National Wealth Fund Limited

(Formerly known as UK Infrastructure Bank Limited)

Annual Report and Accounts 2023–2024

For the period 1 April 2023 to 31 March 2024

HC 473

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For the period 1 April 2023 to 31 March 2024

Presented to Parliament pursuant to Section 6 of the UK Infrastructure Bank Act 2023

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HC 473

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Corporate Information

Date of incorporation
11 February 2009

Date of name change to National Wealth Fund Limited
14 October 2024 (previously UK Infrastructure Bank Limited)

Registered number
06816271

Directors

Elena Ciallie	(appointed 1 August 2024)
Charles Donald	(resigned 1 August 2024)
Muriel Dube	(appointed 14 December 2023)
John Flint	
Christopher Grigg, CBE	
David Lunn	(resigned 4 October 2023)
Marianne Økland	
Annie Ropar	
Bridget Rosewell, CBE	
Tania Songini	
Nigel Topping, CMG	

Company Secretary
Davinder Mann (appointed 31 January 2024)

Accounting Officer
John Flint

Registered office from June 2024
2 Whitehall Quay
Leeds
United Kingdom
LS1 4HR

Previous office until June 2024
One Embankment
Neville Street
Leeds
United Kingdom
LS1 4DW

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

Bank
Government Banking Service

Preface

About this Annual Report and Accounts

On 14 October 2024 the UK Infrastructure Bank Limited (UKIB) was renamed as the National Wealth Fund Limited (NWF) and will be referred to throughout this document as the "Company".

This document reflects the status and activities as at the 31 March 2024, and provides the reader with performance and financial data, together with explanation and analysis, to enable the reader to gain a better understanding of the work of the Company and how it has invested taxpayers' money to deliver on its strategic objectives of helping to tackle climate change and supporting regional and local economic growth.

It covers the activities of the Company from 1 April 2023 to 31 March 2024, together with comparatives from the prior financial period, and is split into three sections:

- The **Performance and Strategic Report** contains an overview of the Company's business, the context in which it operates and its structure (**Our business**) together with a summary of key milestones achieved and activities undertaken during the financial year 2023–24 (the **Performance overview**). These sections are followed by a more detailed consideration of the Company's performance (**Performance analysis**) and development of its operations during and since the reporting period (**Business operations** and **Continued development**).
- The **Accountability Report** is split into five subsections. Our **Directors' report** sets out the Company's governance arrangements, along with a statement on compliance with applicable requirements. The **Remuneration report and Staff report** provides a summary of the pay and benefits received by the Executive and Non-Executive Directors of the Company's Board; they also include disclosures on the Company's pay and pensions policies together with required disclosures on staff numbers and staff costs. The Accountability Report includes a commentary on **Parliamentary accountability** and the **Statement of Directors' and Accounting Officer's responsibilities**, followed by the **independent auditor's report**, provided by the National Audit Office following conclusion of their external audit.
- The **Financial statements** show the Company's income and expenditure for the financial year, the financial position of the Company as at 31 March 2024, and additional information designed to enable readers to understand these results (**Notes to the financial statements**).

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Forewords

Chair’s statement

The past year represents the end of the first chapter for this organisation, as we now transition into our new role as the National Wealth Fund. During our three plus years as the UK Infrastructure Bank, we achieved a lot of which we can be proud, and we learnt a lot that we can apply to our new expanded remit.

While there is no room for complacency, the statistics are telling – as of late-November 2024, we had announced 44 deals, deployed £4.7 billion of capital, mobilised nearly £12.3 billion of private finance and created or supported approximately 17,300 jobs across the breadth of the UK.

But behind those figures is, I believe, a more interesting story.

First, because we have built a deep well of expertise, skills and insight to be deployed to further the policy objectives of the Government, while undertaking transactions from day one – not an easy thing to do, but a great way to learn and hone our offer.

Second, because we have built a financial organisation like no other, bringing together the best of the private and public sectors to deliver a clear and compelling mission – financing infrastructure to drive net zero and growth across all four corners of the UK – which will now be extended so that we can play a pivotal part in delivery of the Government’s drive to create a stable investment landscape, cornerstoned with an industrial strategy.

Third, because we have done this is in genuine partnership with the public and private sector, unlocking private capital at a ratio of around three to one.

All of which provides the foundations to move forward into our new role with confidence, purpose, and the trust and respect of the market.

And we have done this during a period of considerable financial and geopolitical turbulence, as the nation emerged from a global pandemic only to be buffeted by the headwinds of a war in Europe, escalating energy prices and inflation, and intense international competition to be a leader in the green industries of the future.

So, this Annual Report sets out the final part of that first chapter. And, if there is a unifying theme to that final instalment, it is growth.

Growth in the deployment of our capital. During the 2023–24 financial year we signed 18 new deals, committing £1.7 billion – which is a considerable uptick on the year before, and is what we would expect and hope for at this stage in our journey.

Growth not just in the number of deals we transacted, but also in the sophistication of those deals, which covered a broad spectrum of sectors across our full product range – debt, equity and guarantees. To this end, it was particularly rewarding to see so many investments in nascent technologies that will

be critical on the path to net zero – for example, pioneering hydrogen aviation technology, flexible integrated circuits that can provide item-level intelligence to fast-moving consumer goods, and the expansion of green hydrogen production. All underscoring the pivotal role we can play in supporting technologies that might otherwise struggle to secure investment in their early stages, due to the levels of risk involved.

And, finally, growth within the Company itself. During the year we completed our build out, while continuing to be an organisation that is diverse by design. This gives us an ideal foundation as we now grow to a size and shape that is commensurate with our new role.

Looking to the future, it is a huge privilege to be entrusted with the responsibility of becoming the National Wealth Fund - playing a central role in driving the growth that the new Government has identified as one of its major priorities.

We stand ready to harness all of our skills and experience to deploy the additional £5.8bn capital given to us by Government to help deliver its agenda.

So, while we must always retain our appetite to learn and refine, we can point to significant progress and achievement over the past year. From a standing start just over three years ago, we are now an engrained part of the UK's financial architecture, with a new, exciting, broader role and identity at the heart of the Government's vision.

But there is much more to do. We remain driven, focussed and energised because that is precisely what the task at hand demands.

As the climate crisis becomes more acute and the need to boost growth, productivity and opportunity throughout the UK becomes ever more critical, our new, expanded, mission will become harder and more compelling. I am confident we are equal to the challenge.

Chris Grigg

Chair, National Wealth Fund Limited

Chief Executive Officer's statement

In 2023–24 we really started to demonstrate our potential across both our public and private sector facing activities.

We increased the pace, complexity and ambition of our deals, across a broader range of subject areas, and we stepped up our local authority advisory and lending activity, all while continuing to build the business and engrain a true learning culture.

This puts us in an ideal position as we assume our new role as the National Wealth Fund, deploying an additional £5.8 billion of capital to drive growth and develop green industries and technologies.

In executing this considerable responsibility on behalf of the nation, we will take the approach we have incubated as UKIB – and reflected in the pages of this annual report - and apply it to a much broader policy canvas, playing an essential role supporting the Government's forthcoming industrial strategy.

It was rewarding to see my colleagues bring their expertise to bear on each of the 18 deals we signed during 2023–24 – more than double the number in the year before. Every one of these transactions had its own story, with its own financing problem we helped to solve. We have done this through being agile, flexible and creative in finding bespoke solutions to the financing problem at hand – for example, through product mix, tenor, pricing, or through our approach to risk assessment. The feedback we routinely seek from our clients, and the public statements they make about partnering with us, gives us confidence that we are adding value in the market.

We deployed our capital across a broader waterfront than in the previous year. It was particularly pleasing, as the Chairman notes in his statement, that we were able to support a number of nascent technologies and sectors that will, I believe, be crucial on the last lap towards the UK's 2050 net zero target, but where the market is reluctant to take on the necessary risk. Encouragingly, this trend has continued into the current year, with investments in the construction of a liquid air energy storage plant and a vanadium flow battery manufacturer, being recent examples.

In September 2023 we published a strategy update, including seven sector snapshots that set out our role in removing barriers to investment in key sectors, thereby providing market leadership. In executing this strategy, we closed transactions in five of the seven areas of focus during 2023–24 and have continued to develop our pipeline in the remaining two.

While we will continue this strategic focus, we operate in markets that are by their nature fluid, and we must respond accordingly. For example, we had expected to provide more financing in the short duration energy sector but have found that, encouragingly, the private sector has been willing to step in, so we have not been needed to the extent anticipated. Conversely, we have had to continue to provide significant support to the digital sector in the

face of liquidity challenges and a lack of appetite from the private markets.

On the local authority side, our advisory function undertook 20 engagements in 2023–24, supporting both local and combined authorities to get essential infrastructure projects off the ground. While the local authority deal pipeline has been slower and more challenging to build than the private sector one, we completed a couple of very significant transactions during the year, one of which – a mayoral-authority-run fund that aggregates smaller potential transactions to meet our ticket size - points the way forward for a replicable approach in the future.

As noted, during 2023–24 we completed the build of our team so that it is appropriate to the scale of our mission, as defined prior to our becoming the NWF. We have recruited well from across both the private and public sector, in part thanks to the compelling nature of our objectives to help tackle climate change and drive growth.

We have been clear sighted and sharply focussed in our recruitment, ever mindful that deploying such a large sum of public money is a huge responsibility. We have never compromised on quality as we have made the transition to a largely permanent workforce with the skills to deploy our full financial product range across debt, equity and guarantees (noting that we will always benefit from the expertise of some secondees, particularly from government departments).

We will apply this same disciplined approach as we scale up further to deliver our new role as the NWF, with a particular focus on building on the diversity in our team. For example, our staff cohort is more than 40% female, which I believe is rare, if not unique, in wholesale banking.

Significantly, the vast majority of this workforce is based in Leeds – a clear signal of our commitment to the vibrant, entrepreneurial city we call home. This commitment was further underlined as we took out a lease on a new headquarters which will anchor us in the city for many years to come, while we have also now opened offices, and appointed directors, in Scotland, Wales and Northern Ireland. All of which helps ensure that we are responding to policy needs, and building an effective pipeline of investment opportunities, in each of the constituent nations of the UK.

The approach we have taken to delivering on our mission, and the learning culture we have fostered, will be invaluable as we assume our enhanced role within the broader financial UK ecosystem as the Nation Wealth Fund, deploying capital in pursuit of the new Government's policy agenda and industrial strategy. I am confident that we will do this with the creativity, focus and drive that has served us so well to date. We look forward to working with our partner public finance institutions to collectively deliver on our respective missions in an efficient and complementary way.

Finally, I want to put on record my thanks to my colleagues for their dedication, energy and ingenuity, and to our Board and Shareholder, HM Treasury, for their continued support and challenge.

John Flint

Chief Executive Officer, National Wealth Fund Limited

Performance and Strategic Report

Our business

Launched in June 2021, we were the UK Infrastructure Bank (UKIB), to be a government-owned policy bank, designed to increase infrastructure investment across the UK. 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 UK 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.

We invest across the infrastructure landscape, focusing primarily on economic infrastructure in five priority sectors: clean energy, transport, digital, water and waste. Our scope also includes nature-based solutions and critical supply chains.

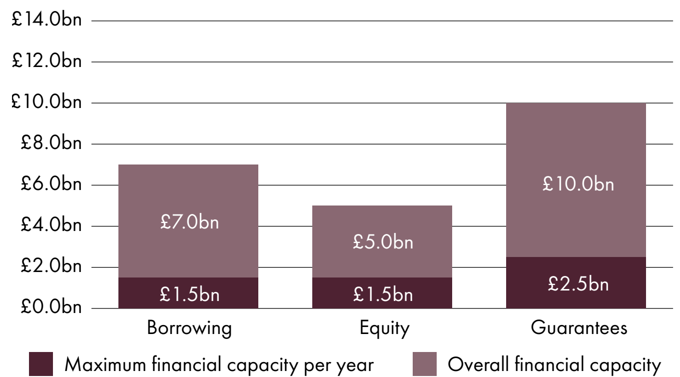
In October 2024, it was announced the Company will operate as the National Wealth Fund, with a broader mandate, extending beyond infrastructure to support delivery of the wider Industrial Strategy. The information presented in the sections below reflects the status and activities of the Company operating as UKIB. Further details of this announcement and the impact on the Company are in Note 27: Events after the reporting period on page 156.

Our financial framework

As UKIB, the Company's overall financial capacity was £22 billion, including £12 billion of debt and equity capital and £10 billion of guarantees. Of that £12 billion of equity and debt capital, £4 billion is 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 billion is split evenly between borrowing from and the issuance of equity to the Company's Shareholder, with a further £2.5 billion available to be issued through guarantees.

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



Our operating principles

The Company has five operating principles that are central to the way we operate.

Delivering on our triple bottom line: Our investments must achieve one or both of our strategic objectives, generate a positive financial return and demonstrate additionality – focusing on where there is an undersupply of private sector financing and reducing barriers to investment – thereby crowding in private capital.

Impact: We will focus our investments where we can make the most impact.

Partnership: We will collaborate with private and public sector stakeholders to facilitate and increase infrastructure investment.

Flexibility: Market conditions evolve, and we will change with them, adapting our approach and priorities as needed. Our investment strategy is designed to be flexible and leverage our ability to invest across the capital structure.

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

Our activities

Provision of infrastructure finance

We have four investment principles against which we have assessed investment opportunities.

Investment principle 1: The investment helps to support the Company'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 Company will operate across a range of sectors, including our five priority sectors. Our scope also includes nature-based solutions and critical supply chains.

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

In September 2023, we published a strategy update. It includes an update on the Company's approach to private sector investment and its Local Authority Advisory and Lending function. Further details are included in the sections that follow.

Private sector financing

We offer corporate and project finance, and invest across the capital structure, including debt, guarantees and equity.

Most infrastructure deals are bespoke and our investment approach is designed to be flexible. We assess each deal on a case-by-case basis to identify the financing structure that best fits a deal's needs and supports our mission.

We will usually invest on terms that are in line with other investors. Where necessary, we can provide concessional finance. This includes taking on risks that other investors are unwilling, or not yet willing, to take on, in a way that encourages the development of markets, and offering preferential terms, including on price and tenor. The UK's subsidy control rules prohibit us from providing concessional finance to projects that can fulfil their financing needs through commercial lending and investment.

Our September 2023 strategy update set out the seven areas where we saw opportunities to tackle problems over the subsequent 12 to 24 months. These areas were: short-duration energy storage, hydrogen, carbon capture, usage and storage (CCUS), electric vehicle (EV) charging, zero emission buses, heat networks, and the port infrastructure for floating offshore wind.

These are the areas where our market intelligence at the time directed us to focus our investments in the near future. They are a snapshot at a point in time, and don't represent the totality of where we may or may not invest.

Local Authority function

Our Local Authority function supports local and combined authorities as they respond to the commercial and financial challenges when delivering place-based infrastructure that tackles climate change and supports economic growth.

By providing local and combined authorities with access to expert impartial advice and the lowest-cost finance for their infrastructure projects, we:

- help local and combined authorities navigate commercial and financial complexity to improve project outcomes and protect commercial interests;

- increase the volume and ambition of infrastructure projects led by local and combined authorities across the four nations by instilling confidence and providing specific sector knowledge and experience; and
- help address capacity and capability challenges faced by local authorities delivering infrastructure projects and share lessons and insights from our experience working on innovative projects across the UK to support future project development.

We provide advisory services and lending across the breadth of our mandate, including the priority sectors set out in our investment principles.

However, building on our investment principles, our September 2023 strategy update introduced four focus areas where we see specific challenges and opportunities for local authorities and have developed sector knowledge and experience: heat networks, building decarbonisation, transport, and place-based infrastructure.

Management of the UK Guarantees Scheme

We receive fees for managing, on behalf of HM Treasury, existing guarantees already issued under the UK Guarantees Scheme. These guarantees were previously the responsibility of the Infrastructure and Projects Authority and are not recognised in the Company's financial statements.

Our engagement

Partnership underpins everything we do at the Company. Our mission requires us to complement rather than compete with the market. As such, we seek to engage openly with our stakeholders, valuing their insight on how we should invest.

We continue to build strong relationships across the infrastructure landscape. We proactively engage the market, shape transactions and search for problems we can use our risk capital to solve.

We work with the Scottish and Welsh Governments and the Northern Ireland Executive to increase infrastructure investment in all nations of the UK.

We aim to ensure our finance effectively amplifies government policy by:

- helping to shape the design and delivery of policies, grants, revenue and wider support schemes;
- better coordinating financial support, integrating our finance into policy;
- delivering better value for money, by co-designing blended finance approaches alongside government grants; and
- sharing intelligence on barriers to investment.

More information about our engagement with stakeholders is set out on pages 73 to 75.

Our organisational structure

During the financial year to 31 March 2024, the Company continued its drive for the recruitment of its permanent workforce, bringing in talented and experienced colleagues from both the private and public sectors.

One Non-Executive Director was appointed, and the final Executive Committee roles were filled during the financial year to 31 March 2024.

We have an experienced Board who bring a variety of different lenses from a multitude of relevant industries.

The completion of the permanent Executive team enabled us to continue the build-out of the Company, complete the majority of the permanent recruitment and deliver on our plans. The following chart sets out the Non-Executive and Executive Directors in role at 31 March 2024.

Non-Executive Directors

Board Chair and Nomination Committee Chair	Board Member and Shareholder Representative Director[4]	Board Member, Senior Independent Director and Audit and Risk Committee Chair	Board Member	Board Member	Board Member	Board Member and Remuneration Committee interim Chair[6]
Chris Grigg	Charles Donald	Bridget Rosewell	Marianne Økland	Nigel Topping	Muriel Dube	Tania Songini

Executive Team

Chief Executive Officer[1]
John Flint

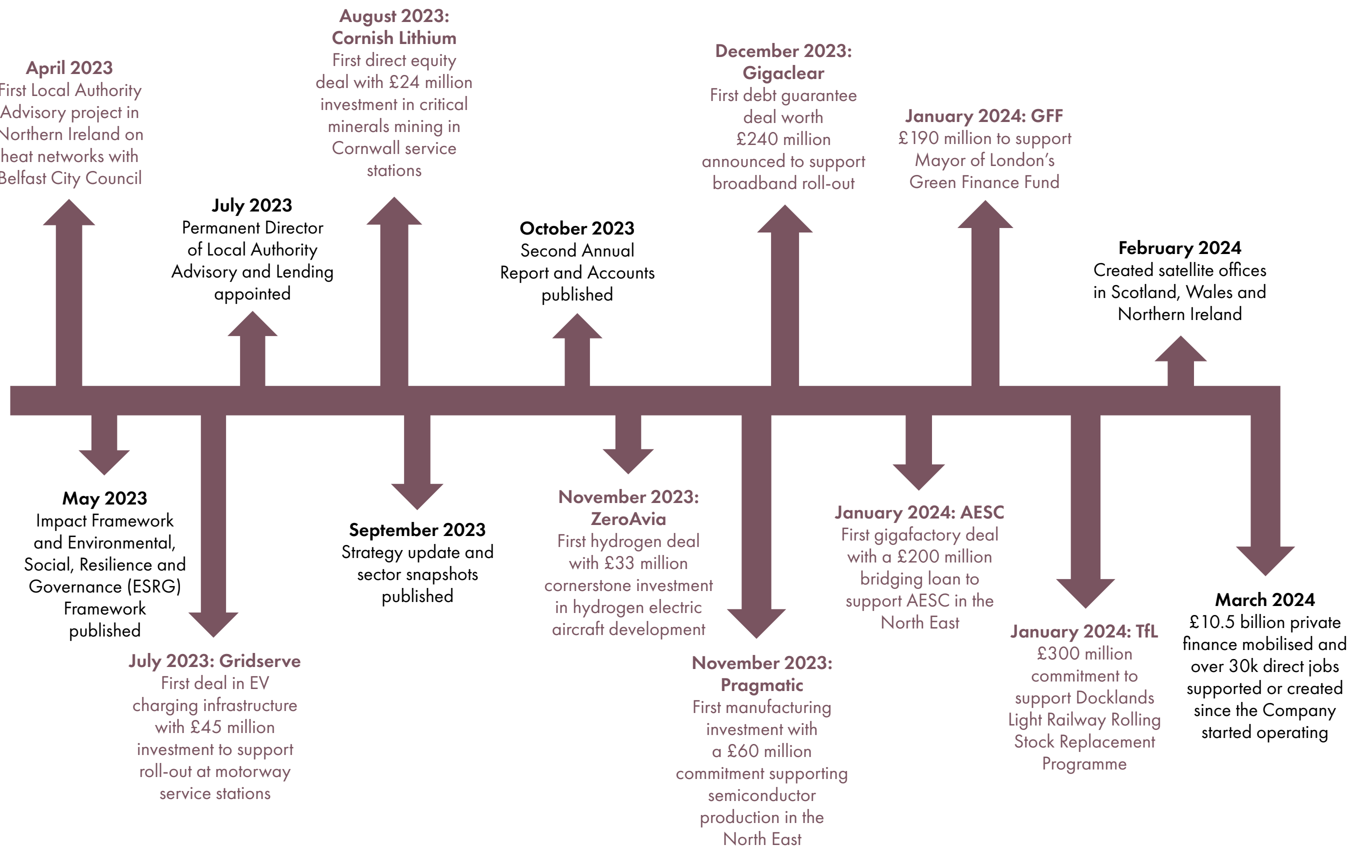
Chief Financial Officer[1]	Chief Operating Officer[5]	General Counsel	Chief Strategy and Policy Officer	Head of Banking	Chief People Officer	Chief Risk Officer	Head of Portfolio Management	Chief Impact Officer and Chief Economist[2]	Managing Director, Local Authority Advisory and Lending[3]
Annie Ropar	James Emmett	Davinder Mann	Helen Williams/ Kate McGavin	Ian Brown	Patricia Galloway	Peter Knott	Stuart Nivison	Sheer Khan	Lorna Pimlott

Notes to the above:

1. Executive Director members of the Board
2. Sheer Khan joined in February 2024 as Chief Impact Officer and Chief Economist. The post was previously held by Urvashi Parashar up until August 2023, and then, in an interim capacity, by Alex Doyle.
3. Lorna Pimlott joined in July 2023 as Managing Director, Local Authority Advisory and Lending. Lorna joined the Executive Committee in April 2024.
4. Charles Donald was the appointed Shareholder Representative Director during the financial year and resigned on 1 August 2024. Elena Cialle was appointed as the Shareholder Representative Director with effect from 1 August 2024.
5. James Emmett will be leaving the business in financial year 2024–25. A search for a replacement is under way.
6. In June 2024, subsequent to the reporting period, it was agreed that Tania Songini would assume the role of permanent Chair of the Remuneration Committee. Tania initially took on this role in an interim capacity.

Performance overview

Key events for the 2023–24 financial year



The financial year to 31 March 2024 saw the completion of the Company's build-out phase as UKIB, with the required skills and expertise recruited to effectively deploy the Company's full range of investment products.

We have continued to establish and expand our presence in the infrastructure market, signing 18 new deals, including investments that will support first-of-a-kind technologies crucial to achieving net zero, bolstering domestic supply chains, and helping to create job opportunities and grow regional economies across the UK. We have increased our own financial commitments by £1.7 billion in the year (£3.1 billion since the Company's inception), and successfully mobilised a further £2.4 billion of private capital commitment during the period (£10.5 billion cumulatively). We have entered into deals across a range of products, including the issue of a debt guarantee and our first investments in direct equities in the year.

In addition to our investment activity, there have been many other highlights for the Company during the financial year:

- We published a strategy update in September 2023, including the Company's approach to private sector investment and its Local Authority Advisory and Lending function, setting out our role in removing barriers to investment in key sectors, thereby providing market leadership.
- Since then, we have focused on executing our strategy. In 2023–24, we closed transactions in five of the seven areas of focus, have continued to develop our pipeline in the remaining two, and have continued to expand our work with public sector bodies across the country, undertaking 20 advisory engagements with local and combined authorities in the year.
- We published our Impact Framework and our Environmental, Social, Resilience and Governance (ESRG) Framework, helping to ensure transparency and credibility in meeting our objectives.

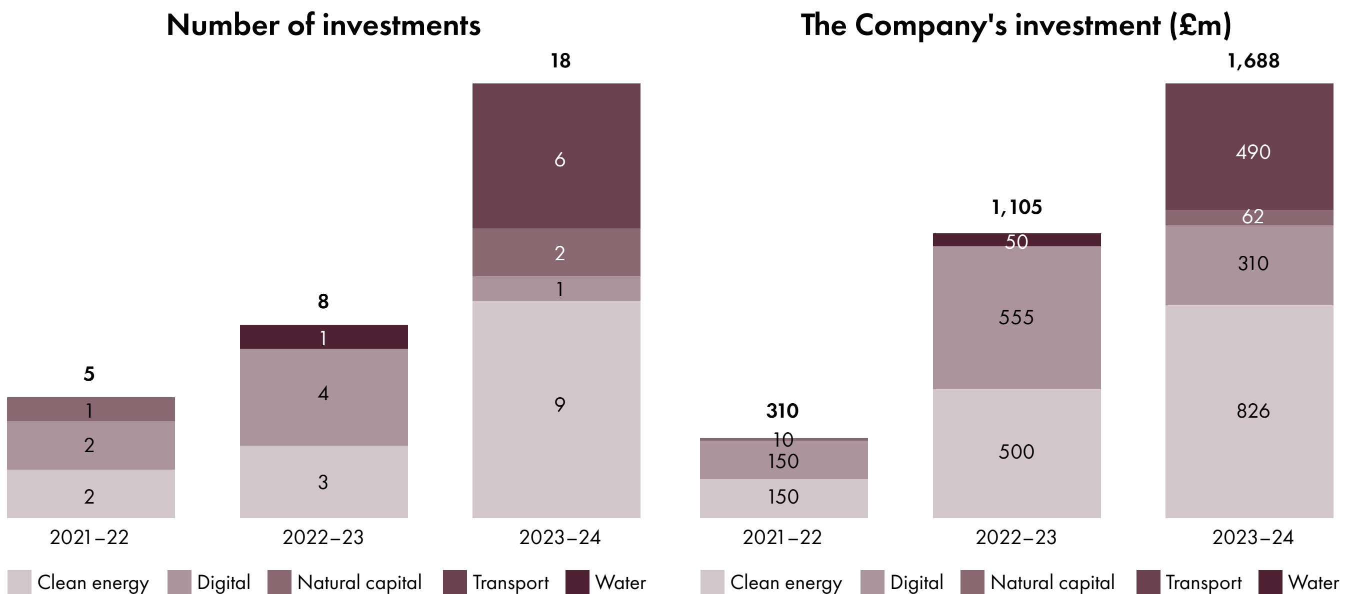
Investments and advisory activity

During the financial year to 31 March 2024, we signed **18 new deals**, spanning the clean energy, transport, natural capital, and digital sectors (FY 2022–23: eight deals), increasing our financial commitments by **£1.7 billion** (FY 2022–23: £1.1 billion).

Cumulatively, since inception, we have committed a total of **£3.1 billion**. Of this, **£2.5 billion** has been allocated to private sector investments, while **£0.6 billion** has been directed towards public sector deals. Further details on our investments in 2023–24 can be found on pages 33-35.

Our Local Authority Advisory and Lending function has experienced significant growth over the financial year. This expansion has enabled us to enhance our impact across the local authority landscape in the UK. We have undertaken **20 commercial and financial advisory engagements** with local and combined authorities. Further details can be found on pages 38 and 41.

The graphic below provides a high-level view of our investment footprint by sector over the past three years.



The Company was seeded with two funds, the Digital Infrastructure Investment Fund (DIIF) and the Charging Infrastructure Investment Fund (CIIF), which were set up by HM Treasury in 2017 and 2018 respectively. While the Company continues to manage these funds, these investments are not considered 'new' deals for the purposes of reporting the number of deals and value into which the Company has entered since its inception.

In the financial year 2023-24, the Company completed follow-on investments to the Infracaptial fund, £35 million with Fibrus and £35 million with Ogi. These additional investments are not considered 'new' deals in the financial year 2023-24.

The impact of our deals

During the financial year to 31 March 2024, we have calculated the impact and additionality of our deals in terms of the following metrics:

- the amount of private investment mobilised, or the amount expected to be mobilised, as a result of the Company entering into the deal;
- the number of jobs supported or created from those projects, and the number that are attributable to the Company's financing; and
- relative greenhouse gas emissions, measured in tonnes per CO_2 equivalent (tCO_2e), that are expected to be created or saved, both in total and as a result of the Company's share of the projects financed.

The private finance mobilised captures the co-investment at deal closure, but many investments are expected to attract more private capital over time.

The private finance mobilised varies on a project-by-project basis. In nascent sectors with less-proven technologies and underdeveloped financial markets, the associated risks are typically higher. This often requires the Company to a play a significant role in the fundraising process, assuming risks that the private sector is unwilling or not yet ready to bear independently.

