal Rate of Return	The discount rate which would make the present value of future cashflows minus investment cost equal to zero.
Investment Contract	UK Government funding for low carbon technologies.
Investment risk	Investment risk is the risk of loss due to inappropriate investment decisions or a failure in the investment and portfolio management process.
IRR	Internal Rate of Return.
KPI	Key Performance Indicator.
kWh	kilowatt hour. Equal to 1000 Watt hours.
LED	Light Emitting Diode.
LP	Limited Partner.
LTIP	Long Term Incentive Plan.
Liquidity risk	Liquidity risk is the risk that GIB does not have sufficient financial resources in the short term to meet its financial obligations as they fall due or its strategy is constrained by inadequate or inappropriate funding sources.
Loans and receivables	Loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Merchant	Projects which utilise private, specialist fuel supply such as refuse derived fuel, commercial and industrial waste and waste wood.
MW	Megawatt. Equal to 1,000,000 Watts.
MWe	Megawatt electrical. Electricity generation equal to 1,000,000 Watts.
MWh	Megawatt hour. Equal to 1,000,000 Watt hours.
NGO	Non-governmental organisation.
Non-domestic	Pertaining to buildings/properties that are not associated with households.
Non-ferrous metal	Any metal, including alloys, that does not contain iron in appreciable amounts.

O&M	Operations and maintenance.
OFTO	Offshore transmission owner.
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.
PMC	Portfolio Management Committee.
PPP/PFI	Public-Private Partnership/Private Finance Initiative.
PPM	Private Placement Memorandum.
PRI	(United Nations) Principles for Responsible Investment.
Principles for Responsible Investment	The United Nations-supported Principles for Responsible Investment Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.
Qualitative	Relating to, measuring, or measured by the quality of something rather than its quantity.
Quantitative	Relating to, measuring, or measured by the quantity of something rather than its quality.
RCC	Risk and Compliance Committee.
RCSA	Risk and Control Self-Assessment.
Refuse derived fuel	Refuse-derived fuel (RDF) or solid recovered fuel/specified recovered fuel is a fuel produced by shredding and dehydrating solid waste with a waste converter technology. RDF consists largely of combustible components of municipal waste such as non-recoverable plastics and biodegradable waste.
Renewable Obligations Certificates	Suppliers meet their obligations under the RO by presenting Renewable Obligation Certificates (ROCs) to Ofgem. ROCs are intended to create a market and be traded at market prices that differ from the official buy-out price.
Renewables Obligation	Places an obligation on licensed electricity suppliers in the United Kingdom to source an increasing proportion of electricity from renewable sources.
Reputational risk	Reputational risk is the risk of damage to GIB's reputation as a result of stakeholders forming a negative view of GIB's actions.
Responsible Investment Policy	Defines GIB's approach to responsible investment.
Risk Appetite	GIB's Risk Appetite Statement is a strategic-level tool that sets out the overall levels of risk that GIB is willing to accept.
ROC	Renewables Obligation Certificate.

Scope 1	All direct greenhouse gas emissions.
Scope 2	Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam.
Scope 3	Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in Scope 2, outsourced activities, waste disposal, etc.
Senior manager	A senior manager is defined as an employee of the Company with responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the Company.
State aid	State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.
STIP	Short Term Incentive Plan.
Tax assets	An asset that may be used to reduce any subsequent period's income tax expense.
The Code	UK Corporate Governance Code.
TWh	Tera Watt hour. Equal to 1,000,000,000,000 Watt hours.
UK Green Investment Bank plc	UK Green Investment Bank plc (the "Company") and its controlled entities (together, the "Group").
UKWREI	UK Waste Resources and Energy Investments fund managed by Foresight.
Upfront fees	A fee paid by a borrower to a lender for making a loan. Usually paid at the time a contract is signed.
VAT	Value Added Tax.
Vintage year	The year which commences on 1 April following the year being assessed.
W&B	Waste and bioenenergy.
Watt	A unit of power. For example a 6 MW wind turbine can generate up to a maximum of 6 million Watts at any given point in time.
Watt hour	A unit of energy. For example, a 60 W light bulb operating for 10 hours uses 600 Watt hours of energy.
WEEE	Waste Electrical and Electronic Equipment.

Cautionary statement

This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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