UK Infrastructure Bank Limited

Annual Report and Accounts 2021-2022

For the period 1 April 2021 to 31 March 2022

UK INFRASTRUCTURE BANK

UK Infrastructure Bank Limited

Annual report and accounts 2021-2022

For the period 1 April 2021 to 31 March 2022

Presented to the House of Commons by Command of His Majesty

Ordered by the House of Commons to be printed on 24 November 2022

HC-896

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at info@ukib.org.uk.

ISBN 978-1-5286-3709-1

E02804563 10/22

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

CORRECTION SLIP

Title: UK Infrastructure Bank 2021-22 Annual Report and Accounts

Session: 2022-23

HC 896

ISBN 978-1-5286-3709-1

Ordered by the House of Commons to be printed on 24th November 2022

The document provides a comprehensive account of the UK Infrastructure Bank Limited’s (UKIB’s) use of resources and information about the UKIB’s core activities. It also describes the UKIB’s performance and achievements against its objectives.

This correction slip replaces 9 typographical errors in the document relating to the addition of ‘Limited’ in the naming of the Bank changing ‘UK Infrastructure Bank’ to ‘UK Infrastructure Bank Limited.’

Corrections

Cover Page

Text Currently Reads:

“UK Infrastructure Bank Annual Report and Accounts 2021-2022 For the period 1 April 2021 to 31 March 2022”

Text Should Read:

“UK Infrastructure Bank Limited Annual Report and Accounts 2021-2022 For the period 1 April 2021 to 31 March 2022”

The Title Page

Text Currently Reads:

“UK Infrastructure Bank Annual report and accounts 2021-2022 For the period 1 April 2021 to 31 March 2022 Presented to the House of Commons by Command of His Majesty Ordered by the House of Commons to be printed on 24 November 2022”

Text Should Read:

“UK Infrastructure Bank Limited Annual report and accounts 2021-2022 For the period 1 April 2021 to 31 March 2022 Presented to the House of Commons by Command of His Majesty Ordered by the House of Commons to be printed on 24 November 2022”

Page 4

Text Currently Reads:

“Over a year ago, in June 2021, the UK Infrastructure Bank (“the Bank”) opened its doors at its offices in Leeds”

Text Should Read:

“Over a year ago, in June 2021, the UK Infrastructure Bank Limited (“the Bank”) opened its doors at its offices in Leeds.”

Page 5

Text Currently Reads:

"Chair, UK Infrastructure Bank"

Text Should Read:

"Chair, UK Infrastructure Bank Limited"

Page 6

Text Currently Reads:

"It was a privilege to take up my role as the first permanent CEO of the UK Infrastructure Bank in September 2021"

Text Should Read:

"It was a privilege to take up my role as the first permanent CEO of the Bank in September 2021."

Text Currently Reads:

"In this first year of the UK Infrastructure Bank, we have focused on growing the organisation from 'start-up' form"

Text Should Read:

"In this first year of the Bank, we have focused on growing the organisation from 'start-up' form."

Page 7

Text Currently Reads:

"Finally, I would like to extend my thanks to our Shareholder, HM Treasury, to the Shareholder Representative, UK Government Investments, and to the Board of the UK Infrastructure Bank for their support, expertise, and constructive challenge over this first year."

Text Should Read:

"Finally, I would like to extend my thanks to our Shareholder, HM Treasury, to the Shareholder Representative, UK Government Investments, and to the Board of the Bank for their support, expertise, and constructive challenge over this first year."

Text Currently Reads:

"Chief Executive Officer, UK Infrastructure Bank"

Text Should Read:

"Chief Executive Officer, UK Infrastructure Bank Limited"

Page 9

Text Currently Reads:

"The UK Infrastructure Bank is a new, government-owned policy bank"

Text Should Read:

"The UK Infrastructure Bank Limited is a new, government-owned policy bank"

Corporate Information

Date of incorporation
11 February 2009

Date of name change to UK Infrastructure Bank Limited
21 May 2021
Previously: Infrastructure Finance Unit Limited

Registered number
06816271

Directors

Steve Lomas	(resigned 18 May 2021)
Jayesh Doshi	(resigned 18 May 2021)
Matthew Vickerstaff	(resigned 18 May 2021)
John Mahon	(interim role, acting from 4 May 2021, in post to 17 September 2021)
Charles Donald	(appointed 18 May 2021)
Christopher Grigg, CBE	(appointed 18 May 2021)
David Lunn	(appointed 18 May 2021)
Gay Huey Evans, CBE	(interim role, appointed 17 June 2021, resigned 10 October 2022)
John Flint	(acting from 27 September 2021, appointed 1 December 2021)
Marianne Økland	(appointed 5 July 2022)
Annie Ropar	(appointed 20 September 2022)
Bridget Rosewell, CBE	(appointed 5 July 2022)
Tania Songini	(appointed 5 July 2022)
Nigel Topping	(appointed 5 July 2022)

Accounting Officer
John Flint

Registered office
One Embankment
Neville Street
Leeds
England
LS1 4DW

External auditor
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Bank
Government Banking Service (GBS)

Contents

Chair's statement

Over a year ago, in June 2021, the UK Infrastructure Bank Limited ("the Bank") opened its doors at its offices in Leeds. Following the COVID-19 pandemic, the further shocks during the last year have once again highlighted the urgency of the Bank's missions – tackling climate change and supporting economic growth. Infrastructure investment across the UK will be vital to achieve these missions.

I am encouraged by how much the Bank has already achieved. We are creating a permanent and important UK financial institution to deliver on the Bank's missions.

The Bank agreed delegated authority with HM Treasury, in line with the objective to be operationally independent. We set up our headquarters in the centre of Leeds, where we were grateful for the welcome by Leeds City Council and the West Yorkshire Combined Authority alongside local universities and businesses. While Leeds is our headquarters, we also opened a London office this year.

We appointed John Flint as the Bank's permanent CEO last summer. John is an established banking executive who brings a wealth of experience from HSBC, where he was the former Group Chief Executive.

John Flint's appointment marked an important moment as the Bank established governance frameworks and processes to oversee its activities and continues to recruit staff to help us achieve our ambitious and nationally important goals. In June 2022 our permanent Board was announced. John's top priority has been to recruit the permanent executive team. As of September 2022, five new permanent executive members

had started their roles, completing the leadership team. Together our diverse executive and non-executive directors will bring valuable experience and expertise in their respective roles.

We have grown at pace, resourcing key functions to enable us to undertake both local authority and private sector lending, but there is still a way to go. We've been pleased with the level of staff engagement and we have made it a priority to develop an attractive offer for our permanent staff, making the organisation diverse by design. We believe the Bank gives its employees the chance to tackle significant issues and provides unique development opportunities, combining the best of both the private and public sectors.

Importantly, the Bank made five new loans across the private and local authority sectors during the financial year. Our investments have included financing: the development of facilities to support the supply chain for offshore wind, two subsidy-free solar farms, a new green bus route, and two ultrafast broadband deals for "hard-to-reach" communities across the UK.

Together, these demonstrate the Bank is open for business and catalysing investment to support regional economic growth and net zero ambitions.

I am particularly heartened by the way the Bank has partnered and engaged extensively with other organisations. Collaboration is a guiding principle at the Bank, and we have forged strong links with a wide range of stakeholders who engaged in developing the Bank’s first strategic plan. In line with our discussions with HM Treasury, the Bank will look to improve the UK’s energy security, helping protect the country from future volatility in global markets.

Since the end of the financial year, I’ve been delighted with the progress we’ve made hiring permanent staff and closing a further five deals worth over £700 million – including an undersea electricity interconnector between the UK and Germany and an ultrafast broadband deal. By the end of October 2022, the Bank had announced 10 deals in total, unlocking over £4.6 billion in private capital, and is continuing to respond to interest from the market.

The strategic plan, published in June 2022, sets out where we can best deploy the Bank’s resources to crowd-in investment and deliver on our critically important missions. Following the appointment of the new Prime Minister, we will continue to work closely with his administration to support the government’s long term economic growth, net zero and energy security objectives.

The Bank has achieved a great deal in its first year, though much remains to be done. In the coming year I look forward to the Bank being put on a statutory footing, and the scaling up of our local authority lending and advisory offer, as the Bank matures into an enduring institution executing our important missions.

Chris Grigg

Chair, UK Infrastructure Bank Limited

UK INFRASTRUCTURE BANK

Chief Executive Officer's statement

It was a privilege to take up my role as the first permanent CEO of the Bank in September 2021. The Bank is a unique institution with an urgent mission to tackle two pressing intergenerational challenges – the transition to net zero and supporting local growth across the UK. I am excited to be leading the Bank to tackle these strategic objectives through market leadership, crowding-in additional investment and over time generating a financial return.

In this first year of the Bank, we have focused on growing the organisation from 'start-up' form. We have established our headquarters in Leeds and are working to establish ourselves as one of the most prominent and valued members of the business community. I would like to thank the Leeds City Council and the Leeds City Region Enterprise Partnership for their welcome.

The urgency of our mission means we have looked to do deals while we grow, which in turn has informed our development. Since our first investment in October 2021, we completed four more in the financial year to 31 March 2022, covering digital, clean energy and transport sectors, split between private investment and local authority lending. Our current pipeline of deals is healthy and spans our priority sectors. As our activity increases, the potential pipeline will grow, with the number of projects that meet our investment principles also expanding.

We have already put in place many of the foundations that will see the Bank become an enduring feature of the UK's institutional landscape. This is thanks in no small part to our people. We are a people-led organisation and the number of people employed by the Bank has rapidly grown. The people we hire and the culture we foster within the Bank are crucial as we continue to scale up our investment activity. We will seek to create a diverse workforce, who are inspired by our mission and will thrive in tackling the complex and multifaceted problems we must address.

In order to fulfil the mandate we have been given, we have to be brave and take risks. Our culture must therefore be supportive of this attitude, acknowledging the need to learn, adapt and innovate as we grow, whilst recognising our responsibilities as a publicly funded institution. To this end, we will build a culture that seeks to adopt the most beneficial aspects of the private and public sectors.

I am delighted to have recently appointed the first members of my leadership team who share this vision. In the coming months we will be continuing recruitment across all functions and levels of the Bank. The pace of our recruitment will be determined by our ability to attract candidates of the appropriate calibre. We do not intend to compromise on quality in favour of pace.

Another significant milestone in our first year was the publication of our first strategic plan, which sets out how we will deliver on our mission. The Bank has undertaken a significant amount of work to develop this plan, involving large scale and detailed engagement with industry, academia, and stakeholders across government. Publication does not mark the end of our engagement. It is critical that we maintain an ongoing dialogue.

Readers of this report will notice the very healthy profit achieved during the first year of the Bank’s operation. This is not what one would reasonably expect for a start-up organisation – indeed it is reasonable to expect it to take several years before a new Bank reaches profitability. This result, whilst welcome, requires an explanation.

When the Bank was created in 2021 it was seeded with a couple of third-party managed funds – the Digital Infrastructure Investment Fund, and the Charging Infrastructure Investment Fund. These funds had been established by the Infrastructure and Projects Authority in 2017-2018. In early 2022 one of the investments in the Charging Infrastructure Investment Fund was sold at a substantial gain. It is this gain that explains the healthy profit achieved in our first year.

Finally, I would like to extend my thanks to our Shareholder, HM Treasury, to the Shareholder Representative, UK Government Investments, and to the Board of the Bank for their support, expertise, and constructive challenge over this first year.

None of us is naïve about the challenges we face on our mission. However, we have started to build an organisation that will seek to address these issues in a way that has not been attempted before in the UK. I am confident we are well on the way to making a difference.

John Flint

Chief Executive Officer, UK Infrastructure Bank Limited

Performance and Strategic Report

The Performance and Strategic report contains an overview of the Bank's business, the context in which it operates and its current structure (**Our business**) together with a summary of progress and key milestones achieved and risks faced during 2021-2022 (the **Performance overview**). These sections are followed by a more detailed consideration of the Bank's achievements over the year against its objectives (the **Performance analysis**).

Our business

Who we are

The UK Infrastructure Bank Limited is a new, government-owned policy bank, focused on increasing infrastructure investment across the United Kingdom. Our mission is to partner with the private sector and local government to increase infrastructure investment in pursuit of our two strategic objectives:

- **to help tackle climate change**, particularly meeting the government's net zero emissions target by 2050; and
- **to support regional and local economic growth** through better connectedness, opportunities for new jobs and higher levels of productivity.

How we operate

Delivering on our triple bottom line: achieving strategic objectives, crowding-in private capital and generating a positive financial return.

Impact and credibility: we will focus our investments where we can maximise our impact.

Partnership: we will collaborate with private and public sector stakeholders.

Operational independence: we are wholly owned and backed by HM Treasury, but we have operational independence in our day-to-day activity.

Flexibility: market conditions evolve, and we will change with them. We will review our focus annually – adapting our approach and priorities. Our investment strategy is designed to be flexible and leverage our ability to invest across the capital structure. We will assess each deal on a case-by-case basis to identify the financing structure that best fits a deal's needs and supports the Bank's mission.

Our activities

Provision of infrastructure finance

How we invest

We will assess investments against these principles:

Investment principle 1: The investment helps to support the Bank's objectives to drive regional and local economic growth or support tackling climate change.

Investment principle 2: The investment is in infrastructure assets or networks, or in new infrastructure technology. The Bank will operate across a range of sectors, but will prioritise in particular clean energy, transport, digital, water and waste.

Investment principle 3: The investment is intended to deliver a positive financial return, in line with the Bank's financial framework.

Investment principle 4: The investment is expected to crowd-in significant private capital over time.

Private sector projects must meet all four of our investment principles, and local authority projects must meet the first three.

Our strategic plan sets out more detail on how we will deliver on our mission and can be found at: www.ukib.org.uk/strategic-plan.

Private sector financing

Our private sector function will invest up to £8 billion and issue up to £10 billion of government guarantees. We will provide corporate and project finance and invest across the capital structure, including senior debt, mezzanine, guarantees and equity.

What makes us different

We sit in a unique position between the market and government. This allows us to act differently to other market actors, particularly in our approach to:

- **Concessional finance:** where possible, we will invest on terms in line with other investors. We can go further, where required to deliver on our strategic objectives. This includes:
  - taking on risks that other investors are unwilling, or not yet willing, to take in a way that encourages the development of markets; and
  - offering preferential terms, including on price and tenor, where that is justified to deliver on our mission and compliant with our legal obligations.
- **Risk:** our risk appetite is different to that of commercial institutions because we are focused on achieving strategic policy objectives as well as delivering a positive financial return. More information on our risk appetite is set out on pages 42 to 44.
- **Flexibility:** we do not have a preferred investment type. We will assess each deal on a case-by-case basis, working to identify the financing structure that best fits a deal's needs and supports the Bank's mission.
- **Partnership:** as a government-backed policy bank, our presence in a deal can help instil confidence with potential investors. We will act as a cornerstone investor in challenging markets.
- **Leadership:** we can provide practical and intellectual leadership, convening partners and drawing on the expertise in our networks.

Local authority lending & advisory function

Our local authority function will lend up to £4 billion to local authorities for high value and strategic projects of at least £5 million.

Local authorities are at the forefront of unlocking regional and local economic growth and have a significant role to play in the net zero transition. They are responsible for key infrastructure – including transport, waste, and regeneration – that impact the UK's emissions and many authorities have set ambitious net zero targets. Their funding and financing come from a range of sources, and the need to deliver day-to-day spending and statutory services can squeeze the resources available for long-term infrastructure projects.

We will support local authorities in delivering their infrastructure priorities, with targeted pilot programmes that will inform the development of effective and replicable financial models to address common infrastructure challenges.

Management of the UK Guarantees Scheme

We are responsible for managing, on behalf of HM Treasury, existing guarantees already issued under the UK Guarantees Scheme ("UKGS"). These were previously the responsibility of the Infrastructure and Projects Authority and have no impact on the Bank's financial statements.

Organisational structure

The Bank's Board and Executive structure is outlined in the graphic below. This highlights the interim Executive team, developed through the financial year and in place 31 March 2022, together with the original Board members. The graphic also sets out those permanent senior executives and additional Non-Executive Directors whom the Bank and its Shareholder have successfully recruited following the year-end.

The announcement of these appointments in June 2022 marked a key step in strengthening the Bank's capability. The recruitment and staffing activities of our first year of operation are detailed on pages 20 and 21.

Non-Executive Directors

Board Chair	Board Member and Shareholder Representative Director	Board Member	Board Member and Chair: Audit & Risk Committee	Board Member	Board Member	Board Member and interim Chair: Remuneration Committee
Chris Grigg	Charles Donald	Gay Huey Evans (interim)	Bridget Rosewell	Marianne Økland	Nigel Topping	Tania Songini

Executive Team

Chief Executive Officer
John Flint

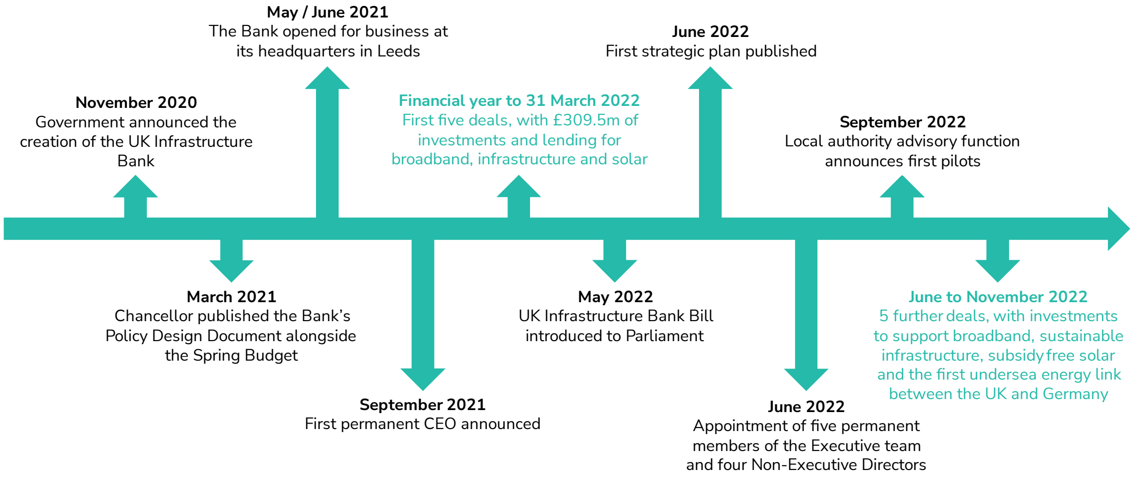
Chief Operating Officer	Chief Finance Officer	General Counsel	Policy Director	Head of Banking	Chief People Officer	Chief Risk Officer	Head of Portfolio Management	Chief Impact Officer & Chief Economist
David Lunn	Annie Ropar	Davinder Mann	Helen Williams / Kate McGavin	Ian Brown	Patricia Galloway	Peter Knott	Stuart Nivison	Urvashi Parashar
	Chris Hitchen (Finance Director)	Rachel Kent		Steve Lomas / Tony Walsh	Peter Davison	Manda McConnell		Alex Doyle / Shailaja Annamraju

Key:

	Recruited to the Board or interim Executive team during the financial year and in role at 31 March 2022.
	Recruited to the Board or interim Executive team during the financial year and in post at the date of signing the Annual Report and Accounts
	Recruited after 31 March 2022 and in post at the date of signing the Annual Report and Accounts
	Board members: In addition to the Non-Executive Directors, John Flint (Chief Executive Officer), David Lunn (Chief Operating Officer) and Annie Ropar (Chief Finance Officer) are Executive team members of the Board

Performance overview

Our journey so far



Key achievements in 2021-22

In its first financial year to 31 March 2022, the Bank has already provided funding to UK infrastructure projects, whilst also focusing on the various stages of set-up and development. The following list provides a summary of our key achievements in the financial year:

- Agreeing our delegated authority with HM Treasury, our Shareholder;
- Establishing interim Board and Executive governance processes to oversee our activities;
- Resourcing key functions to enable both local authority and private sector lending;
- Beginning to recruit permanent staff to embed our processes and activities;
- Engaging extensively with the market in developing our strategy; and
- Completing five deals across private and public sectors.

2021-22 outcomes at a glance[1]

Business outcomes	Values
Profit before taxation	£109.8 million
Net comprehensive income	£104.1 million
Return on Equity[2] ("ROE")	29.8%
Investment-related outcomes	
Total invested in private sector and local authority lending	£309.5 million
Private capital mobilised	£271.0 million

[1] The Bank's operations began during the financial year 2021-22 and the Bank's activities are not directly comparable to those of the company prior to the Bank's inception in June 2021. We therefore do not have comparative values for performance.

[2] In accordance with the Bank's Financial Framework, the adjusted ROE calculation comprises net income before tax, plus any current year fair value movements recognised through profit and loss and exceptional items as may be agreed with HM Treasury, divided by our average shareholder equity in the period plus the average of any cumulative exceptional items. In the financial year 2021-22, there were no adjustments or exceptional items. As described in the CEO's statement on page 7, fair value movements in our funds were significant, with the sale of an underlying investment supporting overall fair value gains of £123.0 million in the year. This outcome is anomalous to expectations of normal activity for the Bank's first year of operations.