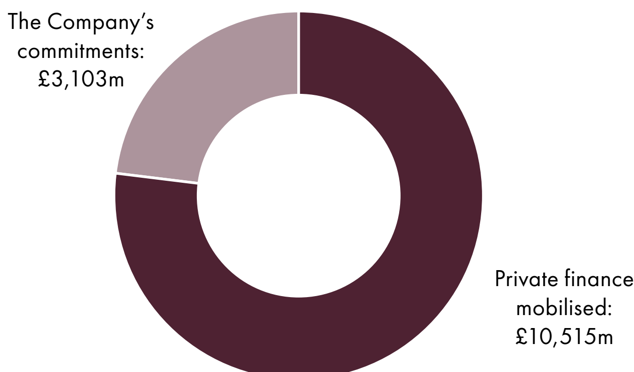
Those projects that attract a higher level of private finance typically involve the Company in scaling mature technologies and filling finance gaps, but not necessarily aiming to create or transform markets. For this reason, the Company will always focus on the overall impact of a project using a range of impact metrics.

More detail on how we have developed our approach to impact and additionality is provided in the 'Performance analysis' section on pages 26 to 28.

Through the total investments that we have made since inception to the end of the financial year to 31 March 2024, the Company has:

... mobilised £10.5bn in private capital

Total investment and finance mobilised since the Company's inception



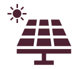
... supported or created over 30,980 direct jobs (based on current projections)

... of which around 8,340 can be attributed to NWF financing

... saved over 24.7 million tonnes CO_2 equivalent greenhouse gases (based on current projections)

... of which over 4.9 million can be attributed to NWF financing

Our investments will help:



Clean energy

- install up to **2GW** of solar capacity;
- install up to **2.3GW** of energy storage capacity;
- install a further **1.4GW** in capacity through one of the world's largest interconnectors;
- generate **8,000 tonnes** of Lithium per annum, enough for between **190,000** and **300,000** EV batteries;
- support **15.4GWh** of battery production capacity for EVs, equal to **400,000** EV batteries per year;
- the manufacturing of **Hydrogen Power Units** to replace diesel generators; and
- the development of one of the UK's largest **green hydrogen production** facilities.

Transport

- the delivery of **2,000** public EV charging points;
- the roll-out of a local authority **zero emissions bus route**;
- the research and development in **hydrogen-powered aviation;** and
- upgrades to **54** trains, increasing transport network capacity.

Digital

- up to **18 million** homes passed with fibre broadband.*

Water

- build the first reservoir since the 1980s capable of storing **21 million** litres of water, serving up to **160,000** customers.

*Our digital investments support different companies' roll-out plans. Changes to those ambitions and some overbuild by different companies are possible.

Financial outcomes

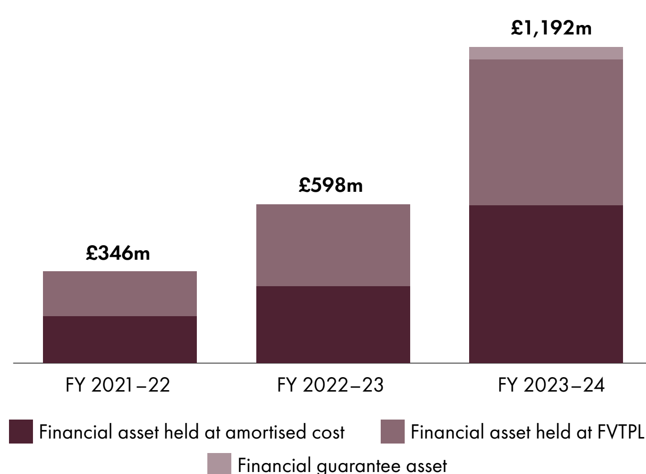
Business outcomes	2023–24	2022–23
Loss before taxation	(£82 million)	(£21 million)
Net comprehensive loss	(£66 million)	(£6 million)
Return on equity (ROE)	–10.2%	–3.8%

The adjusted ROE calculation comprises profit/(loss) before taxation, plus any exceptional items as may be agreed with our Shareholder, HM Treasury, divided by our weighted average shareholder equity in the period plus the average of any cumulative exceptional items. For 2023–24 and 2022–23, there were no exceptional items.

Our financial results

The Company returned a loss of £82.2 million before taxation in the year (FY 2022–23: a loss of £21.5 million). While this is an increase on the prior year, the loss returned in the financial year was in line with expectations given the maturity of the Company.

This was the third trading year of the Company and we have continued to grow our balance sheet and expand our operational footprint. Cumulative commitments since inception have grown from £1.4 billion to £3.1 billion, and this has, in turn, led to £0.6 billion growth in the Company's financial assets,* to £1.2 billion as at 31 March 2024 (31 March 2023: £0.6 billion).



*Financial assets include assets at FVTPL, loans at amortised cost and financial guarantee fee receivable.

For each new investment, we recognise any expected credit losses (ECLs) at the point of our financial commitment to the deal. Making provisions for possible credit losses on investments in the portfolio is both prudent and accounting compliant. As expected, our ECLs have increased this financial year as our portfolio has increased, but these do not reflect any realised losses.

The Company also recognised increased but still unrealised fair value losses on its fund investments during the year when compared with last year. Due to the relative size of the equity investments in the Company's overall portfolio, the Company is more exposed to fair value movements. This is because the Company's broader portfolio of loan and guarantee investments is not yet at a scale where income in-year is sufficient to absorb material fair value movements.

It is important to note that unrealised ECL provisions and unrealised fair value movements do not result in cash outflows. These would only potentially lead to actual monetary loss on the disposal of any of the assets in which we have invested, or if an investment defaulted. Therefore, these provisions and fair value movements do not represent actual monetary expenditure.

There will always be potential for some volatility in our profit and loss position, due to the nature of the sectors and projects in which we invest. It will take time for the Company to become profitable on an

annual basis; our current projections are that this should be achieved from the 2026–27 financial year.

Net operating income

Our net operating income is dependent on several factors, with the most significant being:

- **capital commitment and risk** – the amount of capital we have committed, its associated risk, as well as the time period over which funding is deployed;
- **pricing of capital commitments** – the margin and fees on our investments, influenced by the risk we are taking on;
- **investment performance** – the underlying performance of our investments; and
- **external economic factors** – including base interest rates, inflation, economic growth and market conditions.

The Company will generate interest income from debt investments held at amortised cost, fee and commission income principally from guarantees and agency fees for administering HM Treasury's UK Guarantee Scheme, and investment income from distributions received from equity investments.

As our portfolio grows, we expect interest income, fees, commission income and investment income to continue to increase over time.

Offsetting the Company's income, we incur interest costs on debt funding we receive from our Shareholder, as well as recognising ECLs on our lending and guarantee portfolio.

Investments in equity funds, direct equity investments, guarantee financial assets and certain debt assets are held at fair value through profit and loss (FVTPL), with changes in their value over time, either realised or unrealised, are also recognised in net operating income.

During the financial year, our net operating income was a loss of £25.2 million (FY 2022–23: £14.4 million profit).

Our net interest income amounted to £25.2 million (FY 2022–23: £9.4 million), with the growth driven by our increasing lending portfolio.

Our fees and commission income amounted to £3.7 million (FY 2022–23: £1.5 million), which has grown as the Company received fees for its first guarantee that was deployed during the financial year.

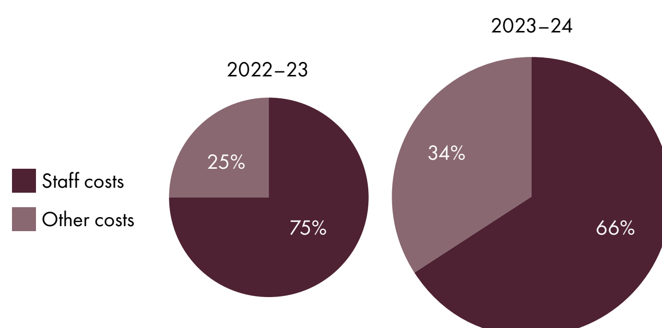
As noted earlier, we recognised fair value losses arising from fund investments of £45.9 million (FY 2022–23: £11.7 million fair value gains), primarily reflecting the challenging funding environment in the UK's fibre broadband sector during the financial year. Partly offsetting these losses, the Company received £5.0 million (FY 2022–23: £Nil) of investment income from distributions from our fund investments in the clean energy sector.

The table below shows the impact of fair value movements over the last three years and the reported profit before tax.

	FY 2021–22	FY 2022–23	FY 2023–24
Profit/(loss) before tax (PBT)	£109.8m	£(21.5)m	£(82.2)m
Changes in fair value of assets held at FVTPL	£123.0m	£11.7m	£(45.9)m

ECLs amounted to £13.4 million (FY 2022–23: £8.2 million), reflecting the increased commitments during the financial year. As the lending and guarantee portfolios grow, we expect ECLs to continue to increase over time.

Expenditure



Total operating expenditure amounted to £57.0 million for the year to 31 March 2024 (FY 2022–23: £35.8 million). The increase in the operating expenses was expected and is reflective of the planned scaling up of operations throughout 2023–24 as the Company became established and continues to increase its business activities.

Most of our expenditure continues to relate to staff costs, with average full-time equivalents (FTE) increasing from 164 to 232 in the year. Other operating expenditures reflect the the build out of the Company. There is an increase in the Company's deal activity, with direct costs associated with deals increasing accordingly. Other costs, such as information technology (IT) and office space, have also increased as the Company has built internal capacity and capability by investing in its operations, including key system implementations.

Capital, liquidity and funding

We are not regulated by the Prudential Regulation Authority or the Financial Conduct Authority but operate within an economic capital framework as agreed with our Shareholder, HM Treasury.

We continue to refine our economic capital framework as our portfolio grows and diversifies, with the overarching objective of safeguarding the Company's ability to continue as a going concern.

The Company actively manages the capital structure and adjusts it as required in response to changes in economic conditions, future expected cash outflows and the risk characteristics of the underlying portfolio of investments. To maintain or adjust the capital structure, the Company may request additional funding from its Shareholder. HM Treasury will provide the Company with £5 billion equity over time, with the Company able to draw down up to £1.5 billion in any given year for the first five years.

As at 31 March 2024, the Company's capital totalled £1.1 billion, comprising its issued share capital, reserves and retained earnings. This is considered sufficient as at the year end, under the Company's economic capital framework.

From a liquidity perspective, the Company currently receives equity and debt funding from HM Treasury to finance its operations and investment activities.

The Company closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial and operational commitments. If the Company finds itself unable to meet its payment obligations, under the terms of its Keep Well agreement with HM Treasury, it will receive support up to a cap of £22 billion to enable it to satisfy its financial obligations, and therefore the Company is exposed to minimal liquidity risk.

Going concern

An explanation of the adoption of the going concern basis for these accounts is set out in the 'Going concern and Statement of viability' section on page 65.

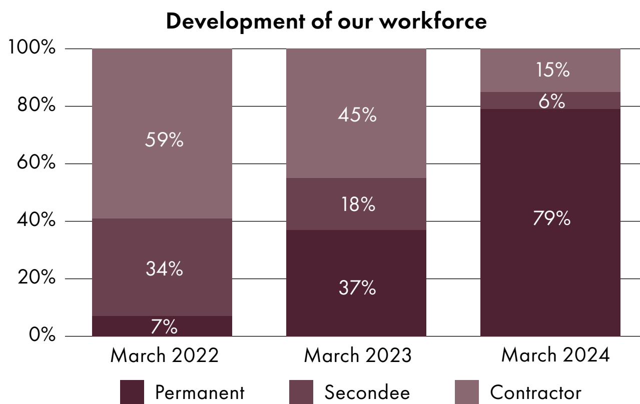
Business operations

Our people

By the end of the financial year to 31 March 2024, we had increased our establishment to 270 full-time equivalents (FTE). We will have at least 90% of permanent employees with a work location outside London and, as of 31 March 2024, 97% of permanent FTE were based outside London (see 'Workforce location' on page 98 for further detail).

During the year, the Company continued to prioritise front-office hiring across Banking and Investments, Portfolio Management and Local Authority Advisory and Lending to ensure appropriate levels for building a pipeline of policy-aligned deals. The Company also built out the middle and back-office functions, attracting the talent required to enable the responsible deployment of £22 billion of public money.

The chart below sets out how we changed the balance of our workforce in line with our organisational design plans.



Governance

During the financial year to 31 March 2024 we have further embedded our core governance and risk frameworks and continued to establish additional controls and oversight. Our governance structures and Board Committees are now fully established.

The Directors continued their commitment to ensure that governance and risk management processes and frameworks were compliant with the UK Corporate Governance Code (the Code) during the year to 31 March 2024 (see our 'Corporate governance statement' on page 71).

Impact and Environmental, Social, Resilience and Governance Frameworks

In May 2023, the Company published its Impact Framework and its Environmental, Social, Resilience and Governance (ESRG) Framework. Our Impact Framework sets out a credible and transparent approach to measuring, evaluating and communicating the impact of our investments. Our ESRG Framework outlines the Company's approach to the ESRG aspects of our investments, including our principles, integration into our investment processes, and our classifications of ESRG risks. For further details on our impact, see pages 18 to 20, and on our approach to ESRG, see the 'Governance' section on pages 45 to 51.

Systems

During the financial year to 31 March 2024, the Company implemented a human capital management and finance system, with minimal disruption, and the system was delivered on time and on budget. The Company's procurement solution was also deployed. This has allowed the Company to complete its migration away from all Treasury systems during the year, as well as providing a long-term platform for the future.

Our focus is now on the implementation of a strategic solution for our core banking system, required to support the continued growth of the Company's investing activities as well as implementing new technologies to help drive efficiencies.

Performance analysis

Outline

Our third year of activity saw a continued focus on engaging with the market, both in terms of the private sector and local authorities. We are doing more complex deals, mobilising private investment into nascent sectors and helping to solve problems, closing 18 new deals that aligned with our objectives.

In the sections below, we set out our approach to investing and the impact and additionality of our investment activities, and how these apply to the deals the Company has entered into during the financial year to 31 March 2024.

We also discuss the development of our Local Authority Advisory and Lending function and the milestones achieved in the period, before looking in more detail at the financial outcomes of our activities.

How we approach investments

Like the markets in which we operate, our flexible approach enables us to amplify government policy and solve financing problems at pace. We do not pre-determine where and how much we will invest in specific areas.

We scale our investments to crowd in private capital, including by reducing our commitment in places where private sector appetite increases, or stepping away entirely where projects can be financed by the private market. Our flexibility principle means that we keep our activities under constant review, adapting our approach and focus as needed to deliver.

We work in partnership with both the market and the UK Government to successfully deliver our mission. Our banking origination teams proactively shape transactions and engage with the market, looking for problems we can use our risk capital to solve. We want to work with ambitious project sponsors who can initiate, develop and promote the projects in which we will invest. We do extensive due diligence to ensure that we are deploying taxpayer funds to best effect.

We work closely with the UK Government and the devolved administrations to ensure that our finance effectively amplifies government policy by:

- helping to shape the design and delivery of policies, grants, revenue and wider support schemes;
- protecting public value – where possible, investing on commercial terms and seeking a fair balance of risk and reward with the private sector;
- better coordinating financial support by integrating our finance into and alongside policy (for example, see the GeoPura case study on page 29); and
- sharing intelligence on barriers to investment.

Our impact and additionality

Our approach to impact and additionality

Impact and additionality are central to the Company's strategic objectives and its triple bottom line.

Our Impact Framework, Environmental, Social, Resilience and Governance[1] (ESRG) Framework, and our approach to additionality were published in May 2023 and we provided details of these frameworks and our approach in our 2022-23 Annual Report and Accounts.

Throughout the financial year to 31 March 2024, we have continued to apply our frameworks and guidance to inform our assessment of the impact and ESRG of the deals we have invested in, and the additionality of our investment.

Our frameworks and guidance support a consistent approach to the impact and additionality we seek in every investment we make. We continue to assess every deal to identify whether it credibly demonstrates impact and additionality. To do that, we ask questions tailored to the specific characteristics of the project and the context at the time. We also continue to be transparent in sharing summary assessments of the expected impact and additionality via published deal factsheets on our website.

Our frameworks and guidance provide tools that we use to evaluate our contribution in the long term. Such evaluation generates learning, which we can then feed back into our decision-making and use to help maximise our impact in the future.

Given the importance of evaluation, we commissioned an 'early learnings assessment' (a form of evaluation) of the Company's activities since its inception in June 2021.

The early stage of development of the Company, and its role in financing projects with long lead-in times across a broad range of sectors, means that the early learnings assessment had three main objectives:

1. to conduct a review of the processes and systems that underpin the Company's triple-bottom-line objective in relation to its approach to impact and additionality;
2. to collect and analyse emerging evidence on the role of the Company in terms of additionality and crowding in of private finance; and
3. to develop a proposed framework and method for future evaluations.

We have published the ICF Early Learnings Assessment report alongside the 2023-24 Annual Report and Accounts.

Delivering investments that are impactful and add value

We can already point to some promising early signs of the positive impact our investments are expected to have. These include:

1. generating over 24.7 million tonnes of carbon savings, of which more than 4.9 million tonnes can be attributed to our financing – more than the annual domestic carbon emissions of Leeds; and
2. creating or supporting over 30,890 direct jobs, of which 8,340 jobs can be attributed to our financing.

We have invested in projects where we can provide finance that is additional to the level the private market could achieve without us. Some projects faced liquidity constraints due to market conditions or were

[1] We include the climate resilience of UK infrastructure in our ESRG Framework, as it is part of our mandate.

challenged by the scale of the financing required within the given timescales.

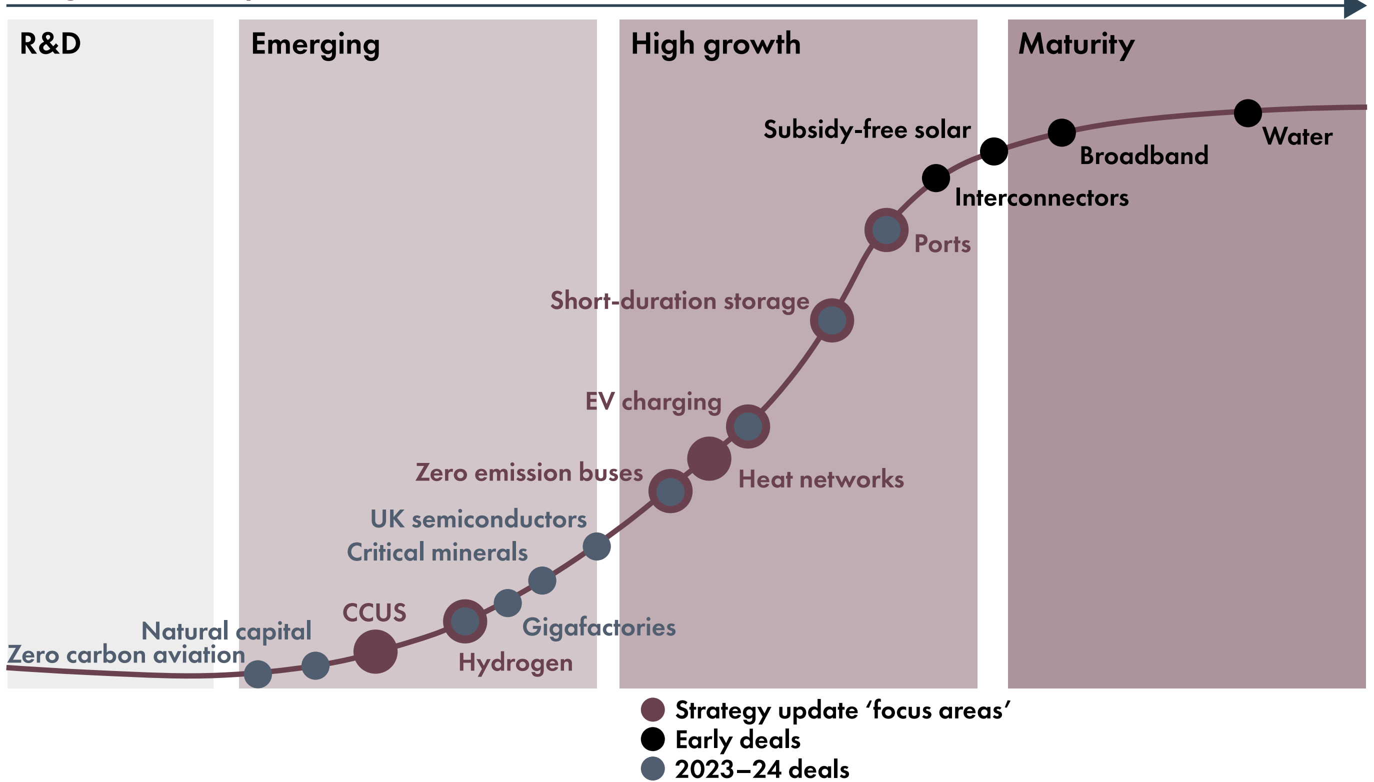
Other investments have helped to drive forward nascent markets and scale new technologies or support new business models in sectors that are not yet deployed at commercial scale.

To date, most of our investments have accelerated progress towards government targets and ambitions across the clean energy, natural capital and digital sectors, and for others our involvement was key to accelerating projects or financing timelines, or both.

The Company's strategy update, published in September 2023, outlined more detail about its approach and included seven sector snapshots focusing on short-duration energy storage, hydrogen, carbon capture, usage and storage (CCUS), EV charging, zero emission buses, heat networks and the port infrastructure for floating offshore wind. Each snapshot outlined the Company's view of the markets and the products it can offer to unlock private finance over the following 12 to 24 months. Since then, we have focused on executing our strategy. In 2023–24, we closed transactions in five of the seven areas of focus and have continued to develop our pipeline in the remaining two.

We remain committed to investing across the infrastructure landscape and being responsive to the Government's strategic priorities. This year, reflecting the former Chancellor's statement of strategic priorities published in September 2023, we made our first investments into supply chains – critical minerals and semiconductors.

The chart below highlights the Company's investments and strategy update mapped against a technology S-curve.



Case studies

The case studies on the following pages highlight some of the investments we have made this financial year to 31 March 2024, and show how we have closed more-complex deals, mobilised private investment into nascent sectors and helped to solve problems early.

They also provide examples of how we consider and apply our frameworks and guidance on impact, additionality and ESRG to shape and influence investments to better deliver on our mission.

Case study: Investment in GeoPura – one of the Company's first hydrogen investments

In the financial year to 31 March 2024, the Company invested in its first hydrogen projects – including GeoPura – to support and help drive forward the nascent market. Any new technology or new market is a risk for investors, and attracting private capital can be challenging. Our participation can help increase shareholder confidence, draw in additional private investors, and encourage them to increase their share.

While decarbonisation of aviation and generators plays an important part in achieving net zero, our deals have not just been about supporting these specific industries. We see the success of hydrogen in aviation and energy provision as a catalyst for the development and roll-out of hydrogen infrastructure more widely, and we want to be market leaders in creating a hydrogen ecosystem.

Our investments amplify the objectives of the Government's first Hydrogen Allocation Round 1 (HAR1) and, in line with our strategy, help create a sustainable platform from which we can finance additional green hydrogen projects.

We are working with the Department for Energy Security and Net Zero (DESNZ), so that our financing offer is clearly signposted in guidance for Hydrogen Allocation Round 2 (HAR2) and projects can opt in to discuss their financing needs and share information with the Company. This arrangement means we are better placed to solve financing problems in the sector and can work more closely with DESNZ to achieve our shared objectives.

GeoPura
Our commitment: £30 million
Total commitment: £56 million
Date: February 2024
Location: Newcastle upon Tyne

Investment summary and rationale

In February 2024, the Company committed £30 million (as part of a £56 million investment round) in GeoPura – a UK-based green hydrogen developer, which was awarded a hydrogen production business model contract following a successful application into HAR1.

We had been engaging with GeoPura and its advisers, Barclays, in parallel with the project's ongoing HAR1 negotiations with DESNZ. The decision to award government support to GeoPura in December 2023 enabled an acceleration in financing discussions for the project, providing the certainty needed to enable the company's ambitious plans for growth.

We participated in a convertible loan note instrument, our first use of this equity product, unlocking follow-on investment from Barclays Sustainable Impact Capital and further commitment from existing lenders.

Impact, additionality and ESRG

This investment amplifies the objectives of HAR1 and, in line with our strategy, helps create a sustainable platform from which we can finance additional green hydrogen projects.

This project supports the manufacturing of Hydrogen Power Units and will result in hydrogen production capacity of over 14MW by the end of 2024. GeoPura's business model supports the replacement of mobile industrial diesel generation with hydrogen in any location where there is temporary power demand. There are limited alternative decarbonisation options available and demand for generators is forecast to grow in the coming years.

Hydrogen production has an important role to play in meeting the Government's net zero target, providing low-carbon energy where it is difficult to electrify. The investment can help scale up domestic hydrogen production and demonstrate a viable, market-led hydrogen business model.

Evidence from our market analysis, as well as feedback we have received from the company, shows that our financing is needed to prevent delays to the company's growth plans. Our involvement has crowded in other investors.

We assessed ESRG in line with our ESRG Framework. GeoPura uses renewable energy to produce hydrogen and aims to reduce overall emissions and energy consumption. It has comprehensive ESRG policies in place.

Case study: The supply chain and industrials sector – supporting the UK's net zero transformation through backing domestic supply chains

The Company has been involved in supporting domestic supply chains that are vital to the UK's net zero transformation. Our investments are signalling support for UK-based industries in critical minerals (Cornish Lithium), semiconductor manufacturing (Pragmatic) and batteries manufacturing (AESC Envision). These sectors are crucial in enabling UK capacity and capability throughout the supply chains vital for net zero technologies. However, through investing in domestic supply chains, we also expect our investments to have strong local employment impacts.

Cornish Lithium
Our commitment: £24 million
Total commitment: £54 million
Date: August 2023
Location: Cornwall

Investment summary and rationale

In August 2023, the Company invested £24 million in Cornish Lithium to drive forward a UK market for lithium, by supporting a first-of-a-kind lithium extraction and exploration project. This was the Company's first equity deal (and investment into the domestic supply chain) and, since then, we have gained momentum in equity investing by closing several more equity deals in the financial year to 31 March 2024.

In 2019, domestic transport accounted for 22% of UK emissions. The Climate Change Committee estimates that the take-up of electric vehicles (EVs) and plug-in hybrids will need to increase from 400,000 today to 23 million by 2032, and possibly up to 49 million by 2050, to reach the UK's climate goals.

Lithium is crucial for EV battery production. Around 95% of global lithium demand is expected to be for EV batteries by 2030, and therefore the global lithium supply is outpaced by the demand. Our investment in this project helps establish an upstream supply chain for UK battery production, which is necessary for the decarbonisation of transport.

Impact, additionality and ESRG

This project aims to deliver 8,000 tonnes of lithium per year, roughly equivalent to 190,000 to 300,000 EV batteries, supporting UK battery production and demonstrating a more environmentally friendly extraction method. This project will create skills, jobs and careers in Cornwall – a region with one of the lowest rates of productivity in the UK.

Evidence from the company and the market shows that our participation increased market confidence and crowded in private capital.

External consultants have carried out the ESRG assessment on our behalf, in which no red flags were identified. The company has strong ESRG management and has demonstrated good community engagement.

Pragmatic
Our commitment: £60 million
Total commitment: £162 million
Date: December 2023
Location: Durham

Investment summary and rationale

In December 2023, the Company invested £60 million in Pragmatic to support the scale-up and manufacture of semiconductors in the UK, complementing the Government's National Semiconductor Strategy.

Semiconductors are used in electronic devices that are linked to recycling, telecommunications and electronic components of renewable infrastructure.

Impact, additionality and ESRG

The Company's investment will contribute towards the further development of North East Advanced Material Electronics (NEAME), a local semiconductor cluster. The investment into Pragmatic can help to displace emission-intensive silicon-based semiconductors and support new applications in the circular economy (recycling and re-use). Pragmatic will also support and create well-paid, highly skilled jobs in County Durham.

The Company's involvement in the project as co-lead investor helped to mobilise private capital and enable the project to go ahead.

We assessed ESRG in line with our ESRG Framework, where Pragmatic have demonstrated a strong approach to ESRG risk management.

Case study: Investment in Haventus – one of the largest ports in Scotland to enable manufacturing and assembly for floating offshore wind

Our commitment: £50 million
Total commitment: £100 million
Date: March 2024
Location: Inverness, Scotland

Investment summary and rationale

Ports are an important part of the supply chain for deployment of offshore wind, and they also carry significant potential for regional and local economic growth. They can be located in less prosperous regions and play an important role in economic growth in these areas by providing significant numbers of (often relatively well-paid) jobs. They can also support the transition to net zero by enabling the manufacturing, marshalling, assembly and integration of offshore wind turbines domestically. The UK offshore wind sector represents a significant opportunity for increased numbers of good-quality jobs based around ports, unlocking wider economic growth.

The Company has invested in Haventus to support the redevelopment of Ardersier Port in the Moray Firth, Scotland, in collaboration with the Scottish National Investment Bank (SNIB). The Company's £50 million investment marks our third port investment, following the South Bank Quay development and the Port of Tyne.

The redevelopment of Ardersier Port will offer a 350-acre site with quayside access and suitable infrastructure for marshalling, integration, manufacturing and assembly of offshore wind components.

Once operational, the facility will be the largest dedicated offshore wind port facility in Scotland, capable of supporting gigawatt-scale projects. This represents a significant increase in the UK's offshore wind port capacity to support the transition to net zero.

As one of the largest industrial regeneration projects in the Highlands in decades, the development will re-establish the port as a major local employer, supporting and creating hundreds of jobs.

Impact, additionality and ESRG

The port has the potential to create positive impact by supporting the largest floating offshore wind (FLOW) development in northeast Scotland, helping the UK hit its offshore wind targets. The port is strategically located in the Moray Firth, at the centre of Scotland's FLOW sites, which will allow it to serve a large proportion of the 24GW of FLOW that is expected to be deployed for Scotwind.

The port can help regenerate the local economy after its loss of the oil and gas activity on the site in 2001, both directly at the port and through the generation and supply chain projects the port will support. The project is anticipated to create and support 400 short-term jobs during construction and 34 permanent roles directly at the port, and it will enable significant manufacturing and assembly jobs on site once the port is fully operational.

Our analysis suggests that our involvement can enable the project to deploy ahead of contracts for difference (CfD) outcomes. Early investment could crowd in capital from developers by sending strong signals to the market that FLOW is possible to be delivered on the current forecasts, helping unblock and accelerate the development of one of the key barriers to the whole supply chain: ports.

Investment in this project aligns with our ESRG Framework. The port has a target of net zero by 2045 and the sponsor, Quantum Capital Group, is rebalancing its portfolio towards greener investments.

Case study: Investment in Rock Road – a finance solution to support the decarbonisation of public transport buses

Our initial commitment: £12 million
Total initial commitment: £23 million
Date: March 2024
Location: UK-wide

Investment summary and rationale

In March 2024, the Company teamed up with Rock Rail and Aviva Capital Partners to provide a new funding platform for zero emission bus financier Rock Road. This partnership, alongside a debt facility from the Company and HSBC UK, is committing an initial £100 million to fund up to 250 zero-emission buses (ZEBs) and associated infrastructure.

Most of the UK's 36,500 buses are diesel-powered and transitioning to ZEBs is an important step in decarbonising the public transport sector. To transition swiftly to a zero-emission fleet, nearly all new bus purchases need to be ZEBs.

This project offers a finance solution for UK bus operators and public transport authorities to decarbonise their fleet (and also protect bus networks and passenger connectivity), while minimising capital outlay and outsourcing key ownership risks around residual value and battery replacement.

The partnership is establishing a scalable funding model to accelerate fleet decarbonisation, crowd in further private capital and, in turn, reduce the reliance on public money to fuel the transition.

Our investment is needed to support Rock Road's offer and ensure the roll-out of ZEBs continues. Supporting this new financing model can help to address the issue of lack of scale associated with bus operators' current approach of placing small, piecemeal fleet replacement orders.

Impact, additionality and ESRG

The leasing platform will support the more rapid uptake of ZEBs by providing an efficient solution for the financing and provision of zero-emission commercial fleets. It is expected to finance up to 250 new ZEBs.

The first deal passing through the platform will fund 60 new ZEBs to be deployed in London by Go-Ahead London, partly manufactured in the UK by Alexander Dennis.

This deal protects and maintains vital bus networks across the UK through the net zero transition, as well as reducing air and noise pollution in the communities they operate in.

We assessed ESRG in line with our ESRG Framework, and concluded that Rock Rail has a comprehensive ESRG policy (as does Alexander Dennis and Go-Ahead).

Investments during the year

During the year, we signed 18 deals across the clean energy, transport, natural capital and digital sectors, as follows:

- nine clean energy deals;
- six transport deals;
- two natural capital deals; and
- one digital deal.

The tables on the following pages provide a description of each project, investment level, a summary of the key impact metrics, and a link to the individual deal factsheet on our website. The factsheets on our website offer more detailed information about each deal, including sector context, and further narrative on their impact and additionality.

GHG	The relative greenhouse gas emissions, measured in tonnes per CO_2 equivalent (tCO_2e), that a project is expected to create or save, in total. Positive figures are emission savings and () figures reflect absolute emissions.
Att. GHG	The relative GHG emissions, measured in tCO_2e, that a project is expected to create or save, that can be attributed to the Company's share of the projects financed. Positive figures are emission savings and () figures reflect absolute emissions.
Jobs	The total number of jobs supported or created from a project.
Att. jobs	The number of jobs supported or created from a project that are attributable to the Company's financing.
PFM	The amount of private finance mobilised, or the amount expected to be mobilised, as a result of the Company entering into the deal. Reported in £m.

Clean energy

Deal name (& factsheet link)	Our investment	Description	Impact metric				
			GHG (tCO2e, 000s)	Att. GHG (tCO2e, 000s)	Jobs	Att. jobs	PFM £m
Pulse Clean Energy	£62.5 million (debt)	The Company invested in Pulse Clean Energy's proposed portfolio investment, to support the construction of 20 battery energy storage sites and one synchronous condenser. Our investment has the potential to unlock up to £500 million of private investment across these projects in the future, while supporting new jobs and the UK's green energy transition.	1,900	116	214	13	113
Cornish Lithium	£24 million (equity)	The Company invested in Cornish Lithium to support the development of a lithium extracting and exploration project in Cornwall. To meet the UK's net zero targets, transport emissions will need to fall by 70% with EV uptake increasing. This project supports the lithium supply chain and EV market because a successful demonstration phase will allow the project to deliver 8,000 tonnes of lithium per year, roughly equivalent to 190,000 to 300,000 EV batteries. Our participation unlocked additional private capital, while supporting Cornish Lithium's demonstration phase and eventual scale-up and commercialisation.	(180)	(81)	30	13	30
Gresham House	£75 million (equity)	The Company invested in the Gresham House Secure Income Renewable & Storage Fund, which will develop co-location renewable generation and short-duration electricity storage. Our investment was intended to help maximise grid connection and allow for efficient deployment of renewable generation into new locations, accelerating the under-utilised co-location business model and growing the market by scaling up available capital and speeding up deployment.	4,140	621	154	23	425
Pacific Green	£60 million (debt)	The Company invested in Pacific Green to support the construction and operation of a 250MW capable battery storage facility. Our investment will unlock finance for large-scale asset storage projects where the private sector is currently constrained, with the technology essential for utilising intermittent renewables.	361	115	56	18	60
Envision AESC	£200 million (debt)	The Company invested in Envision AESC to finance an AESC EV battery manufacturing plant adjacent to the Nissan factory in Sunderland, which will allow car manufacturers to transition away from internal combustion engines. Our investment helped prevent delays to the construction of the plant, ensuring that operational benefits are seen as soon as possible.	(87)	(24)	1,000	276	50
Greater London Authority	£190 million (debt)	The Company's loan to the Greater London Authority (GLA) for the Green Finance Fund (GFF) supports the GLA's ambition to accelerate the decarbonisation of buildings, energy, and the transport system, in line with London's net zero 2030 target. Our role will support the fund's projects in delivering energy-efficiency benefits, clean transportation and renewable energy sources, while growing the green economy.	31	12	3,000	1,140	0
Equitix	£125 million (equity)	The Company committed investment on a match-funding basis into the Equitix UK Electricity Storage Fund, which will support the development of longer-duration storage technologies and new business models within the sector that are not yet deployed at commercial scale.	3,500	583	899	150	625
Pragmatic	£60 million (equity)	The Company invested in Pragmatic to support the scale-up and manufacture of semiconductors in County Durham. Our role as a co-lead investor helped mobilise additional private capital and signalled support for UK-based semiconductor manufacturing to the wider market, noting that semiconductor production has a low carbon footprint.	2,284	846	470	60	102
GeoPura	£30 million (debt)	The Company invested in GeoPura to support their roll-out of 600 proprietary Hydrogen Power Units and the development of one of the UK's largest green hydrogen production facilities. Our financing helped unlock additional private investment and contributes to the development of the hydrogen supply chain, given the nascency of the low-carbon hydrogen market.	1,300	696	75	40	26

Transport

Deal name (& factsheet link)	Our investment	Description	Impact metric				
			GHG (tCO2e, 000s)	Att. GHG (tCO2e, 000s)	Jobs	Att. jobs	PFM £m
Port of Tyne	£50 million (debt)	The Company invested as part of a £100 million wider refinancing package to support the further development of the Port of Tyne, which would enable it to diversify into new investments in green industries. Trust ports often face issues accessing finance. Our offering provided the financial certainty and the necessary framework to compete effectively for upcoming tenders and projects, which will help the Port of Tyne transform into a clean energy industrial hub.	(26)	(13)	1,180	590	50

Deal name (& factsheet link)	Our investment	Description	Impact metric				
			GHG (tCO2e, 000s)	Att. GHG (tCO2e, 000s)	Jobs	Att. jobs	PFM £m
Gridserve	£45 million (debt)	The Company committed lending to Gridserve to support the company's EV charging roll-out, including plans to build around 2,000 new public charge points across the UK, including roll-outs at 85% of the UK's motorway service areas. Our investment enables the development of EV infrastructure in line with government policy objectives.	29	4	36	5	255
ZeroAvia	£33 million (equity)	The Company invested in ZeroAvia to accelerate the development of the firm's first engines and advance the R&D scaling for clean propulsion technology of larger aircraft. Our involvement helps facilitate the development of the UK hydrogen supply chain and support the nascent technology needed to decarbonise the aerospace sector by 2050, in line with government targets, while unlocking private investment.	2,653	418	279	96	50
Transport for London	£300 million (debt)	The Company's loan will support the Docklands Light Railway Rolling Stock Replacement Programme providing 54 new trains across South and East London. Our financing will aid the project in shifting journeys towards a lower-carbon, and more reliable, mode of transport, while increasing passenger journeys by 123 million from 2019 to 2040.	(307)	(102)	70	23	0
Rock Road	£12 million (debt)	The Company committed up to £50 million in multiple funding rounds to support the development of Rock Road, a leasing platform for zero-emissions buses (ZEBs) which will help accelerate the decarbonisation of public transport. Our first £12 million investment will support the deployment of 60 ZEBs in London by Go-Ahead, with later transactions being reported as they close.	48	25	1	0	11
Haventus	£50 million (debt)	The Company invested in Haventus to support the redevelopment of the Ardersier Port in the Moray Firth, Scotland, alongside the Scottish National Investment Bank. Our investment aids in the acceleration of port infrastructure investment, while signalling port investment can attract interest from floating offshore wind (FLOW) developers.	(524)	(135)	434	112	95

Natural capital

Deal name (& factsheet link)	Our investment	Description	Impact metric				
			GHG (tCO2e, 000s)	Att. GHG (tCO2e, 000s)	Jobs	Att. jobs	PFM £m
***Highlands Rewilding**	£12 million (debt)	The Company supported the acquisition of the Tayvallich Estate by Highlands Rewiliding and its plans to build a natural capital data and research platform. Our finance enables this project to complete its mission of informing policy-setting and increasing the understanding of the restoration of ecosystems across the UK, while improving natural capital and nature-based GHG removals.	N/A	N/A	5	5	0
***Greensphere Capital**	£50 million (equity – match funding up to £50 million)	The Company committed investment in Greensphere Capital's Gaia Sciences Innovation Fund, helping to potentially unlock an additional £100 million of private capital. Our investment will assist the fund in supporting businesses linked to a world-leading group of British bioscience and environmental science institutes, which are producing products and services tackling biodiversity loss and climate change.	N/A	N/A	913	304	100

** For natural capital transactions, there will be GHG benefits through reduced emissions from carbon sequestration provided by woodland reforestation and peatland restoration. However, calculating these benefits ex ante is challenging, especially for a fund targeting nature-based solution supply chains. Additionally, there will also be benefits through tackling biodiversity loss and contributing to biodiversity net gain, including through voluntary credit markets.*

Digital

Deal name (& factsheet link)	Our investment	Description	Impact metric				
			GHG (tCO2e, 000s)	Att. GHG (tCO2e, 000s)	Jobs	Att. jobs	PFM £m
Gigaclear	£240 million (guarantee)	The Company announced its first guarantee supporting Gigaclear in unlocking fibre-to-the-premises (FTTP) broadband connectivity to 400,000 homes. Our investment is expected to unlock additional private investment and will support the acceleration of full-fibre roll-out to underserved and rural areas.	(14)	(10)	700	517	325

In the financial year 2023-24, the Company completed follow-on investments to the Infracaptial fund, £35 million with Fibrus and £35 million with Ogi. These additional investments are not considered new deals in the financial year 2023-24.

Working with local authorities

In the financial year to 31 March 2024, the Local Authority Advisory and Lending function has continued to establish itself as an important partner to local authorities delivering ambitious infrastructure projects. Highlights include:

Building the Local Authority team

Over the course of 2023–24, the Local Authority function has grown from a headcount of 6 to 15, including:

- the appointment of a Managing Director for the Local Authority function, who, since 1 April 2024, has sat on Company's Executive Committee, reflecting the pivotal role local authorities play in achieving the Company's objectives;
- the recruitment of two further Local Authority Directors with responsibility for lending and heat networks, who, alongside our three existing Local Authority Directors, will ensure that we have the capabilities to support local authorities across our key infrastructure sectors; and
- the development of our junior team, many of whom we have recruited from the rich local talent from banking and advisory disciplines in Leeds.

Further growth in the Local Authority function's headcount is planned for the coming financial year to ensure that we can continue to expand our offer to local authorities.

Launching our updated local authority strategy

The Company published its first dedicated local authority advisory and lending strategy as part of its updated strategy. In this we:

- provided new detail on how we can support local authorities through the provision of impartial advice and market-leading lending; and
- introduced four focus areas where we see specific challenges and opportunities for local authorities and have developed sector knowledge and experience: heat networks, building decarbonisation, transport and place-based infrastructure.

Widening and deepening our relationships with local authorities

We have communicated our updated strategy and offer to local authorities across all four nations and continue to build our reputation in the market. In the financial year 2023–24, we engaged with more than 100 local authorities about how we can help deliver their infrastructure projects, and in January 2024 we hosted multiple local authorities at our first Local Authority Forum in Leeds.

In addition to extending our reach, we deepened our relationships with a number of local authorities, by working more collaboratively with them across their portfolios. Through more partnership working, we can provide extended support to authorities that are delivering infrastructure programmes that align with our mission and which have the potential to generate important learning for the sector.

We have also formalised our working relationships with a number of key stakeholders – for example, the Department for Energy Security and Net Zero (DESNZ) and the Local Net Zero Hubs established by DESNZ, ensuring that we share knowledge across the wider public sector effectively.

Completion of two milestone lending transactions

The Local Authority function closed two milestone transactions in the financial year in line with the sectors identified in the strategy update:

- A £300 million facility to support Transport for London's Docklands Light Railway Rolling Stock Replacement Programme: Our finance will help replace ageing trains on the network (as well as other key infrastructure upgrades), boosting connectivity and job opportunities and helping to cut emissions in some of the country's most deprived areas.
- A £190 million facility for the Mayor of London's Green Finance Fund: Our cornerstone investment will support local authorities to access funding for green projects, including retrofit, heat networks, renewable energy generation and green transport

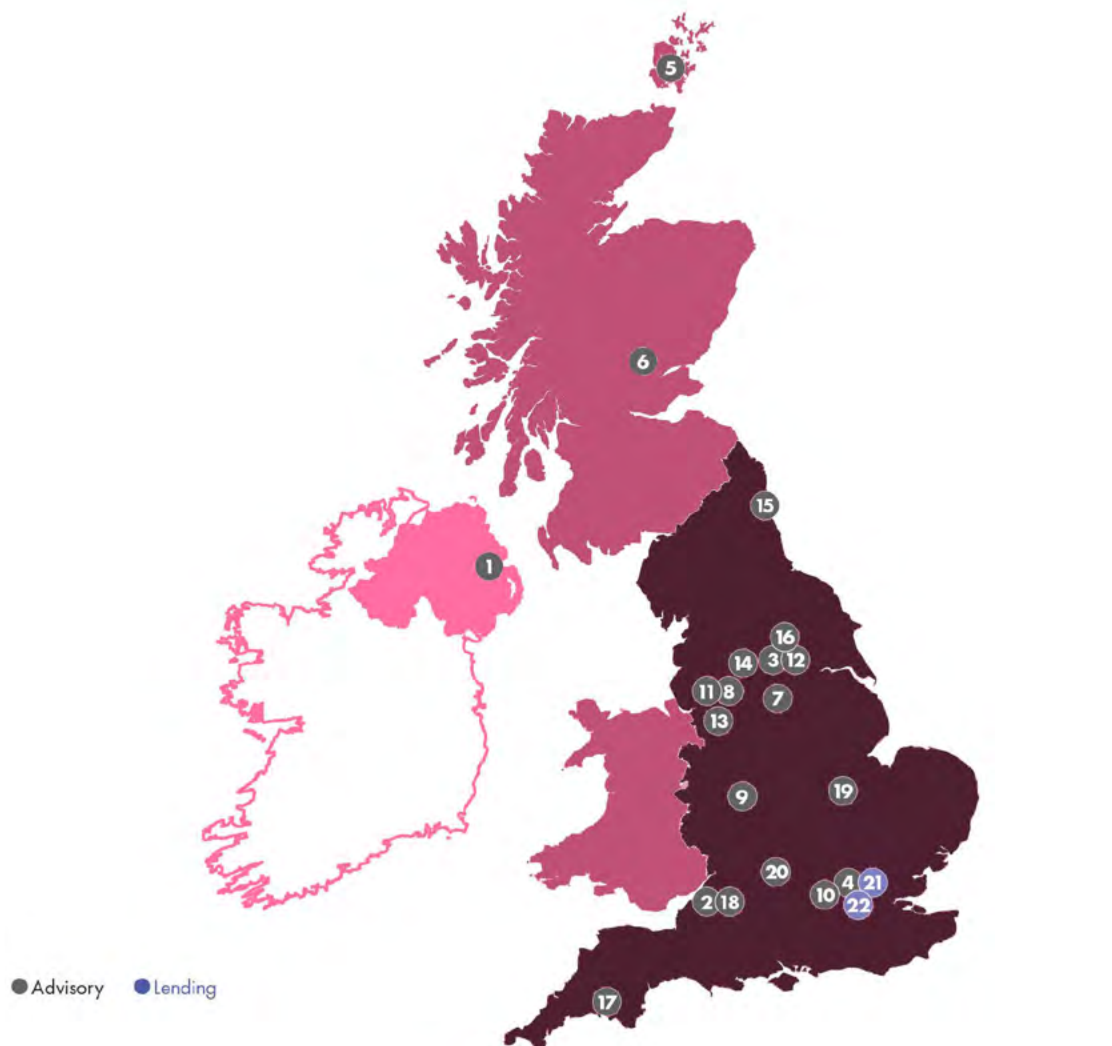
infrastructure. Further information can be found on the case study provided on page 39.

Undertaking 20 advisory engagements

Our local authority advisory service undertook 20 commercial and financial advisory engagements with local and combined authorities in 2023–24, having worked over the last year with authorities with whom we had prior local relationships or who had approached us following our market outreach. In 2024–25 we have set a specific objective to proactively build our market presence further across the devolved nations. The Company is in the process of appointing business development/office leads in each of the devolved nations to support us with this work.

A summary of our advisory work in 2023–24 is shown on the map on page 38.

NWF 2023–24 local authority engagements



1 **Belfast City Council**
Heat networks

2 **Bristol City Council**
Water

3 **Leeds City Council**
Building decarbonisation

4 **London Borough of Camden**
Building decarbonisation

5 **Orkney Islands Council**
Building decarbonisation

6 **Perth and Kinross Council**
Place-based infrastructure

7 **South Yorkshire Mayoral Combined Authority**
Mass transit

8 **Transport for the North**
Mass transit

9 **West Midlands Combined Authority**
Building decarbonisation

10 **Royal Borough of Kensington and Chelsea**
Building decarbonisation

11 **Greater Manchester Combined Authority**
Heat networks

12 **Leeds City Council**
Building decarbonisation

13 **Cheshire East Council**
Green transport

14 **Bradford Metropolitan District Council**
Mass transit

15 **Northumberland County Council**
Green transport

16 **Leeds City Council**
Heat networks

17 **Plymouth City Council**
Heat networks

18 **West of England Combined Authority**
Building decarbonisation

19 **Peterborough City Council**
Heat networks

20 **Oxford City Council**
Green transport

21 **Transport for London**
Green transport

22 **Greater London Authority**
Building decarbonisation

Case study: Greater London Authority's Green Finance Fund

Rationale

The Company's loans enable local authorities to deliver infrastructure projects that support net zero or regional and local growth. Our loan to the Greater London Authority (GLA) for the Green Finance Fund (GFF) supports the GLA's ambition to accelerate the decarbonisation of buildings, energy and transport systems to meet London's net zero 2030 target.

Our involvement in the fund means that a wider range of projects – including those that do not meet our minimum loan size of £5 million – can benefit from the Company's finance.

The GFF also provides the Company with a blueprint through which to replicate similar schemes with other local authorities across the UK.

Background

London's net zero target will require in excess of £75 billion of infrastructure investment by 2030. Achieving the Mayor's preferred net zero scenario requires a nearly 40% reduction in total heat demand of buildings, 200,000 homes to be retrofitted each year, 2.2 million heat pumps in operation by 2030, and a 27% reduction in car vehicle kilometres travelled by 2030.

The Green Finance Fund was launched in June 2023 at Climate Action Week. It will provide £500 million of funding for green initiatives across all of London's 32 boroughs. Projects will deliver benefits in energy efficiency, clean transportation and renewable energy sectors.

Our role

In December 2023, the Company announced a £190 million loan to the GLA to be the cornerstone of the GFF. This enables eligible organisations, such as local authorities, social housing providers, NHS bodies, universities and colleges, to access finance for their green infrastructure projects. This includes retrofitting, heat networks, renewable energy generation and green transport infrastructure.

Our impact

Our investment is expected to contribute to reduced and avoided greenhouse gas emissions and air pollution, alongside increased energy savings, capacity and generation.

It will also contribute to London's growing green economy, which is worth £48 billion and employs over 317,000 people across 14,000 businesses. Our investment will support businesses, stimulate private investment and create employment opportunities.

Our financial results

Net operating income

The components of our net operating income are set out in the Statement of Comprehensive Income, which forms part of the financial statements (see page 116). In summary, they are:

- net interest income;
- fee and commission income;
- investment income;
- finance income;
- changes in the fair value of assets held at FVTPL; and
- changes in ECLs.

Our net interest income of £25.2 million (FY 2022–23: £9.4 million), fees and commission income of £3.7 million (FY 2022–23: £1.5 million) and investment income of £5.0 million (FY 2022–23: £Nil) are further detailed in *Note 2 Interest income* (see page 135), *Note 3 Interest expense* (see page 135), *Note 4 Fee and commission income* (see page 135), and *Note 5 Investment income* (see page 135). Finance income was £0.2 million (FY 2022–23: £Nil), relating to the discount unwind on the financial guarantee liability.

Total fair value losses of £45.9 million (FY 2022–23: £11.7 million fair value gains) are further detailed in *Note 11 Assets held at fair value through profit and loss* (see page 140) and *Note 14 Financial guarantee fee receivables* (see page 143).

Change in ECLs of £13.4 million (FY 2022–23: £8.2 million) are further detailed in *Note 22.3 Credit risk* (see page 149).

Expenditure

The outturn for operating expenditure in the financial year was £57.0 million (FY 2022–23: £35.8 million). This was well below our agreed budget of £68.9 million.

The year-on-year increase in the operating expenses was expected and is reflective of the planned growth in operations throughout 2023–24 as the Company has established and increased its capability, capacity and activity.

The split of these costs was as follows:

- Staff costs of £37.8 million (FY 2022–23: £26.9 million) consisted primarily of planned costs relating to the increase in the permanent workforce.
- Other costs of £19.2 million (FY 2022–23: £9.0 million), relating to other operating expenditure, finance costs (related to IFRS16 lease liabilities and guarantee liability), and depreciation and amortisation. These costs have grown as the Company has increased its level of deal activity, and established operational and governance controls and processes, as well as key system implementations.

The lower outturn than budgeted costs reflect the timing of the recruitment of the steady-state workforce during the year, with the Company still meeting the year-end recruitment targets, as well as the timing of IT system development.

Further detail is set out in *Note 6 Staff numbers and staff costs* (see page 136) and *Note 7 Other operating expenditure* (see page 137).

Statement of Financial Position

Investment activities undertaken during the financial year, together with their anticipated impacts, are set out on pages 33-35.

The carrying value of assets and liabilities are set out in the Statement of Financial Position in the financial statements (see page 117).

The carrying amount of assets which are held at fair value through profit and loss at the 31 March 2024 was £597.8 million (31 March 2023: £308.7 million). This total includes, £415.9 million for fund investments (31 March 2023: £308.7 million), £105.3 million for direct equity investments (31 March 2023: Nil), a £30.0 million convertible loan note (hybrid debt instrument), and £46.7 million for financial guarantee assets (31 March 2023: Nil).

The Company entered into its first guarantee during the year. The carrying amount of financial guarantee fee receivables and liabilities as at the end of the financial year was £46.7 million and £45.0 million respectively (31 March 2023: £Nil).

The Company has continued to increase its debt investments during the year, with a carrying amount of assets held at amortised cost at the end of the financial year of £594.1 million (31 March 2023: 289.6 million).

Capital

The Company actively manages its capital structure within an economic capital framework agreed with our Shareholder, HM Treasury. As at 31 March 2024, the Company's capital totalled £1.1 billion. Further detail is set out in *Note 22.5 Capital management* (see page 153).

Business operations

Outline

The financial year 2023–24 saw the completion of the Company's build-out phase as UKIB, with the required skills and expertise recruited to increase our capacity and capability, and the roll-out of operational and IT systems.

In the following section, we provide more detail on how we have successfully progressed our recruitment and details of our governance, systems and processes that support the expansion of operational activities.

Our people

During the financial year to 31 March 2024, the Company continued its drive for the recruitment of its permanent workforce, bringing in talented and experienced colleagues from both private and public sectors.

As expected, the number of permanent employees has increased during the year and the number of contractors has reduced. Our target organisation design, comprising permanent employees and secondees from Civil Service departments and private sector organisations, is now significantly complete.

The Company has attracted a wide range of skills and expertise from complementary backgrounds, including banking, infrastructure, climate change, impact, policy and strategy.

The Company transition to a primarily permanent employee population during the year has been overseen by the Executive Committee.

As at 31 March 2024, the number of permanent employees in role (also referred to as headcount) had increased to 218 (excluding Non-Executive Directors), (31 March 2023: 73); this represented 79% of the overall resource (31 March 2022: 37%). The number of contractors (based on headcount and excluding fixed-term contractors (FTCs)) fell below 15% for the first time.

In addition to recruitment, the Company has focused efforts on ensuring that new employees have onboarded well, and have a good understanding of the Company and their role in delivering the impactful work being done.

The Executive team defined core behaviours to support building a high-performing organisation that solves problems for some of the biggest challenges of our time.

The Executive team also designed a goal-setting and feedback process, which is being implemented in 2024–25.

Board and Executive Committee

One Non-Executive Director was appointed, and the final Executive Committee roles were filled during the financial year to 31 March 2024.

We have an experienced Board, whose members bring a variety of different lenses from a multitude of relevant industries.

The completion of the permanent Executive team enabled us to continue the build-out of the Company, complete the majority of permanent recruitment and deliver on our plans.

Senior management

The structure chart on page 15 sets out the senior management roles and hierarchy as at the date of signing this Annual Report and Accounts.

Resourcing up

The Company stood at 270 FTE – a headcount of 276 – as at 31 March 2024 (2023: 194 FTE, a headcount of 198). Analysis of our FTE as at 31 March 2024 for the current and prior year, by category, is provided in the 'Workforce' section of our Staff report on page 98.

Our headcount, split by front, middle and back office, as at 31 March 2024 (with comparatives as at 31 March 2023 and 31 March 2022), is detailed in the following table. This highlights the breadth of skills we have built across our workforce and shows where

we have focused our resourcing efforts during the financial year.

Department	2024	2023	2022
Front office total	90	51	30
Middle office total	75	52	35
Back office total	111	95	69
Total headcount	**276**	**198**	**134**

Front office = Banking and Investments; Portfolio Management; Local Authority Advisory and Lending
Middle office = Risk and Compliance; General Counsel's Office; Strategy, Policy and Communications; Impact; and Internal Audit Services
Back office = Finance; Human Resources; Operations (IT, Procurement, Operations and Data, Programme Office, Facilities); and Interns.

Employment policies and procedures

We have continued to embed a suite of employment policies to support our colleagues in the workplace. These are easily accessible to all employees on our intranet and reflect current employment legislation.

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;
- mandatory health and safety training for all colleagues;
- specialist health and safety advice obtained where necessary;
- regular and appropriate risk assessments and physical inspections; and
- engaging colleagues in decisions that impact their health and safety.

We have established various measures to promote health and wellbeing in the workplace. In addition to remote working arrangements, which align with our ambition for the Company to be a hybrid organisation, and the development of our Employee Assistance Programme, we have continued to conduct employee engagement surveys to help us better identify, understand and address any wellbeing issues experienced by our colleagues.