Summary of performance and priority outcomes

The Bank's focus in the first year of operation was to set up a functioning entity (with governance structures, controlled processes and operational teams) and commence its business. During the financial year to 31 March 2022, the Bank successfully agreed a Financial Framework with HM Treasury that sets out financial objectives, financial limits, reporting requirements, controls and operational procedures. The Financial Framework also outlines the key elements of the Bank's risk management framework, which continues to be built on, communicated and embedded as the organisation grows (see further detail on pages 40 to 42).

By the end of the financial year, the Bank had implemented initial governance structures, controls and processes with a largely interim headcount of 132 staff plus 2 Non-Executive Directors. The Bank completed five deals with local authorities and the private sector and has also assumed its responsibility for administering and managing the UK Guarantees Scheme, the legacy guarantees on HM Treasury's balance sheet.

How we utilise our funds

Lending

The Bank's first five deals with local authorities and the private sector spanned across the energy, travel infrastructure and digital connectivity sectors. A total of £309.5 million has been committed, split as follows:

- Private sector £192.8 million
- Local authority £116.7 million

Private sector lending

The Bank agreed to invest £150 million, as a co-lender in two separate deals during the year, to support the provision of high-capacity broadband to c.470,000 hard-to-reach premises in England and Northern Ireland. A further £42.8 million commitment was made against our investment in two subsidy-free solar farms.

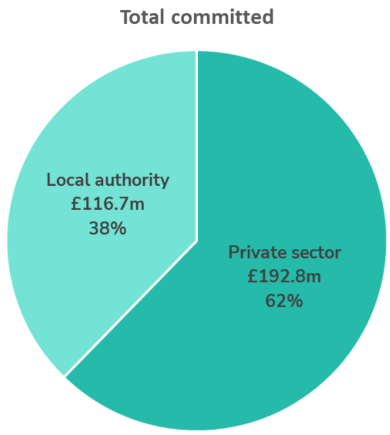
Local authority lending

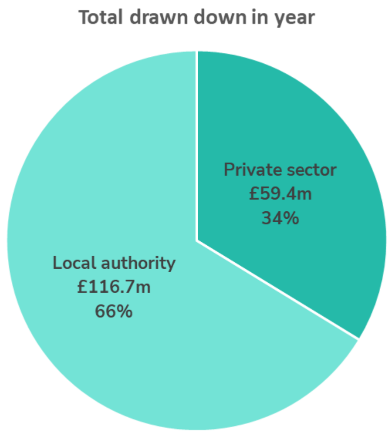
The Bank lent £116.7 million in the year to two local authorities. The first loan was for a quay development project that will service the offshore wind sector. The second loan was to support the delivery of a net zero travel infrastructure.

Committed and drawn down

By the end of the financial year, the local authority loans were fully drawn and £59.4 million of the private sector loans was drawn down leaving £133.4 million of undrawn loan commitments. Further detail on amounts drawn and remaining undrawn is provided in the Performance Analysis on page 18.

The Bank continues to develop its pipeline of new deals and expects this to grow considerably in the coming years. The charts below show the splits of loans committed and drawn down as a proportion of the Bank's overall investment and lending activities in the financial year:





Fund investments

The Bank provided funding to the energy and digital connectivity sectors via investment funds, with £27.8 million drawn by the Charging Infrastructure Investment Fund ("CIIF") and the Digital Infrastructure Investment Fund ("DIIF") during the financial year. The Bank committed to providing another £189.5 million to the fund investments in the financial year and the overall investment, including the fair value gains, stood at £170.1 million at 31 March 2022.

The in-year investment split is set out below:

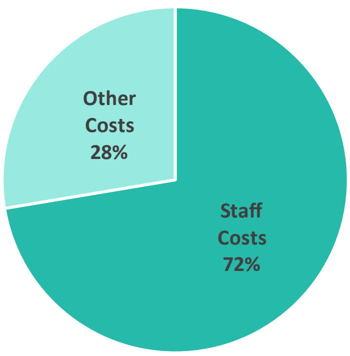
- CIIF £16.4 million
- DIIF £11.4 million

Financial guarantees

The existing guarantees administered and managed under the UK Guarantees Scheme on HM Treasury's behalf are in addition to the Bank's ability to issue £10 billion of new guarantees in its own name as soon as is practicable. No new guarantees were issued during the financial year.

Operating expenditure

Operating expenditure increased proportionately throughout the year to 31 March 2022, reflecting the scaling up of operations. The outturn for operating expenditure in the financial year was £12.2 million, within our agreed budget of £18 million. The split of these costs was as follows:



- Staff costs of £8.9 million, consisting primarily of planned costs relating to contractors and secondees; and
- £3.4 million of other expenditure including information technology and professional fees.

Income and fair value gains

During the financial year, our net interest, fees and commission income amounted to £2.2 million.

In addition, the Bank recognised fair value gains of £123.0 million arising from fund investments. A substantial proportion of these gains arose from the sale of an underlying investment within the CIIF.

Going concern

An explanation of the adoption of the going concern basis for these accounts is set out in the Directors' report on page 33.

COVID-19

The Bank began operations after the last COVID-19 lockdown and was therefore not a recipient of any COVID-19 related government funding arrangements. The Bank has not needed to direct any expenditure towards protecting its operational activities from the impacts of COVID-19. Furthermore, the Bank has experienced no impactful performance issues arising through absences related to COVID-19. Such absences have been negligible and were assimilated within all other staff absence considerations (see Staff report, page 53).

EU exit

The Bank does not purchase from or distribute to the EU, with services being provided solely to regions in the UK. Furthermore, there was no EU exit related expenditure (or relief) during the period.

Impact and additionality

Demonstrating, measuring, and communicating impact and additionality is central to the Bank's strategic objectives and its triple bottom line.

We set an initial framework that allowed us to consider how we can measure impact across the Bank's two strategic objectives, its investment and operating principles.

We also identified four outcome-based metrics from an initial review and have used these to capture the impact of deals both individually and at portfolio level through reporting from the respective counterparties.

- **Relative Carbon Emissions ($ktCO_2e$):** This measures total carbon emissions from a project (in thousands of tonnes) compared to a counterfactual.
- **Employment (number of jobs):** This measures the number of jobs supported from the time of investment until the end of the reporting period.
- **Productivity (Gross Value Added ("GVA")/hour):** This provides a measure of the extent to which an investment may contribute to increased productivity.
- **Private Finance Mobilised (£m):** This measures the amount of private finance mobilised for each investment.

For the 5 deals completed in the financial year to 31 March 2022, potential benefits associated with each investment were estimated at the investment decision point[3].

The estimates measure benefits over the timeframe of the investment, and attribute to the Bank's proportion of finance to total finance. These KPIs are not the only matters to be considered in understanding the full impact of investments. For example, we recognise measuring jobs supported by our investments does not capture the full impact on regional and local economic growth. Over time we will use benchmarks, sector frameworks and wider metrics to place the investments' impact in context.

We have started to undertake qualitative Environmental, Social, Resilience and Governance assessments of deals and we will develop internal standards and our approach as our capability widens.

We have now published our approach[4] to additionality for private deals which provides guidance on the relevant questions and the evidence requirements to test and assess the additionality of each deal, using a combination of project level evidence, expert judgement and external expertise. We also stress the importance of developing our investment narrative upfront to help us articulate our impact as a result of our investments.

We know there is a lot more to do for us to be an organisation that is confident of the impact and influence we have, and to communicate with credibility and integrity. To get there, we expect to develop our next impact framework and other metrics, bolster our understanding of investment needs and have developed an evaluation plan.

[3] Each deal has had varying levels of data and information provided; all have had incomplete information but in each case the information available has been considered sufficient basis on which to make an informed decision.

[4] www.ukib.org.uk/additionality-ukib-investments-our-approach.

Summary of principal risks

The Bank is a policy bank; it shares some similar risks to a corporate bank but is also exposed to risks related to its strategic objectives.

The principal risk categories are listed in the following table, together with an overview of the challenges the risks pose to our activities and how we mitigate against them. In "Risk management and internal controls" (pages 40 to 44) we further define these risk categories and detail the associated risk appetite statements by which the Board constrains our risk taking and exposure.

Risk category	Challenges these risks pose	The Bank's mitigations
Strategic & Business risk	The Bank has objectives in the form of financing and promoting infrastructure projects to help achieve net zero carbon by 2050 and to support regional and local economic development. Delivery on these objectives may fall short of expectation if strategic & business risks are not managed appropriately.	• Clearly defined objectives monitored on an ongoing basis. • Establishment of risk management processes and governance around strategic & business risks. • Regular review of risks and oversight. • Monitoring of adherence to risk appetite. • Robust governance structures and processes ensure rigorous oversight of the management of risk and of operational and financial performance.
Reputational risk	The actions or behaviour of the Bank or its colleagues might lead to an adverse impact on the standing of the Bank with the public, the market or with its Shareholder.	• Process and decisioning controls in place, regularly reviewed. • Reputational risk appetite adherence monitored. • Guidance and awareness for all colleagues.
Financial risk	A borrower may default on a loan, an investment may deliver lower than expected returns, or a guarantee may be invoked. Movements in interest rates may adversely affect banking book positions. Climate-related financial risks may not be identified or may be under-estimated.	• Due diligence processes and credit risk assessments in place for all loans, investments and guarantees, with on-going monitoring. • Interest rate risk assessed and subject to monitoring against risk appetite measures. • Scenario and stress testing performed to better understand vulnerabilities in the business model including an assessment of the Bank's capital and liquidity adequacy and measurement of economic capital usage.
People risk	The Bank might have insufficient people or lack the requisite skill-sets to operate effectively; or its culture might not sufficiently support the Bank's mission.	• Management of the recruitment process; and incentives; construction of a brave and diverse culture. • Succession planning to cover key person dependencies.

Risk category	Challenges these risks pose	The Bank's mitigations
Operational risk	Information may be compromised or not optimised, change projects may not be successfully delivered, business processes may be ineffective or inefficient, and significant disruption might be caused by external events.	• Risk identification and assessment of mitigating factors covering sub-categories of operational risk are performed by functional areas across the business. • Monitoring of adherence to risk appetite thresholds.
Legal & Regulatory risk	Laws and regulations may not be complied with, and the Bank may be subject to disputes over its role or the use of subsidy. Insufficient oversight of processes, actions and decisions may lead to heightened exposure to risk and failure to detect issues with operational and financial performance. Financial crime may be facilitated using the Bank as a conduit.	• Tracking and monitoring new laws and regulations; reviewing contracts and managing disputes; in-house legal expertise. • Compliance training and oversight. • Systems and controls, including training and education, around risks relating to financial crime.

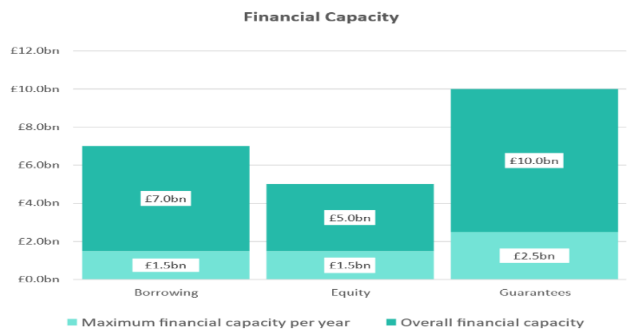
Performance analysis

What we have delivered

Financial

Investment overview

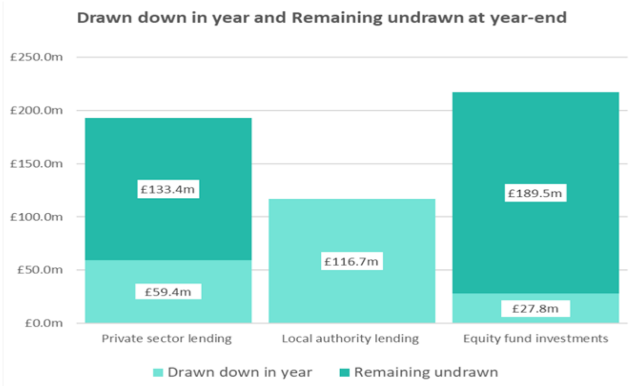
The Bank's overall financial capacity is £22.0 billion, including £12.0 billion of debt and equity capital and £10.0 billion of guarantees as set out below:



Of the £12 billion of equity and debt capital, £4 billion will be allocated to local authority lending. On an annual basis, a maximum of £5.5 billion of the financial capacity limit is available. Of this, £3.0 billion is split evenly between borrowing from and the issuance of equity to the Bank's Shareholder, with a further £2.5 billion available to be issued through guarantees.

The Bank partners with the public and private sector to increase infrastructure investment. The Bank's private sector lending prioritises investments where there is an undersupply of private sector financing, and, by reducing barriers to investment, the Bank can crowd-in private capital. The Bank's local authority function supports local authorities in delivering their infrastructure priorities.

In the first half of the financial year, efforts were focused on resourcing, together with the establishment and embedment of our lending criteria and a robust operational controls environment. A total of £203.9 million was drawn down against the Bank's investments during the year, with a total of £322.9 million as yet undrawn, split as follows:



Note to chart: Equity fund investments 'Drawn down' includes cash and deemed drawdowns, as well as £145.5m drawn down in prior periods

The investments made are below the single-year financial capacity limits for each category, which is reflective of the fact that the Bank was in its first year of operation. It is anticipated that the investment activities will increase over time to reach the maximum annual financial capacity.

Private sector lending

Solar farms

The Bank's first private-sector transaction will help catalyse a new £500 million fund with NextEnergy Capital that could double the amount of subsidy-free solar power in the UK, with power generated from around 30 solar farms across the UK. The Bank invested £42.8 million in-year and plans to invest up to half of the fund's target size - £250 million – on a match-funding basis with the private sector.

Digital

Our second private deal was as a co-lender, investing £100 million and facilitating a further £90 million of private sector investment to support Gigaclear with their roll out programme. This will enhance the digital connectivity of a further 250,000 properties – of which 90% will be in hard-to-reach rural properties – by 2023.

We also invested £50 million as a co-lender to the broadband provider Fibrus, which is delivering high-capacity broadband to rural homes and businesses across Northern Ireland. The deal, signed on 31 March 2022 and announced the following day, will benefit properties in rural areas and market towns that have historically had poorer access to digital services than urban areas.

Local authority lending

Wind farms

The Bank's first ever investment was a £107 million loan to develop the South Bank Quay in Teesside, transforming part of the former Redcar Steelworks site. This project will support c.800 jobs and create a 450-metre quay to service the offshore wind sector and provide opportunities for manufacturing, storage and mobilisation of wind technology.

Green transport infrastructure

We partnered with the West Midlands Combined Authority (WMCA), in phase 1 of the new Sprint Bus Route in Birmingham along the heavily congested A45 corridor. The project will increase connectivity between residential and employment areas, speed up journey times and reduce carbon emissions, supporting the WMCA to create a zero-emissions corridor by 2030.

Equity fund investments

The Bank holds investments in two investment funds: the Charging Infrastructure Investment Fund ("CIIF") and the Digital Infrastructure Investment Fund ("DIIF"). These funds were set up by HM Treasury in 2018 and 2017 respectively and were on the entity's balance sheet prior to its re-launch as the Bank.

CIIF

The Fund supports the expansion of public electric vehicle ("EV") charge points along key road networks and in residential areas and aims to crowd-in private capital in the sector, thereby encouraging increased adoption of electric vehicles. Including amounts from prior years, a total of £52.2 million had been drawn down by 31 March 2022, of which £16.4 million was within the 2021-2022 financial year.

Also during the year the CIIF made a distribution of £142.7 million. This arose from the sale of an underlying investment and is recorded within *Note 7 Assets held at Fair Value through Profit and Loss* of the Financial Statements on page 78. The fair value gains recognised in relation to this distribution are included in the total fair value gains of £123.0 million recorded in the "Income" section below. The carrying amount of the asset on our balance sheet at the end of the financial year was £20.2 million.

DIIF

The Fund's purpose is to provide capital to support the growth of the ultrafast broadband industry, particularly alternative ultrafast broadband network developers in regional locations, by providing greater access to finance on a commercial basis across the capital spectrum. Including amounts from prior years, a total of £127.0 million had been drawn down by 31 March 2022, of which £11.4 million was within the 2021-2022 financial year. The carrying amount of the asset on our balance sheet at the end of the financial year was £149.8 million.

Income

Our net interest, fees and commission income of £2.2 million and the total fair value gains of £123.0 million, as recognised in the financial year to 31 March 2022, are set out in the Statement of Comprehensive Income which forms part of the Financial Statements (see page 61). These are further detailed in *Note 2 Interest Income* (see page 76) and *Note 7 Assets held at Fair Value through Profit and Loss* (see page 78) in the Financial Statements.

Non-financial

Impact

We have set out our disclosure of the Bank's current measures of impact and their outcomes in the Performance Overview section on pages 14 and 15. We continue to evolve our performance measurement framework as we scale up our operations and activities.

People

During the financial year, the Bank resourced up in its core functions to enable it to be open for business. We successfully onboarded diverse talent from private and public sectors and with wide ranging skills and expertise, including banking, green infrastructure, climate change, impact, policy and strategy.

At 31 March 2022, the Bank was predominantly resourced with individuals on secondment from Civil Service departments and contractors, with a small number of permanent employees. This included John Flint (CEO), Chris Grigg (Chair), and seven staff who transferred from the Infrastructure and Projects Authority ("the IPA") via Transfer of Undertakings Protection of Employment ("TUPE") arrangement in December 2021.

Following the year-end, in June 2022, we announced the successful recruitment of five additional permanent members of our Executive team and four further Non-Executive Directors, all of whom began their roles before the date of signing of this Annual Report and Accounts.

Running alongside the Executive hire process, the Bank has completed an Organisation Design which outlines the target structure and roles across the Bank but remains under review and validation by new members of the Executive team at the date of this Annual Report and Accounts. External consultants were engaged to benchmark roles within the market and provide a Pay and Reward recommendation (see page 51 for further detail). This was approved by the Board and the recruitment process for further permanent employees began in June 2022.

Resourcing analysis since inception

Since our inception in June 2021 the Bank has grown at pace, with our establishment standing at 127 Full Time Equivalents ("FTE") – a headcount of 134 – as at 31 March 2022. The following table outlines the positions filled during the year to 31 March 2022, by category, together with a percentage split:

Colleague category	Headcount	%
Non-Executive Directors[a]	3	2
Executive Committee [b c d]	14	11
Staff: [c d e]		
- Permanent	7	5
- Secondee	39	29
- Contractor	71	53
Total	134	100

Colleagues summarised in the categories of the table above were engaged via the following methods:

a. External direct recruitment facilitated by HM Treasury;
b. External agency-led recruitment;
c. Agency and Public Sector Resourcing hires;
d. Civil Service secondments; and
e. Direct hires (contract roles)

Departmental analysis

The Departmental Analysis table below provides a more detailed breakdown of our resource split and indicates the diversity of skills across the workforce:

Department	Headcount
Banking	19
Treasury	3
Local authority lending	6
Portfolio Management	5
Front Office	**33**
Risk & Compliance	7
Legal	2
Internal Audit	1
Strategy, Policy & Communications	18
Impact	7
Middle Office	**35**

Department	Headcount
CEO & Board Office	22
Finance	15
Procurement	8
Human Resources	7
Information technology	14
Back Office	**66**
Total headcount	**134**

Note: CEO & Board Office includes Board and Executive Directors, Programme Management, Policy Advice and Executive Assistants

We have set out information on workforce location in our Staff Report on page 52.

Senior management

The structure chart on page 11 sets out the senior management roles and hierarchy as at the date of signing this Annual Report and Accounts and highlights those that were in effect at 31 March 2022. These roles were fulfilled by permanent Bank staff, government secondees and contractors.

Vacancies and resourcing

Following approval of the Pay and Reward recommendation by the Board, future resourcing will focus on recruiting permanent employees into the Bank, using seconded employees where appropriate and minimising the use of contract staff.

A workforce plan has been developed based on input from functional leads which maps out the target transition for each role by quarter. The Human Resources team will work closely with the Functional Leads and Finance to manage the transition over the coming year.

Gender and ethnicity

The Bank values diversity and inclusion for many reasons. We aspire to reflect the society we serve, and we want the best people to work for us; and we actively encourage diverse ideas, open debate and perspectives that challenge prevailing wisdom and engender innovative behaviour.

As a new organisation, we do not have a legacy of underrepresentation in gender or ethnicity within our workforce and the Board is committed to ensuring that we maintain this through building an inclusive organization that is diverse by design.

Our gender and ethnicity analyses are shown in our Staff Report on page 52.

Operations delivery

Operating expenditure

Total operating expenditure excluding tax amounted to £12.2 million for the first financial year to 31 March 2022. More detail is set out in *Note 3 Staff numbers and staff costs, Note 4 Other operating expenditure* and *Note 5 Taxation* on pages 76 to 78.

Buildings and facilities

We currently occupy office space in Leeds, as the Head Office; and London, as a satellite location. Over time, the Bank will extend its space in Leeds to accommodate any increase in activities and to keep in line with government policy on flexible working.

As is the case for many organisations, our ways of working have changed in response to the impact of the recent pandemic. We have a policy of supporting colleagues in their home working and we continue to follow government guidelines in these areas.

Information technology and infrastructure

To enable early operation and meet our initial obligations, the Bank was supported by HM Treasury through the provision of desktop services and back office capability for Finance, HR and Payroll.

Control environment and risk management

The Bank has been set up to address two of the biggest challenges facing the UK, and to do so from an infrastructure financing perspective. As such, it may be required to take risks that other institutions will not, in order to act as a catalyst in the market. We have developed robust risk frameworks (detailed under "Our Risk Management and Internal Controls" on pages 40 to 44) to ensure these risks are assessed and addressed appropriately.

The specific risks to the Bank's objectives, as set out in our "Summary of principal risks" in the Performance Overview section above (pages 16 to 17), have been assessed and measured; and mitigations are in place to help ensure that they remain within the Board's appetite for risk. Risks are regularly reported to the Risk Committee, the Executive Committee, and to the Board. They are subject to review and any new risks added. They are monitored by their risk owners and by the second-line Risk & Compliance team.

We continue to evolve the risk framework to meet the changing needs of the Bank as it develops.

Health, safety and wellbeing

We understand the importance of health and safety in the workplace and ensure compliance with health and safety legislation and regulations through:

- Health and safety systems and processes that are in place and adequately resourced;
- Competent health and safety advice obtained where necessary;
- Relevant and appropriate risk assessments carried out where necessary; and
- Employees being involved and engaged in decisions that impact their health and safety

We are prioritising health and wellbeing in the context of COVID-19 for everyone at the Bank and, as well as publishing our own COVID-19 guidance document, we have established various measures to promote health and wellbeing in the workplace. These include: the ability for colleagues to work remotely, which aligns to our ambition for the Bank to be a hybrid organisation; the provision of lateral flow tests for all colleagues so as they can safely test before travelling to the Bank's offices; and the introduction of our Employee Assistance Programme.

Sustainability reporting

The Bank is committed to delivering on its core objectives and promoting sustainable and responsible practices across all our activities. This is reflected in both our internal actions and our financing activities. We are focused on ensuring that practices, culture, and behaviours are embedded in a way which drives sustainability and reduces the Bank's environmental impact. As the Bank's strategy evolves, we will continue to develop our wider approach to environmental, social, resilience and governance, which is discussed further on page 25.

Disclosure of greenhouse gas emissions

The Bank occupies premises in our headquarters in Leeds and our office in London. Internal Greenhouse Gas ("GHG") emissions are reported for our Scope 1 (fuels combusted on site, e.g. gas boiler), Scope 2 (energy consumed on site, e.g. electricity), and Scope 3 (indirect emissions, e.g. employee travel).

The buildings emission data included in this report are only those associated with the Bank's leased headquarters in Leeds, as the London premise is a satellite office and has only been occupied since December 2021.

The energy consumption data and associated GHG emissions data are provided by the service provider and landlord at the occupied premises, which are leased in a building also occupied by private sector organisations. Scope 3 emissions, including employee travel (and overnight hotel stays), includes London based staff commuting to and from the Headquarters in Leeds.

Greenhouse gas emissions for Scope 1 include those from the Variant Refrigerant Flow ("VRF") system at the Leeds Headquarters, and this makes up a large majority of Scope 1 emissions. Scope 2 represents electricity use and has been calculated using relevant emissions factors. Scope 3 emissions have been calculated by applying emissions factors to estimated employee travel between London and Leeds, and overnight hotel stays.

Internal Energy Use & Emissions		2021-22
	GHG emissions	**Gross Expenditure £000**
Scope 1[5]	127.6 tCO_2e	0.5
Scope 2	13.2 tCO_2e	8.4
Scope 3	15.0 tCO_2e	113.0
Per average monthly FTE since inception	**2.4 tCO_2e**	**1.8**

It should be noted that overheads are distributed over a relatively small number of employees and we would expect the 'Average per FTE' results to reduce in future as the Bank expands.

As the Bank has been established to provide financial support to investments, in future we will be reporting on financed emissions – our most material carbon impact – in line with the Taskforce on Climate-Related Financial Disclosures ("TCFD"), which is discussed further under "Sustainability reporting" in the "Our future" section on page 27.

Minimising waste and promoting resource efficiency

Waste arisings are provided by the disposal company which is contracted with the Landlord at the premises. Waste disposal data is provided at a building level only, and therefore the tonnages have been adjusted to reflect the proportion of the premises occupied by the Bank.

	tonnes	Percentage	Gross Expenditure £
Total waste arisings	**0.620**	**100%**	**212**
Total waste recycled	0.541	87%	185
Total ICT waste recycled, reused and recovered (externally)	0	0	0
Total waste composted / food waste from 2022	0	0	0
Total waste incinerated with energy recovery	0.080	13%	27
Total waste incinerated without energy recovery	0	0	0
Total waste to landfill	0	0	0

Our total estimated water usage during the period, based on an average increasing workforce volume over the first ten months of operation, is set out in the tables below, as is our total paper usage during the period:

	Cubic metres	Gross Expenditure £
Water usage	193	685

	No. of A4 reams equivalent	% reduction on baseline
Paper usage	18	N/A

[5] Scope 1 emissions split between those from gas for heating water (0.2tCO_2e) and those from the VRF system (127.3tCO_2e).

Sustainable procurement

The Bank is implementing sustainability procurement policies as defined by the Cabinet Office within its procurement process whilst complying with public procurement legislation. Reporting and monitoring are being developed for key sustainable and social value areas. Our procurement focus is on achieving value for money on a whole-life basis and positive outcomes not only for the Bank itself but also for the economy, the environment and society.

Environmental, Social, Resilience and Governance approach

Sustainability in the UK's environment and regions is in our mission

We recognise that financial markets are rapidly adopting new approaches to Environmental, Social and Governance ("ESG") issues and, in accordance with our Framework agreement with HM Treasury, we are continually looking to develop our own ESG strategy. We include climate resilience of UK infrastructure in ESG as it is part of our mandate. It is therefore an Environmental, Social, Resilience and Governance ("ESRG") function.

Investments financed to date by the Bank have undergone a detailed screening assessment for key performance metrics and for potential risks. We are assessing data and developing our strategy which will inform a more detailed ESRG approach. This will be provided in future Annual Reports.

Environmental

Our investment principles (see page 9) are designed to focus on tackling climate change and supporting markets that will contribute to the government's Net Zero commitments. We have a clear "do no harm" principle where our investments are primarily focused on regional and local economic growth.

We are also working to ensure our own operational activities are undertaken with due regard for their environmental impact, seeking and acting on opportunities to reduce our footprint.

Social

We are committed to financing projects that will contribute to regional and local economic growth, removing barriers and improving employment and development opportunities in the UK.

Resilience

We are committed to considering the resilience of all our investments to possible climate scenarios and other changes that could materially affect the stability or impact of an asset over its lifetime.

Governance

We continue to develop governance processes that are robust and stand up to scrutiny. We draw on the best practices of the Civil Service and private sector and these, along with the focus on delivering our core objectives, help ensure our wider environmental and social responsibilities are integrated into our decision-making.

Tackling climate change through green initiatives

The government's Net Zero strategy sets out how the UK will deliver on its commitment to reach net zero emissions by 2050. Building on "The Ten Point Plan for a Green Industrial Revolution", the UK's Net Zero strategy sets out a comprehensive economy-wide plan for how British businesses and consumers will be supported in making the transition to clean energy and green technology – lowering Britain's reliance of fossil fuels by investing in sustainable clean energy in the UK, reducing the risk of high and volatile prices in the future, and strengthening our energy security. In the "Our business" section on page 9, we set out how the Bank's objectives support delivery of the Net Zero strategy.

Our future

For the financial year 2022-23, the Bank's management will measure success against corporate objectives related to the build of the organisation.

Strategy

We delivered our first strategic plan in June 2022 and continue to work on the development of our first Impact Framework.

Finance

The total financial capacity of £22 billion is expected to be fully deployed over 8 to 10 years.

The initial operating expenditure budget of the Bank is £71.1 million for the 2022-23 financial year. Both the asset and operating expenditure have been agreed with HM Treasury and are reflected in the Bank's allocation of HM Treasury's Main Estimate.

People and recruitment strategy

The Bank aims to provide challenging, stimulating and rewarding work, developing and using the right skills to achieve its unique objectives and work towards its future mission and purpose.

All recruitment activity is an important opportunity to promote the Bank, its image and values, so that it is an organisation people want to work for, where their contribution is respected.

Importantly, we want that experience to be a positive one. Staff are our most important asset, and their commitment, motivation and enthusiasm are key to achieving our strategic aims. We will aspire to make working for the Bank the best experience for staff and an environment where our people thrive.

With the ratification of our Pay and Reward recommendation in May 2022 and the announcement of our new permanent Executive Director roles in June 2022, the Bank has commenced a recruitment campaign for other roles across each of its functions. It is anticipated this process will be broadly sequential and roles will be filled on a top-down organic basis. We currently project to be at steady state headcount by the end of the 2023-24 financial year.

Local authority lending & advisory function

We will maintain our focus on increasing the pipeline of deals and will continue to engage with local authorities to better understand their priorities, challenges and views. We announced the first pilots for our local authority advisory function at the end of September 2022 and look forward to learning from these. We will continue to build our advisory service this year and plan to better support local authorities with their infrastructure projects, aiming to add value and expertise.

Information technology and infrastructure

We implemented our own desktop services in July 2022. In addition we have sourced software for back office and will be working with an implementation partner to deliver this; we are also currently reviewing options for software in relation to banking origination and servicing.

Our aim is to acquire Cloud hosted technology which will give good value for money. The Bank is looking to minimise technology and support costs by outsourcing to managed service providers and retaining only a small centre of excellence that will manage the relationship between these partners and the Bank business.

Governance

The Bank continues to develop and implement a suitable governance framework. Our aim is to continue to evolve and mature our governance frameworks and forums, embedding process and procedure. Further information about the development of our corporate governance is set out on pages 34 to 37.

How we will demonstrate our progress

We have set out how we currently measure the impact of our investment decisions – and are evolving and embedding our performance framework – in the Performance Overview section above (see pages 14 and 15).

We will also be building our quality assurance framework around our business-critical models, to allow us to assess our delivery over time.

Sustainability reporting

The Bank has committed to making disclosures in line with the recommendations of the TCFD, and this work will evolve and include more detail and evidence as the Bank scales up. The UK Government is introducing new sustainability reporting for companies in 2022-23 that the Bank is already planning to implement. For example, future Annual Reports will disclose alignment with the UK's Green Taxonomy.

Core elements of recommended Climate-related Financial Disclosures, that the Bank is committed to measuring and tracking progress against, are:

- Governance: The Bank has a Board and Executive committee that oversees its objectives around climate mitigation and adaption. This incorporates the transition and physical risks of climate change.
- Strategy: Climate change, both mitigation and resilience, is one of two core objectives for the Bank set by its Shareholder. As such the Bank has a strategic approach to climate related financial risk, not just for its own operations but in supporting the UK's financial system to reach net zero.
- Risk Management: Climate related risks are assessed for potential investments that the Bank is potentially going to be involved with. For the deals undertaken to date, a screening process has been used which assesses qualitatively the potential risks associated with an investment. As the Bank evolves, the screening process will develop and become more robust, using data and evidence to make informed decisions.
- Metrics and Targets: Scope 1, 2 and relevant 3 emissions are presented in the "Disclosure of greenhouse gas emissions" section on pages 22 and 23. The Bank will continue to develop its approach to the collation and reporting of climate risk data.

John Flint
Chief Executive Officer and Accounting Officer
21 November 2022

Accountability Report

Directors' report

Directors

The following individuals served as Board Directors during the financial year or were appointed to the Board in the subsequent period up to the signing of this Annual Report and Accounts. The process for appointment and removal of Directors is set out in the Governance Statement and found on page 36.

Board Member	Position
Christopher Grigg, CBE[6] (acting from 3 May, appointed 18 May 2021)	Chair
Charles Donald[7] (appointed 18 May 2021)	Non-Executive Director
Gay Huey Evans, CBE (appointed 17 June 2021, resigned 10 October 2022)	Non-Executive Director*
John Flint[8] (acting from 27 September, appointed 1 December 2021)	Chief Executive Officer
David Lunn[7] (acting from 3 May, appointed 18 May 2021)	Chief Operating Officer
Marianne Økland (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
Bridget Rosewell, CBE (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
Annie Ropar (appointed 20 September 2022)	Chief Finance Officer
Tania Songini (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
Nigel Topping (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
John Mahon[9] (acting from 4 May, appointed 18 May, resigned 29 October 2021)	Chief Executive Officer*
Jayesh Doshi (resigned 18 May 2021)	Director**
Steve Lomas (resigned 18 May 2021)	Director**
Matthew Vickerstaff (resigned 18 May 2021)	Director**

* Interim roles

** Directors serving the company under its former name, Infrastructure Finance Unit Limited

[6] Christopher Grigg and David Lunn took up their positions on 3 May 2021, with these roles subsequently formalised and the appointments registered as at 18 May 2021.

[7] Charles Donald is the appointed Shareholder Representative Director.

[8] John Flint took up his position on 27 September 2021, with this role subsequently formalised and the appointment registered as at 1 December 2021.

[9] John Mahon's position as the Bank's interim Chief Executive Officer ended on 17 September 2021 and his resignation was registered on 29 October 2021.

Directors’ biographies

Chris Grigg, CBE
Chair

Chris brings extensive business and finance leadership to the Bank. He served as the CEO of British Land for eleven years until November 2020, where amongst other things he oversaw large scale property development projects.

Previously, Chris was Chief Executive of Barclays Commercial Bank and a partner at Goldman Sachs. He has served on the Board of BAE Systems since 2013 – where he is currently the Senior Independent Director – and is on the corporate Board of Cancer Research UK.

Charles is a public servant with broad experience across investment banking and the public sector. Charles has been the Chief Executive of UK Government Investments (“UKGI”) since March 2020, having joined UKGI in May 2018 as Head of the Financial Institutions Group. Prior to that, he spent his career in investment banking working across a number of business areas within corporate advisory and equity research.

Charles also heads the Government Corporate Finance Profession and chairs the OECD’s Working Party on State Ownership and Privatisation Practices, the policy forum to promote improved corporate governance of state-owned enterprises.

Charles Donald
Non-Executive Director

Gay Huey Evans, CBE
Non-Executive Director (interim)

Gay’s experience covers financial and regulatory services, banking, capital markets and commercial. She was Vice Chair Investment Banking and Investment Management at Barclays Capital from 2008-2010, Head of Governance of Citi Alternative Investments (EMEA) from 2007-2008 and President of Tribeca Global Management (Europe) Ltd from 2005-2007. She was Director of markets division and Head of capital markets sector at UK Financial Services Authority from 1998-2005 and has held various senior management positions with Bankers Trust Company in New York and London.

Gay is Chair of the London Metal Exchange and serves on the Boards of Standard Chartered and Conoco Phillips. She is a Director of S&P Global and a Trustee of Benjamin Franklin House, Senior Advisor to Chatham House and a member of the US Council on Foreign Relations and the IUKFP (Indian UK Financial Partnership). She is also a Non-Executive Director of HM Treasury.

John is a banker with a wealth of experience in the industry. He is the former Group Chief Executive of HSBC, a company with which he spent 30 years, having first joined them in 1989 as a graduate trainee.

In that time, he worked across the business, serving in various senior leadership positions as Chief Executive Officer of Retail Banking & Wealth Management, Chief of Staff to the Group Chief Executive of HSBC, Chief Executive of Global Asset Management, Group Treasurer and Deputy Head of Global Markets.

John Flint
Chief Executive Officer

Directors' biographies (continued)

David Lunn
Chief Operating Officer

David joined the Bank from HM Treasury where he was the Europe Director, leading on the implementation of EU Exit and HM Treasury's broader Europe policy.

In that role, he served as the UK's representative on the European Investment Bank's Board of Directors. Before this, he worked in UK Financial Investments, when it managed the government's investments in the Royal Bank of Scotland, Lloyds Banking Group and UK Asset Resolution.

Marianne Økland
Non-Executive Director

Marianne has extensive international board experience across finance, shipping and sport. She currently serves on the Board of Scorpio Tankers Inc and the Professional Welsh Rugby Board.

Previously Marianne chaired various board committees at IDFC Limited, IDFC Alternatives (India), Islandsbanki (Iceland), the National Bank of Greece, NLB (Slovenia) as well as Hermitage Offshore. Her executive career was spent at JP Morgan and UBS.

Bridget Rosewell, CBE
Non-Executive Director

Bridget is an experienced director, policy maker and economist, with a track record in advising public and private sector clients on key strategic issues. She chairs Atom Bank and the M6 Toll Company and is a Non-Executive Director for Northumbrian Water Group. Among other roles, she has chaired DVSA and been Senior Independent Director for Network Rail, Chief Economic Adviser to the Greater London Authority and a Commissioner for the National Infrastructure Commission.

Bridget has worked extensively on cities, infrastructure and finance, advising on projects in road and rail and on major property developments and regeneration. She has advised on changes to planning regulation and TfL's finances and has appeared at planning Inquiries. Bridget also writes on finance, risk and uncertainty as well as infrastructure and modelling validation.

Annie Ropar
Chief Finance Officer

From 2018 to 2021, Annie was the inaugural Chief Financial Officer and Chief Administrative officer of Canada Infrastructure Bank ("CIB"), a federal Crown corporation established to invest C$35 billion in revenue-generating infrastructure and attract private capital. Her responsibilities covered finance, investment and enterprise risk management, as well as corporate functions including legal, human resources and technology. Prior to CIB, Annie was Chief Financial Officer of Aequitas Innovations Inc., which operates the NEO stock exchange in Canada, and was first launched in 2015.

Annie also spent many years at Royal Bank of Canada in various senior management roles within the Capital Markets arm of the bank, including Finance, Private Equity, and Institutional equity trading. She currently serves as a non-executive director of Chesswood Group Limited, a Canadian specialty finance company publicly traded on the Toronto Stock Exchange.

Annie is a Canadian Chartered Professional Accountant and holds a U.S. Certified Public Accountant designation.

Directors' biographies (continued)

Tania Songini
Non-Executive Director

Tania brings extensive experience of engineering and infrastructure businesses and has a portfolio of Non-Executive Director roles with companies investing in and developing renewable energy and sustainable infrastructure more widely. She currently serves on the boards of the Private Infrastructure Development Group (a development finance fund for infrastructure projects in Africa and Asia), Thrive Renewables, the Energy Systems Catapult and Sureserve, advising on strategy, investments, risk management and ESG frameworks, and chairing audit and risk committees.

Prior to 2015, Tania spent 18 years at Siemens' logistics, healthcare and energy businesses, where she held a number of executive finance roles. More recently at Siemens Energy UK and NW Europe, she oversaw the scaling up of Siemens' offshore wind business in the UK.

Tania is also the Chair of ViaNinos UK, a charity supporting street children in Ecuador.

Nigel Topping
Non-Executive Director

Nigel has a background in manufacturing, including spells in the Midlands, North West and North East running plants and businesses in the automotive sector. He was a member of the MBO team that took TMD Friction private and turned it into the world's number one manufacturer of friction materials for cars and trucks.

Since 2006 Nigel has been working on the nexus of business, investment and climate change, driving the growth of the Carbon Disclosure Project, leading the We Mean Business coalition to coordinate business inputs into the positive outcome of the Paris Agreement and most recently appointed as UN High Level Climate Action Champion for COP26.

Directors' indemnities

During 2021-22, HM Treasury, as the sole Shareholder of the Bank, granted directors an indemnity against any losses or liabilities incurred in the course of their duties (other than those arising out of fraudulent behaviour).

The crystallisation of any liability is dependent on the actions of the directors. The Bank has not disclosed the financial effect of director indemnities because it is not practicable to do so, as there is no evidence to evaluate.

Required information

The Governance Statement is set out on pages 34 to 37. The following information is also required by the Companies Act 2006:

- A description of the principal activities of the Bank during the financial year to 31 March 2022 is set out in "Our business" on pages 9 and 10;
- Information on financial instruments is given in *Note 1.1.11* to the Financial Statements, on pages 67 to 72; and
- Significant post-balance sheet events are shown in *Note 20* to the Financial Statements, on pages 92 to 93.

Auditors & directors' disclosure to auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information, and to establish that the Bank's auditors are aware of that information. This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Information on future activities can be found in the section "Our future" on pages 26 to 27.

Employment policies and procedures

To support our employees in the workplace we have launched a suite of employment policies which will be easily accessible to all employees on our intranet. These policies will fully reflect current employment legalisation as well as the Bank's identity, culture and values.