Disability and support

The Company has had the opportunity to be diverse by design and establish itself as a Disability Confident employer. To achieve this ambition, the Company is committed to supporting employees with disabilities by:

- 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 offices comply with disability standards and applicable legislation to engender a positive working environment for all; and
- continuing the Company's commitment to enable all colleagues to progress their careers and reach their full potential.

Gender pay gap

The Company is committed to paying men and women equally for doing equivalent jobs throughout the organisation. The Company's permanent employee headcount remains below the threshold for gender pay gap reporting.

Diversity and inclusion

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

Our diversity analyses are shown in our Staff report on page 99.

Pay and reward

Details of the Company's Reward Framework are set out in the Remuneration report on pages 86 and 87.

Governance

During the year, functions across the Company have continued to develop, refine and embed governance frameworks and structures relevant and proportionate to the size and nature of the organisation.

Board Committees

Our governance structures and Board Committees are fully established (see pages 76 to 82 for further information).

Corporate Governance Code

The Directors have a continued commitment to ensure governance processes and frameworks were compliant with the Code during the financial year to 31 March 2024. Details of the Company's compliance are set out in the Directors' report on pages 64 to 84.

Environmental, Social, Resilience and Governance (ESRG) Framework

The Company is committed to delivering on its strategic objectives by promoting sustainable and responsible practices across our activities. A summary of our ESRG framework is published on our website: ESRG Framework 2023.

We are focused on ensuring that practices, culture and behaviours are embedded in a way which drives sustainability and reduces the Company's environmental impact. This is reflected in both our internal operations, such as offices and business travel, and our financing activities, as set out below.

The Company is focused on achieving impact through our investments, as outlined in the 'Performance analysis' section. We also consider and manage a wider range of ESRG considerations in our activities and investments.

We recognise that the UK Government and financial markets are rapidly developing novel approaches to addressing ESRG issues. We are committed to reviewing our approach in accordance with our ESRG Framework. We have five principles we committed to in 2022–23 and remain unchanged, which are summarised in the following table.

Principle 1	Strategy alignment
Our strategy is aligned with our objectives of tackling climate change and building regional and local economic growth. We expect the partners we work with to engage similarly with ESRG risks and opportunities and integrate them into their business strategy and decision-making.	
Principle 2	**Leadership and governance**
We incorporate ESRG into our governance, and expect the same competent, skilled and independent leadership and governance from our partners.	
Principle 3	**Risk and opportunities**
We will identify and manage material ESRG risks and opportunities for our triple bottom line. We expect our partners to recognise the material ESRG risks and opportunities they face and to identify and manage them.	
Principle 4	**Transparency**
We will be transparent about material ESRG risks and opportunities in our investments and portfolio, helping to build greater understanding of how these risks apply to infrastructure in the UK. We will only work with partners willing to disclose information about their ESRG issues.	
Principle 5	**UK context specific**
We will support the UK Government's objectives on ESRG issues, using the planning, regulatory and legal systems to help us understand material ESRG issues. We will work with our partners and support investments where appropriate to: • manage ESRG risks in their supply chains; • integrate benefits to nature; • engage local communities in their design and delivery; • commit to improving diversity and inclusion in their governance; and • understand their resilience to climate-related risks.	

ESRG in our investments

ESRG is a vital risk management approach for identifying and mitigating against a range of potential issues (and capturing opportunities) to protect and enhance the long-term value of investments. In 2023–24, we have further integrated ESRG throughout the investment decision-making process in the Company, from origination of projects to our exit from investments.

ESRG management enhances the Company's impact assessment and helps to protect our investments and ensure that the impact can be realised.

ESRG reporting is a requirement for all our investments, and, in the past year, we have engaged investment counterparties to commit to implement better internal standards. Improving the ESRG credentials and processes for managing risks and opportunities is one of the ways in which we see the potential to realise impact.

ESRG in our activities

Our ESRG principles apply to the Company's operations as well as our financing. Integrating ESRG factors throughout our business and developing a culture that takes these into account is important too.

As we continue to grow our activities and operate with our primarily complete workforce and target operating model for a full year, our expectation is that the levels of emissions, waste, and paper and water usage will naturally continue to rise. Given this rapid and continued growth of the Company, analysing the differences between the current and prior periods is considered to be of limited value at this time. We are working to establish baselines for our emissions, waste, and paper and water usage based on our expected 'steady state' so that we will be able to set targets and manage them accordingly. We have set out data on our waste, water and paper usage below, with our emissions data reported as part of the wider Task Force on Climate Related Financial Disclosure (TCFD) on pages 47 to 51.

Minimising waste and promoting resource efficiency

Waste arisings are provided by the disposal companies contracted with the landlord at the respective premises. Waste disposal data is provided at a building level only, and therefore the tonnages have been adjusted based on the proportion of each of the premises occupied by the Company. The following tables set out the waste arisings for each of the current and prior financial years. As the volume and quality of data improves in this area, we are considering how to better react and influence these volumes and relative percentages.

2023–24	Tonnes	Percentage	Gross expenditure (£)
Total waste arisings	**8.30**	**100%**	**2,263**
Total waste recycled	2.61	32%	779
Total ICT waste recycled, reused and recovered (externally)	–	–	–
Total waste composted/food waste from 2023	1.09	13%	237
Total waste incinerated with energy recovery	4.60	55%	1,247
Total waste incinerated without energy recovery/waste to landfill	–	–	–

2022–23	Tonnes	Percentage	Gross expenditure (£)
Total waste arisings	**6.78**	**100%**	**1,776**
Total waste recycled	2.74	40%	754
Total ICT waste recycled, reused and recovered (externally)	–	–	–
Total waste composted/food waste	0.45	7%	125
Total waste incinerated with energy recovery	3.59	53%	897
Total waste incinerated without energy recovery/waste to landfill	–	–	–

Water and paper usage

Our total estimated water and paper usage, during the financial year to 31 March 2024 is set out in the tables below. These reflect the continued growth of our workforce and, as such, it is considered too early to attempt to create a baseline for analysis.

Water	Cubic metres	Gross expenditure (£)
Water usage (2023–24)	972	4,450
Water usage (2022–23)	495	2,011

Paper	No. of A4 reams equivalent	% reduction on baseline
Paper usage (2023–24)	236	N/A
Paper usage (2022–23)	80	N/A

Consumer single-use plastics

The Company only provides reusable cutlery and crockery in all office kitchens. We work with catering suppliers to reduce single-use plastics for meeting and event catering. We have also worked with stationery suppliers to reduce packaging and the number of orders placed.

We always consider the cradle-to-cradle lifecycle of furniture and fittings purchased.

IT recycling

Where items cannot be reused due to data security regulations, we work with third-party IT providers to arrange waste electrical and electronic equipment (WEEE) compliant secure recycling or disposal of damaged or end-of-life IT equipment. Components are separated into waste streams such as plastic, copper and other metals, and hard drives are shredded to avoid landfill.

Task Force on Climate-related Financial Disclosures (TCFD)

Climate risks are financial risks for the Company, and we are continually improving our approach to manage them, in line with the requirements set out by our Board and our Shareholder, HM Treasury.

We are committed to making disclosures, in line with the recommendations of the TCFD, and are working across the Company to build on the quality of these each year. The Company's statement of compliance with TCFD-aligned disclosures requirements can be found on page 73.

The recommendations of the TCFD are designed primarily for private sector entities. As a publicly owned company, our approach therefore aims to align with the TCFD recommendations but allow for some interpretation as appropriate to our role and operating context.

The TCFD disclosures presented in the Annual Report and Accounts are not audited. While these disclosures are important for transparency and accountability, the guidance for TCFD-aligned disclosures in public sector annual reports does not mandate auditing them.

Our key areas of focus in developing our approach are listed below.

Governance: The Company's Board and Executive Committee hold ultimate responsibility for its objectives, which include supporting the UK's ambition on climate change. They have oversight of how the Company's investments are supporting the transition to net zero, while managing the transition and physical risks of climate change.

Decision-making around climate risk is embedded in the regular governance of the Bank. This recognises the strategic importance of managing climate change impacts as a long-term infrastructure investor. The levels of responsibility remain unchanged, as described in previous Annual Reports and Accounts.

During the financial year to 31 March 2024, we have undertaken several engagements to build capacity and gain insight from across our Board and Committees, as explained in the following governance table.

Governance level	TCFD-related responsibility	2023–24 update
Board	The Board will receive regular updates (quarterly or semi-annually) on climate risks and opportunities and overall progress towards net zero contribution over time. In line with recommendations on TCFD, the Board appointed Nigel Topping as the designated Board member responsible for review of concerns in relation to climate change risks and opportunities.	The designated Board member has supported the development of a scenario testing framework for climate risks over the financial year. In October 2023, the Board participated in a workshop considering how climate scenarios can support our approach to managing climate risks. The Board also shared insights on the Company's exposure to climate risk.
Executive Committee	The Executive Committee will receive regular updates on any climate-related concerns, for individual deals and across the portfolio.	The Executive Committee has actively supported discussions and engaged around the development of the climate risk scenario framework for the Company. Members of the Executive Committee are also part of an internal steering committee set up specifically for impact and ESRG matters – and have provided guidance on climate risk implementation.
Investment Committee	The Investment Committee receives overview of climate-related risks, including through ESRG reviews of relevant concerns raised.	
Risk Committee	Climate-related metrics are part of the Risk Register review by the Risk Committee. The Company has defined a risk appetite for these risks (see 'Risk management and internal controls' on pages 52 to 58).	

Strategy

The Company's strategic objective to support the UK's ambition to reach net zero by 2050 aligns our investment strategy with the transition to a low-carbon economy. Our investment principles aim to crowd in finance to this transition, supporting the UK's financial system to reach net zero.

We have outlined in more detail our role in supporting our sectors to align with the UK's net zero target in the Company's strategy update published in September 2023.

During the financial year to 31 March 2024, we looked at how this strategy would perform under different types of climate risk and under future potential scenarios for climate risk. These discussions, with the Executive Committee and Board, highlighted further work for the Company. We will do more to understand the potential financial impact of those scenarios and to improve our understanding of the physical risks our investments face as an infrastructure investor. These are informing our 2024–25 programme of work with teams across the Company.

Risk management

We are developing our approach to measuring and understanding the transition and physical risks facing our portfolio in a structured way. These are defined as:

- Transition risks: These are risks related to the rate, speed and span of technology change globally and in the UK. They also include risks related to policy changes and their timing, and risks related to the macroeconomic environment and market conditions for deploying low-carbon technology.
- Physical risks: These refer to both: risks related to extreme weather events in the UK – for example, flash floods, strong winds, prolonged droughts and increased temperatures; and risks related to continuous change in the physical environment of the UK – for example, sea level rise, increased rainfall and unpredictability of weather patterns.

Over the financial year to 31 March 2024, we have started a project to enable the Company to integrate climate risk into our credit ratings and to create climate scenarios to use in scenario testing. We aim to introduce climate risk scenario testing in 2024–25 in a way that reflects the current scale of the Company's portfolio and unique remit.

Greenhouse gas (GHG) emissions

Metrics and targets

Throughout the financial year to 31 March 2024, we have embarked on a journey to align our carbon accounting processes with widely adopted market practice. With external support, we have applied the methodologies of the Partnership for Carbon Accounting Fundamentals (PCAF) to calculate the material scopes of our carbon emissions.

There are three scopes of GHG emissions used in reporting, to allow entities to understand the detail of both direct emissions and less direct emissions from the value chain. These are defined as:

- Scope 1: direct emissions from our own or controlled sources;
- Scope 2: indirect emissions from the generation of energy we purchase; and
- Scope 3: indirect emissions (excluding Scope 2) from our value chain, including upstream and downstream.

The following table provides a detailed breakdown of our internal energy use and GHG emissions for the fiscal years 2022–23 and 2023–24, highlighting the different scopes of emissions, energy consumption, and related expenditure.

Internal energy use and emissions	2023–24			2022–23		
	GHG emissions	Gas consumption	Gross expenditure	GHG emissions	Gas consumption	Gross expenditure
	tCO_2e	kWh	£'000	tCO_2e	kWh	£'000
Scope 1	281.4	13,095	1.3	216	5,915	1.1
Scope 2	66.6	316,273	66.1	33.2	171,728	31.6
Scope 3 – business travel	47.7	N/A	327.9	37.0	N/A	273.8
Scope 3 – financed emissions	42,212	N/A	N/A	N/A	N/A	N/A

Notes to the above table:

- Scope 1 emissions are split between those from gas for heating water: 2.4tCO_2e (FY 2022–23: 1.1tCO_2e); and those from the variable refrigerant flow system: 279tCO_2e (FY 2022–23: 214.9tCO_2e).
- Scope 3 – business travel includes travel undertaken by employees for business purposes, including rail and air travel, and hotel accommodation. This does not include emissions from commuting.
- For Scope 3, the distances of flights 2023–24 are: domestic 5,328km; international 11,843km (FY 2022–23: domestic 4,780km; international 14,896km).
- N/A indicates that the information is either not available or not applicable.
- Emissions factors applied are as per Gov.UK "Greenhouse gas reporting: conversion factors 2023".

Direct and indirect emissions from our activities

The buildings emissions data (i.e. Scope 1 and Scope 2) included in this report for the financial year to 31 March 2024 are those associated with the Company's headquarters in Leeds and its satellite offices in London, Belfast, Cardiff and Edinburgh; the corresponding data for the 2022–23 financial year only included the Leeds and London offices as we had not begun tenancy in Belfast, Cardiff or Edinburgh. Also of relevance to the following data is the fact that the Company took on additional space (more than doubling the previous footprint) in its Leeds office during December 2022, as well as the continued scaling up of operations.

GHG emissions for Scope 1 include those from the Variant Refrigerant Flow (VRF) system at the Leeds premises, which makes up a significant proportion of Scope 1 emissions. Scope 2 emissions represent electricity use at the Company's premises and has been calculated using relevant emissions factors.

The energy consumption data and associated GHG emissions data are provided by the service provider and landlord at each of the occupied premises. All offices are shared with other organisations, with the Company utilising just under 25% of the overall footprint of the Leeds premises, c.3% of the London premises, c.2% of the Belfast premises, c.1% of the Cardiff premises and <1% of the Edinburgh premises.

Indirect emissions from our value chain

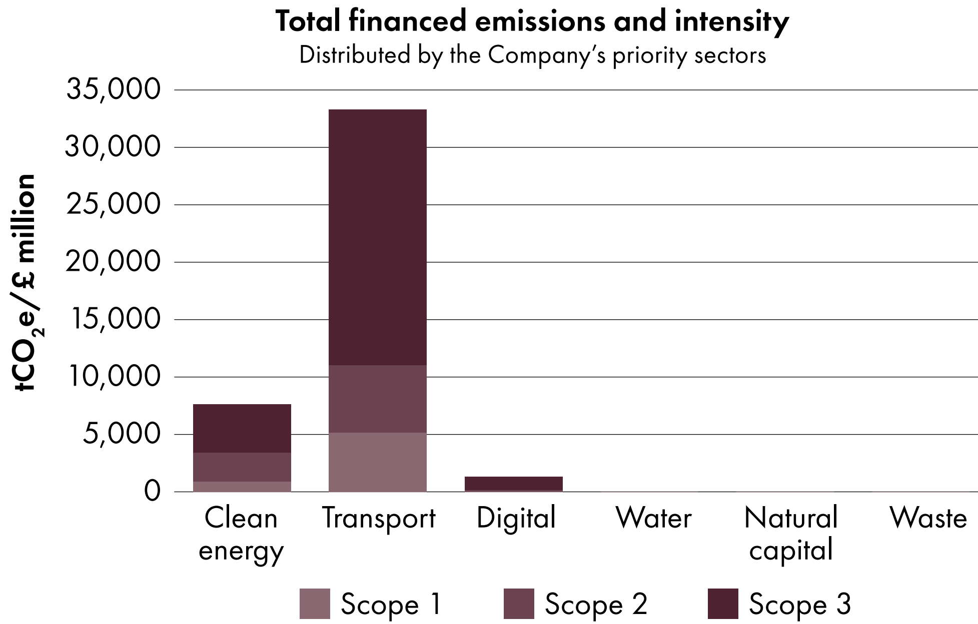
Scope 3 emissions, include business travel and financed emissions. We will gradually look to expand the categories considered under our footprint calculations in Scope 3 emissions.

We have, for the first time, calculated our financed emissions using the PCAF methodology. Financed emissions are the GHG emissions linked to the investment and lending activities of financial institutions, rather than our operational emissions. For most financial institutions, these are the largest element of their emissions disclosure.

In the year 2023–24, we can attribute to the Company a total of 42,212 tonnes across our investments' Scope 1, 2 and 3 carbon emissions, from a total of 190,622 tonnes generated by those transactions.

Total financed by the Company (tCO_2e)
42,212

The chart below highlights the split and intensity of our financed emissions by sector. The transport sector has the highest emissions and intensity factor of our portfolio, with the clean energy sector having the second highest factor. We have low factors in the water, natural capital and waste sectors, due to the small number of deals that qualify for financed emissions in these sectors.



Calculations of financed emissions:

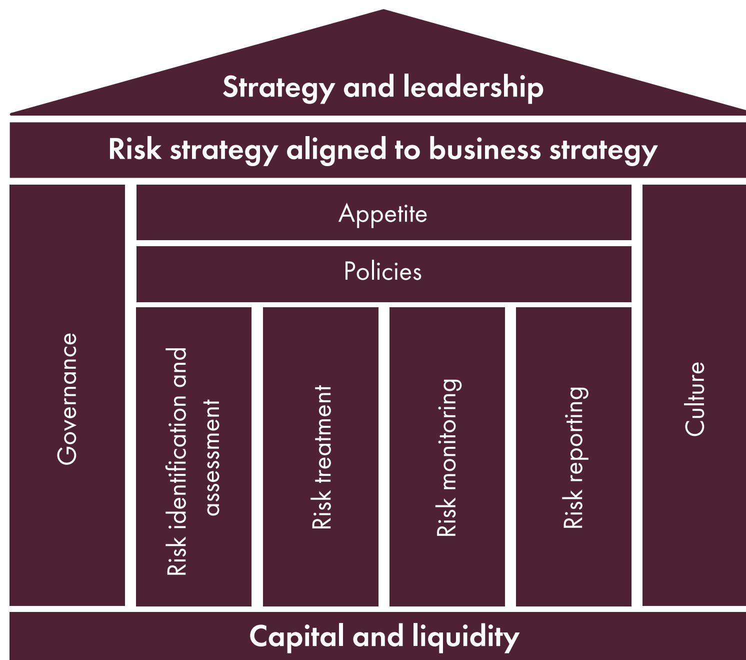
1. **Data quality:** Our financed emissions are calculated by taking a snapshot of our portfolio in March 2024. We estimate our financed emissions on a financial year basis, but the underlying data can reflect a range of financial years in the underlying companies.
2. **PCAF score:** PCAF scores the quality of data to allow reporting when high-quality data is not available. We aim to use data reported directly by portfolio companies as a primary option but use a set of proxies if the best data is not available. PCAF then scores the quality of data based on a 1–5 rating. A high-quality data point would be given a mark of 1, while a low-quality proxy of the Company's financed emissions would be given the lowest quality mark of 5. These are then split over Scopes 1, 2 and 3, which may vary in data quality.
3. **The Company's score** is 3.5. This results from our portfolio companies starting to access our finance, but not yet reaching the scale for expected emissions reporting. This means we have used more proxies under the PCAF methodology than we would envisage in future. We expect this to change positively as more of the portfolio enters regular reporting cycles and fewer deals are less than 12 months old.
4. **Scope of PCAF:** The PCAF approach only covers the debt and equity products that the Company offers. Other financial products, such as bridging loans and guarantees, are not included in the financed emissions methodology. Therefore, of our transactions, 16 out of 31 of them are eligible for our financed emissions calculation, which results in a total value of £803 million.

Risk management and internal controls

The Company is a policy bank; it shares some similar risks to a corporate bank but is also exposed to risks related to the complexity of its strategic objectives. Our Risk Management Framework, which takes a top–down approach to risk identification and management within the risk governance structure, uses a Three Lines of Defence model.

Risk Management Framework (RMF)

Sound risk management is important for achieving the Company's specific strategic objectives in a manner that ensures the long-term safety and soundness of the Company. This comes together through the RMF, as represented by the following diagram.



A summary of our RMF is published on our website.[2] It is drafted in accordance with the UK Government's *Management of Risk – Principles and Concepts* (known as 'The Orange Book') and continues to evolve in line with the growing organisation. The risk management strategy is to embed an effective RMF, risk culture and processes, with transparent and focused risk monitoring and reporting that aligns with the business strategy.

Risk appetite is defined as how much risk the Board is willing to take or be exposed to, in order to achieve the Company's objectives. The Company sets appetite at risk category level.

The governance arrangements and policies continue to be refined to provide guiding principles, standards and clear ownership to support the risk management activities of identification and assessment, treatment, monitoring and reporting.

Within the overarching RMF, additional frameworks operate in the areas of financial risk, compliance and financial crime risk, to ensure that these areas of risk are appropriately managed.

The **financial risk framework** is designed to assess, measure and manage credit default risk, interest rate risk, capital, and liquidity adequacy.

The **compliance framework** is designed in accordance with good practice governance and conduct and is aligned with the relevant financial institution's requirements, including the principles of the Financial Conduct Authority's (FCA) Senior Managers and Certification Regime, insofar as is

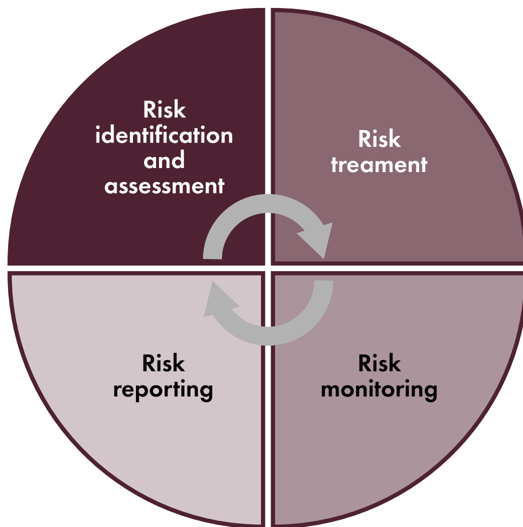
[2] www.ukib.org.uk/publications

appropriate and proportionate to our business, the relevant elements of the FCA Principles for Businesses, and the General Data Protection Regulation.

The **financial crime framework** comprises good practice policies and practices to safeguard against fraud, theft, corruption, bribery, market abuse and money laundering, in line with guidance issued by the Counter Fraud function, in compliance with HM Treasury's Managing Public Money guidance, applicable laws, rules and regulation.

Risk management process

The risk management process operates both from a top–down perspective, looking at the most significant risks to the Company as a whole, and from a bottom–up perspective.



The RMF involves the identification of risks and assessment for impact and likelihood with and without controls in place. Where a risk is outside the Board's risk appetite, this is escalated for further consideration and potential additional mitigation or treatments are put in place.

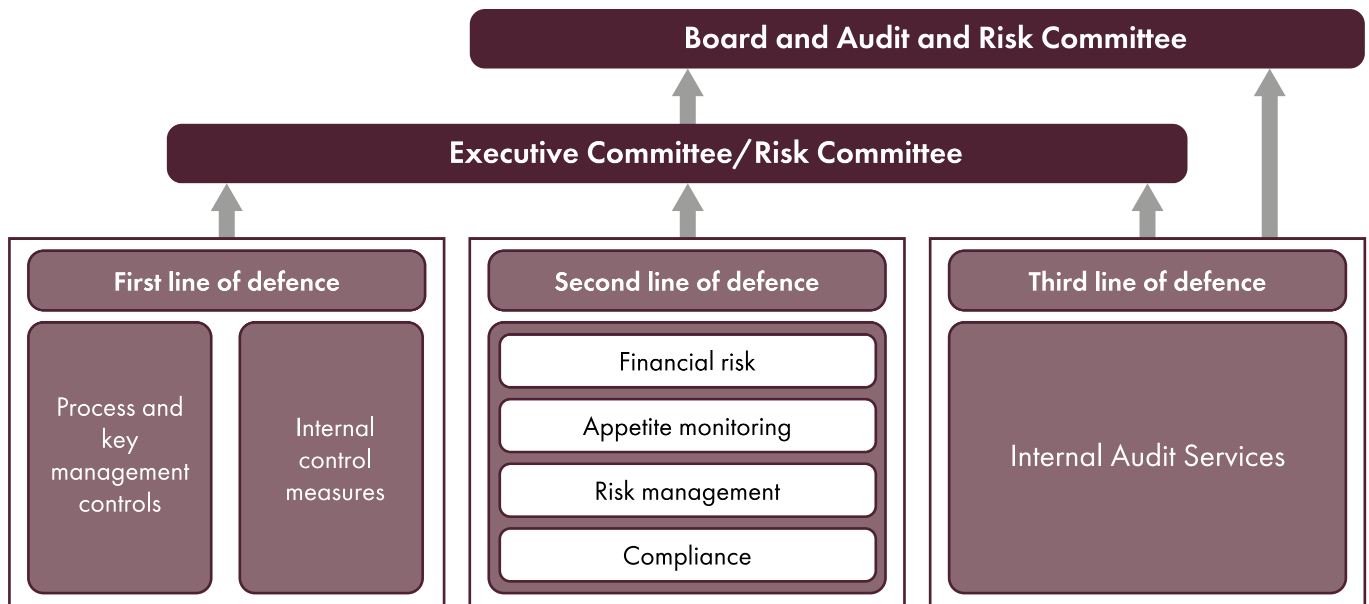
Top–down and bottom–up risks are monitored regularly for any changes to the assessment, as a result of changes to the control environment, or for any new or emerging risks that might need to be added to the register.

The final part of the process is to regularly report the risk profile through the relevant governance committees for review.

Structures and responsibilities

The Company operates a Three Lines of Defence approach to risk management. Everyone in the business has some responsibility for risk management. The Three Lines of Defence model provides a simple approach to allocate responsibilities, as in the diagram below.

The Three Lines of Defence model



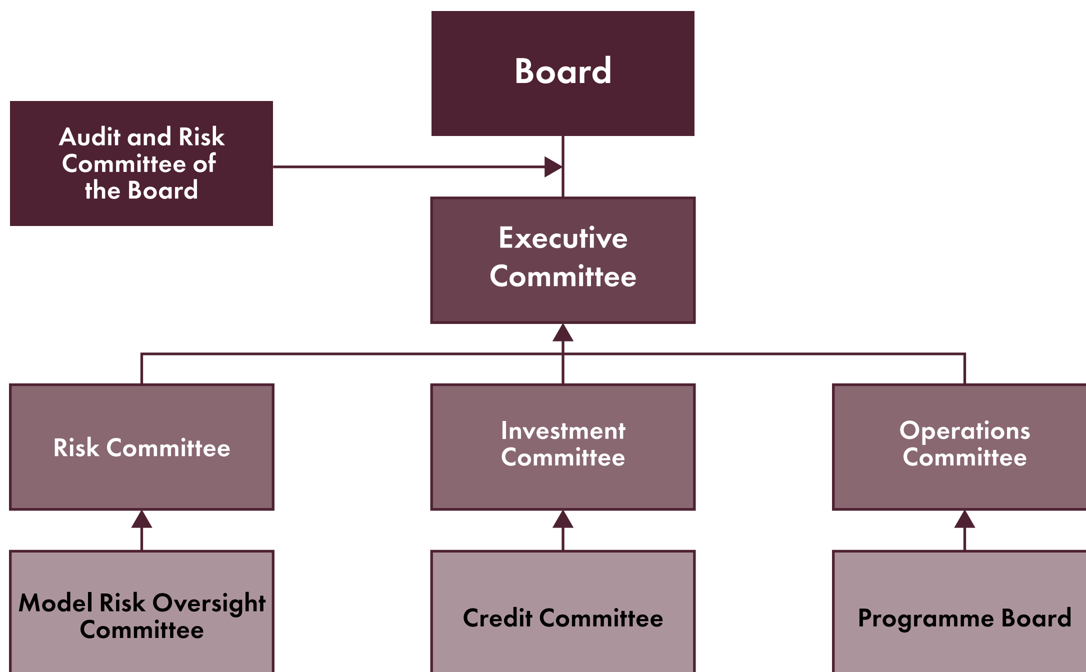
The first line of defence, 'management', owns the risks. Management has responsibility for the identification, ongoing assessment and management of risks, and has direct accountability for implementing and maintaining appropriate controls, measures and corrective actions.

The second line of defence consists of functions that oversee or specialise in risk. They are responsible for defining the risk management frameworks, policies and procedures, and support the first line of defence, management, in ensuring that risks are appropriately managed, facilitating the implementation, monitoring and reporting of risk information throughout the organisation.

The role of the third line of defence is fulfilled through a risk-based approach to provide an objective assessment of the adequacy of the system of internal control that is in place to manage the risks to the achievement of the Company's objectives. The third line of defence is performed by the independent Internal Audit Services function.

Committee structure for risk management

The Committee structure relevant to risk governance and oversight is outlined in the diagram below.