Disability and support

As a new organisation the Bank has the opportunity to be diverse by design and become a disability confident employer. To underpin this ambition the Bank is committed to supporting employees with disabilities through:

- Adapting our workplace practices to meet the needs of colleagues with disabilities and, where appropriate, seeking professional medical advice on reasonable adjustments through our occupational health provider;
- Ensuring our Leeds and London offices comply with disability standards and the necessary legislation to engender a positive working environment for all;
- Communicating and embedding the Bank's commitment to help remove workplace barriers and enable all colleagues to progress their careers and reach their full potential; and
- Introducing diversity and inclusion training as a mandatory part of our learning and development strategy.

Gender pay gap

The Bank commits to paying men and women equally for doing equivalent jobs throughout the organisation. As recorded in the Performance Analysis section on page 20, the Bank's headcount reached 134 at 31 March 2022, of which only nine were permanent employees. This is significantly below the threshold for Gender Pay Gap reporting and the Board has therefore elected to defer an initial gender pay analysis, as such analysis wouldn't provide meaningful results or sensible comparison with future years. The plan to resource up over the coming months is such that we expect to carry out a gender pay analysis based on a snap-shot date of 31 March 2023, publishing our first Gender Pay Gap report after this.

Going concern

Should the Bank's investment income prove insufficient to meeting liabilities falling due, the Bank will receive support from HM Treasury to enable it to satisfy its financial obligations. In the current financial year, the Bank reported a net profit after tax of £104.1 million.

The directors have completed an assessment and have concluded that the Bank is a going concern. The financial statements have therefore been prepared on a going concern basis. The directors' conclusion was reached on the basis that the Bank is expected to be able to continue to fund its liabilities and contractual obligations given the arrangements the Bank has with HM Treasury to continue to meet its operating costs and financial obligations.

Governance statement

The Bank has operational independence to identify, design and deliver specific financial interventions based on its own assessment of how to achieve its objectives. The Bank also has the flexibility to allocate resources with respect to the Bank's borrowing capacity and access to capital within the delegations and limits set by HM Treasury.

The Bank accounts comprehensively and transparently for its financial performance, including non-cash items such as impairments, to HM Treasury and in its audited accounts, and in compliance with applicable legal and regulatory requirements.

Our mandate

The Bank will pursue two central strategic objectives through its interventions in the infrastructure market to:

- **Help tackle climate change,** particularly meeting our net zero emissions target by 2050; and
- **Support regional and local economic growth** through better connectedness, opportunities for new jobs and higher levels of productivity.

The Bank will provide leadership to the market in the development of new infrastructure technologies, crowding-in private capital and managing risk through cornerstone investments and a range of financial tools. It can bolster the government's lending to local government for large and complex projects and help to bring private and public sector stakeholders together to regenerate local areas and create new opportunities.

Our first strategic plan, published in June 2022, provides detail on how we intend to deliver on our mission and strategic objectives (see page 9).

The Bank is being put on statutory footing to ensure its operational independence. The Bank is still scaling up; once fully established it will have two main operational arms focused on private and public sectors.

The Bank carries out the following functions in support of its core objectives:

- Providing a range of financing tools including debt, hybrid products, equity and guarantees to support private infrastructure projects;
- Providing loans to local authorities for strategic infrastructure projects;
- Acting as a centre of expertise and provide advisory support to local authorities on projects; and
- Expanding institutional investment in UK infrastructure.

Corporate governance statement 2021-22

The Board provides strategic direction to the Bank and is responsible for ensuring that effective risk management and internal controls systems (described fully on pages 40-44) are in place for the Bank to be able to meet its objectives. These systems have been developed during the year and continue to be in place at the date of approving this Annual Report and Accounts. Shareholder oversight was also key as we developed our governance arrangements during the year.

The Bank and its Directors are responsible for the governance and accountability framework as described in the UK Infrastructure Bank Framework Document published by HM Treasury. We have in place policies and procedures that are designed to help ensure our ongoing compliance with applicable laws and regulations, including (but not limited to) Anti Bribery and Corruption, Anti Money Laundering, Data Protection and Freedom of Information. We have also embedded our guidance and processes in relation to 'whistleblowing'. In addition to any legal and regulatory obligations, we further seek to apply good practice in our activities where this is considered both appropriate and applicable.

The Board's assessment is that the Bank has implemented sound systems and processes to ensure that it:

- complies with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to the Bank;
- complies with the principles and duties set out in HM Treasury's "Managing Public Money";
- considers, as far as practicable and appropriate with respect to the Bank, the relevant Green Book guidance when appraising investment opportunities; and
- takes into account the codes of good practice and guidance set out in Appendix 1 of the UK Infrastructure Bank Framework Document.

Throughout the period of operation in its inaugural year, the Bank had in place an interim Board, the members of which are set out on page 29. The interim Board oversaw all governance arrangements during the financial year and ensured that the Bank dedicated significant resources to setting up governance systems and processes that helped it meet applicable regulatory requirements and accord with good governance practices. The Board concluded that it was not yet appropriate to begin a process of annual governance reviews, given that the Bank had been in operation for less than a year as at 31 March 2022.

However, the Board did recognise that further work was required in relation to governance and oversight, as the Board itself continued to scale up. Development of the Board size and structure, including the further recruitment of Non-Executive Directors post year-end, enabled the creation of appropriately resourced Board sub-Committees.

Following consultation, the Shareholder confirmed an exemption from compliance with the UK Corporate Governance Code ("the Code") for the year to 31 March 2022, under the condition that the Board has in place a plan to address any shortfalls in compliance with the relevant provisions of the Code.

The Board is expecting to be in a position to fully discharge its duties under the Code over the course of the current financial year 2022-23, following the appointment by HM Treasury of the full complement of Non-Executive Directors in June 2022. Since then, the Bank has further progressed the development of its governance arrangements by:

- Onboarding new members of the Board;
- Establishing the following Board sub-Committees:
    - Audit & Risk Committee; and
    - Remuneration Committee.
- Drafting and adopting Terms of Reference for each of the sub-Committees; and
- Appointing a Non-Executive Director, Marianne Økland, to facilitate engagement with the workforce.

In the remainder of the period to 31 March 2023, the Bank intends to:

- Begin the process of relevant annual governance reviews; and
- Embed working practices and reporting regimes relevant to each of the sub-Committees and in accordance with the respective provisions of the Code.

Business Appointments rules

Under the Business Appointments rules, secondees from government departments who are working within the Bank are expected to approach their home departments' Human Resources functions before undertaking any commitments to taking up new roles outside the civil service.

During the financial year to 31 March 2022, the Bank followed the Business Appointment rules insofar as they were applicable to its few permanent employees, whom are all employed as public servants, although no specific individual advice was either sought or given in relation to the rules. The Bank continues its work to ensure any applicable policies and procedures are embedded during the financial year to 31 March 2022-23 as we continue to recruit more permanent staff.

Appointment and removal of Directors

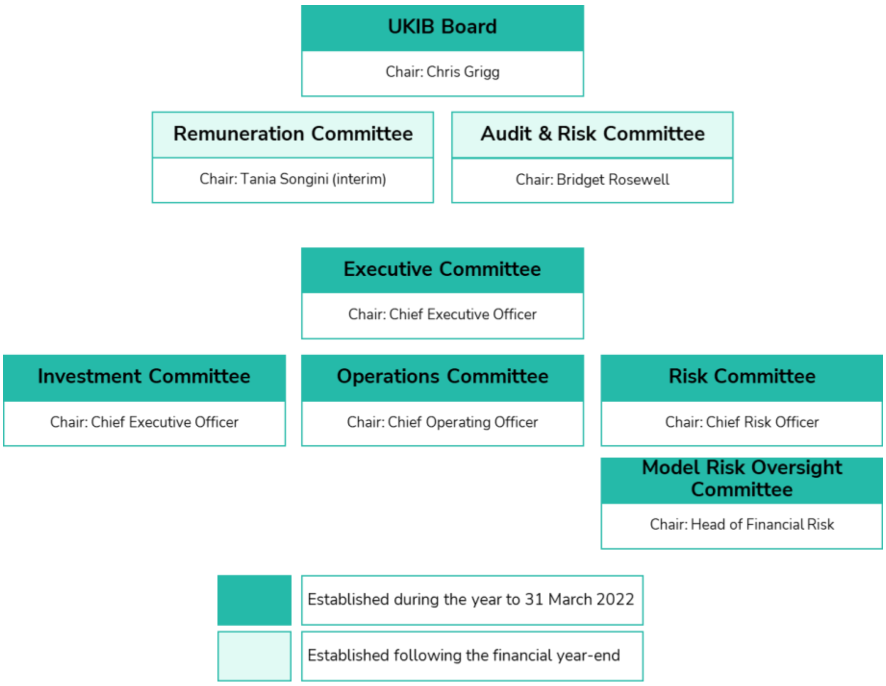
The Shareholder appoints the Shareholder Representative Director to sit as a Non-Executive Director on the Bank's Board.

The Shareholder also appoints the Chair and other Non-Executive Directors; and the Chief Executive Officer who shall be a permanent employee of the Bank. Full details of the arrangements put in place for the Bank's Directors can be found in the UK Infrastructure Bank Framework Document published by HM Treasury and the Bank's Articles of Association.

The Bank is responsible for appointing all other executive directors and other staff. Any proposed appointments of executive directors to the Bank's Board are subject to the approval of the Shareholder.

Governance structure

Our current governance structure is set out in the following diagram:



Board Committees

In the absence of Board sub-Committees during the financial year to 31 March 2022, the Board has maintained overall supervision of the Bank's activities throughout the period, with key decisions and disclosures being notified to the Board for consideration.

At the end of the financial year, the Board consisted of Chris Grigg (Chair), John Flint (CEO), David Lunn (COO) Charles Donald (Non-Executive Director) and Gay Huey Evans (interim Non-Executive Director). Following the end of the financial year, in June 2022, HM Treasury appointed four further Non-Executive Directors, which has enabled the establishment of two Board sub-Committees, the Remuneration Committee and Audit & Risk Committee. The Board met 14 times during the financial year to 31 March 2022, including 4 times for the sole purpose of approving investment decisions where the Chief Executive Officer and Accounting Officer deemed this appropriate. Attendance at Board meetings is set out on page 38.

Information to the Board

The level and type of information received by the Board has been in keeping with the nature of a new and developing business and is considered appropriate to enable the Board to discharge its duties. This information evolved during the financial year in respect of its content and complexity, to reflect the scaling up of operations and the inception of lending activities. Information received by the Board now covers a wide range of information that includes updates on:

- the Bank's financial position, including spend to date and forecasts against budget and headcount;
- Narrative and quantitative information on current and pipeline projects within the Bank's portfolio; and
- Risk registers enabling the Board to ensure the Bank's risk profile is consistently controlled and within the risk appetite limits set by the Board.

Other Committees

The Bank also established management committees during the financial year to 31 March 2022.

The Executive Committee is responsible for the day to day running of the Bank. The Executive Committee supports the CEO in delivering the Bank's strategy, directing the day-to-day business of the Bank and championing the values of the Bank.

Further key committees include the Investment Committee, Operations Committee, Risk Committee and Model Risk Oversight Committee:

- The Investment Committee is responsible for vetting and making recommendations to the Chair of the Investment Committee for external projects that meet the funding criteria of the Bank;
- The Operations Committee provides review, guidance and oversight for the overall operations of the Bank and implementation of its corporate strategy;
- The Risk Committee is responsible for the oversight of the risk management policies and practices of the Bank's operations; and
- The Model Risk Oversight Committee, reporting to the Risk Committee, oversees the overall quality assurance approach and undertakes high level assurance exercises including testing assumptions, outputs and risks associated with business-critical models.

Board performance

An independent evaluation of Board performance was not considered appropriate during the 10 months of initial operations to 31 March 2022, given the nascent nature of the Bank. The Board will assess the appropriateness of commissioning such a review in the current financial year

Conflicts of interest

The directors have a duty under the Companies Act 2006 to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Bank's interests. The Bank's Conflicts of Interest policy sets out a formal process for the identification, assessment, management and recording of conflicts of interest, including written disclosure of all actual or potential conflicts of interest for all Directors and staff. Directors and the executive team are reminded of the need to declare conflicts of interest at regular intervals throughout the year.

Political donations

The Bank did not make any political donations or incur any political expenditure during the financial year to 31 March 2022.

Value for Money

The National Audit Office undertook a Value for Money review, "The Creation of the UK Infrastructure Bank" in the first half of 2022 and published their report at the start of July 2022. The report can be found at: www.nao.org.uk/reports/the-creation-of-the-uk-infrastructure-bank.

Board meeting analysis

The table below sets out the attendance of Directors at Board meetings of the Bank in 2021-22:

Total number of meetings	**13**
Chair	
Chris Grigg, CBE	13/13
Non-Executive Directors	
Charles Donald	13/13
Gay Huey Evans, CBE	9/10
Marianne Økland*	-
Bridget Rosewell*	-
Tania Songini*	-
Nigel Topping*	-
Executive Directors	
John Flint**	8/8
David Lunn	13/13
Annie Ropar*	-
John Mahon	4/5

* Marianne Økland, Bridget Rosewell, Tania Songini, Nigel Topping and Annie Ropar were appointed following the end of the financial year

** Includes 5/5 meetings in capacity as acting Chief Executive Officer

Our Key Stakeholders

Bank colleagues

Building and maintaining a strong colleague base with the right knowledge and expertise is crucial to the delivery of our strategic objectives. Our focus has been on hiring committed individuals to support our operational activities and, whilst we have primarily delivered this through contract staff and secondees from across the Civil Service, we are committed to moving to a workforce consisting of predominantly permanent employees.

We have described more fully our engagement, activities and priorities for our colleagues in the "Performance analysis" and "Our future" sections on pages 20 and 21 and page 26 respectively.

Devolved administrations

Developing strong relationships with the devolved administrations enables us to understand their priorities and help identify investable projects in all four nations of the UK.

Infrastructure market

Forging relationships with project sponsors, advisers and borrowers from across the market allows us to deliver deals which finance new infrastructure projects and catalyse nascent technologies.

Local Authorities

Understanding the challenges local authorities encounter and helping them access the right financial products to deliver solutions is vital to establishing our local lending facility. We will engage directly and through partners and networks to raise awareness of our lending offer and, as it is established, we will do the same for our advisory service.

Public investment bodies

Working closely with other UK Government organisations – particularly the British Business Bank ("BBB") and UK Export Finance ("UKEF"), as well as Homes England, the Scottish National Investment Bank and the Development Bank of Wales – is important to develop a coordinated offer to our stakeholders. Where investment proposals are not within the Bank's mandate we will share them with our partners, where relevant.

Thought leaders in specific industries

Engaging regularly with a number of coordinating organisations, academics, think-tanks and trade bodies who have expertise in specific areas relevant to our remit helps inform our investment policies and decisions. It is important to maintain close contact with these bodies to ensure we have the latest information on market and technological developments.

UK Government

Maintaining the very highest standards of integrity in our management of public funds and ensuring our activities support the government's aims in promoting regional economic growth and tackling climate change are key areas of focus. Our teams work closely with government departments to ensure our alignment to government priorities.

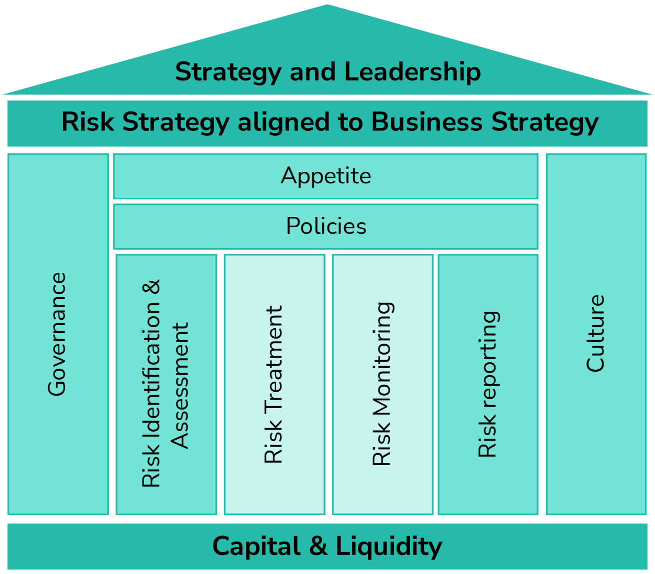
UK Parliament

Being accountable to Parliament is crucial as we are an institution that is owned by the government. We will establish open channels with Parliament and ensure that our work is understood by members of both houses by working with Committee clerks and the relevant offices.

Risk management and internal control

Risk management framework

Sound risk management is important for achieving the Bank's specific strategic objectives in a manner that ensures the long-term safety and soundness of the Bank. This comes together through an enterprise-wide risk management framework as represented by the following diagram:



The risk management strategy aligns to the business strategy as the purpose of risk management is to help ensure that strategic objectives are achieved. Risk appetite is how much risk - defined by individual risk category - that we are willing to take or be exposed to in order to achieve those objectives whilst continuing to operate as a safe and secure bank.

The governance arrangements and policies give direction to the risk management activities of identification and assessment, treatment, monitoring and reporting, which themselves have to work within the emerging collaborative culture with its emphasis on flexibility and agility. When these elements are aligned and working together then this should help preserve the capital of the Bank.

Within the overarching framework, further separate frameworks operate in the specialist areas of financial risk, compliance and financial crime risk, each requiring highly specific processes and tools to ensure that these areas of risk are appropriately managed.

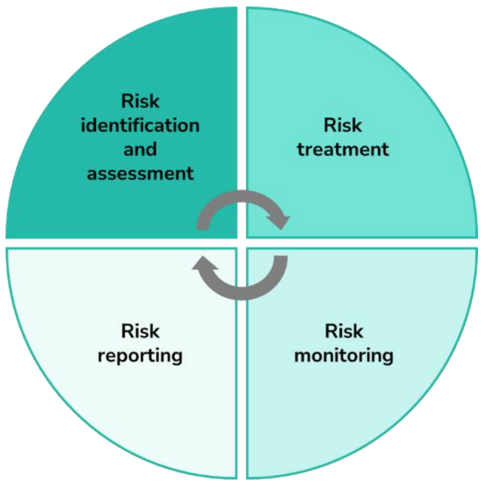
Financial risk framework: specific tools are used to assess, measure and manage credit risk, interest rate risk, capital and liquidity adequacy.

Compliance framework: includes the conduct risk management, conflicts of interest management, compliance monitoring programme, Financial Conduct Authority ("FCA") rules alignment and responsibilities under the Senior Managers and Certification Regime ("SM&CR") insofar as is appropriate and proportionate to our business, and the General Data Protection Regulation ("GDPR") programme implementation.

Financial crime framework: comprises systems and controls for financial crime risk management including financial crime related (i.e. anti-money laundering, anti-terrorism financing, anti-bribery and corruption, anti-fraud) policies and procedures, risk assessments, training of staff, reporting and escalation processes, ongoing monitoring, customer onboarding and ongoing due diligence standards.

Risk management process

The risk management process is a continuous one which operates both from a top-down perspective, looking at the most significant risks to the Bank as a whole, and from the bottom-up perspective of individual processes and functions. This is a risk management process as outlined in HM Treasury's Orange Book on the management of risk.



Once the context is clear (i.e. the strategic objectives of the Bank), the process initially involves identification of risks to those objectives and their assessment for impact and likelihood with and without controls in place (allowing assessment of the importance of each applicable control). Where the risk is deemed to be too high by reference to the Board's risk appetite, then additional mitigations or treatments are put in place.

Top-down and bottom-up risks are monitored regularly for any changes to the assessment, for the results of testing of key controls, or for any new or emerging risks that might need to be added to the register.

The final part of the continuous process is to communicate the risk profile through the governance channels so that a full understanding of risks to the Bank is available to executive management and to the Board.

We have ongoing interaction with the Shareholder to keep them abreast of how we are developing the framework.

Structures and responsibilities

The Bank operates a standard three-lines-of-defence approach to risk management.

The Three Lines of Defence

First Line of Defence: All Colleagues (except those below)
Second Line of Defence: Risk & Compliance Function
Third Line of Defence: Internal Audit

The first line of defence has direct accountability for risk decision-making and for implementing and managing appropriate controls.