- The Board is responsible for the effective management of risk, approving the risk strategy and the setting of risk appetite.
- The Audit and Risk Committee is principally responsible for making recommendations to the Board on risk appetite and risk strategy, reviewing performance against risk appetite and reviewing all risk exposures. It also approves key risk management policies, considers the level of risk the Company is taking to achieve its impact, and evaluates the Company's governance, risk and control framework.
- In relation to risk management, the Executive Committee delegates authority to the Risk Committee. The Executive Committee will review any escalated items and will endorse submissions to the Audit and Risk Committee as appropriate.
- The Risk Committee is responsible for reviewing the risk management strategy and frameworks, risk profile and risk appetite on behalf of the Executive Committee and escalating issues to that body where necessary.
- The Model Risk Oversight Committee oversees the quality assurance of the integrity and effectiveness of critical models and reports to the Risk Committee.

- The Credit Committee provides oversight and monitoring of investments through annual and ad hoc reviews performed by the Portfolio Management function. It reports to the Investment Committee. From August 2024, the Credit Committee will report directly to the Executive Committee.
- In addition to the committee structure above, a Valuation Committee was established in June 2024. It is a sub-committee of the Executive Committee, and it has been delegated responsibility for developing, implementing and overseeing the valuation methodology and practices with regard to the equity investment assets of the Company.
- The Operations Committee is responsible for the operational matters, including first line of defence operational risks, pertaining to the running of the Company. The Operations Committee will escalate significant (very high) operational risks to the Risk Committee as appropriate. The Operations Committee has delegated to the Programme Board the responsibility for the management and oversight of programme- and project-related risk and delivery activity pertaining to the building and running of the Company. The Programme Board will make recommendations and escalate exceptions and significant (high and very high) programme risks to the Operations Committee and Risk Committee as appropriate.

Risk appetite

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

The overarching risk appetite is stated as: *"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 principal risk and sub-category of risk that the Company faces. These are shown in the following table.

Risk appetite (continued)

Risk category and definition	Sub-categories	Appetite statements
Strategic and business risk Strategic and business risk relates to threats that may inhibit the delivery of the Company's business strategy. Strategic and business risk can also arise from setting an inappropriate strategy, unclear plans, priorities or accountabilities.	**Policy**	We have no appetite for deals that do not have an intended positive impact on at least one of our policy objectives.
	Financial performance	While our appetite for individual transactions is high, and as such could give rise to losses, at a portfolio level we have no appetite for exceeding our economic capital target.
	Concentration	The Company is exposed to multiple layers of concentration risk by virtue of our mandate. We aim to invest across our target sectors within five years, recognising that these sectors will evolve at different rates.
	Innovation	In order to fulfil the mandate we have been given, we take risks that other market players won't, acknowledging the need to learn, adapt and innovate as we grow.
Reputational Reputational risk is the risk of damage to the Company's reputation from adverse events, poor execution or repeated failures. This includes stakeholder engagement risk.	**Stakeholder engagement**	We will be open in our discussions and tailor our engagement with stakeholders and partners to suit each market, so as to build a reputation for excellence through the deals we enter into.
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 Company's balance sheet. Failure to manage financial risks within approved appetite could trigger breach of other key risks, including strategic and business risk and reputational risk.	**Credit/counterparty**	The Company is set up to address market failure and to accelerate new markets in infrastructure finance. We are willing to take more risk than the market for deals that will ensure we meet our objectives.
	Investments	Given our mandate, our appetite for risk arising from our investments is high. However, we will assess and actively manage each exposure.
	Market and interest rate	We will seek to match the interest rate risk profile of the Company's assets with the liabilities available to it from HM Treasury.
	Liquidity	We will ensure that the funding requirements for assets, calls on guarantees and other obligations are accommodated at all times.
	Climate, sustainability and impact	We will stress-test potential investment income streams, costs and overall returns.
	Model	The Company relies on a range of models to make key decisions. These models must be effectively managed to ensure that decision-making is well informed.

Risk appetite (continued)

Risk category and definition	Sub-categories	Appetite statements
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 that have an impact on the operations of the Company.	**Technology**	We ensure that availability and capacity failures are addressed in a timely fashion, minimising disruption to the business.
	Cyber and security	We maintain appropriate protections, controls and colleague awareness to minimise cyber risk.
	Projects/ programmes	Our projects and programmes are aligned with our strategic priorities, and we always seek to successfully deliver the benefits within set deadlines.
	Procurement	We will always comply with the Public Contracts Regulations 2015. We will ensure that sound procurement and commercial management arrangements are in place.
	Business process/ outsourcing	We will seek to ensure that our business processes and those of our outsource partners are effective.
	External events and third parties	We act to ensure that we recover from adverse external events without significant disruption to our operations, including maintaining functional and compliant workspaces for our colleagues.
	Data management	We maintain appropriate protections, controls and colleague awareness to minimise data management risk.
Operational – people This is the risk of failure to attract and retain suitable and sufficient resource to achieve the Company's objectives and to build a positive culture.	**People management**	We are building a new bank at speed in a niche market. We will seek the core talent we require in specialist and non-specialist areas. We will ensure that diversity and inclusion are designed into the build of the Company.
	Culture	We will seek to promote a culture that enables proportionate risk-taking aligned with our policy objectives and ensures transparency, with a clear, consistent, ethical tone at the top, which filters through to all colleagues.
	Conduct	We have no appetite for wilful or known breaches of applicable rules, regulations, codes of conduct and government guidelines.

Risks, challenges and mitigation

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 them.

Risk category	Challenges these risks pose	The Company's mitigations
Strategic and business risk	The Company has objectives in the form of financing and promoting infrastructure projects to help achieve net zero emissions by 2050 and to support regional and local economic development. Delivery on these objectives may fall short of expectation if strategic and business risks are not managed appropriately.	• Clearly defined objectives monitored on an ongoing basis. • Establishment of risk management processes and governance around strategic and 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 Company or its colleagues might lead to an adverse impact on the standing of the Company with the public, the market or with its Shareholder.	• Process and decision-making controls in place and regularly reviewed. • Reputational risk appetite adherence monitored. • Guidance and awareness for all colleagues. • Our media team proactively addresses potential issues and effectively manages challenges to safeguard and enhance our reputation among stakeholders.
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 underestimated.	• Due diligence processes and credit risk assessments in place for all loans, investments and guarantees, with ongoing 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 Company's capital and liquidity adequacy and measurement of economic capital usage. • Consulting with external experts on climate-related financial risks.
People risk	The Company might have insufficient people or lack the requisite skill sets to operate effectively, or its culture might not sufficiently support the Company's mission.	• Management of the recruitment process and Reward Framework; construction of a brave and diverse culture. • Succession planning to cover key person dependencies.
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 and regulatory risk	Laws and regulations may not be complied with, and the Company 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 Company 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. • Compliance monitoring plan.

Establishment and systems

Workspace

During the financial year to 31 March 2024, the Company signed a pre-agreement for a new head office space in Leeds. The formal 15-year lease was signed in June 2024. The move to Whitehall Quay reflects the Company's long-term commitment to Yorkshire and its continued contributions to the economic and professional vibrancy of one of the largest centres for finance and professional services outside London. The new space will accommodate the Company's changing needs as a larger and established organisation.

In June 2024, the Company transitioned colleagues into the new premises, following the end of its lease of previous office space.

The Company has also established offices in Edinburgh, Cardiff and Belfast, allowing for regional recruitment and for the wider presence of the Company, in addition to the London office. Of our 270 employees, 93% are contracted to our Leeds office. Further information can be found in the Staff report on pages 98 to 100.

In the establishment of the new Leeds headquarters, we will also provide offices for both the National Infrastructure Commission and the Low Carbon Contracts Company.

Information technology

During the financial year to 31 March 2024, the Company has implemented a Software as a Service (SaaS) solution for its human capital management and finance capacities. In addition, this solution has been expanded to enable asset management, and going forward it will also provide learning management. The use of a cloud-based tool enables the Company to have a future-proofed strategic solution, which can adapt as required by the Company and provides good value for money.

We have also deployed a procurement solution fully aligned with the UK Government's procurement standards and processes.

These system implementations have allowed the Company to complete the migration of all Treasury systems and processes during the financial year to 31 March 2024, and consequently become operationally independent, as well as provide a long-term platform for continued growth functions, enabling a structured approach to contact management and engagement.

Our current tactical loan management system, implemented in 2022–23, was always an interim measure to support the Company's initial growth. We are replacing this with a strategic solution for our core banking systems that will cover banking origination and servicing activities. Once deployed, this strategic solution will be able to grow, flex and adapt with the future of the Company. We have completed the scoping of this solution, with user requirements defined, and it is now under development with a partner.

We have also continued to explore further opportunities to enhance our information technology infrastructure across the Company, ensuring that the right combination of technical solution, security and value for money is obtained. For example, the Company has commenced developing a roadmap for its use of generative AI.

Sustainable procurement

The Company's procurement focus is on achieving value for money on a whole-life basis and delivering positive outcomes not only for the Company itself, but also for the economy, the environment and society.

The Company complies with the Public Contracts Regulations 2015 and all other relevant domestic legislation when conducting procurement activity. In addition to the legislative framework, the Company also meets the requirements of wider government policy, standards and codes, such as the Government Buying Standards, the Greening Government Commitments, Functional Standards and Procurement Policy Notes, including the Social Value Model and Tackling Modern Slavery. Reporting and monitoring have been developed for key sustainable and social value areas.

Continued development

The sections below provide a summary of our activities from 1 April 2024 to the date of signing this Annual Report and Accounts.

National Wealth Fund

On 14 October 2024 the UK Infrastructure Bank Limited was renamed as the National Wealth Fund Limited.

Further detail is provided in *Note 27 Events after the reporting period*, on page 156.

Investments

Since the end of the 2023–24 financial year, the Company has signed a further 13 deals, spanning a range of areas across our priority sectors, including digital, clean energy and retrofit using our debt, equity and guarantee products. The Company's agreed commitment to these deal totals £1,584 million.

Working with local authorities

The Local Authority Advisory and Lending function continues to grow, reflecting the increased demand for our services as our updated strategy is put into action across all four nations and our market presence and credibility grow.

Since 31 March 2024, we have closed a further three lending transactions, including our first with a district authority, and undertaken 22 new advisory engagements. Our advisory work has covered the full breadth of the priority sectors we identified in our strategy – retrofit, heat networks, transport and mixed infrastructure – demonstrating the broad range of projects we are able to support.

As our team delivers more local authority advisory engagements and lending transactions, we continue to build the Company's institutional knowledge. We are disseminating our learning across the sector and will increasingly seek to replicate models we have identified as effective.

We recognise that collaboration with local authorities, government bodies and the private sector is vital to identifying those infrastructure projects where we can make a real difference. In the coming year we will continue to build momentum in developing key strategic relationships towards this end.

Our people

We have implemented the new goal-setting and feedback process across the Company. Individual goals are aligned with the organisational key performance indicators.

We have maintained our commitment to engaging with colleagues through our People surveys, continuously assessing and addressing key themes from the feedback received. Recently, we successfully rolled out an automated solution for employee engagement surveys.

We have continued with our planned recruitment for permanent positions across the Company. This includes initiating the recruitment process to find a new Chief Operating Officer.

Business Operations

We completed the move into our new Leeds headquarters in the summer of 2024, reflecting the Company's long-term commitment to Yorkshire. The new space accommodates the Company's changing needs as a larger and more established organisation.

Our first generative AI deployment has also been delivered, using an available market standard tool, to enhance our efficiency.

Oversight and management of direct equity investments

The Valuation Committee has been established with the Terms of Reference agreed. The valuation of the four direct equity investments held at the year-end were reviewed and agreed. Additionally, a valuation policy was created and approved by the Board.

The Equity Management Forum has also been established to meet regularly throughout the year with the aim of facilitating knowledge-sharing across the direct equity portfolio, raising awareness and visibility of the issues being experienced to inform

the Company’s origination effort’s our approach to engagement at a shareholder level, and identifying training needs with respect to the management of our equity portfolio.

The operating models used in the original direct equity investment appraisal have been, or are in the process of being, rebuilt as operating models. The first model rebuilt has successfully gone through an independent external model assurance review.

John Flint
Chief Executive Officer and Accounting Officer
21 November 2024

Accountability Report

Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and Independent auditor's report for the year ended 31 March 2024.

On 14 October 2024 the UK Infrastructure Bank Limited was renamed as the National Wealth Fund Limited.

The Corporate governance statement is set out on pages 71 to 73 and forms part of this Directors' report.

The following information required by the Companies Act 2006, and referenced below, can be found in the following sections of the Annual Report:

- A description of the principal activities of the Company during the financial year to 31 March 2024 is set out in 'Our business' on pages 12 to 14.
- The Company's risk management disclosures are set out in the Performance and Strategic Report on pages 52 to 58.
- Information on our employment disability policies, gender pay gap and our actions on colleague engagement is in the 'Our people' section on pages 43 and 44.
- Information on the Company's use of financial instruments is given in *Note 1.2.7 Financial instruments*, on pages 124 to 129.
- Significant post-balance sheet events are referred to in our Performance and Strategic Report on pages 61 to 62 and detailed in *Note 27 Events after the reporting period* on page 156.

The Directors have elected to include information on the future activities of the Company within the Performance and Strategic Report on pages 61 to 62.

Directors' indemnities

During the financial year to 31 March 2024, HM Treasury, as the sole shareholder of the Company (the Shareholder), had in place for its Directors an indemnity against any losses or liabilities incurred in the course of the performance of their Directors' duties (other than those arising out of fraudulent behaviour) to the extent permitted by law and the Company's Articles of Association.

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

Auditors and 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 Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going concern and Statement of viability

Going concern

The Directors have assessed the Company's ability to continue as a going concern, taking into consideration its financial position, the principal risks set out on page 58, potential future strategic options, and the current and anticipated economic conditions.

The validity of the going concern basis of accounting is dependent upon the funding position of the Company. As of 31 March 2024, the Company is funded by HM Treasury. Therefore, to satisfy the going concern assumption, reassurance is provided by HM Treasury that its support to the Company remains in place. In addition, there is a Keep Well agreement in place between the Company and the Commissioners of HM Treasury stating it will provide sufficient funding to enable the Company to meet its liabilities as and when they fall due, to a current funding cap limit of £22 billion.

Accordingly, the Directors of the Company confirm that they are satisfied, at the time of approval of this Annual Report and Accounts, that the Company has adequate resources to continue in business for the foreseeable future. For these reasons, the Company continues to adopt the going concern basis in preparing the financial statements. Further details of the Directors' assessment are included in *Note 1.2.9 Funding from the Shareholder* on page 129 and *Note 22.5 Capital management* on page 153.

Statement of viability

The Company's continuation as an entity is ultimately at the discretion of its Shareholder. The Board considered that the Company has and will continue to have Shareholder support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Company's business plan, which is updated and approved annually by the Board. The Board is confident the finance from HM Treasury will continue and, as at the date of approval of this Annual Report and Accounts, they have no reason to believe otherwise.

The Directors have determined that a three-year period from the year end of assessment is an appropriate period over which to provide its viability statement. This is the period over which the Board considers that it can form a reasonable view of the key drivers of the Company's performance, including the investment profile and operating costs.

Directors

The following individuals served as Board Directors during the financial year to 31 March 2024. The process for appointment and removal of Directors is set out in the Corporate governance statement and can be found on pages 71 to 73.

Board member	Position
Christopher Grigg,[3] CBE	Chair
Charles Donald[1] (resigned 1 August 2024)	Non-Executive Director
Elena Ciallie[2] (appointed 1 August 2024)	Non-Executive Director
Muriel Dube[3] (appointed 14 December 2023)	Non-Executive Director
John Flint	Chief Executive Officer
David Lunn[4] (resigned 4 October 2023)	Senior Adviser
Marianne Økland[3]	Non-Executive Director
Bridget Rosewell,[3] CBE	Senior Independent Director
Annie Ropar	Chief Financial Officer
Tania Songini[3 5]	Non-Executive Director
Nigel Topping[3]	Non-Executive Director

Notes to the above table:

1. Charles Donald was the appointed Shareholder Representative Director during the financial year and resigned on 1 August 2024.
2. Elena Ciallie was appointed as the Shareholder Representative Director with effect from1 August 2024.
3. Muriel Dube, Christopher Grigg, Marianne Økland, Bridget Rosewell, Tania Songini and Nigel Topping are considered by the Board to be independent.
4. David Lunn's interim role as Chief Operating Officer (COO) ended on 11 April 2023, with the appointment of James Emmett as the Company's first permanent Chief Operating Officer (see also the 'Our organisational structure'- section on page 14 and 15). David Lunn was subsequently retained as a senior adviser to the Company and continued as an active member of the Board until his resignation on 4 October 2023.
5. In June 2024, subsequent to the reporting period, it was agreed that Tania Songini would assume the role of permanent Chair of the Remuneration Committee. Tania initially took on this role in an interim capacity.

Directors' biographies

Chris Grigg, CBE
Chair

Chris brings extensive business and finance leadership to the Company. He served as the CEO of British Land for 11 years until November 2020, where, among 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 stepped down from the role of Senior Independent Director on the Board of BAE Systems plc at the end of December 2023, having served on the Board of Directors since July 2013. Chris is on the corporate Board of Cancer Research UK and he has been appointed as a Non-Executive Director and Chair designate of Melrose Industries plc from 1 October 2024.

Current external appointments

- Chair, Evelyn Partners
- Corporate Board Member, Cancer Research UK
- Executive Director and Chair designate, Melrose Industries plc

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.

Current external appointments

- Chief Executive, UK Government Investments Limited
- Chair, Working Party on State Ownership and Privatisation Practices, OECD
- Trustee, Help for Heroes

Charles Donald
Non-Executive
Director

John Flint
Chief Executive
Officer

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.

Current external appointments

- Director, Skandinaviska Enskilda Banken AB
- Member of the Global Advisory Board of MUFG
- Trustee, MindForward Alliance
- Trustee, The Maggie Keswick Jencks Cancer Caring Centres Trust

Marianne currently serves as Lead Director on the Board of Scorpio Tankers Inc, as a Non-Executive Director of Norse Atlantic Airways, and as an Independent Director on the Professional Welsh Rugby Board, responsible for the Welsh national teams and professional regional teams.

Marianne Økland
Non-Executive Director

Previously, she held various board positions, including chairing a number of board committees at IDFC Limited (Infrastructure Development Finance Company), 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, structuring and raising debt capital for some of the most significant mergers and acquisitions in the Nordic area. She also headed the European operations of Marsoft, advising banks and large shipping, oil and raw material companies on shipping strategies and investments.

Marianne is a Norwegian national holding an MSc degree in Finance and Economics from the Norwegian School of Economics and Business Administration, where she also worked as a researcher and taught mathematics and statistics.

Current external appointments

- Non-Executive Director, Norse Atlantic ASA
- Lead Director, Scorpio Tankers Inc
- Independent Director, Professional Welsh Rugby Board

Bridget Rosewell, CBE
Senior Independent 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.

Bridget chairs the M6 Toll Company and Flood Re Limited. She is a Non-Executive Director for Northumbrian Water Limited and AWE plc. Among other roles, she has chaired Atom Bank and DVSA (Driver and Vehicle Standards Agency) and been Senior Independent Director for Network Rail and Chief Economic Adviser to the Greater London Authority. In December 2018, Bridget was appointed CBE. She is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science, and the Society of Professional Economists. She writes on finance, risk and uncertainty as well as infrastructure and modelling validation.

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 Transport for London's finances, and has appeared at planning inquiries.

Current external appointments

- Chair, M6 Toll Company
- Chair, Flood Re Limited
- Non-Executive Director, Northumbria Water Limited
- Non-Executive Director, AWE plc
- Senior Adviser, Volterra Partners LLP

Annie joined the Company as Chief Financial Officer in September 2022, moving to Leeds from Toronto, Canada. From 2018 to 2021, Annie was one of the first employees of the Canada Infrastructure Bank (CIB), joining as its inaugural Chief Financial Officer and Chief Administrative Officer. During her time at CIB, Annie was responsible for building the finance, risk management, legal and operations functions to enable the organisation's investment mandate.

Annie Ropar
Chief Financial Officer

Prior to CIB, Annie spent five years with Aequitas NEO Exchange Inc. (now CBOE Canada), a start-up stock exchange launched in 2015 to compete with the effective monopoly held by the incumbent market player. She also spent nine years with Royal Bank of Canada's Capital Markets arm, where her career spanned finance, private equity and the institutional equity trading business. She started her post-qualification career at Newcourt Credit Group Inc. (now CIT Group Inc.).

Annie is a Canadian Chartered Professional Accountant and has served on a number of private and public company, as well as non-profit, boards.

Tania Songini
Non-Executive Director

Since 2015, Tania Songini has built a portfolio of non-executive director roles, including with companies such as the Private Infrastructure Development Group (a development finance fund for infrastructure projects in Africa and Asia), Thrive Renewables, Guernsey Electricity and the Energy Systems Catapult.

Prior to 2015, Tania worked for the leading global engineering and technology services company Siemens for 18 years in their logistics, healthcare and energy businesses, where she held a number of finance director roles, including more recently Siemens' energy business in the UK and northwest Europe.

Her energy experience is predominantly around renewable power generation and decentralised energy systems. Tania is the Chair of ViaNinos UK, a charity supporting street children in Ecuador.

Current external appointments

- Non-Executive Director, Thrive Renewables plc
- Chair, ViaNinos UK
- Non-Executive Director, Guernsey Electricity
- Non-Executive Director, Energy Systems Catapult Limited
- Non-Executive Director, OCU Group
- Adviser, GIRA Strategic Finance

Nigel brings a unique mix of experience in running manufacturing businesses in UK regions and working on the industrial transformation to the zero-carbon economy. He spent the first half of his career in automotive component manufacturing, including running businesses in Manchester and Hartlepool, and then as part of the management buyout team that took TMD Friction private and turned it into the biggest manufacturer of brake pads in the world.

Nigel Topping CMG Non-Executive Director

Since 2006, Nigel has been working on how to use the power of business to accelerate the zero-carbon transition, working at 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.

Current external appointments

- Member, UK Climate Change Committee
- Trustee, Count Us In
- Director, Ice Benchmark Administration Limited
- External Member, Advisory Committee for AXA IM
- Founder, Ambition Loop

Muriel Dube, Non-Executive Director

Muriel is a former investment banker at Investec Plc and has over two decades' Executive and Non-Executive Director experience. Before this, she served as a Director in the Department of Environmental Affairs and Tourism (South Africa), as chief negotiator for the South African Government in major international climate negotiations, and as the Africa representative on the United Nations Expert Group on Technology Transfer.

Alongside serving on the Company's Board, Muriel also currently serves as a Director on the boards at Control Risks and Sasol Group Ltd, and has previously served as a Director of Bravo Brands.

Current external appointments

- Independent Non-Executive Director and Chair, Sasol Limited

Corporate governance statement

Overview

The Company is committed to upholding effective standards of governance in conducting its business. It aims to comply with the provisions of the UK Corporate Governance Code 2018 (the Code) to the extent reasonably practicable. Any departures from the Code are explained in this report.

The Company is a private company limited by shares and the sole shareholder is the Solicitor for the Affairs of His Majesty's Treasury, in their capacity as nominee for HM Treasury.

The Company maintains operational independence from its shareholder, as outlined in the Framework Agreement, with the relationship managed through UK Government Investments (UKGI). A Shareholder Representative Director from UKGI sits on the Company's Board of Directors, ensuring a structured and transparent governance framework. The Company is operationally independent in the delivery of its strategic objectives.

Strategic objectives

Our mission is to partner with the private sector and local government to increase infrastructure investment, pursuing two strategic objectives:

- help tackle climate change; and
- support regional and local economic growth.

Our investments must deliver on our triple bottom line, achieving one or both of these strategic objectives, while crowding in private capital and generating a positive financial return.

In support of these strategic objectives, we focus on delivering the following functions:

- 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 providing advisory support to local authorities on infrastructure projects; and
- expanding private sector investment in UK infrastructure.

Corporate governance 2023–24

The Board provides strategic direction to the Company and is responsible for ensuring that effective risk management and internal control systems (described more fully on pages 52 to 58) are in place to enable the Company to meet its objectives in an effective manner. These systems have been developed further during our financial year and continue to be operational at the date of approving this Annual Report and Accounts.

The Directors are responsible for overseeing the Company's alignment with the requirements of the Framework Document between the Company and HM Treasury (the Framework Document), which includes requirements in relation to good governance.

During the financial year to 31 March 2024, the Board reviewed the Company's corporate governance framework that is designed, in part, to enable the Company to meet its requirements under the Framework Document. 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 also have in place guidance and processes to ensure colleagues can safely raise concerns (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.

In addition, the Board has undertaken a review of the risk management practices and of compliance with the Orange Book's five principles.

The conclusion is that the risk management practices fully comply with the requirements of the Orange Book's principles in relation to **four of the principles**. These are:

A. Governance and Leadership

B. Integration

C. Collaboration and Best Information

D. Risk Management Processes

Principle E – 'Continual Improvement' is not yet fully complied with. This assessment reflects the maturity of processes and controls that can be reasonably expected of the Company at this stage of its development, that is, we have not had the opportunity to fully embed continual improvement measures in relation to risk management practices that have been introduced only over the last year. We have a detailed action plan with due dates and action owners to address this. The Company aims to achieve all of these actions by the end of the financial year 2024–25.

Compliance with the UK Corporate Governance Code 2018

The Framework Document requires the Company to operate corporate governance arrangements that comply with applicable regulatory requirements and accord with good corporate governance practice, including with the UK Corporate Governance Code 2018 (the Code), so far as is practicable and to the extent appropriate to the Company.

The Board has reviewed the governance arrangements in place during the financial year to 31 March 2024 and considers that the Company was fully compliant with all relevant aspects of the Code throughout this period.

There are three provisions of the Code where the Company's constitutional documents necessitate a departure from the Code:

Provision 18

This provision requires that all Directors should be subject to annual re-election. The arrangements for the appointment and removal of Directors are set out in the UK Infrastructure Bank Act 2023 and on page 83 of this report and represent a departure from Provision 18 of the Code.

Provisions 24 and 32

These provisions require that the Audit and Risk Committee and the Remuneration Committee should consist of independent Non-Executive Directors. The Framework Document requires that the Shareholder Representative Director be a member of the Audit and Risk, Nomination and Remuneration Committees. Shareholder membership of the Audit and Risk and Remuneration Committees represents a departure from Provisions 24 and 32 of the Code.

Provision 25

Provision 25 outlines the procedures for the appointment and reappointment of the external auditor. In accordance with the Framework Document, the Company is required to appoint the National Audit Office as its external auditor. Further details regarding the interaction between the external auditor and management are available in the Audit and Risk Committee Report on pages 79 to 80.

Governance – Statement of Internal Control and Risk Management 2023–24

The Board has overall responsibility for the system of internal control and for assessing its effectiveness. The Board Audit and Risk Committee plays a critical role in helping it to fulfil this responsibility.

The Directors and management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. Owing to the limitations inherent in any internal control framework, the controls have been designed to manage and mitigate, rather than eliminate, the risk of failure to achieve the business objectives and can provide only reasonable, not absolute, assurance against material misstatement or loss.

In monitoring the effectiveness of this system, the Audit and Risk Committee reviews the principal and emerging risks and how these are managed, noting we are committed to a Risk Management Framework programme of continuous improvement and embedding across all areas. A review of the effectiveness of key controls was completed for the first time in 2023 and concluded that the control environment continues to develop, and specific actions are under way within business areas, with second-line risk management activity planned to monitor these to completion. The Audit and Risk Committee also considers reports from Compliance, Internal Audit Services and management on the systems of internal controls and control weaknesses, where these exist, together with actions taken to address them.

In preparing this statement, the Audit and Risk Committee has performed its annual assessment of the effectiveness of risk management and internal control systems.

The Board of Directors, in conjunction with the Audit and Risk Committee, remains satisfied that, notwithstanding the presence of minor weaknesses and low level of non-compliance, the system of internal control continued to be effective and is not aware of any material risk events or internal control failures that arose during 2023–24 that are not being addressed in accordance with the Risk Management Framework.

TCFD compliance statement

Within this 2023–24 Annual Report and Accounts, the Company has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance which interprets and adapts the framework for the UK public sector. The Company has complied with the TCFD recommendations and recommended disclosures on

- governance (all recommended disclosures); and
- metrics and targets (disclosure (b)).

This is in line with the central government's TCFD-aligned disclosure implementation timetable. The Company plans to make disclosures for strategy, risk management, and metrics and targets in future reporting periods in line with the central government implementation timetable.

Our key stakeholders

This Section 172(1) statement highlights our key stakeholders, why we engage with them, our priorities for engagement and some of our main interactions during the year.

Given the breadth of our remit, our need to deliver in partnership, and our commitment to being a learning organisation, we have a broad and diverse range of stakeholders with whom we regularly engage.

This is a continual process and is factored into both our day-to-day activities – for example, deal origination and advising local authorities – as well as our longer-term strategic activities, such as consulting others to inform our strategic plans and frameworks (e.g. the Impact and Environmental, Social, Resilience and Governance Frameworks).

This engagement is done through a variety of methods, including bilateral meetings, publications, consultations and a range of external events, all with a focus on transparency, openness and honest dialogue.

Our stakeholder base will continue to grow. It will be essential for us to develop relationships that are built on mutual trust through open engagement and responding to feedback.