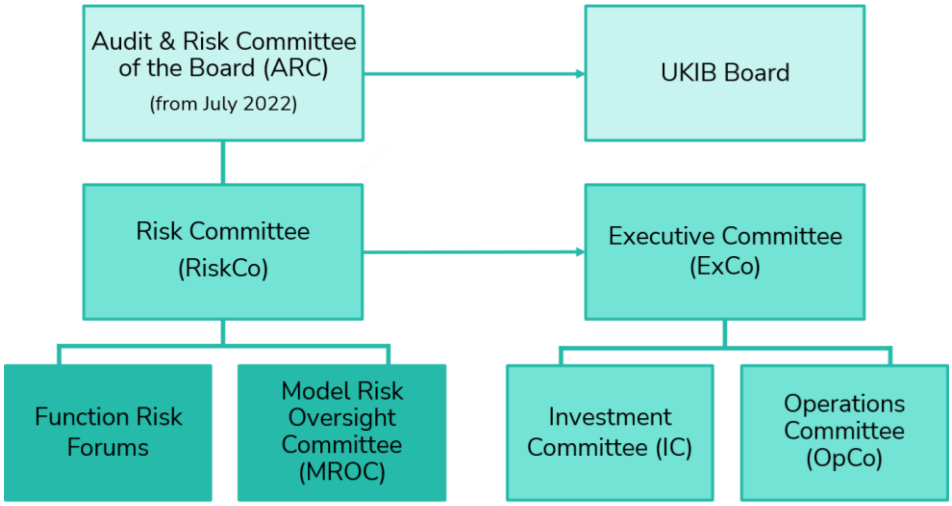
The second line of defence is responsible for defining the risk management frameworks, communicating requirements, and providing facilitation, coaching and guidance to first-line colleagues. It also brings together the results of risk management activity for the Bank's governance forums and is able to oversee and challenge outputs to ensure that the risk management process is robust – the second line consists of the Risk & Compliance function.

The role of the third line of defence is fulfilled through independent and objective assessment of the adequacy of the Bank's system of internal control that is in place to manage the risks to achievement of the Bank's objectives. The third line of defence is performed by the Internal Audit function.

The Board is responsible for the effective management of risk. The setting of risk appetite and approval of risk management policies are also matters reserved for the Board. The Audit and Risk Committee, established in July 2022, oversees the key risks, monitors adherence to risk appetite, and challenges the details of the risk management process on its behalf. The Risk Committee is responsible for monitoring the effectiveness of the risk management framework and system of internal control; it may direct further risk-taking or greater mitigation of risk exposures within the guidelines of the Board's appetite for risk. It may also endorse risk acceptances within defined limits. Whilst detailed oversight of the functioning of the risk management frameworks is performed by the Risk Committee, at a lower level there are risk forums that review and discuss their specific risks exposures and controls testing results for their respective functions.

The Model Risk Oversight Committee oversees the quality assurance of the integrity and effectiveness of critical models and reports to the Risk Committee.

Committee structure for risk management



Risk appetite

The Board has set the risk appetite for the Bank, articulating the level of residual risk that the Bank is willing to take or tolerate in achieving its strategic objectives.

The overarching risk appetite is stated as follows:

"We will take the risks necessary to achieve our policy ambitions, the required financial return and impact outcomes as defined by the Shareholder. We will do this within the constraints of being a publicly owned arm's length body."

The above statement is further clarified by risk appetite statements for each major category of risk that the Bank faces. These are shown below:

Risk Category & Definition	Sub-categories	Appetite Statements
Strategic & Business Strategic & Business risk relates to threats that may inhibit the delivery of the Bank's business strategy. Strategic & Business risk can also arise from setting an inappropriate strategy, unclear plans, priorities or accountabilities.	• Policy • Financial Performance • Innovation • Governance	We have no appetite for deals that do not have an intended positive impact on at least one of our strategic objectives, nor do we have an appetite for exceeding our economic capital target. Nevertheless, we recognise that we are exposed to multiple layers of concentration risk by virtue of our mandate, and that this is driven by government policy and where infrastructure is needed.

Risk Category & Definition	Sub-categories	Appetite Statements
Reputational The risk of damage to the Bank's reputation from adverse events, poor execution, or repeated failures. This includes stakeholder engagement risk.	• Stakeholder engagement	We tailor our engagement with stakeholders and partners so as to build a reputation for excellence through the deals we do. However, that reputation is precious and we will avoid taking risks that might lead to medium- and long- term damage to the reputation of the Bank. The Bank has no appetite for wilful or knowing breaches of applicable rules, regulations, codes of conduct, and government guidelines as will be expected of a public body operating in public markets.
Financial Financial risk comprises market risk (including interest rate risk), credit risk, equity investment risk, liquidity, counterparty and climate-related financial risks. These component risks may result in poor returns from investments, failure to manage assets / liabilities or to obtain value for money from the resources deployed, thus constraining the Bank's balance sheet. Failure to manage financial risks within approved appetite could trigger breach of other key risks including Strategic & Business and Reputational.	• Credit / Counterparty • Market / Interest rate • Equity Investment • Liquidity • Climate-related • Concentration	The Bank is set up to address market failure and to accelerate new markets in infrastructure finance. We may therefore be willing to take more risk than the market for the right deal, where it is needed and justified by our objectives. Our appetite for credit risk and equity investment risk is consequently high. However, we will assess and actively manage the risk in each individual exposure and on a portfolio basis to ensure that overall we stay within our economic capital constraints. We have a moderate appetite for interest-rate risk and a zero appetite for liquidity risk. We will identify and assess climate-related financial risks in all our transactions.
Operational – Operations / Processes / Systems Operational risk is the risk of loss (or gain) resulting from inadequate or failed internal processes, people and systems or from external events which impact the operations of the Bank.	• Technology • Cyber & Security • Projects / Programmes • Procurement • Business process / Outsourcing • External events • Premises	We have a low appetite for exposure to risks relating to cyber, projects & programmes, procurement, and business processes. Our appetite for technology risk, external events and 3rd party risk is moderate: we ensure that system availability and capacity failures are addressed in a timely fashion and that we are capable of recovering from adverse external events without significant disruption to our operations.

Risk Category & Definition	Sub-categories	Appetite Statements
Operational – People The risk of failure to attract and retain suitable and sufficient resource to achieve the Bank’s objectives and to build a positive culture.	• Culture • People management • Conduct	In order to fulfil the potential and promise of the mandate we have been given, we have to be brave and take risks. Our culture must therefore be supportive of this attitude, acknowledging the need to learn, adapt and innovate as we grow, whilst recognising our responsibilities as guardians of public money. To this end, we will build a culture that seeks to adopt the most beneficial aspects of private and public sectors. We will ensure that diversity and inclusion are intrinsic to the build of the Bank. We will seek the core talent we require in specialist and non-specialist areas, managing the process closely in order to get the right people.
Operational – Legal & Regulatory The risk of breaching laws and regulations, breaching contracts, and the potential for legal disputes. This category includes the risk of the Bank's services being used for money laundering or terrorist financing, and the risk of fraud against the Bank.	• Regulatory & Compliance • Legal • Financial crime	We will comply with all relevant regulation. We accept that contractual and dispute risks may arise in the normal course of the business of the Bank and for these we will have sufficient, capable resources. We will ensure that subsidies given to address strategic objectives are in line with UK legislation. We will comply with high standards of good governance in accordance with our foundation documents and private and public sector requirements.

John Flint
Chief Executive Officer and Accounting Officer
21 November 2022

Statement of Directors' and Accounting Officer's responsibilities

Under the Companies Act 2006, the directors are responsible for preparing the Annual Report and the financial statements for each financial year. The directors have prepared the financial statements in accordance with UK adopted International Accounting Standards ("IAS").

The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Bank. The financial statements comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the associated Notes to the Financial Statements, for the financial year.

In preparing the accounts, the directors have:

- observed the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, insofar as these do not conflict with Companies Act 2006 and the requirements of IAS;
- applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether the applicable IFRSs have been followed, and disclosed and explained any material departures in the financial statements; and
- prepared the financial statements on a going concern basis.

HM Treasury has appointed the Chief Executive Officer of the Bank as the Accounting Officer for the Bank. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Bank's assets are set out in Managing Public Money published by HM Treasury.

In preparing the financial statements, as the Accounting Officer and on behalf of the Board, I have ensured that the Bank's auditors are aware of all relevant audit information that would have a material impact on the financial statements. I am not aware of any material information that the auditors are unaware of.

I also confirm, on behalf of the Board, that the Annual Report and Accounts as a whole is fair, balanced and understandable and I have taken personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

This statement was approved by the Board of Directors on 15 November 2022 and was signed on its behalf by:

John Flint
Chief Executive Officer and Accounting Officer
21 November 2022

Remuneration and Staff Report

Remuneration report

The Remuneration Report follows the principles of the Government Financial Reporting Manual ("FReM") 2021-22. The table below reports the remuneration of each director in accordance with their service contracts. Remuneration includes gross salary, pension, bonuses and fees, where applicable for the current period. The remuneration is subject to the deduction of appropriate taxes via the PAYE system.

Executive Directors – single total figure of remuneration (audited)

£000 – (figures shown in ranges of £5,000)

Name	Salary (FYE)	Taxable Benefits	Pension (FYE)	Bonuses / LTIP (FYE)	Cash in lieu of pension (FYE)	Total 2021-22 (FYE)
John Flint (Chief Executive Officer acting from 27 September 2021)	165-170 (325-330)	-	N/A (N/A)	60-65 (120-125)	15-20 (30-35)	245-250 (485-490)
David Lunn (Chief Operating Officer acting from 3 May 2021)	110-115 (125-130)	-	30-35 (35-40)	- -	- -	145-150 (160-165)
John Mahon (Interim Chief Executive Officer acting from 4 May 2021, in post to 17 September 2021)	95-100 (325-330)	-	-	-	- -	95-100 (325-330)

Notes to the above table:

1. All figures in this table are audited. Bracketed figures are full year equivalents ("FYE");
2. The dates provided are those from and, where relevant, to which each director was remunerated during the financial year. These dates differ slightly to the dates on which the directors' appointments / resignation were formally recognised, as set out in the Directors' Report on page 29;
3. John Flint did not participate in the pension scheme but alternatively received £16,867 due to a cash option, in accordance with his employment agreement; and
4. David Lunn has been seconded to the Bank from HM Treasury; his salary is paid by HM Treasury and subsequently recharged to the Bank.
5. None of the directors served in the financial year to 31 March 2021; therefore there are no comparative prior year figures.

Three directors served the company under its former name, Infrastructure Finance Unit Limited, until 18 May 2021: Steve Lomas, Jayesh Doshi and Matthew Vickerstaff. All three were employed and paid by the Cabinet Office and it was agreed previously by HM Treasury and the Cabinet Office that their cost would not be recharged. As a result, their remuneration is not included in the Bank's staff costs and the prior year comparatives are nil.

Directors – pension benefits (audited)

As noted in point 3, above, the Chief Executive Officer has opted out of the Bank's pension scheme and has received payment in lieu of this. No pension contributions were made in respect of the previous Chief Executive Officer. The pension benefit breakdown for the Chief Operating Officer is set out in the following table:

Name	Accrued pension at pension age as at 31/3/22 and related lump sum (Ranges of £5,000) (£000)	Real increase in pension and related lump sum at pension age (Ranges of £2,500) (£000)	CETV at 31/03/22 (£000)	CETV at 31/03/21 (£000)	Real increase in CETV (£000)
David Lunn[10] (Chief Operating Officer acting from 3 May 2021)	45-50 plus a lump sum of 90 - 95	7.5 - 10 plus a lump sum of 12.5 - 15	825	658	124

Summary of Non-Executive Directors' fees (audited)

Name	Role	Start date	Total Fees (ranges of £5,000) £000 2021-22 (FYE)	2020-21
Christopher Grigg, CBE	Chair	3 May 2021	105-110 (115-120)	-
Charles Donald	Shareholder Representative	18 May 2021	-	-
Gay Huey Evans, CBE	Non-Executive Director	17 June 2021	-	-

Notes to the above table:

1. The Bank had no Non-Executive Directors in the prior period as this is the Bank's inaugural financial year;
2. Charles Donald, the Shareholder Representative from UKGI, receives no fees from the Bank;
3. Gay Huey Evans received fees from HM Treasury and these are disclosed in HM Treasury's Annual Report and Accounts 2021-22; she received no fees from the Bank and her role in the Bank formed part of her HM Treasury non-executive appointment; and
4. Christopher Grigg is a permanent employee and his gross pay of £105k-£110k (FYE: £115k-£120k) is included in the total payroll costs for the Bank for the period; he received no pension or bonus payments. The gross pay is calculated from the date on which he began his role with the Bank, which, as shown on page 29, was two weeks prior to his formal appointment as director.

Fair Pay (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The pay multiple is the relationship between the remuneration of the highest paid director / employee in the organisation (in this case the Chief Executive Officer) and the median remuneration of the organisation's workforce, a

[10] As premium Principal Civil Service Pension Scheme ("PCSPS") scheme members, staff can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension.

significant proportion of which were contractors. Total remuneration includes salary, non-consolidated performance related pay and benefits in kind, but excludes severance payments, employer pension contributions and cash equivalent transfer value of pensions.

The banded pay (FYE) of the highest paid director in the Bank in the financial year 2021-22 was £485k-£490k. This was 4.3 times the median remuneration of the workforce (which included permanent employees, secondees and contractors), which was £112k. Annualised remuneration of the Bank's employees ranged from £32k - £490k; no employees received pay more than the highest paid senior manager / director.

	2021-22		
Total pay and benefits	**Lower quartile (25%)**	**Median (50%)**	**Upper quartile (75%)**
Remuneration	£59,441	£112,154	£163,363
Ratio	8.2	4.3	3.0
Salary only	**Lower quartile (25%)**	**Median (50%)**	**Upper quartile (75%)**
Remuneration	£59,441	£112,154	£163,363
Ratio	8.2	4.3	3.0

Compensation for loss of office and payments to past directors (audited)

During the reporting period, no payments were made for the loss of office or to past directors.

Remuneration policy

The Bank has engaged with an external advisor to help determine a suitable remuneration policy for all employees including base salary, annual bonus and pension. This work was concluded in June 2022. The following remuneration policy was applied for 2021-22:

Base salary

The base salary is the basic pay agreed upon when each employee is hired and is set in consideration of sector, regional and local benchmarks.

Bonus

The CEO's contract includes a performance LTIP aligned to the strategic deliverables of the Bank. For the 2021-22 financial year, the CEO's individual performance in leading the Bank's delivery against its strategy was assessed and agreed by the Remuneration Committee. The policy allows for the CEO to be awarded up to 50% of annual salary as a performance LTIP. In the 2021-22 financial year the Remuneration Committee assessed the CEO's performance as meriting 75% of this award, which has then been pro-rated to reflect his actual time in role during the period. 100% of the CEO's LTIP is deferred, with 50% payable in the second year following the award and 50% payable in the third year following the award.

Secondees' bonuses were determined annually by the individual home organisations' rating of performance through their year-end appraisal process.

Fees

The Chair is an employee of the Bank and receives a monthly salary. Neither of the other Non-Executive Directors serving during the financial year received fees from the Bank as they undertook these roles as part of their existing positions in UKGI and on the Board of HM Treasury respectively.

Pensions

All permanent employees, excluding the Chair and Chief Executive Officer, will automatically be enrolled onto the Bank's pension provider, in line with the Pensions Act 2008, unless or until they opt out. The Chair and Chief Executive Officer do not receive employer pension contributions, in accordance with their service agreements. The 8 permanent employees of the Bank (7 staff members and 1 member of the interim Executive Committee) that were transferred from other government departments have been provided with an option to join the Bank's pension scheme.

In the financial year 2022-23, the Bank selected Aviva as its workplace pension provider. Our pension is a defined contribution scheme under a Relief at Source arrangement. The employer contribution rate is 10% as standard, but we match employee contributions up to a further 5%. Employees can opt to contribute any percentage of their net pay above this further 5%, but those additional contributions will not be matched by the Bank. The scheme allows Executive directors and other employees who have reached the pension lifetime allowance, to have their employer's pension contributions paid as cash in addition to salary; the Bank will also consider this arrangement for cases of hardship or financial difficulty for other permanent employees.

Secondees' pension arrangements are made through the pension providers of their home departments. If and when they become permanent employees, they will have the option to join the Bank's pension provider, arrangements for which were made following the financial year-end and will be disclosed in our 2022-23 Annual Report and Accounts.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (Alpha), which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the PCSPS, which has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched to Alpha between 1 June 2015 and 1 February 2022. All members who switched to Alpha had their existing PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range from 4.6% and 8.05% for members of classic, premium, classic plus, nuvos, and Alpha. Benefits in classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an alternative civil service stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement)

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Value ("CETV")

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by the employer. In the financial year to 31 March 2022 David Lunn's real increase in CETV was funded by HM Treasury. It excludes increases due to inflation and contributions paid by the staff member. It is worked out using common market valuation factors for the start and end of the period.

External advisers

The Bank used advisers Aon McLagan to help benchmark roles within the market and provide a Pay and Reward recommendation. During the financial year an amount of £183,010 was accrued for fees in relation to this work. The advisers do not have any connection with the Bank.

Service contracts

The following table sets out relevant aspects of the service contracts of the Bank's directors. Previous directors of the company who were no longer serving at the inception of the Bank in June 2021 were employed and paid by the Cabinet Office. As such, details of their service contracts are not relevant for the purposes of this report.

Name	Contract start date	Contract end date	Unexpired term as at 31 March 2022	Notice period
Christopher Grigg, CBE	3 May 2021	2 May 2024	25 months	3 months
John Flint	27 September 2021	N/A	N/A	6 months
David Lunn	3 May 2021	28 April 2023	13 months	1 month
Charles Donald	18 May 2021	N/A	N/A	1 month
Gay Huey Evans, CBE	17 June 2021	10 October 2022	N/A	N/A
John Mahon	18 May 2021	17 September 2021	N/A	N/A

Note to the above table:

1. John Flint, CEO, is the only director who served during the financial year to 31 March 2022 whose contract contains provisions for further payment in the case of early termination of contract. Such provisions state that a payment would be made in lieu of notice for salary (less applicable income tax and National Insurance) but would not include any bonus, holiday entitlement or other benefits that would otherwise have been accrued during the notice period.

Remuneration policy development

Management has drafted a policy on remuneration, including that of directors, for the financial years 2022-23 and following. However, at the date of this Annual Report and Accounts, the policy remains subject to final approval and will therefore be first disclosed in the 2022-23 Annual Report and Accounts. Consideration of the external environment, the conditions and pay of employees across the Bank and the views of the Shareholder will form part of the Remuneration Committee's assessment of base salaries.

This Remuneration report was approved by the Board of Directors on 15 November 2022 and was signed on its behalf by:

John Flint
Chief Executive Officer and Accounting Officer
21 November 2022

Staff report

As at 31 March 2022, the Bank had a workforce of 127 FTE (a headcount of 134), comprised of permanent employees, secondees and contractors brought in via recruitment agencies. Secondees to the organisation are from Civil Service departments and the majority of these are from HM Treasury, the Bank's Shareholder.

A breakdown of the Bank's FTE workforce at 31 March 2022 is set out in the table below:

	31 March 2022
Permanent employees	9
Secondees	43
Contractors	75
Total	**127**

The average monthly number of FTE employees in the period is set out in *Note 3 Staff numbers and staff costs* on page 76.

Workforce location

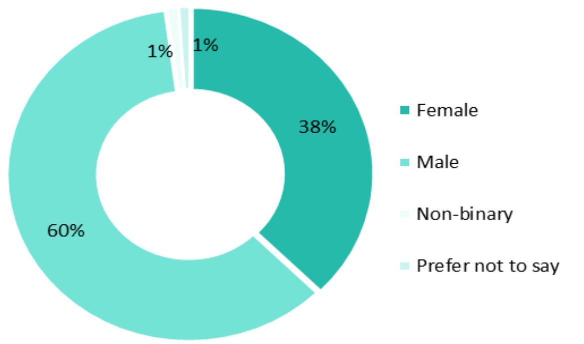
Once fully established with a predominantly permanent workforce, the Bank's target is to have at least 90% of colleagues working outside of London. The split of staff locations at 31 March 2022, was as follows:

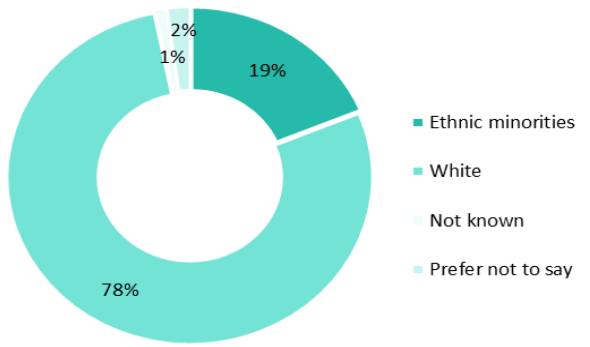
	Home location	Contracted office location
Outside London	63%	74%
London*	37%	26%

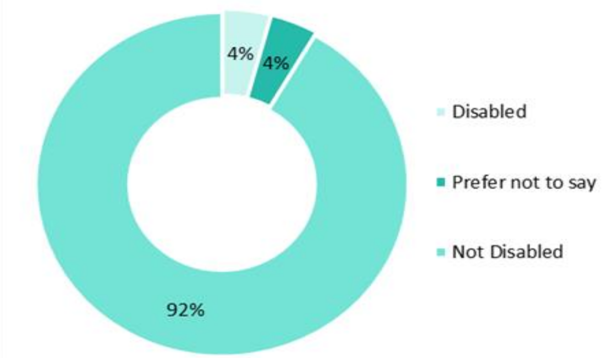
* For 'Home location', we have assumed all postcodes classed as being in Greater London as 'London'.