HM Treasury

HM Treasury is the Company's sole shareholder. The Company is wholly owned and backed by HM Treasury but is operationally independent. Our relationship is set out in the Framework Document, and we engage with HM Treasury through our Quarterly Shareholder Meetings and other scheduled or ad hoc interactions. We also work closely with HM Treasury policy teams to ensure our alignment to government priorities, in particular tackling climate change and promoting regional and local economic growth.

UK Government

Given the breadth of our mandate, we engage with a range of government departments beyond HM Treasury, including the Department for Energy Security and Net Zero (DESNZ), the Department for Science, Innovation and Technology (DSIT), the Department for Business and Trade (DBT), the Department for Transport (DT), the Ministry of Housing, Communities and Local Government (MHCLG) and the Department for Environment, Food and Rural Affairs (DEFRA). Again, it is essential that we closely align with, and support, departmental priorities and upcoming milestones, so that our investments amplify government policy.

We frequently provide our expertise to help government departments, including:

- setting a clear and prominent role for the Company in government strategies – for example, the Company was profiled in Powering Up Britain, the Green Finance Strategy, Net Zero Investment Roadmaps across a number of sectors, the UK Battery Strategy, UK Critical Imports and Supply Chain Strategy, and the Advanced Manufacturing Plan;
- contributing to market intelligence and expertise to shape policy decisions – for example, supporting the development of the £960 million Green Industries Growth Accelerator launched in the Autumn Statement 2023 to support supply chains in offshore wind, electricity networks, CCUS, hydrogen and nuclear;
- helping to design funding programmes where the Company's offer can align with government priorities and play a role; and
- contributing to cross-government and industry engagement.

Devolved administrations

We have developed strong relationships with the devolved administrations to understand their priorities and help identify investable projects in all four nations of the UK.

The Company has established a physical presence in Edinburgh, Cardiff and Belfast.

The continued building of these relationships throughout the year has led to the Company and the Scottish National Investment Bank (SNIB) signing a memorandum of understanding in May 2024, cementing our close working relationship and shared ambition to attract additional private investment into Scotland. This was followed by a project jointly financed with SNIB, also in May 2024.

UK Parliament

As an institution that is owned by the Government, it is crucial that we are accountable to Parliament. This is enabled through both formal and informal mechanisms. On the former, during the year we have corresponded with the Public Accounts Committee on its 2022 report into the creation of the Company, with all the Committee's recommendations now implemented. On the latter, we have networks with Parliament and have maintained an active programme of parliamentary engagement to raise and continue awareness of the Company's activities. We met with over 40 MPs and peers, on a cross-party basis, who have remits or interests relevant to our mandate, and in February 2024, we hosted a parliamentary reception, attended by over 90 stakeholders ranging from MPs and peers through to policy organisations and think tanks.

Infrastructure market

We have continued to build on our relationships with project sponsors, advisers and borrowers from across the market, allowing us to deliver deals which finance new infrastructure projects and catalyse nascent technologies. In particular, we continue to work with the market to understand the barriers to financing infrastructure projects, so that we can ensure our capital is helping to resolve problems. This year, we have established a process to systematically gather client feedback, to ensure we learn lessons and feed into continuous improvement.

Local and combined authorities

Understanding the challenges local authorities encounter in delivering infrastructure projects – and helping them access the right advisory support and financial lending products to deliver solutions – is vital to our local lending facility. We engage both directly and through partners and networks to raise awareness of our advisory services and lending offer. Our engagement is described more fully in the sections on 'Working with local authorities' on pages 36 to 39.

Public investment bodies

We work closely with other UK Government organisations – particularly the British Business Bank and UK Export Finance, as well as Homes England, SNIB and the Development Bank of Wales – to ensure we develop and articulate a coordinated offer to our stakeholders. We play a leading role in the UK Public Financial Institutions Green Finance and Sustainability Forum, which brings together a number of these bodies.

We also ensure that where investment proposals are not within the Company's mandate, we will share them with our partners, where relevant and appropriate.

Thought leaders on specific industries and sectors

While our role is to help deliver relevant government policy rather than formulate it, we regularly engage with coordinating organisations, academics, think tanks and trade bodies, who provide thought leadership on relevant sectors and issues. Sourcing their expertise helps inform our investment policies and decisions, and such bodies can be an important source of information on market and technological developments.

Colleagues

It is our staff who are building and maintaining the stakeholder relationships described above, and they too are a key stakeholder group, albeit internal.

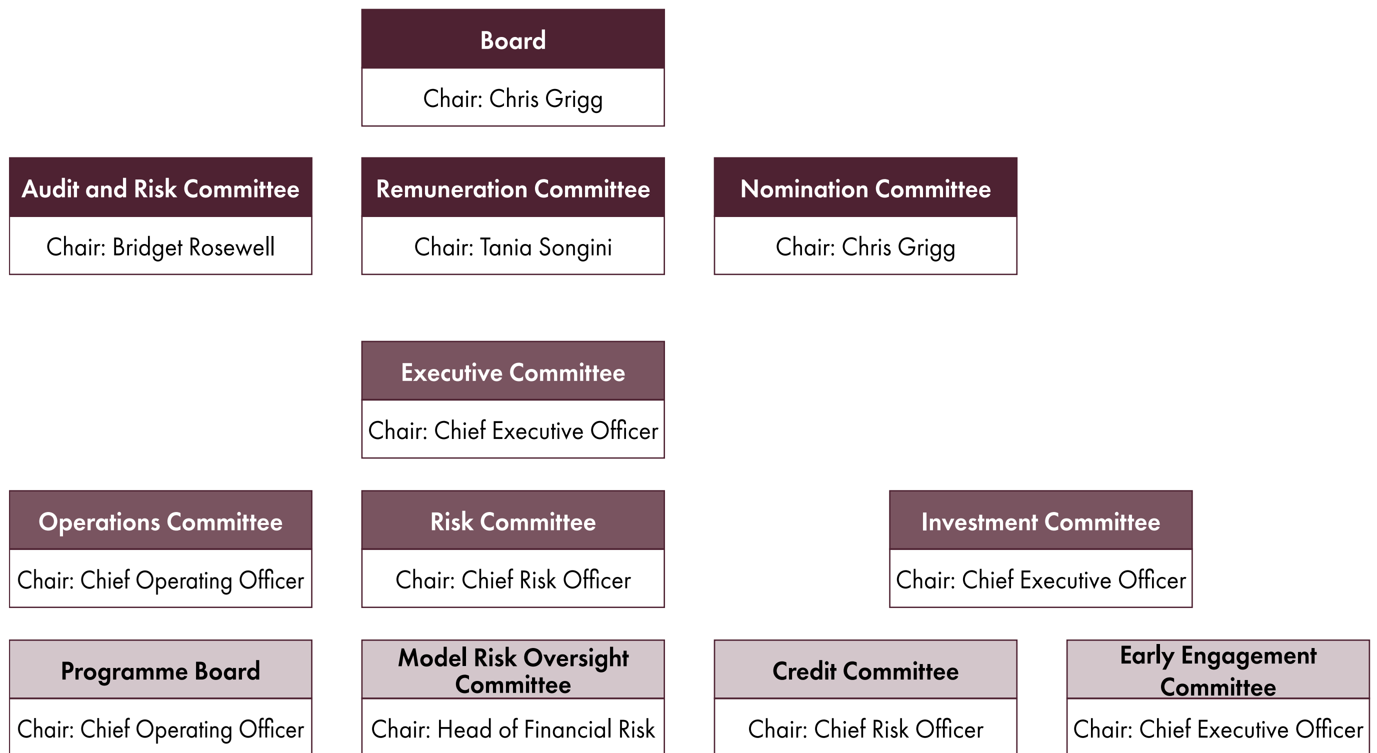
Building and maintaining a strong colleague base with the right knowledge and expertise is crucial to the delivery of our strategic objectives.

We have continued to focus on the recruitment of committed individuals to support our operational activities, bringing in talented and experienced colleagues from both private and public sectors. As expected, we have now moved to a workforce consisting of predominantly permanent employees.

It is vital that we maintain productive relationships with our colleagues, as they are well placed to bring ideas and opportunities for improvement. We have described more fully our engagement, activities and priorities for our colleagues in the 'Business operations' and 'Continued development' sections on pages 43 to 44 and pages 61 and 62 respectively.

Governance structure

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



In addition to the governance structure above, a Valuation Committee was established in June 2024. It is a sub-committee of the Executive Committee, and it has been delegated the authority to develop, implement and oversee the valuation methodology and practices with regard to the equity investment assets of the Company.

Board meeting analysis

The table below sets out the number of Board and Committee meetings that took place during the year to 31 March 2024 and the attendance of the Directors at each (where applicable).

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
	Chair: Chris Grigg	Chair: Bridget Rosewell	Chair: Tania Songini	Chair: Chris Grigg
Total number of meetings:	**6**	**6**	**5**	**2**
Name				
Chris Grigg, CBE	5/6	N/A[1]	4/5	2/2
Charles Donald	6/6	6/6	5/5	2/2
Marianne Økland	6/6	6/6	5/5	2/2
Bridget Rosewell, CBE	6/6	6/6	4/5	2/2
Tania Songini[5]	6/6	6/6	5/5	2/2
Nigel Topping	6/6	2/2	4/5	1/1
Muriel Dube[4]	2/2	2/2	2/2	0/0
John Flint[2]	6/6	N/A	N/A	N/A
David Lunn[3]	2/2	N/A	N/A	N/A
Annie Ropar[2]	6/6	N/A	N/A	N/A

Notes to the above table:

1. The Board Chair attends, but is not a member of, the Audit and Risk Committee.
2. Executive Directors attended, but are not members of, Board Committees.
3. David Lunn resigned on 4 October 2023. The total meetings that he could have attended has been adjusted to reflect this.
4. Muriel Dube took up her role on 14 December 2023. The total number of meetings that she could have attended has been adjusted to reflect this.
5. In June 2024, subsequent to the reporting period, it was agreed that Tania Songini would assume the role of permanent Chair of the Remuneration Committee. Tania initially took on this role in an interim capacity.

In addition to the scheduled Board meetings, five extraordinary Board meetings were convened to consider investments in projects.

Information to the Board

The information received by the Board and its Committees has been in keeping with the nature of a new and developing business. Management information is considered both sufficient and appropriate to enable the Board to discharge its duties in steering the organisation towards its strategic objectives, safeguarding its assets and overseeing performance. This information evolved further during the financial year in respect of its content and complexity, to reflect the continued scaling up of operations and the ongoing development of governance frameworks and activities. Specific elements of the information supplied to the Board and its Committees are covered in the next section.

Board and Committees

The Board

The full Board met six times during the financial year to 31 March 2024. The Board was chaired by Chris Grigg, with all Non-Executive Directors and two Executive Directors being members of the Board. The dates of Directors' appointments are set out on page 97and attendance at Board meetings is set out on page 77. The Chair meets with Non-Executive Directors, without Executive Directors present, as necessary.

Responsibilities

The Board is responsible for overseeing the long-term success of the Company so that it achieves an appropriate financial return for the Shareholder over time, and for providing the strategic guidance to ensure the Company aligns its activities to the achievement of its strategic objectives.

Report on the period

During the financial year to 31 March 2024, the Board activities included:

- approving the Annual Report and Accounts for the period to 31 March 2023 for signing;
- considering the reporting on the Company's financial position, including spend to date and forecasts against budget and headcount;
- reviewing risk reporting to ensure the Company's risk profile is consistently controlled and within the risk appetite limits;
- receiving narrative and quantitative information on current and future pipeline projects within the Company's portfolio;
- receiving regular updates from the CEO covering such areas as deals considered at the Investment Committee and summaries of Quarterly Shareholder Meetings;
- making investment decisions on deals where the values were in excess of the delegated authorities of the Investment Committee;
- reviewing and approving the CEO delegation limits for the Company's deals for the Investment Committee;
- making policy decisions on investment sectors relevant to the Company's deal activities;
- considering an analysis on the local authority and private sector declined deals;
- considering the Company's communications and engagement strategy;
- receiving and approving the Company's business plan for the financial year 2024–25;
- overseeing the continued development of the Company's first guarantee product and approving that product for recommendation to the Shareholder;
- receiving an annual update from Marianne Økland, the Workforce Engagement Representative;
- reviewing and approving the Board's Terms of Reference;
- considering and approving the Company's compliance with the Corporate Governance Code;
- receiving regular updates from the Audit and Risk Committee, Nomination Committee and Remuneration Committee (see further information on these below);
- reviewing the outcomes from the first local authority advisory engagements executed by the Company;
- reviewing the Company's strategic update, which outlines how the Company will communicate to markets how it will invest and crowd in capital;
- approving the Direct Equity Framework;

- receiving progress updates on the implementation of the Strategic Banking Solution;
- receiving regular updates on the progress of moving the Company's Leeds office into its new premises; and
- reviewing the results of the annual Board performance evaluation.

Chris Grigg
Chair of the Board

Audit and Risk Committee

The Audit and Risk Committee held six meetings in the financial year to 31 March 2024. The Committee was chaired by Bridget Rosewell throughout the period, and all other Non-Executive Directors, apart from the Board Chair, were members of the Committee. Attendance at Audit and Risk Committee meetings is set out on page 77.

Responsibilities

The primary responsibilities of the Audit and Risk Committee are to ensure the integrity of the Company's financial statements and any formal announcements of financial performance, such as may be made from time to time, and to make recommendations to the Board in respect of these. The Committee is also responsible for monitoring the effectiveness of the Company's Risk Management Framework and control environment, ensuring the Company's internal audit resource is deployed in the most effective manner, and overseeing the Company's relationship with the external auditor.

As such, the Committee regularly invites representation from the Head of Internal Audit Services, the Chief Financial Officer, the Chief Risk Officer and the Chief Executive Officer, as well as from the Company's external auditor, to its meetings.

Report on the period

The Audit and Risk Committee oversaw and ratified significant areas of governance during the period to 31 March 2024, with a focus on the development and embedding of key risk and internal control policies and frameworks together with robust financial and operational reporting. The Committee reviewed monthly management accounts and papers, including items on credit risk management, modelling assurance and valuations.

In addition, on behalf of the Board, the Audit and Risk Committee received and considered regular reports from the Company's Internal Audit Services function (see below), the Money Laundering Reporting Officer and the Chief Risk Officer, enabling it to conclude that all material financial, operational and compliance controls continue to be effective and adequate.

Specifically, the Committee considered and agreed the following:

- Audit and Risk Committee Terms of Reference;
- Internal Audit Services' strategy and plan;
- Risk Management Framework, corporate risk register, emerging risk, and risk appetite statements;
- Orange Book – 'Comply and Explain' FY 2023–24;
- Statement of Internal Control and Risk Management FY 2023–24;
- Annual Report and Accounts for the period to 31 March 2023, recommended to the Board for signing;
- Financial Risk Policy approvals and updates, including to the Liquidity and Cash Management Frameworks and policies on interest rate risk, personal account dealing, market conduct and concentration risk;
- anti-money laundering report and financial crime;
- the Company's economic capital framework, including review of the Government Actuary's Department (GAD) quality assurance;
- the Company's approach to return on equity, treasury strategy, emerging risks, model risk, and cyber security;
- Direct Equity Framework;
- Investment Policy approval and reviewed an update on the investment governance;
- Compliance Charter and the Whistleblowing Policy;
- annual opinion of Internal Audit Services on the adequacy and effectiveness of the Company's governance, risk management and internal controls; and

- regular audit reports on different areas of the Company from Internal Audit Services.

Risk and Compliance reporting

The Chief Risk Officer provides a report at each Committee meeting which covers any changes to the corporate risk register, risk appetite, internal controls, resourcing, and any updates to the Risk Management Framework.

The Committee receives updates on the Company's position in respect of new commitments, drawdowns, capital adequacy and a view on the Credit Committee.

In addition, the Committee also receives a compliance report at each meeting which provides an update on regulatory compliance, compliance training, conflicts of interest, financial crime, data protection, horizon scanning, the annual Money Laundering Reporting Officer report and the outputs of the compliance monitoring reviews and clearance of any remedial actions.

Internal Audit Services

The Company's Internal Audit Services function has delivered a programme of audit work approved by the Audit and Risk Committee during the financial year to 31 March 2024. This was delivered in accordance with relevant auditing practice, such as that from the Chartered Institute of Internal Auditors. A gap analysis has been undertaken in respect of the institute's updated standards and is being acted upon.

The Head of Internal Audit Services has a functional reporting line directly to the Chair of the Audit and Risk Committee, to safeguard the independence of the Internal Audit Services function, with an administrative reporting line to the Chief Executive Officer. At each meeting of the Audit and Risk Committee, there is an opportunity for members to discuss matters with the Head of Internal Audit Services without management being present, if required. In addition, regular one-to-one meetings take place between the Head of Internal Audit Services and the Chair of the Audit and Risk Committee.

The Head of Internal Audit Services also reports to the Committee regarding the completeness of agreed audit actions.

The Head of Internal Audit Services' annual opinion for the financial year to 31 March 2024 was reported as 'moderate'. The overall findings from audit and assurance work undertaken in 2023–24 demonstrated no significant weaknesses on the adequacy and effectiveness of governance, risk management and internal control that can reasonably be expected of the Company at the current stage of its development.

Interaction with external auditor and management

The Framework Document specifies that the National Audit Office (NAO) will perform the external audit. The NAO did not provide any non-audit services to the Company during the year.

The Audit and Risk Committee considered the following areas in relation to the financial year to 31 March 2024, with representation from both management and the NAO:

- key financial reporting judgements within the financial statements, including the basis for determining asset valuations and provisions;
- the effectiveness of the NAO's audit process relating to the quality of the audit, handling of key judgements and responses to questions from the Committee;
- significant accounting policies and their application to financial statements; and
- the Annual Report and Accounts and key areas of audit risk, including loans, expected credit losses, the valuation of funds and equity instruments, and deferred tax liabilities.

Whistleblowing

The Audit and Risk Committee is responsible for overseeing the Company's arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee is satisfied that the Company has in place a clearly signposted framework and process for raising such concerns. The Chair of the Committee is named as the senior independent contact for whistleblowing.

Bridget Rosewell
Chair, Audit and Risk Committee

Remuneration Committee

The Remuneration Committee held five meetings during the period to 31 March 2024. Tania Songini was interim Chair of the Committee throughout the period and all other Non-Executive Directors were members of the Committee. Attendance at Remuneration Committee meetings is set out on page 77.

Responsibilities

The primary responsibilities of the Remuneration Committee are to set the Company's Remuneration Policy, determine remuneration packages for Executive Committee members and oversee the management of the pay and reward practices across the Company.

Members of the Executive team and the Company's Human Resources function may be invited to attend and support Remuneration Committee meetings but are not present when their own remuneration is discussed.

Report on the period

The period to 31 March 2024 saw focus on establishing the Company's core pay and reward practices, which aim to position the Company to be able to hire well and deliver on its critical mission, and assessing the performance of both the Executive team and the Company.

During the financial year, the Remuneration Committee reviewed and agreed the:

- key performance indicators and related measurements/targets for the Company for the financial year to 31 March 2024;
- approach to annual pay review, annual bonus and Long Term Incentive Plan (LTIP) schemes;
- performance assessment of FY 2023–24 and payout level for the annual bonus and LTIP schemes for the financial year to 31 March 2024;
- approach for staff remuneration regarding financial regulation (Senior Managers and Certification Regime);
- reward benchmarking recommendation for the Company;
- updated organisation design and associated hiring plans for H2 2023–24;
- continued direct oversight of remuneration of Executive Committee roles; and
- Remuneration Committee Terms of Reference.

The Remuneration report and Staff report (see pages 86 to 100) covers:

- the Company's Remuneration Policy for all employees and Non-Executive Directors;
- details of the assessed performance outcome for the financial year to 31 March 2024;
- remuneration for the Executive and Non-Executive Directors; and
- the Staff report.

Looking forward, the Remuneration Committee will be focused on ensuring that the Company's remuneration structures enable it to attract and retain the level of talent required for the Company to deliver on government policy and objectives. The Company's success to date has been underpinned by its people. We expect that this reliance will continue as the Company's ability to effectively crowd in private capital is ultimately founded on the credibility and expertise of our people.

The Remuneration Committee will continue to adopt a data-driven approach in managing people and remuneration risk.

Tania Songini
Chair, Remuneration Committee

Nomination Committee

The Nomination Committee held two meetings during the financial year to 31 March 2024. The Committee was chaired by Chris Grigg and all other Non-Executive Directors were members of the Committee. Attendance at Nomination Committee meetings is set out on page 77.

Responsibilities

The primary responsibilities of the Nomination Committee are to determine the Company's approach to Executive Director appointments and succession planning, to supervise the outcomes and actions arising from internally and externally

conducted Board evaluations, and to approve and oversee the implementation of the Company's policies and approaches to diversity and inclusion.

Report on the period

During the financial year, the Nomination Committee's activities included:

- considering succession planning arrangements;
- reviewing the outputs of the annual Board effectiveness review;
- considering the appropriateness of the current membership of the Board Committees; and
- reviewing and approving the process by which Non-Executive Directors notify the Board of external appointments and to consider time commitments.

Chris Grigg
Chair, Nomination Committee

Other Committees

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

Decisions of the Executive Committee are supported by inputs from a number of other key committees; these allow for focused discussion and consideration of detailed information before recommendations are escalated. The three main areas covered by these further forums are investments, operations and risk:

- The Investment Committee is responsible for vetting and making recommendations to the Chair of the Investment Committee (the Chief Executive Officer and Accounting Officer) for financing activities that meet the investment criteria of the Company. The Credit Committee supports the Investment Committee by undertaking annual reviews of investments provided by the Company and ad hoc reviews arising from material changes to such arrangements. The Early Engagement Committee supports the Investment Committee by reviewing proposed transactions and any material due diligence costs and concerns.
- The Operations Committee provides review, guidance and oversight for the overall operations of the Company and implementation of its corporate strategy. The Programme Board supports the Operations Committee by overseeing the portfolio of activity across the Company and reporting against delivery.
- The Risk Committee is responsible for the oversight of the risk management policies and practices of the Company's operations. The Model Risk Oversight Committee reports into the Risk Committee; it oversees the overall quality assurance approach and undertakes high-level assurance exercises, such as testing the assumptions, outputs and risks associated with business-critical models.

Board performance

The Company's Shareholder, HM Treasury, maintains ongoing oversight of the Company's activities and the performance of the Board through regular stakeholder engagement and with UKGI as Shareholder Representative.

The Nomination Committee is responsible for reviewing internally and externally conducted Board evaluations, as well as the outcomes and actions arising from any such reviews. An internal Board effectiveness review was carried out during the summer of 2023.

Overall, the review concluded that the Board and its sub-committees operated effectively, with a good and varied balance of experience across sectors which provides constructive challenge to the Company. It was suggested that there were opportunities to leverage the Non-Executive Directors' skills and expertise to support building the profile of the Company and introduce Non-Executive Director-only sessions led by the Senior Independent Director. A report detailing findings and suggested improvements was accepted by the Board and an action plan established for implementing key recommendations during the financial year 2023–24 and beyond.

In addition to the Board effectiveness review, the Shareholder Representative Director with the support of the Senior Independent Director carried out a review of the Chair's performance.

Value for money

The NAO undertook a value for money (VfM) review, *The Creation of the UK Infrastructure Bank*, in the first half of the 2022 calendar year 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.

The Company accepted the recommendations outlined in the report and colleagues have worked closely with our Shareholder and the NAO's VfM team to implement these recommendations.

All the recommendations have been fully implemented in line with agreed timeframes, with further benchmarking of our support function costs expected to be completed in early 2025.

The NAO also recommended that our Shareholder, HM Treasury, confirms how it intends to conduct a post-implementation review of the Company's set-up and the ongoing appropriateness of the Company's initial structures.

The NAO periodically publishes progress against the recommendations of their VfM reports at: https://www.nao.org.uk/recommendations-tracker/.

Public Accounts Committee

In November 2022, representatives from the Company and our Shareholder attended a meeting of the Public Accounts Committee to respond to questions. The Committee published their own report, *The Creation of the UK Infrastructure Bank*, in January 2023, and this, along with subsequent responses from the Company and our Shareholder, can be found at: https://committees.parliament.uk/work/6948/creation-of-the-uk-infrastructure-bank/publications.

The issues identified by the Public Accounts Committee for follow-up in its report have been addressed, with all the Committee's recommendations now implemented and the final update provided in April 2024.

Appointment and removal of Directors

Full details of the arrangements in place for the appointment and removal of the Company's Directors can be found in the UK Infrastructure Bank Act 2023.

The Shareholder Representative appoints a Shareholder Representative Director to sit as a Non-Executive Director on the Company's Board. The Shareholder appoints the Chair and other Non-Executive Directors, and the Chief Executive Officer, who is a permanent employee of the Company.

The Company is responsible for appointing all other Executive Directors and other staff, with the Nomination Committee determining and agreeing with the Board the process for the appointment of Executive Directors in particular. Any proposed appointments of Executive Directors to the Company's Board are subject to the approval of the Shareholder.

Business appointment rules

Under the business appointment rules, secondees from government departments who are working within the Company 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 2024, the Company followed the business appointment rules insofar as they were applicable to its permanent employees, who are all employed as public servants, although no specific individual advice was either sought from or given by the Company in relation to the rules.

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 Company's interests.

The Company'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, and a register of Directors' interests is maintained.

We adhere to section 4.3 of the Civil Service Management Code, ensuring all employees declare any potential conflicts of interest.

We disclose details of company directorships and other significant interests held by members of the Board which may conflict with their management responsibilities via our website at www.ukib.com. It is also possible to access information about directorships that members of the Board hold on other UK companies at Companies House (www.gov.uk/government/organisations/companies-house) and other UK company boards at Companies House: company-information.service.gov.uk.

Political donations

The Company did not make any political donations or incur any political expenditure during the financial year to 31 March 2024 (FY 2022–23: £Nil).

John Flint
Chief Executive Officer and Accounting Officer
21 November 2024

Remuneration report and Staff report

Remuneration report

The Remuneration report is prepared in accordance with the Government Financial Reporting Manual (FReM) 2023–24. The Company's Remuneration Policy and the Remuneration Committee's assessment of performance for the financial year are set out below.

Remuneration Policy

The Company's Reward Framework is designed to attract and retain employees with the skills and experience required for the Company, while also exercising the restraint expected of a public sector body in its use of public funds. These balanced principles are reflected in our overall approach towards reward.

The Company engaged with an external adviser to help determine a suitable remuneration policy for all employees, including base salary, annual bonus, Long Term Incentive Plan (LTIP) and pension.

The Company's Remuneration Policy, summarised in the following table, was provided to the Shareholder, and approved by the Remuneration Committee in February 2023.

The Remuneration Committee considers that the Remuneration Policy operated as intended during the period, in terms of company performance and quantum.

Reward Framework	
Base salary	• The base salary is the basic pay, which is set in line with the Company's agreed pay ranges. These ranges have been determined in the context of appropriate comparators and approved by HM Treasury. • The base salary is reviewed annually with any changes effective from 1 April each year.
Annual bonus	• The Company offers a discretionary annual bonus plan for all eligible permanent employees who are not in the LTIP. • The bonus is based on the Company's overall performance, taking account of a mix of financial and non-financial measures, and will result in a bonus of between one and three months' salary and will be zero where company performance or individual conduct falls below threshold expectations. • The bonus is applied pro rata for employees who join during the financial year. • Clawback may be applied to the annual bonus of any Executive Committee members eligible for the plan, allowing the bonus payments to be recovered within six years of the date of award, subject to review by the Remuneration Committee. • Individuals cannot participate in both the annual bonus and the LTIP.

Long Term Incentive Plan (LTIP)	• Depending on the role undertaken, the Company offers Executive Committee members, who are not in the annual bonus plan the opportunity to participate in the LTIP.
	• The LTIP is based on the Company's overall performance, taking account of a mix of financial and non-financial measures.
	• The maximum grant is either 30% or 50% of salary (depending on the role). The actual grant level in respect of any performance period is reflective of the level of performance achieved against agreed key performance indicators (KPIs):
	  • Below threshold: zero
	  • Threshold: 50% of award
	  • On target: 75% of award
	  • Maximum: 100% of award
	• Where performance exceeds threshold, straight-line scaling operates up to a maximum award of 100%.

Reward Framework	
Long Term Incentive Plan (continued)	• Subject to achieving at least threshold performance levels, awards will be granted on an annual basis once the financial accounts are closed and performance has been assessed ('performance adjustment') by the Remuneration Committee. • 50% of the grant will vest and be paid on or after the second anniversary of the date of performance adjustment and 50% on or after the third anniversary of the date of performance adjustment. • The LTIP is applied pro rata for employees who join during the financial year. • Malus and clawback may be applied to the LTIP scheme, allowing the incentive payments to be recovered within six years of the date of grant, subject to review by the Remuneration Committee. • Standard good leaver terms apply, including death, ill health, injury or disability or any other reason determined by the Remuneration Committee.
Pension	• The Company provides a contributory pension scheme up to retirement age upon commencing employment. • The Company's employer contribution rate is 10% of annual basic salary, and the Company matches employee contributions up to a further 5%. • Bonus and other benefits are not pensionable. • Employees can choose to opt out of the pension scheme and receive cash in lieu of employer's pension payments (subject to tax and national insurance contributions at the prevailing rates) for specific reasons, such as having reached their lifetime allowance or in cases of hardship or financial difficulty.
Benefits	• Life assurance. • Income protection cover. • Flexible benefits – a flexible benefits fund allows employees to select some of their own benefits up to a value of 10% of basic salary (subject to a monetary cap). Any unused amount is delivered via payroll subject to tax and national insurance.

The remuneration of the Chair and Non-Executive Directors is determined by HM Treasury. Non-Executive Directors are not employees and therefore are not eligible to receive employer pension contributions/payments, participate in the flexible benefits programme, or access the Company's LTIP or annual bonus scheme.

Assessment of performance: outcome for the financial year to 31 March 2024

The Company remains committed to offering pay and incentives that attract and retain a quality workforce, while also showing the level of restraint appropriate to a public sector body.

These balanced principles are reflected in our overall approach towards reward, and we have taken a similarly balanced approach when assessing the Company's performance for the financial year to 31 March 2024.

The KPIs relevant to the financial year to 31 March 2024 were approved by the Remuneration Committee, and by Ministers. The KPIs include a mix of qualitative and quantitative performance measures, with the Remuneration Committee exercising overall judgement.

Of the five KPI categories, People & Culture and Financials were the two most highly weighted (at 30% each), consistent with recruitment being a critical task as the Company established its permanent workforce and had a growing focus on its financial performance.

The other three KPI categories carry a weighting of 15% (Market Recognition and Risk & Systems) and 10% (Impact).

The Remuneration Committee completed its evaluation of the KPIs for the financial year to 31 March 2024 in May 2024, following the financial year end.

The Remuneration Committee's evaluation of performance against the 2023–24 KPIs has resulted in an overall assessment of 'on target'.

The following table shows the breakdown by KPI category and performance measure.

Performance outcome

KPI category	Weighting	Performance measure
Impact	10%	Publish Impact Framework and the Environmental, Social, Resilience and Governance (ESRG) Framework
		External evaluation of impact and additionality methodology
		Impact and additionality assessment model
Financials	30%	Private commitment assessment
		Local Authority commitment volumes
		Guarantee capacity tracking
		Return on equity capital
		Direct equity capability
		Local authority advisory
People & Culture	30%	Deliver Resource Plan
		Culture and engagement
		Diversity and attrition
Market Recognition	15%	Relationship-building across government and public sector
		Relationship-building across market and private sector
Risk & Systems	15%	Workday Phases 1 & 2
		Integral banking solution
		Strategic audit review of Risk Management Framework
		Internal audit approach
		Economic capital methodology
Total	100%	

Performance Assessment	75%

Based on these KPIs, the Company has made significant progress in 2023–24, and the Remuneration Committee is especially delighted that during the year the Company has:

- delivered deals that are considered to have high levels of impact and additionality in terms of jobs created and CO_2 reductions, many of which have also focused on addressing market barriers – for example, in nascent sectors;
- undertaken deals which have focused on addressing market barriers, for example in nascent sectors such as long duration storage. The fast-developing nature of the Company's focus sectors, aimed at delivering the most impact, means that the structure and/or timing of capital deployment is subject to change relative to initial assumptions due to external dependencies. This was the case for a small number of deals where the majority of the Company's effort occurred in the financial year to 31 March 2024 but which finally closed slightly after financial year end, thereby impacting the Company's achievement against its private commitment target.
- undertaken a growing body of valuable work in the local authority market, across both advisory and lending;
- grown its product offering during the year, with both direct equity and guarantee products launched – deals have been completed with

each of the products and there is a strong level of market interest and pipeline; and

- made significant strides in its levels of market recognition across both public and private sector stakeholders.

This collective performance has been built on the strong foundations the Company is establishing across its Risk & Systems platform, which have been further developed and strengthened during the year.

The Company successfully completed the recruitment of the vast majority of its permanent team, with high-calibre individuals joining from a range of public and private sector organisations. Without the talent and commitment that our people bring to the Company every day, we would not have been able to achieve the progress that we have during 2023–24.

Based on this assessment, LTIP participants have been granted an award at 75% for the 50% LTIP scheme. This means that LTIP participants will receive 22.5% for the 30% LTIP scheme and 37.5% for the 50% LTIP scheme. The grant and award will be applied pro rata for new joiners, and clawback and malus will apply.

Non-Executive Director remuneration

The following table sets out the remuneration received by Non-Executive Directors in each of the current and prior financial years.

Non-Executive Director fees payable in the period to 31 March – ranges of £5,000 (Audited)

	Total fees 2023–24 £000	Total fees 2022–23 £000
Christopher Grigg (Chair)	115–120	115–120
Charles Donald[2]	–	–
Marianne Økland	25–30	20–25 (25–30 FYE)[1]
Bridget Rosewell	25–30	20–25 (25–30 FYE)
Tania Songini	25–30	20–25 (25–30 FYE)
Nigel Topping	25–30	5–10 (25–30 FYE)
Muriel Dube[3]	5–10 (25–30 FYE)	–

Notes to the above table:

1. Bracketed figures show values for a full year equivalent (FYE).
2. Charles Donald resigned his position with the Company and was replaced by Elena Ciallie, effective 1 August 2024. The Shareholder Representative Director from UKGI receives no fees from the Company.
3. Muriel Dube was appointed on 14 December 2023 for four years.

Executive Directors' remuneration

Executive Directors' remuneration includes gross salary, pension and LTIP, where applicable. The remuneration is subject to the deduction of appropriate taxes via the PAYE system. The table below reports the remuneration of each Director in accordance with their service contracts.

Remuneration for the period 1 April 2023 to 31 March 2024 – ranges of £5,000 (Audited)

Name	Salary	Flexible benefits	Pension payments (incl cash supplements)	Long Term Incentive Plan	TOTAL
	£000	£000	£000	£000	£000
John Flint	340–345	10–15	30–35	125–130	**520–525**
Annie Ropar	285–290	10–15	40–45	105–110	**450–455**
David Lunn	60–65 (125–130) FYE	0.0	15–20 (35–40) FYE	0.0	**80–85 (160–165) FYE**

Remuneration for the period 1 April 2022 to 31 March 2023 – ranges of £5,000 (Audited)

Name	Salary	Flexible benefits	Pension payments (incl cash supplements)	Long Term Incentive Plan	TOTAL
	£000	£000	£000	£000	£000
John Flint	325–330	5–10 (10–15) FYE	30–35	130–135	**500–505**
Annie Ropar	145–150 (270–275) FYE	5–10 (10–15) FYE	20–25 (40–45) FYE	50–55 (105–110) FYE	**230–235 (440–445) FYE**
David Lunn	125–130	0.0	5–10	0.0	**115–120**

The aggregate emoluments including employer pension contributions of the Directors for the year were £1,060k (FY 2022–23: £852k).

Notes to the above tables:

- Bracketed figures show values for FYE, which supports accurate comparisons between current and preceding periods.
- Flexible benefits are available to purchase additional benefits and are capped at £15k per annum. Any unused benefit is paid in cash.
- For the year to 31 March 2024, John Flint and Annie Ropar were eligible to participate in the LTIP award. The policy allows for them to be awarded up to 50% of annual salary as a performance LTIP. The Remuneration Committee assessed the LTIP award, based on outcomes against the Company's KPIs, as being 75% of this. Further detail on the LTIP award calculations can be found on pages 89 and 90.
- John Flint did not participate in the pension scheme but alternatively received £34,485 (FY 2022–23: £33,000) due to a cash option, in accordance with his employment agreement. The total remuneration attributable to John Flint, as the highest paid Director, was £523,654 (FY 2022–23: £502,925).
- David Lunn was seconded from HM Treasury on an interim role as Chief Operating Officer. His salary was paid by HM Treasury and recharged to the Company. He was not eligible for the LTIP scheme and did not receive any bonus. He is a member of the defined benefit Civil Service pension scheme (details on pages 95 and 96). David's role ended on 11 April 2023 with the appointment of James Emmett as the Company's first permanent Chief Operating Officer. David was retained as a Senior Adviser to the Company and continued to be an active member of the Board until his resignation on 4 October 2023.

Directors – pension benefits (Audited)

As noted in the tables above, the Chief Executive Officer has opted out of the Company's pension scheme and has received payments in lieu of this. The interim Chief Operating Officer/Senior Adviser is an office holder in the defined benefit Civil Service pension scheme. His pension benefit breakdown for the current and prior years is set out in the following tables.

Financial year to 31 March 2024
£000

Name	Period	Accrued pension at pension age as at 31/03/24 and related lump sum[1] (Ranges of £5,000)	Real increase in pension and related lump sum at pension age (Ranges of £2,500)	CETV at 31/03/24	CETV at 31/03/23	Real increase in CETV
David Lunn	01/04/23–31/03/24	45–50 plus a lump sum of 125–130	0–2.5 plus a lump sum of 0	1,072	1,009[2]	-27[3]

Financial year to 31 March 2023
£000

Name	Period	Accrued pension at pension age as at 31/03/23 and related lump sum[1] (Ranges of £5,000)	Real increase in pension and related lump sum at pension age (Ranges of £2,500)	CETV at 31/03/23	CETV at 31/03/22	Real increase in CETV
David Lunn	01/02/22–31/03/23	50–55 plus a lump sum of 90–95	0–2.5 plus a lump sum of 0	1,009[2]	827	-24

Notes to the above tables:

1. Members of the Premium Principal Civil Service Pension Scheme (PCSPS) can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension. Further details on the pension arrangements for this Director are set out on pages 93 and 94.
2. Figures have been restated where the administrator has made retrospective updates to the data.
3. CETV = Cash Equivalent Transfer Value. Taking account of inflation, the CETV funded by the employer has decreased in real terms and a negative CETV is shown for David Lunn.

Payments to past directors (Audited)

No payments were made to former Directors during or since the end of the financial period (FY 2022–23: £Nil).

Compensation for loss of office (Audited)

No payments were made in relation to loss of office during or since the end of the financial period (FY 2022–23: £Nil).

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.

The banded pay (FYE) of the highest paid Director in the Company in the financial year to 31 March 2024 was £520k–£525k (FY 2022–23: £500k–£505k). This was 4.7 times the median remuneration of the workforce (which included permanent employees, secondees and contractors), which stood at £105k (FY 2022–23: £116k).

Annualised remuneration (i.e. total remuneration payable over a 12-month period) of the Company's employees ranged from £24k to £524k (FY 2022–23: £25k–£448k); no employees

received pay more than the highest paid senior manager or Director.

The table below sets out the remuneration for the lower, median and upper quartile and their respective relationships with the remuneration of the highest paid Director in the Company for the years ending 31 March 2023 and 2024.

Financial year ended 31 March	Total pay and benefits	Lower quartile (25%)	Median (50%)	Upper quartile (75%)
2024	Remuneration	£63,000	£104,580	£157,500
	Ratio	7.8	4.7	3.1
2023	Remuneration	£72,404	£116,230	£149,662
	Ratio	6.5	4.0	3.1
Financial year ended 31 March	**Salary only**	**Lower quartile (25%)**	**Median (50%)**	**Upper quartile (75%)**
2024	Remuneration	£57,200	£93,500	£137,940
	Ratio	8.6	5.2	3.5
2023	Remuneration	£72,003	£115,500	£145,907
	Ratio	6.5	4.1	3.2

Notes to the above table:

- Changes to the above pay ratios between the prior and current financial year are predominantly caused by changes to the mix of staff resource (move from interim to more permanent resource base) and associated relative pay of employees.
- The change in the ratio in 2023–24 is reflective of the move from contract to permanent staff during the year, which has driven changes in the quartile bandings and has impacted the remuneration at the lower quartile.

Comparison of salary between current and prior year

Percentage change from previous financial year in respect of highest paid Director (FYE)	
Salary	4.4% increase[1]
LTIP/Bonus	3.9% decrease

Percentage change from previous financial year in respect of employee average	
Salary	12.5% decrease[2]
LTIP/Bonus	11.9% decrease[3]

Notes to the above table:

Salary changes are calculated using annualised salaries and allowances divided by the year end FTE.

1. The salary of the highest paid Director increased by 4.5%, 4.4% including flexible benefits and allowances.
2. Average employee salaries reduced year on year reflecting the move from interim to permanent resource.
3. The calculated change in bonus has been calculated based on the eligible employees only in line with 3.20 of the Hutton Fair Pay Guidance.

Gender split at the Company

Band	Female		Male	
	Number	% of band	Number	% of band
Board	4	57%	3	43%
Executive	5	45%	6	55%
Other bands	87	42%	120	58%
Total	**96**	**43%**	**129**	**57%**

Notes to the above table:

- Board gender numbers exclude Executive members (John Flint, Annie Ropar) as they are included in the Executive category.
- Headcount is based on number of people and not FTE.

The Company continued its focus on establishing the permanent workforce. The foundational team is gender-balanced and the Company will continue to embed gender diversity as it evolves.

Pension arrangements for permanent employees

The Company provides a contributory pension scheme for permanent employees, the details of which are set out in the Reward Framework table on pages 86 and 87.

Secondees remain on their individual home departments' Terms and Conditions while working at the Company. As a result, secondees' bonuses are determined annually by the individual home departments' rating of performance through their respective year-end appraisal process.

Secondees' pension arrangements are made through the pension providers of their home departments.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, the Civil Servants and Others Pension Scheme (known as 'Alpha') was introduced, 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 legislation on pensions increases.

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 5 months away 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 the pension earned in the 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 increases 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 the 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 on 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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates at 31 March 2024.

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 2024, 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 Company used advisers to help benchmark all permanent roles within the market. During the financial year to 31 March 2024, an amount of £56,820 (FY 2022–23: £24,300) was recognised in relation to this work. The Company's external adviser remains as for the previous financial year. A competitive procedure is currently being undertaken to identify the Company's next external adviser.

Service contracts

The following table sets out relevant aspects of the service contracts of the Company's Directors.

Name	Contract start date	Contract end date	Notice period
Christopher Grigg (Chair)[3]	03/05/2021	02/05/2027	3 months
John Flint[1]	27/09/2021	N/A	6 months
David Lunn[2]	03/05/2021	04/10/2023	1 month
Charles Donald[4]	18/05/2021	N/A	1 month
Bridget Rosewell	09/06/2022	09/06/2026	1 month
Tania Songini	09/06/2022	09/06/2026	1 month
Nigel Topping	06/12/2022	09/06/2025	1 month
Marianne Økland	09/06/2022	09/06/2025	1 month
Annie Ropar[1]	19/09/2022	N/A	6 months
Muriel Dube	14/12/2023	13/12/2027	1 month

Notes to the above table:

1. John Flint and Annie Ropar are the only Directors who served during the financial year to 31 March 2024 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.
2. David Lunn's role was extended from April to October 2023.
3. Christopher Grigg was reappointed as Chair on 14 December 2023 for a further three years until 2 May 2027.
4. Charles Donald resigned his position with the Company and was replaced by Elena Ciallie effective 1 August 2024.

This Remuneration report was approved by the Board of Directors on 21 November 2024 and was signed on its behalf by:

Tania Songini
Chair, Remuneration Committee

21 November 2024

Staff report

Workforce

As at 31 March 2024, the Company had a workforce of 270 FTE (31 March 2023: 194 FTE). This comprised permanent employees, secondees and contractors brought in via recruitment agencies. Secondees to the organisation are from Civil Service departments, universities and banks.

The average monthly number of FTE employees in the period is set out in *Note 6 Staff numbers and staff costs* on page 136. The average number of staff in the period was 238. A breakdown of the Company's FTE workforce at 31 March is provided in the following table.

Workforce category	31 March 2024	31 March 2023
Permanent employees	214	73
Secondees	15	34
Contractors	41	87
Total	**270**	**194**

Workforce location

Once fully established with a predominantly permanent workforce, the Company's target is to have at least 90% of colleagues working outside London. The split of FTE by location at 31 March 2024 is shown in the following table.

	Total FTE	Leeds		London		Edinburgh		Remote	
Contracted office location	**Total FTE**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Permanent	214	206	96%	7	3%	1	0%	0	0%
Secondees	15	14	93%	1	7%	0	0%	0	0%
Contractors	41	31	76%	0	0%	0	0%	10	24%
Total	**270**	**251**	**93%**	**8**	**3%**	**1**	**0%**	**10**	**4%**

Trade Union facilities time

No employees were union officials during the period (FY 2022–23: Nil).

Sickness absence

During the reporting period the average number of working days lost due to sickness absence per FTE was minimal. Sickness absence is reported to line managers and escalated where appropriate. The core HR system was implemented during the year and sickness data started to be formally collected.

Staff turnover

The Company's focus in 2023–24 was on building the permanent employee base. As a result, permanent employee turnover was very low (0.8%[3]). During the year, the level of secondee and contractor resource reduced in line with expectations.

Staff policies

As outlined on page 44, we have continued to embed a suite of policies to support our colleagues in the workplace. The Company is committed to ensuring equality of opportunity for all disabled staff. Applicants for positions at the Company are invited to notify the organisation if special arrangements are required to enable them to participate in the recruitment process.

The Company 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 Company's duty under the Equality Act 2010. The Company has

[3] Calculated in line with the FReM and Cabinet Office guidelines.

an Employee Assistance Programme in place and has made this available to all permanent, seconded and contractor colleagues.

Staff survey

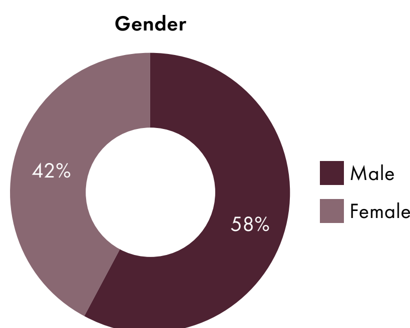
During the year, the Company has completed two people surveys (in an interim form) which it has used as an indicator of employee engagement. For financial year 2024–25, the Company is implementing a new people survey, and this will provide a baseline for measuring employee engagement going forward.

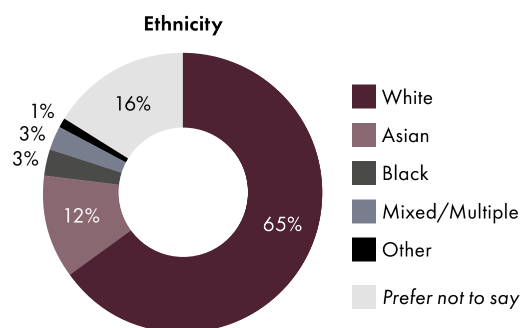
Exit packages (Audited)

During the reporting period, the Company did not incur any costs in relation to exit packages (FY 2022–23: £Nil).

Staff diversity and inclusion

The Company 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 gender and ethnic diversity in the Company's permanent employees.





The diversity data is based on responses received from permanent employees and excludes Non-Executive Directors.

Staff costs and numbers (Audited)

Total costs of £37.8 million (FY 2022–23: £26.9 million) comprised £24.5 million related to permanent employees, £2.9 million related to secondees from other public and private sector institutions and £10.4 million related to contract staff. The average monthly number of FTE employees, including Directors, during the financial year to 31 March 2024 was 232 (FY 2022–23: 164). See *Note 6 Staff numbers and staff* costs on page 136 for more detail.

Consultancy spend and contractor costs

Consultancy costs of £2.8m included £1.3m project implementation costs and £0.4m of deal-related consultancy (FY 2022–23: £0.8 million) are recorded in *Note 7 Other operating expenditure* (see page 137). Contractor costs are set out in *Note 6 Staff numbers and staff costs* (see page 136), with costs of £10.4 million in the financial year (FY 2022–23: £16.6 million). The reduction in contractor costs is consistent with the move to a permanent workforce.

Staff pension costs

For the reporting period, staff pension costs of £2.1 million (FY 2022–23: £0.4 million) are employers' pension contributions, which were payable to the PCSPS at rates in the range 27.9% to 30.3% of pensionable earnings based on salary banding. For all other permanent employees, the Company's employer contribution rate is 10% of annual basic salary with a further 5% maximum matching contribution.

Off-payroll engagements

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

The relevant disclosures for off-payroll engagements relevant to the financial years to 31 March 2023 and 31 March 2024 are shown in the tables below.

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

	2023–24	2022–23
Total number of engagements	**36**	**85**
Of which: < 1 year at reporting date	12	49
Of which: Between 1 and 2 years at reporting date	16	36
Of which: Between 2 and 3 years at reporting date	8	0

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

	2023–24	2022–23
Total number of engagements	116	141
Of which: Number assessed as within the scope of IR35	116	141

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

Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024

	2023–24	2022–23
Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the financial year	1	1
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	18	18

Notes to the above table:

- During the launch of the Company, some senior officials with financial responsibility were employed on a temporary basis to help establish processes and controls. The Company has now completed the process of recruiting for permanent staff to replace this interim resource.
- The off-payroll senior official has been in post between two and three years at the reporting date.

Parliamentary accountability

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

The Company has no contingent liabilities reported under IAS 37 (FY 2022–23: £Nil); however, the Company 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 HM Treasury's Managing Public Money guidance 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 Company 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 Company was required to settle an obligation this would be achieved through the normal Supply Estimates process.

The Company had no such remote contingent liabilities as at 31 March 2024 (31 March 2023: £Nil) and this continues to be the case at the date of signing the Annual Report and Accounts.

Information on loan and capital commitments can be found in *Note 19 Undrawn loan and capital commitments* on page 145.

Regularity (Audited)

Throughout the financial year 2023–24 and in the period since, the Company has complied with the relevant guidelines on ensuring the propriety and regularity of its finances.

Losses and special payments (Audited)

During the financial year 2023–24, the Company had no losses and special payments (FY 2022–23: £Nil).

Functional standards

Our corporate functions are aligned with agreed cross-functional standards, as appropriate and applicable, and drive a culture of compliance with legal requirements and the general good practice expected of an arm's length body of a government department.

Auditor

The Annual Report and Accounts of the Company are audited by the Comptroller and Auditor General. Information on the audit fees can be found in *Note 7 Other operating expenditure* on page 137.

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 Company. The financial statements comprise 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 the 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 International Financial Reporting Standards (IFRS) 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 Company as the Accounting Officer for the Company. 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 Company's assets, are set out in the Managing Public Money guidance published by HM Treasury.

In preparing the financial statements, as the Accounting Officer and on behalf of the Board, I have taken all steps that I should have taken to make myself aware of any relevant audit information and have ensured that the Company's auditors are aware of such 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 Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance, business model and strategy.

This statement was approved by the Board of Directors on 21 November 2024 and was signed on its behalf by:

John Flint
Chief Executive Officer and Accounting Officer

21 November 2024

Independent auditor's report to the members of National Wealth Fund Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL WEALTH FUND AND HOUSES OF PARLIAMENT

Opinion on financial statements

I have audited the financial statements of the National Wealth Fund (formerly UK Infrastructure Bank Limited) for the year ended 31 March 2024 which comprise National Wealth Fund's:

- Statement of Financial Position as at 31 March 2024;
- 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 the National Wealth Fund's affairs as at 31 March 2024 and of the profit / (loss) after taxation for the year then ended;
- have been properly prepared in accordance with the 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 (UK) (ISAs (UK)), applicable law and Practice Note 10 '*Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*'. 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 am independent of the National Wealth Fund 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.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Companies Act 2006
Parliamentary authorities	UK Infrastructure Bank Act 2023
HM Treasury and related authorities	Managing Public Money Framework Agreement between National Wealth Fund and HM Treasury

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Wealth Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the keep well agreement with the Commissioners of HM Treasury which states that it will provide sufficient funding to enable the entity to meet its liability as and when they fall due to a current funding cap limit of £22 billion and consideration of the value of assets recognised in the Statement of Financial Position compared to liabilities.

I have no observations with respect to that assessment.

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 the National Wealth Fund'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.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

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

The key audit matters were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out on page 80.

In this year’s report the following changes to the risks identified have been made compared to my prior year report:

- The National Wealth Fund made three direct equity investments during 2023-24 valued at £105.3 million at 31 March 2024 and a convertible loan note instrument valued at £30 million at 31 March 2024 I therefore raised a new risk of material misstatement around the recognition and valuation of the investments.
- I recognised a significant risk relating to the National Wealth Fund’s implementation of a new general ledger system on 1 August 2023. I did not consider this a key audit matter as the work required to obtain assurance that it had been implemented effectively was not complex or judgemental, nor did it take significant resource to complete.

Investments in loans
Description of risk The National Wealth Fund holds £594 million private sector loans and local authority loans (2022-23: £290 million) held at amortised cost on its Statement of Financial Position. These figures have increased from the prior year as the National Wealth Fund has entered into new loan agreements during the year. On initial recognition, management are required to assess each loan to determine the appropriate classification, initial measurement, and subsequent measurement. I therefore raised a significant risk that additions are not appropriately recognised. For financial assets held at amortised cost and undrawn loan commitments, IFRS 9 requires measuring impairment based on Expected Credit Losses (ECLs) which must reflect forward looking information and assumptions which involve significant judgement by management. ECLs are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario. Further detail regarding critical accounting judgements and key sources of estimation uncertainty with respect of ECLs can be found in Note 1.3.1 of the financial statements. In relation to the ECLs recognised on private sector loans I identified significant risks of material misstatement around the method and model used to calculate the ECL, the data and assumptions used by management in the calculation of the ECLs; and the sufficiency and accuracy of disclosures around estimation uncertainty. ECLs relating to local authority loans are £nil (2022-23: £nil) as set out in Note 1.3.2 of the financial statements. The National Wealth Fund is required to disclose the fair value measurement of these loans. These are disclosed in Note 20 and are £609.3 million (2022-23: £251.5 million). The valuation is highly material to the National Wealth Fund and, for private sector loans, requires significant assumptions around market expectations, increasing the risk of material misstatement in disclosures. For the private sector loans, I therefore recognised significant risks of material misstatement around the method and model used to calculate the fair value and the data and assumptions used by management in the calculation. Fair value disclosures for the local authority loans was outside of the scope of the significant risk as there is less inherent risk around the method and model used to calculate the fair value and the data and assumptions used by management in the calculation.

Investments in loans

How the scope of my audit responded to the risk

I reviewed the design and implementation of controls over the significant risks related to the valuation of loans held at amortised cost, measurement of expected credit losses and fair value of private sector loans held at amortised cost.

I also performed the following procedures to address the significant risks of material misstatement in respect of the valuation of loans:

- Reviewed the accounting treatment for all new loans issued in 2023-24 and performed substantive testing of loan additions to confirm that they had occurred, been initially recognised at the correct value, classified correctly and in the right period.
- Reviewed the appropriateness of the method used to value loans held at amortised cost and tested the application of the model through my own reperformance.

To address the significant risks of material misstatement with respect to ECLs I engaged an external auditor’s expert with relevant specialist skills to support my review of the models and estimates used to calculate ECLs. My experts reviewed the methodology applied by the National Wealth Fund and tested the model by recalculating the ECLs to within a reasonable range. I reviewed the credit ratings and key assumptions including the probability of default and loss given default assigned to each of the loans and the assessment of whether there had been a significant increase in credit risk. I confirmed that the National Wealth Fund had appropriately calculated the exposure at default applied in the ECL calculation.

In relation to ECLs, I reviewed the completeness, reasonableness and accuracy of disclosures relating to estimation uncertainty in note 22 to confirm that they have been disclosed in line with the applicable financial reporting framework.

To address the significant risk of material misstatement with respect to the fair value of loans I engaged an external auditor’s expert with relevant specialist skills to independently recalculate the fair value to within a reasonable range. This addressed all of the risks of material misstatement I had identified relating to the disclosure.

Key observations

I have obtained sufficient assurance over this key audit matters through my substantive testing. I did not identify significant misstatements in respect of the transactions, balances and disclosures associated within the investment in loans within the financial statements.

Investment in funds

Description of risk

The National Wealth Fund holds equity investments in 9 Private Limited Partnerships which are held at fair value through profit and loss totalling £415.9 million (2022:23: £308.7 million). The National Wealth Fund manages these investments through fund managers. The fair value is determined as its share of the net assets of the limited partnership (which are themselves measured at fair value). These are disclosed in note 11 of the financial statements.

There is increased risk as the underlying assets are hard to value (level 3 in the fair value hierarchy), the audited accounts of the funds are not coterminous to the year-end and the National Wealth Fund has invested in new funds during the financial year. Furthermore, the value of the investments (note 11) is highly material to the National Wealth Fund, increasing the risk of material misstatement.

I recognised significant risks of material misstatement in relation to the National Wealth Fund recognising assets associated with contracts it is not party to, the presentation and classification of balances and related gains or losses in the financial statements, the appropriate recognition of additions and the measurement of investments in accordance with the financial reporting framework.