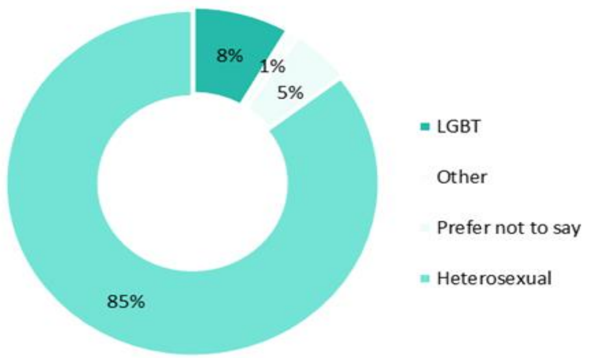
Staff diversity and inclusion

The Bank is committed to ensuring that the workforce is as diverse and inclusive as possible, giving equal opportunity to all regardless of their background, race, religion or sexuality. The following charts demonstrate the extent of diversity in the Bank's workforce, based on colleagues' self-declarations in a diversity survey completed in May 2022. The survey was shared with all 144 colleagues in post at the date of the survey and a 67% completion rate was achieved.









Sickness absence

During the reporting period the average number of working days lost due to sickness absence per FTE was minimal. Though specific sickness data has not been collected, all sickness absences are reported to line managers, and this is escalated where appropriate. No escalations were made during the accounting period. As the Bank grows its permanent workforce and ratifies the sickness absence policy during the financial year to 31 March 2023, we will collect and report on sickness absence data.

Trade Union facilities time

The total number of employees who were union officials during the period was nil.

Staff policies

The Bank is committed to ensuring equality of opportunity for all disabled staff. Applicants for positions at the Bank are invited to notify the organisation if special arrangements are required to enable them to participate in the recruitment process.

The Bank provides occupational health services to all employees to accurately identify and prescribe appropriate reasonable adjustments to support them in the workplace in accordance with the Bank's duty under the Equality Act 2010. The Bank has acquired an Employee Assistance Programme and made this available to all permanent, seconded and contractor colleagues.

Staff costs and numbers (audited)

Total costs of £8.9 million comprised £1.0 million related to permanent employees, £2.4 million related to secondees from other public and private-sector institutions and £5.5 million related to contract staff. The average monthly number of FTE employees including directors during 2021-22 was 56 (2020-21: nil). See *Note 3 Staff numbers and staff* costs on page 76 for more detail.

Staff pension costs

For the reporting period, staff pension costs of £0.1 million (2020-21: £Nil) are employers' pension contributions which were payable to the PCSPS at rates in the range 27.1% to 30.3% of pensionable earnings, based on salary bands.

Exit packages (audited)

During the reporting period, the Bank did not incur any costs in relation to exit packages (2020-21: £Nil).

Off-payroll engagements

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll.

Number of engagements for more than £245 per day as of 31 March 2022

	2021-22
Total number of engagements	78
Of which: Existed for less than one year at time of reporting	78

Number of engagements for more than £245 per day at any point during the year ended 31 March 2022

	2021-22
Total number of engagements	85
Of which: Number assessed as within the scope of IR35	85

No engagements have been reassessed for compliance or assurance purposes during the period.

Number of engagements of senior officials with significant financial responsibility in the year

	2021-22
Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the period.	6
Of which: Existed for less than one year at time of reporting	6
Total number of individuals on payroll and off-payroll that have been deemed Board members, and/or senior officials with significant financial responsibility during the period.	20

Due to the launch of the Bank, some senior officials with financial responsibility are employed on a temporary basis to help establish processes and controls. The Bank has now begun the process of recruiting for permanent staff to replace this interim resource.

Parliamentary accountability

Remote contingent liabilities not required to be disclosed under IAS 37 (audited)

The Bank has no contingent liabilities reported under IAS 37, however, the Bank is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability or a contingent liability otherwise outside the scope of IAS 37, such as financial guarantees.

These disclosures are required by Managing Public Money and are related to Parliamentary accountability. All contingent liabilities must be reported to Parliament by a departmental minute so that Parliament has the opportunity to debate the merits of the item and to bind the government to honour the obligation. To meet the relevant disclosure requirements the Bank is required to provide a brief description of the nature of each contingent liability and where practical, an estimate of its financial effect.

A remote contingent liability represents the maximum potential exposure assuming trigger events occur, and the maximum exposure crystallises. If any of the contingent liabilities detailed below were to crystallise and the Bank was required to settle an obligation this would be achieved through the normal Supply Estimates process.

Information on loan and capital commitments can be found in *Note 12 Undrawn loan and capital commitments* on page 80.

Losses and special payments (audited)

During the financial year 2021-22, the Bank had no losses and special payments.

Payment of suppliers

In May 2010, the government introduced a 5-day target for all suppliers to receive payment. During 2021-22, the Bank made 67% of all supplier payments within 5 days, against a cross-government target of 90%. This low percentage was due to the Bank being set up during the year and the associated time taken to develop and embed processes and controls to monitor and improve supplier payment timeliness. The Bank is working to ensure compliance with the payment target over the coming year.

Auditor

The Annual Report and Accounts of the Bank are audited by the Comptroller and Auditor General ("C&AG"). Information on the audit fees can be found on *Note 4 Other operating expenditure* on page 77.

Independent auditor’s report to the members of UK Infrastructure Bank Limited

Opinion on financial statements

I have audited the financial statements of UK Infrastructure Bank Limited for the year ended 31 March 2022. The financial statements which comprise UK Infrastructure Bank Limited’s:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of UK Infrastructure Bank Limited’s affairs as at 31 March 2022 and its profit for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council’s *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of UK Infrastructure Bank Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that UK Infrastructure Bank Limited’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on UK Infrastructure Bank Limited’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor’s report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual.

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of UK Infrastructure Bank Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; and
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing UK Infrastructure Bank Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of UK Infrastructure Bank Limited 's accounting policies, key performance indicators and performance incentives;
- Inquiring of management, UK Infrastructure Bank Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to UK Infrastructure Bank Limited's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including UK Infrastructure Bank Limited's controls relating to UK Infrastructure Bank Limited 's compliance with the Companies Act 2006, Tax legislation and Managing Public Money;
- discussing among the engagement team and involving relevant external specialists, including tax and expected credit losses specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within UK Infrastructure Bank Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of UK Infrastructure Bank Limited's framework of authority as well as other legal and regulatory frameworks in which UK Infrastructure Bank Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of UK Infrastructure Bank Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, the Financial Services and Markets

Act 2000 (Exemption) (Amendment) Order 2021, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Stephen Young (Senior Statutory Auditor)
23 November 2022

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Financial statements

Statement of Comprehensive Income

for the period ended 31 March 2022

	Note	2021-22 £000	2020-21 £000 (restated)[11]
Income			
Interest income	2	1,879	-
Interest expense		(32)	-
Net interest income		**1,847**	**-**
Fees and commission income		384	-
Changes in fair value of assets held at FVTPL	7	123,010	32,048
Net operating income before change in expected credit losses and other credit impairment charges		**125,241**	**32,048**
Change in expected credit losses and other credit impairment charges	15	(3,196)	-
Net operating income		**122,045**	**32,048**
Expenditure			
Staff costs	3	(8,884)	-
Depreciation and amortisation		(435)	-
Finance costs on lease liabilities		(15)	-
Other operating expenditure	4	(2,912)	-
Profit before taxation		**109,799**	**32,048**
Taxation	5	(5,683)	(7,505)
Profit after taxation		**104,116**	**24,543**
Net comprehensive income for the year		**104,116**	**24,543**

The Notes on pages 65 to 93 form part of these financial statements.

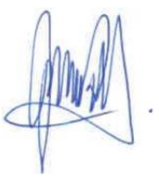
[11] Further details of the 2020-21 restatement are set out in *Note 19 Prior period restatements* on pages 88 to 92.

Statement of Financial Position

as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000 (restated)[12]	1 April 2020 £000 (restated)[13]
Assets				
Cash and cash equivalents	6	243,469	6,369	200
Trade and other receivables		922	4,408	-
Financial assets held at FVTPL	7	170,075	162,029	107,309
Financial assets held at amortised cost	8	175,665	-	-
Property and equipment		528	-	-
Right-of-use assets		1,509	-	-
Total assets		**592,168**	**172,806**	**107,509**
Liabilities				
Trade and other payables	9	(3,836)	(2,152)	(189)
Lease liabilities		(1,469)	-	-
Loan commitment financial liabilities	10	(2,274)	-	-
Loan amounts owed to Shareholder	11	(10,012)	(141)	-
Provisions		(65)	-	-
Deferred tax liabilities	5	(11,172)	(5,542)	-
Total liabilities		**(28,828)**	**(7,835)**	**(189)**
Net assets		**563,340**	**164,971**	**107,320**
Equity				
Share capital	16	274,200	-	-
Capital contribution reserve	SoCE	156,075	145,596	112,488
Retained earnings	SoCE	133,065	19,375	(5,168)
Total equity		**563,340**	**164,971**	**107,320**

The financial statements were authorised for issue on 23 November 2022. They were approved by the Board on 15 November 2022 and signed on its behalf by:



John Flint
Accounting Officer
21 November 2022

The Notes on pages 65 to 93 form part of these financial statements.

[12] Further details of the 2020-21 restatement are set out in *Note 19 Prior period restatements* on pages 88 to 92.

Statement of Changes in Equity

for the period ended 31 March 2022

	Share capital £000	Capital Contribution Reserve[13] £000	Retained Earnings £000	Total £000
Balance at 1 April 2020 (restated)[14]	-	112,488	(5,168)	**107,320**
Net profit after tax	-	-	24,543	**24,543**
Capital contribution	-	33,108	-	**33,108**
Balance at 31 March 2021 (restated)[15]	-	145,596	19,375	**164,971**
Net profit after tax	-	-	104,116	**104,116**
Issue of new ordinary shares	274,200	-	-	**274,200**
Capital contribution	-	10,479	-	**10,479**
Grant from HM Treasury	-	-	9,574	**9,574**
Balance at 31 March 2022	274,200	156,075	133,065	**563,340**

The Notes on pages 65 to 93 form part of these financial statements.

[13] Prior to 13 September 2021, the entity was funded from direct cash injections from its sole shareholder that were recognised as cash capital contributions in shareholder's equity.

[14] Further details of the 2020-21 restatement are set out in *Note 19 Prior period restatements* on pages 88 to 92.

Statement of Cash Flows

for the period ended 31 March 2022

	Note	2021-22 £000	2020-21 £000 (restated)[15]
Cash flows from operating activities			
Profit before taxation		109,799	32,048
Adjustments for:			
Depreciation and amortisation		435	-
Purchase of assets held at FVTPL	7	(27,785)	(38,982)
Changes in fair value of assets held at FVTPL	7	(123,010)	(32,048)
Repayments of assets held at FVTPL	7	142,749	16,310
Origination of assets held at amortised cost	8	(175,042)	-
Expected credit loss on amortised cost assets	15	3,196	-
Accrued interest	8	(1,544)	-
Commitment fees for loans	11	-	141
Decrease/(increase) in trade and other receivables		3,550	(4,408)
Increase in accruals and deferred income		3,223	-
Increase in provisions		65	-
Grant from HM Treasury	SoCE	9,574	-
Increase in interest payable on corporation tax		21	-
Payment of corporation tax		(2,102)	-
Net cash used in operating activities		**(56,871)**	**(26,939)**
Cash flows from investing activities			
Purchase of property and equipment		(106)	-
Commitment fees for loan		-	-
Purchase of assets held at FVOCI		-	-
Net cash used in investing activities		**(106)**	**-**
Cash flows from financing activities			
Capital contribution	SoCE	10,479	33,108
Issuance of shares	16	274,200	-
Payment of lease liabilities		(473)	-
Loan from HM Treasury	11	10,000	4,233
Increase in interest payable	11	12	-
Repayment of amount owed to HMT	11	(141)	-
Loan made on behalf of HMT		-	(4,233)
Net cash from financing activities		**294,077**	**33,108**
Net increase in cash and cash equivalents		**237,100**	**6,169**
Cash and cash equivalents at beginning of year	SoFP	6,369	200
Cash and cash equivalents at end of year	SoFP	**243,469**	**6,369**

The Notes on pages 65 to 93 form part of these financial statements.

[15] Further details of the 2020-21 restatement are set out in *Note 19 Prior period restatements* on pages 88 to 92.

Notes to the financial statements

1. Accounting policies

The UK Infrastructure Bank Limited ("the Bank") is incorporated in the United Kingdom under The Companies Act 2006. The address of the registered office is One Embankment, Neville Street, Leeds, England, LS1 4DW.

1.1 Significant accounting policies

1.1.1 Basis of preparation

The financial statements follow the principles of the Government Financial Reporting Manual (FReM) 2021-22 and the financial reporting framework that has been applied in their preparation is applicable law and the UK adopted International Accounting Standards ("IAS"), as applied in accordance with the provisions of the Companies Act 2006. The principles of the FReM are only followed where they go beyond and do not conflict with the Companies Act 2006. The Bank's financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£000).

1.1.2 Accounting convention

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at amortised cost and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.1.3 Going concern

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Bank has entered into a keep well agreement with the Commissioners of HM Treasury stating it will provide sufficient funding to enable the Bank to meet its liabilities as and when they fall due to a current funding cap limit of £22 billion. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.1.4 IFRS in issue but not yet effective

The Bank has not early-adopted any new or amended standards in preparing these financial statements. The only standard, amendment or interpretation issued but not yet in effect or early adopted, and which is relevant to the Bank, is:

IFRS 17 'Insurance Contracts' was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023 (subject to UK endorsement) and applies to insurance contracts within the scope of the standard. This standard is not expected to have a material impact on the Bank's future financial statements, as the Bank does not have any insurance contracts.

1.1.5 Interest income

Interest income and expense on all amortised cost financial instruments are recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts future contractual cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses ("ECL"). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs, and premiums or discounts that are integral to the effective interest rate, such as origination fees.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount (i.e., the amortised cost of the financial asset less the impairment allowance).

When the Bank revises the estimates of future cashflows, the carrying amount of the respective financial instrument is adjusted to reflect the new estimate. Any changes are recognised in the Statement of Comprehensive Income.

1.1.6 Fee and commission income

The Bank may receive facility fees as part of its lending transactions; these facility fees are treated as income which is integral to the financial instrument and so included in the effective interest rate.

The Bank administers HM Treasury's UK Guarantee Scheme and receives an agency fee for this work. This fee is accrued and shown separately in the Statement of Comprehensive Income.

1.1.7 Staff costs

The Bank recognises secondee costs and contractor costs within staff costs as they are incurred. Secondee costs include the standard rate of Value Added Tax ("VAT"). Contractor costs are recognised at their invoice cost.

1.1.8 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages, and employment-related payments (such as National Insurance and the apprentice levy) are recognised in the period in which the service is received from employees. The cost of annual leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

Seconded employees are covered by either the provisions of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servants and others Pension Scheme (CSOPS known as "Alpha"), full details of which can be found in the Remuneration and Staff Report.

The Bank provides other permanent employees, who were not enrolled into the Civil Service pension scheme, with a pension from the Bank's defined contributions scheme. The cost to the Bank is taken as equal to the contributions payable to the scheme for the accounting period.

There are no pension costs incurred for contractors.

1.1.9 Other operating expenditure

Expenditure on other operating costs is recognised as incurred. Examples of such costs are professional fees and utilities.

1.1.10 Taxation

Taxation comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income ("OCI").

Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The Bank's current tax is calculated using tax rates that are enacted or substantively enacted at the reporting date. The Limited Partnerships in which the Bank invests are transparent for tax purposes and so current tax includes the tax calculated on the Bank's share of profit/losses allocated from these Limited Partnerships. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Value added tax

The Bank is in the process of registering for VAT. Input VAT that relates to exempt supplies on purchases are not recoverable and are therefore charged to the statement of comprehensive income included under the heading relevant to the type of expenditure. Input VAT that relates to taxable supplies including that which relates to the reclaimable pre-registration period that has not been reclaimed from HMRC yet is shown within trade and other receivables.

1.1.11 Financial instruments

Classification and measurement of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instrument transactions are accounted for at settlement date.

a) Classification of financial assets

Classification of financial assets is determined by the objectives of the business model under which the assets are managed, and the contractual cash flow characteristics of those assets. The business model may be considered to be one of holding the asset to collect the cash flows arising; holding the asset to collect the cash flows arising or to sell it; or holding the asset to sell it. The contractual cash flow characteristics of an asset may be considered to be 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding or not to be SPPI.

Business Model: the Bank holds its financial assets in a hold-to-collect business model as there is no intention to sell or transfer any of the assets. Furthermore, the Bank assesses and manages its financial risks (i.e., market, liquidity and credit risks) on a long-term basis not as a trading portfolio.

Contractual cash flows: financial assets may be measured at amortised cost, fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). The measurement classifications of financial assets are as follows:

	SPPI	Not SPPI
Hold to collect	Amortised cost	FVTPL
Hold to collect and sell	FVOCI	FVTPL
Hold to sell	FVTPL	FVTPL

The Bank has assessed that the terms of the loan assets meet the SPPI test and therefore they are classified as measured at amortised cost.

IFRS 9 permits an entity to make an irrevocable election at initial recognition to present the fair value changes of certain equity instruments in OCI rather than through profit and loss.

The Bank holds investments in three Private Fund Limited Partnerships ("the Funds") which are recognised and measured at FVTPL.

These investments were previously held at FVOCI however, the OCI election is not available for this type of financial instrument and as such, the accounts have been restated to reflect this change in accounting treatment. Further information on the prior year restatement is given in *Note 19 Prior period restatements* on pages 88 to 92.

b) Measurement of financial assets

i) Equity instruments held at FVTPL

Equity instruments held at FVTPL are recognised initially at fair value which is the transaction price (i.e. cost). FVTPL assets are subsequently carried at fair value. Movements in fair value are reported to the Statement of Comprehensive Income. As these are assets measured at FVTPL, no separate impairment assessment is required.

ii) Debt instruments held at amortised cost

Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows and where those cash flows represent SPPI are measured at amortised cost. Cash flows are considered to represent SPPI where they are consistent with a basic lending arrangement. Where the contractual cash flows introduce exposures to risk or volatility unrelated to a basic lending arrangement, such as from changes in equity prices or linked to another party's credit risk, the cash flows are not considered to be SPPI.

Financial assets and liabilities measured at amortised cost are initially recognised at fair value, plus or minus transaction costs directly attributable to the origination or issue of the financial instrument.

Subsequent measurement is at amortised cost, using the effective interest rate method. Amortised cost is the amount at which a financial instrument is initially recognised, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method. The carrying amount of these assets is adjusted by an expected credit loss allowance.

The effective interest rate exactly discounts estimated future cash payments or receipts, including fees that are an integral part of the overall return, over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability.

c) Trade and other receivables

Trade and other receivables held by the Bank do not have a significant financing component and are initially measured at their transaction price. They are subsequently measured at amortised cost.

d) Impairment of financial assets and loan commitments

i) Provisioning

IFRS 9 uses a forward-looking ECL model for impairment provisioning. The ECL model applies to debt instruments accounted for at amortised cost, and loan commitments. IFRS 9 requires that expected losses are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario.

At initial recognition, an impairment allowance is required for ECL resulting from default events expected within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, allowance is required for ECL resulting from default events expected over the estimated life of the financial instrument ("lifetime ECL").

IFRS 9 requires the financial asset to be allocated to one of the following three 'stages':

Stage 1 – Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset.

Stage 2 – Financial assets which have experienced a significant increase in credit risk since initial recognition. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset: and

Stage 3 – Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime ECL impairment allowance is required. However, interest income on stage 3 financial assets is calculated on the financial asset balance net of the impairment allowance.

For trade receivables that are considered short-term and do not contain a significant financing component, the Bank's policy is to apply the simplified approach permitted by IFRS 9 which is a provision matrix based on number of days past due.

ii) Definition of Default

By definition, a lending instrument can experience a loss only if there has been a default. As required under IFRS 9, the Bank applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and also considers qualitative indicators (for example, financial covenants) when appropriate. Conceptually, default occurs when a debtor is unable to meet the legal obligation of debt repayment. A default is considered to have occurred with regards to a particular borrower when one or more of the following events have taken place: (a) It is determined that the borrower is unlikely to pay its debt obligations (principal, interest, or fees) in full; (b) A credit loss event associated with any obligation of the borrower, such as charge-off, specific provision, or distressed restructuring involving the forgiveness or postponement of principal, interest, or fees; (c) The borrower is past due more than 90 days on any credit obligation; or, (d) The borrower has filed for bankruptcy or similar protection from creditors.

The probability of default ("PD") for each loan or credit facility is one of the key assumptions used in the calculation of the expected credit loss under IFRS 9. The estimation of PDs is based on the internally developed credit risk rating methodology, which is applied where the externally assigned credit risk rating is not available.

iii) Significant increase in credit risk

Under IFRS 9, a possible indicator of an increase in credit risk is the increasing (or worsening) of the risk-rating (i.e., increase in probability of default) occurring since initial recognition. However, good judgement is required. Both quantitative and qualitative criteria are considered to determine a significant increase in credit risk and whether an asset should move from Stage 1 to Stage 2.

In terms of the quantitative criteria, the triggers are when the remaining lifetime PD at the reporting date has increased compared to the residual lifetime PD expected at initial recognition and when the contractual payments are more than 30 days past due. The quantitative criteria do not imply an automatic change in the stage classification and need to be considered in combination with qualitative criteria, such as internal and external rating downgrades, actual or expected forbearance or restructuring, actual or expected significant adverse change in operating results of the borrower, early signs of cashflow/liquidity problems, significant adverse changes in business, financial and/or economic conditions in which the borrower operates and an asset being transferred onto the Watchlist.

IFRS 9 allows consideration that a financial instrument is not necessarily subject to a significant increase in credit risk if it has been categorised as having a "low credit risk" at the reporting date (i.e., an "investment grade" rating might be an indicator for a low credit risk). If an asset is categorised at low credit risk or as an investment grade, rated at first recognition, stage 1 is applied using the 12-month expected credit loss. If there is a significant increase in credit risk, this asset is considered as a stage 2 and the lifetime expected credit loss is calculated using lifetime PD estimation.

If assets are defaulted exposures, namely, 90-day past due or official default, the lifetime expected credit loss is also calculated and there is no need to estimate PD, since this is equal to 100%.

If a significant increase in credit risk that had taken place since initial recognition has reversed by a subsequent reporting period (i.e., at the reporting date credit risk has not significantly increased since initial recognition) then the loss allowance reverts to 12-month expected credit losses.

If the contractual cash flows on a financial asset have been negotiated or modified and the financial asset was not derecognised, an assessment will be carried to determine whether there has been a significant increase in the credit risk of the financial instrument.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that at a minimum, all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

iv) Credit-impaired financial assets

The stage 3 category contains credit-impaired financial assets. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following types of events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that it would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In other words, financial assets are categorised in stage 3 when certain default events have occurred and that evidence can be observed and, therefore, they are already considered as credit impaired.

v) Methodology for measuring expected credit losses

The allowance for ECLs is calculated using three main components: a probability of default ("PD"), a loss given default ("LGD") and the exposure at default ("EAD"). For accounting purposes, the 12-month PDs represent the probability of a default occurring over the next 12 months or less, while the lifetime PDs represent the probability of a default occurring over the lifetime of the financial instruments, based on conditions existing at the balance sheet date and expected future economic conditions that affect credit risk.

The Bank has determined its PD using forward-looking economic scenarios and associated probability weightings. The model has been developed to have 3 plausible macroeconomic scenarios covering baseline, downside and upside.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money and is discounted using the effective interest rate.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility. The expected drawdown of the committed facility is based on management's expectation when there is no contractual drawdown profile.

ECL is calculated by multiplying the PD (12-month or lifetime depending on the staging of the loan), LGD and EAD. The measurement of ECL also takes into account all reasonable and supportable information, including forward looking economic scenarios to calculate a probability weighted forward looking estimate.

vi) Write offs

A loan is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery (as a result of the customer's insolvency, ceasing to trade or other reason) and the amount of the loss has been determined. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

e) Financial liabilities and equity instruments

The Bank currently only issues debt or equity to its sole Shareholder, HM Treasury.

The debt instruments issued can be a term loan or a revolving credit facility and, as the instruments represent a contractual arrangement to deliver cash to HM Treasury, they are classified as financial liabilities.

Financial liabilities are initially recognised at fair value and held at amortised cost with interest expense recognised under the EIR method. There are no fees or other transaction costs incurred when issuing debt instruments.

The equity instruments issued do not contain a contractual obligation to deliver cash to HM Treasury as there is no specified dividend payment schedule and the shares are non-redeemable. The shares issued may be paid in full or partly paid or unpaid. For shares that are unpaid or partly paid, the amount due is recognised as an intercompany receivable by the Bank that is callable on demand.

The equity instruments are initially recognised as the proceeds received. The Bank does not incur any material fees or other transaction costs when issuing shares.

The Bank may also provide loan facilities with a drawdown period over several years so giving rise to an unrecognised loan commitment. An ECL is recognised against the expected EAD, which is calculated as the contractual cashflows expected in the next 12 months. This ECL is recognised as a separate financial liability in the Statement of Financial Position.

f) De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. A write-off also constitutes a derecognition event.

Financial liabilities are derecognised if the Bank's obligations specified in the contract expire, are discharged or cancelled.

g) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank's financial assets held at FVTPL represent investments in three Private Fund Limited Partnerships. Market quotes are not available for these assets, so fair value is determined based on the net assets of the Limited Partnerships. Share of net assets is a reasonable proxy for fair value because the underlying assets of each of the three Limited Partnerships are held at fair value. For one Limited Partnership Fund the net asset value is adjusted for an amount due from the GP; for the other two Limited Partnership Funds, the reported net asset value is the Bank's proportion of the total net asset value.

Detail of fair value disclosures, including fair value hierarchy can be found in *Note 13 Fair value measurements* on pages 81 and 82.

1.1.12 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, comprising 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 their fair value.

1.1.13 Funding from the Shareholder

The loan with HM Treasury, the Bank's Shareholder, is classified as a financial liability at amortised cost and measured in accordance with the guidance in 1.1.11. See *Note 11 Loan amounts owed to shareholder* on page 80 for specific details.

In addition to the equity funding via share issuance mentioned in *Note 1.1.11e)*, the Bank also receives funding from HM Treasury for operating costs, which is credited to the Retained Earnings in the year in which it is received.

The funding does not meet the definition of a grant in IAS 20 as there are no substantive conditions attached to the funding. Rather, HM Treasury has relieved the Bank from the intercompany obligation. As a 3rd party would not relieve such an obligation, the transaction represents HM Treasury acting in its capacity as the controlling Shareholder and the funding is treated as a non-reciprocal gift.

1.1.14 Contingent liabilities and assets

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the Statement of Financial Position but are disclosed in the Notes to the Financial Statements.

A contingent liability is either: a possible obligation arising from past events, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or: it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not probable to settle the obligation or the amount of the obligation cannot be reliably estimated.

A contingent asset is an asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are not recognised until the realisation of income is virtually certain. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

1.1.15 Leases

Under IFRS 16, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. If this rate cannot easily be determined HM Treasury's discount rate usually published in the relevant Public Expenditure Statement ("PES") paper in December is used. A corresponding right-of-use asset is also recognised.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either: (i) the Bank has the right to operate the asset; or (ii) the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

1.1.16 Capitalisation of property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. The threshold for capitalising a non-current asset is £5,000. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset and is recognised in profit or loss.

The charge for depreciation or amortisation is calculated to write down the cost of property, plant and equipment to their estimated residual values by equal instalments over their estimated useful lives, as set out in the following table:

	Years
Right of use property assets	3 to 5
Leasehold property improvements	3 to 10
Plant and machinery	3 to 10
Furniture, fixtures and fittings	5 to 10
IT and other non-IT equipment	3 to 10

1.2 Critical accounting judgements and key sources of estimation uncertainty

1.2.1 Derecognition of financial assets

During 2020-21, the Bank made a total loan commitment of £8.6 million, on behalf of HM Treasury, to support the Speyside Project under the UK Guarantees Scheme. The loan was drawn down by the end of October 2021 and settled during 2021-22 as part of the wider Speyside Project agreement. The asset and related loan commitment were derecognised in 2020-21 and no further movements were recognised in the Bank's financial statements during 2021-22.

During 2021-22, the Bank made a loan commitment of £9.4 million on behalf of HM Treasury to support the Countesswells Project under the UK Guarantees Scheme. This loan was fully drawn during 2021-22. See *Note 18 Related party transactions* on page 88 for detail.

The Bank applied judgement when evaluating whether there was (i) an initial asset to be recognised, and (ii) whether the existence of a separate contract resulted in the derecognition of the initial asset. When the Bank entered into the two separate loan agreements, one with the Speyside Project and one with Countesswells Project, it created unconditional rights to receive cash. This resulted in two loan assets being recognised in the Bank's accounts. The Bank also entered into two other contracts which created an obligation to transfer the cashflows it received from the loan agreements with the Speyside Project and Countesswells Project, to HM Treasury. Assessing the risks and rewards associated with these contracts, the Bank concluded that it retained the legal right to the cashflows but had transferred the risks and rewards of ownership, including credit risk, to HM Treasury. As a result, the Bank has derecognised the initial asset and assessed that a provision for expected credit losses on undrawn commitments is not required.

1.2.2 The assessment of ECL impairment allowance against amortised cost loans

The calculation of ECL impairment allowance is inherently uncertain and requires the Bank to make a number of assumptions and estimates.

The significant increase in credit risk is assessed using the combination of quantitative and qualitative criteria as described in *Note 1.1.11d)iii) Significant increase in credit risk* on page 69.

The ECL is calculated taking into account forward-looking macroeconomic scenarios based on the third-party base case forecast of Consumer Price Index Growth, Gross Domestic Product and interest rates. Three scenarios, baseline, downside and upside and their weights are developed internally on the basis of the externally provided data. At present, the ECL model uses a judgement-based approach to estimate the impact of the macroeconomic parameters on the PD values.

The sensitivity analysis for ECL measurement can be found in *Note 15 Financial risk review* on pages 83 to 87.

1.2.3 Local authority lending

The Bank is permitted by HM Treasury to lend to local authorities at Gilts + 60bps ("UK Infrastructure Bank Rate" or "Rate") via the Public Works Loan Board ("PWLB") and then subsequently have the loan novated to the Bank. The utilisation of the UK Infrastructure Bank Rate is dependent on the three parties: the Bank, HM Treasury and PWLB, agreeing to the novation before the initial lending is transacted. The Bank is assessed to be the principal in the initial transaction with PWLB acting as the Bank's agent. The principal market for assessing the fair value of the lending transaction is the market created by PWLB and the Bank assessed the rate it lends is at a market rate as it is consistent with PWLB's rate.

The prepayment term is the standard PWLB clause in the DMO Circular 163, which states a loan cannot be repaid if it has been outstanding for less than one year or is a fixed rate loan which has less than a year to maturity. The amount being repaid represents the present value of the remaining payments of principal and interest. When a fixed rate loan is prematurely repaid, the discount rate is the rate in the 'premature repayment' set of rates in force when the repayment is agreed for a notional loan for a period equal to the remaining term of, and repayable by the same method as, the loan being repaid prematurely.

The Bank determined the classification of the debt asset by assessing whether the terms of the instrument met the SPPI test. The key areas of judgement were the initial lending rate and the prepayment clause. The initial lending rate is deemed to be a market rate and the prepayment rate is considered to be reasonable compensation. As such, the SPPI test is met; the lending to local authorities is initially recognised at fair value with subsequent measurement at amortised cost.

1.2.4 Fair value of assets held at FVTPL

The Bank's financial assets held at FVTPL represent investments in three Private Fund Limited Partnerships. Market quotes are not available for these assets, so fair value is the net assets of the Limited Partnerships less the fees owed to the General Partner ("GP"). Share of net assets less the GP's fees is a reasonable proxy for fair value because the underlying assets of each of the three Limited Partnership are held at fair value. See *Note 13 Fair Value Measurements* on pages 81 and 82 for sensitivity analysis of investment valuation assumptions.

The investments currently held are managed by three fund managers: Amber, Infracapital and Zouk. All fund managers value the underlying assets in accordance with the International Private Equity and Venture Capital Guidelines. These guidelines provide conceptual methodologies to utilise when valuing unlisted investments. Broadly, the fair value methodologies applied to the Bank's investments can be summarised as follows:

- Earnings multiples – earnings multiples are applied to the earnings of the underlying company to determine the enterprise value. Multiples are selected by considering comparable listed companies' current performance, relevant market transaction data and exit expectations. Multiples may be discounted to factor in differences in characteristics to ensure they remain as relevant as possible to the specific company. Earnings before interest, tax, depreciation and amortisation ("EBITDA") is typically used for earnings and this may be adjusted for non-recurring items. This methodology is typically used for investments which are profitable and which have a sufficient pool of comparable companies or market transactions to obtain multiples for.

- Discounted cash flow ("DCF") – the valuation is derived by discounting long-term cash flows (EBITDA) at a rate which is benchmarked against market data or adjusted from the rate at the initial investment based on changes in the risk profile of the investment. This methodology is typically used for investments which have long-term stable cash flows, typically observed in infrastructure investments, or where DCF is more appropriate than Earnings multiples in the short-term.
- Cost – when there is high uncertainty over future cashflows, coupled with a lack of relevant market transactions, assets may continue to be held at cost and adjusted for future corporate financing rounds. This is often the approach taken for early investment in start-up businesses particularly in the Venture Capital market.

Given the stage of the underlying investments, fund managers largely apply the DCF methodology to value the underlying investments. Valuation outcomes from this methodology are compared with relevant market data, earnings multiple valuations and recent investment transaction data to ensure there is consistency in the outcome. Fund managers consider liquidity, credit and market risk factors and adjust the valuation model as deemed necessary. Key estimates and assumptions used in the valuations are: projected EBITDA at exit date, discount rates and earnings multiples. In limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient information is available to assess a fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. The cost approach was applied to 11% of the total carrying amount assets at 31 March 2022 and assessed to be reasonable given the stage of the investments.

Each of the Limited Partnerships had an audit of their 31 December financial year end. However, due to the Funds having a different reporting period end to the Bank, the net assets less GP fees used as the basis for the fair values reflected in the Bank's accounts are the 31 March 2022 unaudited balances. These valuations have moved from the audited position as at 31 December 2021 and were adjusted accordingly where considered appropriate by the fund managers. The subsequent events review for each of the funds covered the period from 31 December 2021 up to and including 31 March 2022; as a result, any material events post balance sheet date are captured within their audit review.

2. Interest income

	2021-22 £000	2020-21 £000
Interest income on loans at amortised cost	1,879	-

During 2021-22, the Bank recognised interest of £881k (2020-21: £Nil) in relation to local authority lending and £998k (2020-21: £Nil) in respect of private sector lending.

3. Staff numbers and staff costs

The average monthly number of FTE employees including directors was:

	2021-22	2020-21
Staff numbers		
Employees	4	-
Secondees	23	-
Contractors	29	-
Total staff numbers	**56**	**-**

Staff costs comprised:

	2021-22 £000	2020-21 £000
Employees:		
Salaries and wages	836	-
Staff pension costs	83	-
Social Security costs	75	-
Others:		
Bought-in services – Secondees	2,373	-
Invoiced amounts – Contractors	5,517	-
Total costs	**8,884**	**-**

Staff costs relate to permanent staff, secondees from other public sector organisations and contractors. Additional details of staff costs, directors' emoluments and full-time equivalent employees are available in the Remuneration and Staff Report on pages 46 to 54.

4. Other operating expenditure

	2021-22 £000	2020-21 £000
Professional fees	1,196	-
Information technology	584	-
Marketing	-	-
Auditor's remuneration	272	-
Other expenditure	860	-
Total other operating expenditure	**2,912**	**-**

The accounts of the Bank are audited by the National Audit Office ("NAO") under the Companies Act 2006. The cost of audit work performed is £272k including VAT (2020-21: £52.8k paid by HM Treasury without recharge). There were no payments to the NAO for non-audit work during 2021-22 and 2020-21.

5. Taxation

	2021-22 £000	2020-21 £000 (restated)
Current tax		
Current year	-	1,803
Changes in estimates related to prior years	53	160
Total current tax	**53**	**1,963**
Deferred tax		
Origination and reversal of temporary differences	5,630	5,542
Total deferred tax	**5,630**	**5,542**
Total tax recognised	**5,683**	**7,505**

Reconciliation of the tax charge in the period

	2021-22 £000	2020-21 £000 (restated)
Profit before tax	109,799	32,048
Tax on profit at standard rate 19% (2020-21: 19%)	20,862	6,089
Effects of:		
Movements in realised/unrealised gains	(20,423)	(547)
Impact of changes in tax rates	2,681	-
Movement in unrecognised deferred tax	1,960	-
Prior period adjustments	53	160
Profit allocated from Limited Partnerships in respect of investments relationships	550	1,803
Total tax charge	**5,683**	**7,505**

5. Taxation (continued)

Deferred tax liabilities

	2021-22 £000	2020-21 £000 (restated)
Balance at 31 March	**5,542**	**-**
Recognised in profit and loss	5,630	5,542
Deferred tax liability	**11,172**	**5,542**

The March 2021 Budget announced an increase to the rate of corporation tax to 25%, which will take effect from 1 April 2023. This rate had been substantively enacted at the balance sheet date and so deferred tax balances in these accounts have been measured at the future rate of 25%.

The Bank has not recognised a deferred tax asset of £3.3 million in relation to the tax adjusted loss of £13.1 million in the current year. This is based on the Bank not forecasting taxable profits in the immediate future in order to utilise the losses against, as it continues to build its income generating asset portfolio.

6. Cash and cash equivalents

	2021-22 £000	2020-21 £000
Cash at bank	243,469	6,369

All cash is held in the Government Banking Service and managed by a shared government function. This provides the most cost-effective cash management for the Bank and the government.

7. Assets held at Fair Value through Profit and Loss

	DIIF £000	CIIF £000	Total £000
Balance at 31 March 2020 (restated)	**94,400**	**12,909**	**107,309**
Additions	16,997	21,985	38,982
Repayments	(16,310)	-	(16,310)
Fair value movements	33,387	(1,339)	32,048
Balance at 31 March 2021 (restated)	**128,474**	**33,555**	**162,029**
Additions	11,420	16,365	27,785
Repayments	-	(142,749)	(142,749)
Fair value movements	9,939	113,071	123,010
Balance at 31 March 2022	**149,833**	**20,242**	**170,075**

The Bank recognised fair value gains of £123.0 million arising from fund investments in the year. A substantial proportion of these gains arose from the sale of an underlying investment within the CIIF.

8. Assets held at amortised cost

	Private Sector £000	Local Authority £000	Total £000
Balance at 31 March 2021	**-**	**-**	**-**
Additions	58,305	116,737	175,042
Repayments	-	-	-
Accrued Interest	663	881	1,544
(Expected credit losses)/Reversals	(921)	-	(921)
Balance at 31 March 2022	**58,047**	**117,618**	**175,665**

9. Trade and other payables

	2021-22 £000	2020-21 £000
Payable to HM Treasury	189	189
Accrued expenditure	3,647	-
Corporation tax	-	1,963
Total trade and other payables	3,836	2,152

10. Loan commitment financial liabilities

	2021-22 £000	2020-21 £000
Balance at 1 April	**-**	**-**
Provided in period	2,274	-
Released in period	-	-
Balance at 31 March	**2,274**	**-**
Of which:		
Current	2,274	-
Non-current	-	-

Loan commitment financial liabilities are the allowance of expected credit losses for loan commitments. See *Note 12 Undrawn loan and capital commitments* on page 80 for the information on the total and *Note 15 Financial risk review* on pages 83 to 87 for the further breakdown of the movements of the loan commitment gross exposure and expected credit loss.

11. Loan amounts owed to Shareholder

	2021-22 £000	2020-21 £000
Balance at 1 April	**141**	**-**
Additions	10,000	141
Repayments	(141)	-
Interest	12	-
Balance at 31 March	**10,012**	**141**

Loan amounts owed to Shareholder represents a fixed interest loan of £10 million entered into during the year. This loan was executed under the terms of the overarching funding agreement with HM Treasury with the fixed interest rate being Gilts+11bps.

12. Undrawn loan and capital commitments

The Bank had the following undrawn commitments at the balance sheet date:

	2021-22 £000	2020-21 £000
Undrawn capital commitments		
CIIF	154,940	164,143
DIIF	34,512	40,261
Total undrawn capital commitments	**189,452**	**204,404**
Undrawn loan commitments		
Private sector lending	133,421	-
Pass-through lending	-	4,311
Total undrawn loan commitments	**133,421**	**4,311**
Total undrawn commitments	**322,873**	**208,715**

13. Fair value measurements

The following table analyses the Bank's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

	Fair value hierarchy level	2021-22 £000 Carrying value	2021-22 £000 Fair value	2020-21 £000 Carrying value (restated)	2020-21 £000 Fair value (restated)
Financial assets: held at FVTPL					
Assets at FVTPL	Level 3	170,075	170,075	162,029	162,029
Financial assets: held at amortised cost					
Assets at amortised cost	Level 2	175,665	166,521	-	-
Trade and other receivables	Level 2	-	-	4,408	4,408
Total		**345,740**	**336,596**	**166,437**	**166,437**
Financial liabilities: held at amortised cost					
Lease liabilities	Level 2	1,469	1,469	-	-
Loan finance	Level 2	10,012	9,212	141	141
Financial liabilities: loan commitment ECL					
Loan commitment ECL	Level 2	2,274	2,274	-	-
Total		**13,755**	**12,955**	**141**	**141**

Assets and liabilities carried at fair value, or for which fair values are disclosed, are classified into three levels according to the quality and reliability of information used to determine those fair values.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted process included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of level 2 financial assets is estimated using discounted cash flow techniques, applying the same rate that would be offered for a loan of similar maturity and terms.

Level 3: Inputs that are unobservable. Assets at FVTPL are the only financial instruments that are held at fair value in the Bank's financial statements. At initial recognition, these are recognised at fair value which is approximated at the transaction price i.e., the fair value of the consideration given or received, represents the fair value of financial asset at the initial recognition. For these unlisted entities, subsequent measurement is determined by taking net assets as a proxy for fair value because the underlying assets of each entity are held at fair value. Further information on the fair value methodology can be found in *Note 1.2.4 Fair value of assets held at FVTPL* on pages 74 to 75.

There were no transfers between levels in the hierarchy during the period. A reconciliation of Level 2 fair value measurement of assets held at amortised cost is shown in *Note 8 Assets held at amortised cost* on page 79. Further information on the accounting treatment of financial instruments under IFRS 9 is given in *Note 1.1.11 Financial instruments* on page 67.

The fair value of the Bank's investments which are not traded in an active market is determined by using appropriate valuation techniques, including the discounted cash flow method, EBITDA multiples, comparison with similar instruments for which market observable prices exist and other relevant

13. Fair value measurements (continued)

valuation models. These models incorporate investment specific credit, liquidity and capital risk factors, and require the Limited Partnership to make certain assumptions in relation to unobservable inputs.

The investments of National Digital Infrastructure Fund PF LP are valued primarily based on a discounted cashflow methodology using appropriate growth rates, multiples and discount rates. A sensitivity analysis for possible alternative assumptions as at 31 December 2021 (the Partnership's reporting date) is provided below:

Significant Assumption	Sensitivity Factor	Change in Fair Value of Investment	Sensitivity Factor	Change in Fair Value of Investment
Discount rate	+0.5%	-£11.0m	-0.5%	£11.3m
Inflation rate	+0.5%	£15.4m	-0.5%	-£17.5m

The investments of Digital Infrastructure Investment Partners LP are held at fair value in accordance with International Private Equity and Venture Capital Guidelines. A sensitivity analysis for possible alternative assumptions as at 31 March 2022 (the Partnership's reporting date) is that 5% over or under valuation of the investment assets could lead to a movement upwards or downwards in the net asset value of the Partnership of £4.9 million.

The fair values of investments held by Zouk Charging Infrastructure Investment Fund is determined using valuation techniques, primarily earnings multiples and recent comparable transactions. A sensitivity analysis for possible alternative assumptions as at 31 March 2022 (the Partnership's reporting date) is that a 5% over revaluation or under revaluation would subsequently lower or raise the fair value of the portfolio by £1.0 million.

The fund managers for fund investments use valuation methodologies including earnings multiples, comparable transactions and discounted cashflows all of which are inherently uncertain as marketplaces change and so forecasts, and historical reference points become less reliable. As set out in *Note 1.1.11 Financial instruments* on page 67, these figures have been taken as a fair interpretation of the situation as at 31 March 2022.

14. Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Bank. Such interests include debt and equity investments and investment management agreements. Depending on the Bank's power over the activities of the entity and its exposure to, and ability to influence, its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

As at 31 March 2022, the Bank has a senior and a junior debt investment in a structured entity. These debt instruments do not provide the Bank with any variability in cash flows, control rights or significant influence over the entity and therefore the Bank does not consolidate the structured entity. The Bank's maximum exposure to unconsolidated entities is the same as the carrying amount of the amortised cost debt assets included under financial assets held at amortised cost within the Statement of Financial Position ("SOFP"), of £43.6 million (2020-21: £Nil), as the loans are fully drawn. The purpose of the structured entity is to develop seed assets for a Limited Partnership equity fund.

15. Financial risk review

15.1 Risk management

The objective of the Bank's financial risk management is to manage and control the risk exposures of its investments. Details of the Bank's risk management structure are provided in the "Our risk management and internal controls" within the Accountability Report. This note presents information about the nature and extent of risks arising from the financial instruments.

15.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, other price risk and foreign exchange risk.

Interest rate risk
The Bank's investments comprise fixed and variable interest rate loans. The Bank's exposure to interest rate risk is not significant for the financial period 2021-22 and the Bank does not use derivatives to hedge interest rate risk.

The impact of a 50-basis point increase/(decrease) in effective interest rate applicable to loan investments would be an approximate increase (decrease) in interest income for the period of +/-£500k.

Other price risk
The Bank is subject to certain risk associated with the ownership of infrastructure and infrastructure related assets. For example, local, national and economic conditions; the supply and demand for services from and access to infrastructure; availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable. These risks could cause fluctuations in the valuation of the investments and negatively affect the returns. The impact of such fluctuations is reflected in *Note 13 Fair value measurements* on pages 81 and 82.

Foreign exchange risk
The Bank does not have exposure to currency risk as the Bank invests in its functional currency of pound sterling.

15.3 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Bank by failing to discharge an obligation.

Maximum credit risk exposure

	Maximum exposure to loss 2021-22 £000	**Maximum exposure to loss 2020-21 £000**
Cash and cash equivalents	243,469	6,369
Assets held at FVTPL	170,075	162,029
Assets held at amortised cost	175,665	-
Balance at 31 March	**589,209**	**168,398**

15.3 Credit risk (continued)

Off balance sheet

	Maximum exposure to loss 2021-22 £000	Maximum exposure to loss 2020-21 £000
Contractual lending commitments	133,421	4,311
Capital commitments	189,452	204,403
Balance at 31 March	**322,873**	**208,714**

Information on the fair value assessment and related sensitivity analysis of the assets held at FVTPL can be found in *Note 13 Fair value measurements* on pages 81 and 82.

The table below shows the total expected credit losses recognised on amortised cost instruments:

	2021-22 £000	2020-21 £000
Impairment of Loan	921	-
Impairment of Loan commitment	2,275	-
Total expected credit losses on amortised cost instruments	**3,196**	**-**

The Bank held cash and cash equivalents of £243.5 million as at 31 March 2022 (2020-21: £6.4 million). The cash and cash equivalents are held with a bank which is rated A on long-term and A-1 on short term based on S&P ratings. The Bank considers that cash and cash equivalents have a low credit risk based on the external ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

The Bank does not hold any short-term financial instruments within trade and other receivables at year end. As such, an expected credit loss has not been recognised in the accounts.

The Bank has carried out sensitivity analysis on the key input to the expected credit losses model. The potential impact of a deteriorated PD input with a sensitivity of a 1-notch downgrade could increase ECL provisions by £2.7 million. The potential impact of a 1-notch downgrade on LGD rating scale could increase provisions by £1.5 million.

15.3 Credit risk (continued)

The following tables show a reconciliation from the opening to the closing balance of the loss allowance. The basis for determining transfers due to changes in credit risk is set out in *Note 1.1.11 Financial instruments* on page 67.

Allowance for expected credit losses on loans

	Not credit impaired				Credit impaired			
	Stage 1 Subject to 12 months ECL		Stage 2 Subject to lifetime ECL		Stage 3 Subject to lifetime ECL		Total	
	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000
Balance at 1 April 2021	-	-	-	-	-	-	-	-
New loans originated or purchased	176,586	(921)	-	-	-	-	176,586	(921)
Balance at 31 March 2022	**176,586**	**(921)**	**-**	**-**	**-**	**-**	**176,586**	**(921)**
Carrying amounts at 31 March 2022		**175,665**		**-**		**-**		**175,665**

Allowance for expected credit losses on loan commitments

	Not credit impaired				Credit impaired			
	Stage 1 Subject to 12 months ECL		Stage 2 Subject to lifetime ECL		Stage 3 Subject to lifetime ECL		Total	
	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000
Balance at 1 April 2021	-	-	-	-	-	-	-	-
New loan commitments	133,421	(2,275)	-	-	-	-	133,421	(2,275)
Balance at 31 March 2022	**133,421**	**(2,275)**	**-**	**-**	**-**	**-**	**133,421**	**(2,275)**
Carrying amounts at 31 March 2022		**131,146**		**-**		**-**		**131,146**

There were no financial assets held at amortised cost or at FVOCI, that required an ECL, in the prior year.

15.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due. The Bank currently receives equity and debt funding from HM Treasury to finance its operations and investment activities. If the Bank finds itself unable to meet its payment obligations, under the terms of its keep well agreement with HM Treasury, it will receive support from the HM Treasury up to a cap of £22 billion, to enable it to satisfy its financial obligations and therefore the Bank is exposed to minimal liquidity risk. The Bank closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial commitments.

The tables below provide detail on the contractual maturity of all financial instruments and other assets and liabilities:

31 March 2021	On demand £000	Not more than 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial assets						
Assets held at FVTPL	-	-	-	-	162,029	162,029
Cash and cash equivalents	6,369	-	-	-	-	6,369
Total financial assets	**6,369**	**-**	**-**	**-**	**162,029**	**168,398**

31 March 2022	On demand £000	Not more than 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial assets						
Assets held at FVTPL	-	-	-	-	170,075	170,075
Cash and cash equivalents	243,469	-	-	-	-	243,469
Assets held at amortised cost	-	-	43,817	27,808	104,040	175,665
Total financial assets	**243,469**	**-**	**43,817**	**27,808**	**274,115**	**589,209**

There were no financial liabilities for the year to 31 March 2021. The table below shows cashflows payable for the year to 31 March 2022. There is no material difference between discounted and undiscounted values.

31 March 2022	On demand £000	Not more than 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial liabilities						
Loan finance	-	-	-	-	10,012	10,012
Loan commitment	-	-	2,275	-	-	2,275
Total financial liabilities	**-**	**-**	**2,275**	**-**	**10,012**	**12,287**

15.4 Liquidity risk (continued)

The table below reflects the anticipated drawdowns based on a cashflow forecast and the elements of total commitments expected to expire without being drawn.

31 March 2022	On demand £000	Not more than 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Off-balance sheet						
Contractual lending commitments	-	12,615	31,065	89,741	-	133,421
Capital commitments	-	9,960	24,095	114,189	41,208	189,452
Total off-balance sheet	**-**	**22,575**	**55,160**	**203,930**	**41,208**	**322,873**

15.5 Capital management

The Bank is not regulated by the Prudential Regulation Authority ("PRA") or the Financial Conduct Authority ("FCA"). The Bank's objective when managing economic capital is to safeguard its ability to continue as a going concern so that it can continue to meet its financial obligations as and when they fall due. The Bank's economic capital comprised of issued share capital, reserves and retained earnings and, when assessed at the year end, was deemed sufficient under the standardised approach.

16. Share capital

	2021-22	2020-21
Authorised equity: Ordinary shares of £1 each	£274,200,100	£100
Authorised equity: Allotted, called up and fully paid	274,200,001	1
Authorised equity: Allotted, called up and unpaid	-	-

In accordance with the Companies Act 2006, the Bank does not have authorised capital other than its issued capital.

The Ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up. The shares carry no right to fixed income. No dividends were declared or paid in 2021-22 (2020-21: £nil) on the Bank's Ordinary shares.

During the period, the Bank passed the following special resolutions to allot new shares and the shares were allotted on the same dates.

Date of resolution	Number of shares allotted	Nominal value of each share (£)	Total value (£)	Total accumulated value (£)
13 September 2021	101,200,000	1.00	101,200,000	101,200,001
22 October 2021	3,000,000	1.00	3,000,000	104,200,001
5 November 2021	45,000,000	1.00	45,000,000	149,200,001
11 November 2021	125,000,000	1.00	125,000,000	274,200,001

17. Parent company

As at 31 March 2022, the Bank was a wholly owned subsidiary of HM Treasury, owned by the Treasury Solicitor as nominee shareholder. In the opinion of the directors, the Bank's ultimate parent company and ultimate controlling party is HM Treasury. It is registered in England and Wales and operates in the United Kingdom. Its principal place of business is: 1 Horse Guards Road, London, SW1A 2HQ.

Consolidated accounts of the HM Treasury Group can be obtained from the above address or via https://www.gov.uk/government/collections/hmt-annual-report.

18. Related party transactions

HM Treasury is the ultimate controlling party of the Bank. As part of the keep well agreement between the Bank and HM Treasury, the Bank's operating costs and financial obligations are met by HM Treasury.

On 28 October 2020 the Bank made available a loan facility of £8.6 million to the Speyside Project company as part of an approved package of support measures. Prior to that, on 13 October 2020 a director of the Bank also became a director of the Holding company of the project company to which the loan was made. The director's role was for a limited period of time until the company could be stabilised and/or sold in order to reduce any exposure of HM Treasury under the guarantee. The director resigned from the post at the Bank on 18 May 2021. During 2021-22 the outstanding balance was drawn. The loan was derecognised by the Bank's in 2020-21 as the risks and rewards, including credit risk, were transferred to HM Treasury. The loan was settled during 2021-22 as part of the Speyside Project agreement.

There were no further transactions between the Bank and key members of management (or any other HM Treasury staff). There were no transactions between the Bank and any other members of the HM Treasury Group.

The total amount of directors' emoluments in the period was £495,385. Further details of compensation for key management personnel can be found in the Remuneration and Staff Report on pages 46 to 51.

19. Prior period restatements

IFRS 9 permits an entity to make an irrevocable election at initial recognition to present the fair value changes of certain equity instruments in OCI rather than through profit and loss. The Bank holds investments in three Private Fund Limited Partnerships, which were assessed to be equity instruments and for which the OCI election was made in the prior years. As such, for periods up to and including the financial year ending 31 March 2021, the assets were measured at fair value with the movements in fair value recognised in OCI (FVOCI). However, the Bank has since reassessed this position and determined that the fair value movements should be recognised within the Profit and Loss (FVTPL). This was due to the assets having "debt instrument" characteristics and were only classified as "equity instruments" by exception. This election by exception does not allow an "equity instrument" to then be measured as FVOCI and instead should be measured as FVTPL. As a result, the financial assets have been reclassified from FVOCI to FVTPL, leading to the restatement of the net fair value movements from OCI to P&L.

In the prior year, cash distributions of £6 million for the DIIF were treated as dividend income, and £10.3 million of cash that was available for distributions but retained by the fund (i.e., a deemed distribution) was not reflected in the accounts. Both distributions should have been treated as repayments of assets held at FVTPL.

Of the £10.3 million deemed distribution, £5.9 million was used by the fund for further investments with the balance of £4.4 million being restated to Trade and other receivables. The resulting impact of these adjustments is an increase in the fair value movement of £10.4 million.

The net impact of the reclassifications results in an increase to profit after taxation from £4.1 million to £24.5 million for the prior year. There is also an impact on the deferred tax liability, increasing this to £5.5 million.

Loan amounts owed to Shareholder has been presented separately from Trade and other payables as it is expected that this balance will be a larger proportion of liabilities in the future.

The balance sheet impact of the prior year restatement as at 1 April 2020 on the Statement of Financial Position is set out in the following table.

Statement of Financial Position

	Reported 1 April 2020 £000	Restatement 1 April 2020 £000	Restated 1 April 2020 £000
Assets			
Cash and cash equivalents	200	-	200
Financial assets held at FVOCI	107,309	(107,309)	-
Financial assets held at FVTPL	-	107,309	107,309
Total assets	**107,509**	**-**	**107,509**
Liabilities			
Trade and other payables	(189)	-	(189)
Total liabilities	**(189)**	**-**	**(189)**
Net assets	**107,320**	**-**	**107,320**
Equity			
Capital contribution reserve	112,488	-	112,488
Fair value reserve	(5,179)	5,179	-
Retained earnings	11	(5,179)	(5,168)
Total equity	**107,320**	**-**	**107,320**

The impact on the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of the prior year restatement for the year ending 31 March 2021 is as follows:

19. Prior period restatements (continued)

Statement of Comprehensive Income

	Reported 2020-21 £000	Restatement 2020-21 £000	Restated 2020-21 £000
Income			
Net investment income	6,028	(6,028)	-
Changes in fair value of assets held at FVTPL	-	32,048	32,048
Net operating income	**6,028**	**26,020**	**32,048**
Profit/(loss) before taxation	**6,028**	**26,020**	**32,048**
Taxation	(1,963)	(5,542)	(7,505)
Profit/(loss) after taxation	**4,065**	**20,478**	**24,543**
Other comprehensive net income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement recognised as other comprehensive income	21,612	(21,612)	-
Deferred tax	(3,559)	3,559	-
Total other comprehensive income	**18,053**	**(18,053)**	**-**
Net comprehensive income for the year	**22,118**	**2,425**	**24,543**

19. Prior period restatements (continued)

Statement of Financial Position

	Reported 31 March 2021 £000	Restatement 31 March 2021 £000	Restated 31 March 2021 £000
Assets			
Cash and cash equivalents	6,369	-	6,369
Trade and other receivables	-	4,408	4,408
Financial assets held at FVOCI	162,029	(162,029)	-
Financial assets held at FVTPL	-	162,029	162,029
Total assets	**168,398**	**4,408**	**172,806**
Liabilities			
Trade and other payables	(2,293)	141	(2,152)
Loan amounts owed to Shareholder	-	(141)	(141)
Deferred tax liabilities	(3,559)	(1,983)	(5,542)
Total liabilities	**(5,852)**	**(1,983)**	**(7,835)**
Net assets	**162,546**	**2,425**	**164,971**
Equity			
Capital contribution reserve	145,596	-	145,596
Fair value reserve	12,874	(12,874)	-
Retained earnings	4,076	15,299	19,375
Total equity	**162,546**	**2,425**	**164,971**

Statement of Changes in Equity

	Reported 31 March 2021 £000	Restatement 31 March 2021 £000	Restated 31 March 2021 £000
Balance at 31 March 2020	**107,320**	**-**	**107,320**
Net profit after tax	4,065	20,478	24,543
Other Comprehensive Income	18,053	(18,053)	-
Capital contribution	33,108	-	33,108
Balance at 31 March 2021	**162,546**	**2,425**	**164,971**

19. Prior period restatements (continued)

Statement of Cash Flows

	Reported 31 March 2021 £000	Restatement 31 March 2021 £000	Restated 31 March 2021 £000
Cash flows from operating activities			
Cash from business supporting activities	6,028	(6,028)	-
Profit before taxation	**-**	**32,048**	**32,048**
Changes in fair value of assets held at FVTPL	-	(32,048)	(32,048)
Commitment fees for loans	-	141	141
Purchase of assets held at FVTPL	-	(38,982)	(38,982)
Repayment of assets held at FVTPL	-	16,310	16,310
Decrease in trade and other receivables	-	(4,408)	(4,408)
Net cash flows used in operating activities	**6,028**	**(32,967)**	**(26,939)**
Cash flows from investing activities			
Commitment fees for loans	141	(141)	-
Purchase of assets held at FVOCI	(33,108)	33,108	-
Net cash used in investing activities	**(32,967)**	**32,967**	**-**
Cash flows from financing activities			
Capital contribution	33,108	-	33,108
Loan from HMT	4,233	-	4,233
Loan made on behalf of HMT	(4,233)	-	(4,233)
Net cash from financing activities	**33,108**	**-**	**33,108**
Net increase/(decrease) in cash and cash equivalents	**6,169**	**-**	**6,169**
Cash and cash equivalents at beginning of year	200	-	200
Cash and cash equivalents at end of year	**6,369**	**-**	**6,369**

20. Events after the reporting period

The Bank announced a £200 million investment as a cornerstone lender in June 2022, to support the roll-out of full fibre broadband to 8 million UK homes by CityFibre. The deal is worth £4.9 billion in total (£3.9 billion in financing plus £1 billion of uncommitted accordion) and supports a programme which marks a step-change in the acceleration of full fibre broadband with ambitious roll-out plans.

In July 2022, the Bank announced its involvement in financing the £2.4 billion NeuConnect project to develop the first undersea energy link between the UK and Germany. The deal was structured in two parts - the Bank will provide the UK side of the project with £150 million, alongside £1bn from other lenders. The German side of the deal is structured in a similar way and is supported by the European Investment Bank.

20. Events after the reporting period (continued)

The following month, the Bank built on its existing relationship with Infracapital through the Digital Infrastructure Investment Fund ("DIIF"), announcing an investment of up to £100 million to accelerate the digital roll out across the UK. Also in August 2022, the Bank committed to investing up to £250 million as a cornerstone investor in the NextPower UK ESG fund ("NPUK"). The fund, which is managed by NextEnergy Capital, aims to double the amount of subsidy-free solar power in the UK.

In September 2022, the Bank committed to an investment of up to £100 million on a match-funding basis to create a new fund with Octopus Investments to provide scale-up capital for the next generation of infrastructure projects that are vital to helping the UK meet its net-zero targets. The Octopus Sustainable Infrastructure Fund ("OSIF"), will provide growth capital to companies looking to roll out and support sustainable infrastructure projects within the Bank's mandated priority sectors.

In October 2022, outstanding debt of £45 million related to the development of solar assets was repaid early upon the sale of these assets to NPUK.

21. Date of authorisation for issue of the financial statements

These financial statements were authorised for issue by a director of the Bank on the date of the audit report.

UK Infrastructure Bank Limited
One Embankment, Neville Street
Leeds, England
LS1 4DW

www.ukib.org.uk

E02804563

978-1-5286-3709-1