Investment in funds	
How the scope of my audit responded to the risk	I have assessed the design and implementation of controls around the valuation of the investments in funds held by the National Wealth Fund. I also performed the following procedures to address the significant risks of material misstatement: I reviewed the presentation and classification of the investments in funds, by considering whether the National Wealth Fund has significant influence or control over the funds, and evaluated evidence to confirm the existence of the investments and the National Wealth Fund's rights in respect of them. I reviewed evidence provided by the fund managers to support the valuation of the investments including assessing movements in fair value from December 2023 to March 2024 and beyond to June 2024. I substantively tested a sample of additions to confirm advances to funds have occurred, have been correctly classified, appropriately valued on initial recognition and have been recognised in the correct period. This included a review of the new fund contracts to determine that they are presented, classified and recognised appropriately. **Key observations** I have obtained sufficient assurance over this key audit matters through my substantive testing. I did not identify significant misstatements in respect of the transactions, balances and disclosures associated within the investments in funds within the financial statements.

Deferred tax

Description of risk

Deferred tax arises in the National Wealth Fund's financial statements on unrealised fair value gains relating to the investments in funds, as there are temporary timing differences arising between these gains as shown in the financial statements, and when they are included in the tax computation. The statement of financial position shows a net deferred tax asset at 31 March 2024 of £19.1 million (2022-23: £2.6 million). This is comprised of a deferred tax liability of £0.2 million (2022-23: £5.3 million) offset by a deferred tax asset of £19.3 million (2022-23: £7.8 million) which the National Wealth Fund recognises as it considers that it is probable that future taxable profit will be available for the asset to be utilised against. At 31 March 2024 assumptions around the recognition of deferred tax are significant. Deferred tax is disclosed in note 8 of the financial statements.

I recognised significant risks of material misstatement that deferred tax has been incorrectly recognised and valued in the financial statements or is incomplete and that disclosures relating to deferred tax are incomplete, have been recognised when not appropriate, or are misstated.

How the scope of my audit responded to the risk	I assessed the design and implementation of controls over the process estimating and recognising deferred tax, including the National Wealth Fund's controls over review and challenge of its management expert. I engaged an auditor's expert to review the deferred tax computation for reasonableness and to assess that tax judgements applied in the recognition of deferred tax are appropriate. I substantively tested the deferred tax estimate and obtained evidence to confirm that deferred tax assets and liabilities are complete. I reviewed the accounting policies and disclosures to confirm that these are fairly stated and are materially complete as well as the business plan profit forecasts to confirm that the assumption of future taxable profits was reasonable. **Key observations** I have obtained sufficient assurance over this key audit matters through my substantive testing. I did not identify significant misstatements in respect of the transactions, balances and disclosures associated with deferred tax within the financial statements.

Direct equity investments and convertible loan note instrument

Description of risk

The National Wealth Fund made three direct equity investments during 2023-24 valued at £105.3 million at 31 March 2024 and a convertible loan note instrument valued at £30 million at 31 March 2024 which are classified at fair value through profit and loss. These are disclosed in note 11 of the financial statements.

On initial recognition, management are required to assess each investment to determine the appropriate classification, initial measurement, and subsequent measurement. There is increased risk as the contractual terms of the investments are complex and significant judgements are required in relation to whether these give the National Wealth Fund significant influence over the companies it has invested in and the nature of the investment, which impact on the accounting standard under which the investments should be recognised. There is also significant judgement required in determining the fair value of the investments at 31 March 2024. Further detail on the judgements related to the recognition of the investments can be found in note 1.3.5 and 1.3.6 and on the valuation method in note 20.

I therefore raised a significant risk around the presentation, classification and recognition of the investments and that additions, and assets relating to the contractual rights and obligations are not appropriately recognised. I also identified significant risks of material misstatement around the method and model used to measure the fair value of the investments at 31 March 2024, the data and assumptions used in the valuation; and the sufficiency and accuracy of the related disclosures.

Direct equity investments and convertible loan note instrument	
How the scope of my audit responded to the risk	I assessed the design and implementation of controls around the classification and valuation of the equity investments and the convertible loan note instrument held by the National Wealth Fund. I also performed the following procedures to address the significant risks of material misstatement: • I reviewed the presentation and classification of the equity investments and convertible loan note entered into during the year and evaluated evidence to confirm the National Wealth Fund's rights and obligations in respect of them. I considered the appropriateness of the classification of the equity investments and convertible loan note being accounted for under IFRS 9 *Financial Instruments* at fair value through profit or loss. I performed substantive testing of additions to confirm that they had occurred, been initially recognised at the correct value, classified correctly and in the right period. • I reviewed the appropriateness of the method used to determine the fair value of the investments at the reporting date. This involved performing procedures over each individual investment, including reviewing the National Wealth Fund's investment committee documentation, assessing the company performance and forecasts, and considering events which may indicate that the fair value at the reporting date was materially misstated. **Key observations** I have obtained sufficient assurance over this key audit matters through my substantive testing. I did not identify significant misstatements in respect of the transactions, balances and disclosures associated with equity investments within the financial statements.

Application of materiality

Materiality

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

Based on my professional judgement, I determined overall materiality for the National Wealth Fund's financial statements as a whole as follows:

	Audited Entity
Materiality	£9,700,000
Basis for determining materiality	1% of forecast net assets of £974,200,000 (2022-23: 1% of forecast net assets £565,659,000)
Rationale for the benchmark applied	I consider net assets to be the area of principal interest for users as this is the key driver of National Wealth Fund's financial statements. This is because its primary purpose during the year ended 31 March 2024 was to increase infrastructure investment across the United Kingdom.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2023-24 audit (2022-23: 75%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the disclosure of Executive Directors' Remuneration. Assessment of such matters needs to

have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

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

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £194,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would increase net assets by £0.4 million.

Audit scope

The scope of my audit was determined by obtaining an understanding of the National Wealth Fund and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises the 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.

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, based on the work undertaken in the course of the audit:

- 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; and
- the Performance and Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Opinions on other matters

In my opinion:

- the parts of the Directors' Remuneration Report to be audited has been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual; and
- the parts of the Annual Report subject to audit have been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Wealth Fund 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
- I have not received all of the information and explanations I require for my audit; 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.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the National Wealth Fund compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 65;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 65;
- Directors' statement on fair, balanced and understandable set out on page 102;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 78;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 71-73; and
- The section describing the work of the audit committee set out on pages 79-80.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officers' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the National Wealth Fund from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006;
- preparing the Remuneration and Staff Report, which is included in the Annual Report, in accordance with the HM Treasury's Government Financial Reporting Manual; and
- assessing the National Wealth Fund'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 (UK) (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 nature of the sector, control environment and operational performance including the design of the National Wealth Fund's accounting policies, key performance indicators and performance incentives.
- inquired of management, the National Wealth Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Wealth Fund's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Wealth Fund's controls relating to the National Wealth Fund's compliance with the Companies Act 2006, Tax legislation and Managing Public Money;
- inquired of management, the National Wealth Fund's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team, internal IT auditors and the relevant external specialists, including tax and credit risk experts, 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 the National Wealth Fund 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the National Wealth Fund's framework of authority and other legal and regulatory frameworks in which the National Wealth Fund operates. I focused 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 the National Wealth Fund. 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, tax legislation and the UK Infrastructure Bank Act 2023.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on 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; and
- I communicated relevant identified laws and regulations and potential risks of fraud 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 sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Stephen Young (Senior Statutory Auditor)
21 November 2024

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 for the year ended 31 March 2024

Statement of Comprehensive Income
for the period ended 31 March 2024

	Note	2023–24 £000	2022–23 £000
Income			
Interest income	2	30,876	10,137
Interest expense	3	(5,662)	(756)
Net interest income		**25,214**	**9,381**
Fee and commission income	4	3,667	1,495
Investment income	5	5,038	0
Finance income		159	0
Changes in fair value of assets held at FVTPL	11,14	(45,879)	11,685
Net operating income/(loss) before change in ECL and other credit impairment charges		**(11,801)**	**22,561**
Change in ECL and other credit impairment	22	(13,414)	(8,195)
Net operating income/(loss)		**(25,215)**	**14,366**
Expenditure			
Staff costs	6	(37,816)	(26,852)
Depreciation and amortisation		(1,538)	(977)
Finance costs		(501)	(28)
Other operating expenditure	7	(17,164)	(7,962)
Total operating expenditure		**(57,019)**	**(35,819)**
Loss before taxation		**(82,234)**	**(21,453)**
Taxation	8	16,517	15,501
Loss after taxation		**(65,717)**	**(5,952)**
Net comprehensive loss for the year		**(65,717)**	**(5,952)**

The Notes on pages 121 to 157 form part of these financial statements.

Statement of Financial Position

as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
Assets			
Cash and cash equivalents	9	63,606	54,770
Trade and other receivables	10	977	4,637
Assets held at FVTPL	11	551,178	308,728
Loans held at amortised cost	13	594,084	289,608
Financial guarantee fee receivable	14	46,662	0
Intangible assets		545	886
Property, plant and equipment		487	528
Right-of-use assets		400	2,332
Deferred tax assets	8	19,070	2,553
Total assets		**1,277,009**	**664,042**
Liabilities			
Trade and other payables	15	(16,039)	(12,529)
Lease liabilities		(242)	(2,173)
Loan commitment financial liabilities	16	(8,103)	(5,817)
Guarantee financial liabilities	17	(45,049)	0
Loan amounts owed to Shareholder	18	(141,260)	(50,171)
Provisions		(81)	(81)
Total liabilities		**(210,774)**	**(70,771)**
Net assets		**1,066,235**	**593,271**
Equity			
Share capital	23	764,200	274,200
Capital contribution reserve	SoCE	156,075	156,075
Other reserve	SoCE	94,138	0
Retained earnings	SoCE	51,822	162,996
Total equity		**1,066,235**	**593,271**

The Notes on pages 121 to 157 form part of these financial statements.

The financial statements of National Wealth Fund Limited (06816271), were authorised for issue on 21 November 2024. They were approved by the Board on 21 November 2024 and signed on its behalf by:

John Flint
Accounting Officer
21 November 2024

Statement of Changes in Equity

for the period ended 31 March 2024

	Share capital	Capital contribution reserve	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2022	**274,200**	**156,075**	**–**	**133,065**	**563,340**
Net loss after tax	–	–	–	(5,952)	(5,952)
Issue of new Ordinary shares	–	–	–	–	–
Capital contribution	–	–	–	–	–
Funding from HM Treasury	–	–	–	35,883	35,883
Balance at 31 March 2023	**274,200**	**156,075**	**–**	**162,996**	**593,271**
Net loss after tax	–	–	–	(65,717)	(65,717)
Issue of new Ordinary shares	490,000	–	–	–	490,000
Capital contribution	–	–	–	–	–
Funding from HM Treasury	–	–	48,681		48,681
Transfers between reserves	–	–	45,457	(45,457)	–
Balance at 31 March 2024	**764,200**	**156,075**	**94,138**	**51,822**	**1,066,235**

The Notes on pages 121 to 157 form part of these financial statements.

As at the year end, the Company recognised all Grant in Aid received from the Shareholder in other reserves. The Transfers between reserves line reflects a movement of prior year Grant in Aid, which was previously in Retained earnings, into Other reserves.

Statement of Cash Flows

for the period ended 31 March 2024

	Note	2023–24 £000	2022–23 £000
Cash flows from operating activities			
Loss before taxation	SoCI	(82,234)	(21,453)
Adjustments for:			
Depreciation and amortisation		1,538	977
Change in trade and other receivables	10	1,967	(1,939)
Change in accruals, provisions and deferred income	15	3,479	8,747
Change in interest payable on financing arrangements	18	5,662	756
Changes in fair value of assets held at FVTPL	11,14	45,879	(11,685)
Change in expected credit losses and other credit impairment charges	22	13,414	8,195
Finance costs		350	–
Interest income	2	(30,876)	(10,137)
Amortisation of guarantee liability	4	(2,248)	–
Interest payable on corporation tax		19	–
Right-of-use assets		963	(2)
Notional element of Grant in Aid from HM Treasury		9,691	35,883
Cash used in operations		**(32,396)**	**9,342**
Purchase of assets held at FVTPL	11	(301,232)	(140,065)
Repayment of assets held at FVTPL	11,14	13,224	2,500
Equalisation receipts from assets at FVTPL		–	10,597
Origination of assets held at amortised cost	13	(431,418)	(167,398)
Interest received	2,13	26,298	8,297
Repayment of assets held at amortised cost	13	106,855	43,268
Deal fees for assets held at amortised cost	13	13,537	7,373
Corporation tax		1,834	–
Net cash used in operating activities		**(603,298)**	**(226,086)**
Cash flows from investing activities			
Purchase of property and equipment		(188)	(249)
Disposal of property and equipment		–	75
Purchase of intangible assets		–	(1,029)
Net cash used in investing activities		**(188)**	**(1,203)**

	Note	2023–24 £000	2022–23 £000
Cash flows from financing activities			
Issuance of shares	SoCE	490,000	–
Payment of lease liabilities		(2,095)	(813)
Loan from HM Treasury	18	478,000	125,000
Repayment of amount owed to HM Treasury	18	(387,000)	(85,000)
Repayment of interest to HM Treasury	18	(5,573)	(597)
Grant from HM Treasury	SoCE	38,990	–
Net cash from financing activities		**612,322**	**38,590**
Net increase in cash and cash equivalents		**8,836**	**(188,699)**
Cash and cash equivalents at beginning of year	SoFP	54,770	243,469
Cash and cash equivalents at end of year	SoFP	**63,606**	**54,770**

The Notes on pages 121 to 157 form part of these financial statements.

The notional element of the Grant from HM Treasury for FY 2022–23 has been reclassified from ‘Cash flows from financing activities’ to ‘Adjustments for profit before tax’ within ‘Cash flows from operating activities’ (a similar notional grant was received in the first part of FY 2023–24 and has been adjusted through ‘Cash flows from operating activities’ in the same way). Grants from HM Treasury began to be settled through bank transfers from HM Treasury to the Company partway through FY 2023–24, and from this point have been classified in ‘Cash flows from financing activities’. Both notional and cash grants from HM Treasury have been credited to ‘Retained earnings’ within equity in the period each grant was made.

Notes to the financial statements

Notes to the financial statements

1. Accounting policies

1.1 General information

The National Wealth Fund Limited, formerly the UK Infrastructure Bank Limited, (the Company) is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 2 Whitehall Quay, Whitehall Road, Leeds, United Kingdom, LS1 4HR. Prior to 1 July 2024, the address of the registered office was One Embankment, Neville Street, Leeds, LS1 4DW.

1.1.1 Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and, as appropriate, in relation to the financial statements and selected disclosures within the Annual Report only, the Government Financial Reporting Manual and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The Company's financial statements are presented in Pounds 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 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 Company has adequate resources to continue in operational existence for the foreseeable future. The Company entered into a Keep Well agreement with the Commissioners of HM Treasury, stating that HM Treasury will provide sufficient funding to enable the Company 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 International Financial Reporting Standards (IFRS) in issue but not yet effective

The Company has not early-adopted any new standards in preparing these financial statements. The Company has early-adopted the International Accounting Standards Board (IASB) amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments as effective for reporting periods beginning on or after 1 January 2026.

IFRS 18 Presentation and Disclosure of Financial Statements was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (subject to UK and Financial Reporting Advisory Board (FRAB) endorsement). IFRS 18 sets out general and specific requirements for the presentation and disclosure of information in general purpose financial statements.

The objective of IFRS 18 is to improve comparability of financial performance between organisations applying IFRS. Once effective, it will replace IAS 1 Presentation of Financial Statements. The Company does not intend to early-adopt IFRS 18 Presentation and Disclosure of Financial Statements.

1.2 Significant accounting policies

1.2.1 Interest income and interest expense

Interest income and expense on all amortised cost financial instruments are recognised on an effective interest rate basis. The effective interest rate 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 Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected

credit losses (ECLs). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECLs.

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

Where transaction fees are received in advance of a loan being drawn down, the fees are deferred until a drawdown occurs. Such fees are held on the Statement of Financial Position as 'Trade and other payables'. Once a drawdown occurs, the fees are subsequently amortised using the effective interest method.

When the Company revises the estimates of future cash flows, 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.

1.2.2 Fee and commission income

The Company may receive facility fees as part of its financing activities; where facility fees are integral to the financial instrument they are treated as income, and included in the effective interest rate. Guarantee fees are recognised in line with IFRS 15. Please refer to *Note 1.3.7 Financial guarantee contracts – Recognition of guarantee fee income* on page 134 for further information.

The Company administers HM Treasury's UK Guarantees Scheme and receives an agency fee for this work. This fee is accrued and recognised within 'Fees and commission income', in the Statement of Comprehensive Income.

1.2.3 Staff costs

The Company 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, including VAT.

1.2.4 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments (such as national insurance) 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 report on pages 95 and 96.

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

There are no pension costs incurred for contractors.

1.2.5 Other operating expenditure

Expenditure on other operating costs is recognised on an accruals basis. Examples of such costs are professional fees and utilities.

1.2.6 Taxation

Taxation comprises current and deferred tax. It is recognised in the Statement of Comprehensive Income 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 Company's current tax is calculated using tax rates that are enacted or substantively enacted at the reporting date. The limited partnerships in which the Company invests are transparent for tax purposes and so current tax includes the tax calculated on the Company'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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities, and where the deferred tax balances relate to the same taxation authority.

Value Added Tax

The Company received notification of being VAT registered in June 2023, with the registration backdated to 1 March 2022. Input VAT that relates to exempt supplies on purchases is not recoverable and is 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 is shown within 'Trade and other payables'.

1.2.7 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, which is when the Company becomes party to the contractual provisions of the instrument.

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.

The Company 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 Company assesses and manages its financial risks (i.e. market, liquidity and credit risks) on a long-term basis not as a trading portfolio.

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 shown in the following table.

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

The Company assesses the terms of each loan asset on an individual basis in relation to whether each meets the SPPI test, classifying them as such according to the above. Currently, the Company has loan assets measured at amortised cost, and at FVTPL. Loans measured at FVTPL are those where the terms have meant the SPPI test fails.

Financial assets at FVTPL include investments where the presence of an embedded derivative, or other features that could potentially change the cash flows so that they no longer represent SPPI, requires that instrument to be classified at FVTPL.

The Company holds investments in private fund limited partnerships (the Funds) which are recognised and measured at FVTPL. The Company also has direct equity investments, which are recognised and measured at FVTPL.

Instruments which meet the definition of equity per IAS 32 would be included under this category – for example, certain types of preference shares.

Investments in associates which are not accounted for using the equity method are also accounted for at FVTPL.

The Company holds cash and cash equivalents at amortised cost.

b) Measurement of financial assets

i) Financial instruments held at FVTPL

Financial 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 in the Statement of Comprehensive Income. The fair value movement is the difference between the prior and current period valuation. 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 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 ECL 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 ECLs) or to the amortised cost of the financial liability.

Where we have received fees on loan products which have yet to draw down, we recognise these amounts as deferred fees on the Statement of Financial Position, in line with IFRS 9. Once a drawdown takes place, the deferred fees are then discounted as part of the future cash flows.

Some of the Company's lending may, from time to time, include features that amend cash flows if environmental, social and governance (ESG) criteria are met by the borrower. *Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7* issued in May 2024 and early-adopted by the Company has been referred to in formulating the policy.

The Company assesses the change in cash flows that may arise from ESG criteria being met, to determine whether the altered cash flows still constitute SPPI.

Contractual cash flows are SPPI if, in all contractually possible scenarios, the cash flows would not be significantly different from those on a financial instrument with identical contractual terms, but without the contingent feature linked to ESG considerations.

c) Trade and other receivables

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

d) Financial guarantee fee receivables

Where guarantee premiums are receivable over the life of the instrument, an accounting policy choice has been made to recognise a guarantee fee receivable, calculated as the present value of the future premiums receivable. These assets remain to be subsequently measured at the present value of future premiums receivable.

e) 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, guarantee fee assets 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 ECLs 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.
- 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 Company'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) 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 trigger is when the contractual payments are more than 30 days past due. Additionally, the 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 cash flow/ 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 (see definition in *Note 22.3 Credit risk* on pages 149 to 151), taken collectively, may constitute a stage transfer trigger.

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 of 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 ECL. If there is a significant increase in credit risk, this asset is considered to be Stage 2 and the lifetime ECL is calculated using lifetime probability of default (PD) estimation.

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

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 out 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 credit risk 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. If an asset was to return to Stage 1, management would take consideration of minimum cure period requirements.

iii) 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 Company 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 (e.g. 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 PD for each loan or credit facility is one of the key assumptions used in the calculation of the ECL under IFRS 9. The estimation of PDs is based on the internally developed credit risk rating methodology.

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, which would indicate the asset meets the definition of default.

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

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the Company, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that it would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the cessation 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 to be credit-impaired.

As at the reporting date, the Company has no loans in Stage 2 or Stage 3. Management is working on policies to determine how a loan will move between stages in line with the application of an appropriate cure period.

v) Methodology for measuring ECLs

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 Company has determined its PDs using forward-looking economic scenarios and associated probability weightings. The model has been developed to have three 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.

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

The Company may also provide loan facilities with a drawdown period over several years giving rise to an unrecognised loan commitment. An ECL is recognised against the expected EAD, which is calculated as the contractual cash flows expected in the next 12 months for Stage 1 assets, and contractual lifetime cash flows for Stage 2 and Stage 3 assets (refer to *Note 1.2.7e(i) Provisioning* on page 126) for further details on the staging of assets. This ECL is recognised as a separate financial liability in the Statement of Financial Position.

Details of ECL disclosures can be found in *Note 22.3 Credit risk* on pages 149 to 151.

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 Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in comprehensive income.

f) Financial liabilities and equity instruments

The Company currently draws on debt or equity only from its sole Shareholder, HM Treasury.

The debt instruments 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.

These financial liabilities are initially recognised at fair value and held at amortised cost with interest expense recognised under the effective interest rate 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, partly paid or unpaid. For shares that are unpaid or partly paid, the amount due is recognised as an intercompany receivable by the Company that is callable on demand.

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

The Company 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 cash flows expected in the next 12 months. This ECL is recognised as a separate financial liability in the Statement of Financial Position.

g) Issued financial guarantees

Issued financial guarantees are initially recognised at their fair value, representing the discounted value of the guarantee premiums. The guarantee liability is subsequently measured at the higher of the initial fair value less cumulative amortisation in line with IFRS 15, or the expected credit loss.

The changes in the fair value on the asset and movements of the liability are recognised in the income statement. The financial guarantee liabilities are recognised as 'guarantee financial liabilities' on the balance sheet.

h) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred

substantially all risks and rewards of ownership. A write-off also constitutes a derecognition event.

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

i) 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 Company's financial assets held at FVTPL include investments in private fund limited partnerships, and interests in unlisted companies.

For investments in 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 limited partnerships are held at fair value.

Where applicable, the net asset value is adjusted to reflect the Company's proportion of the total net asset value and/or any amounts due from debtors.

For other investments, the methodologies used are reflective of the early stage of, and nascent nature of the underlying investee companies. Further details of these valuation methods can be found in *Note 1.3 Critical accounting judgements and key sources of estimation uncertainty* on pages 131 to 134.

Detail of fair value disclosures, including fair value hierarchy can be found in *Note 20 Fair value measurements* on pages 146 and 153.

1.2.8 Cash and cash equivalents

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

1.2.9 Funding from the Shareholder

The loan with HM Treasury, the Company's Shareholder, is classified as a financial liability at amortised cost and measured in accordance with the policy in *Note 1.2.7f*. See also *Note 18 Loan amounts owed to Shareholder* on page 145 for specific details.

In addition to the equity funding via share issuance mentioned in *Note 1.2.7f*, the Company also receives funding from HM Treasury for operating costs, which is credited to Other reserves 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 Company from the intercompany obligation. As a third 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 financing from a controlling party.

Where the entity receives direct cash injections from its sole Shareholder, these are recognised as within the capital contribution reserve in shareholder's equity.

1.2.10 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 likely 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 Company. 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.

1.2.11 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 Company uses its incremental borrowing rate. A corresponding right-of-use asset is recognised as the initial measurement of the lease liability.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment of lease payments.

The right-of-use asset is subsequently measured by applying the cost model, which requires measurement at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liability.

At inception of a contract, the Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use the Company has the right to direct the use of the asset. The Company 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 Company has the right to direct the use of the asset if either: (i) the Company has the right to operate the asset; or (ii) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

1.2.12 Capitalisation of property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. 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 Company 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	Life of lease
Plant and machinery	3 to 10
Furniture, fixtures and fittings	5 to 10
IT and other non-IT equipment	3 to 10
Software	3 to 10

1.2.13 Equity and reserves

The total equity balance comprises share capital, capital contribution reserve, other reserves and retained earnings, as described below:

- Share capital represents the nominal (par) value of shares that have been issued.
- Capital contribution reserve represents the capital injected into the Company from the sole Shareholder, HM Treasury, on inception.
- Other reserves represent amounts funded irrevocably by the Company's sole Shareholder, HM Treasury, in the form of Grant in Aid.
- Retained earnings represents cumulative movements in the Statement of Comprehensive Income. In the financial year 2023–24, Grant in Aid from HM Treasury was removed from 'Retained earnings' and credited to 'Other reserves', to solely reflect the cumulative movements in the Statement of Comprehensive Income.

1.3 Critical accounting judgements and key sources of estimation uncertainty

1.3.1 The assessment of ECL impairment allowance against amortised cost loans

The calculation of ECL impairment allowance is inherently uncertain and requires the Company 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 1.2.7e(ii) Significant increase in credit risk* on pages 126 and 127.

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 (GDP) and interest rates. Four scenarios – baseline, downside, severe downside and upside – are weighted and 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 22.3 Credit risk* on pages 149 to 151.

1.3.2 Local authority lending

The Company lends to local authorities at Gilts plus 40bps as agreed with HM Treasury. Previously, the Company was permitted by HM Treasury to lend to local authorities at Gilts plus 60bps (UK Infrastructure Bank Rate, or the Rate) via the Public Works Loan Board (PWLB).

The Company deems the fair value of the loans offered at the reduced rate of Gilts plus 40bps to be the transaction price for local authority lending.

The prepayment term is the standard PWLB clause in the 'Debt Management Office Circular 163', which states that 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 Company 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.

As per the Company's internal risk rating policy, UK sovereign risk is classified as 0% risk category for the purposes of LGD. This category is applicable to UK

local authorities and, therefore, no loss is anticipated. As a result, there is no LGD applicable to local authorities as the definitive counterparty risk and ultimate recourse for all local authorities, is the UK Government. Given this, the Company recognises a nil ECL against local authority lending.

1.3.3 Fair value of assets held at FVTPL

The Company's financial assets held at FVTPL include investments in private fund limited partnerships, direct equity investments and financial guarantee receivables. Market quotes are not available for these assets.

i) Private fund limited partnerships

For the investments in private fund limited partnerships, fair value is the net assets of the limited partnerships less the fees owed to the General Partner. Share of net assets less the General Partner's fees is a reasonable proxy for fair value as the underlying assets of each limited partnership are held at fair value. See Note 20 Fair value measurements on pages 146 and 147 for sensitivity analysis of investment valuation assumptions.

All fund managers value the underlying assets in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. These guidelines provide conceptual methodologies to utilise when valuing unlisted investments. Broadly, the fair value methodologies applied to the Company'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 for which multiples can be obtained.
- Discounted cash flow (DCF): The valuation is derived by discounting long-term cash flows 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 that 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 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 Company's fund investments are held as equity instruments by exception as they meet all the features and conditions in 16C and 16D of IAS 32. Specifically, they include the contractual obligation to deliver a pro-rata share of funds' assets only on liquidation. The obligation arises because the liquidation is certain and outside of the control of the funds given these are limited life entities. These investments further meet the criteria of the standard as they are a class of instruments subordinate to all other classes of instruments and have identical contractual obligations as the other instruments within this class for the funds to deliver a pro rata share of

its net assets on liquidation. Additionally, the funds have no other financial instruments or contracts for which total cash flows are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity. Neither do they have any instruments which have the effect of substantially restricting or fixing the residual returns to the instrument holders.

As these fund investments are classified as equity by exception, the election to present changes in the fair value of equity instruments in Other comprehensive income in accordance with IFRS 9 5.7.5 is not available. Therefore, the Company's fund investments are held at fair value through profit or loss.

ii) Direct equity investments

The basis of the fair value of direct equity instruments held by the Company, which are either unlisted or listed in an inactive market is determined using valuation techniques appropriate to the market and industry of each investment. These techniques are consistent with IPEV, and are formally carried out on annual basis for the Company's financial year end (31 March). Additionally, further reviews may take place where a material event occurs.

The primary valuation techniques used are net asset value and earnings-based valuations, to which a multiple is applied based on information from comparable companies and discounted cash flows. Techniques used to support these valuations, other than the above methods used by fund managers, include industry valuation benchmarks and recent transaction prices applicable to the early-stage growth companies the Company invests in via unlisted securities.

Such investment methods are as follows:

- Price of recent investment (PORI) - starting point for view of value and calibrating investment models.
- Milestone analysis - A scenario-based valuation method, properly calibrated, using industry-specific benchmarks and milestones that are customarily and routinely used for the specific industry of the Investee Company.
- Scenario analysis: The probability weighted expected returns method assumes various types of future exit outcomes (e.g., initial public offering (IPO), merger and acquisition (M&A)), allocates the present values of the probability-weighted future equity values to each share class under every scenario, and discounts them at a risk-adjusted rate.
- Option pricing method (OPM): This is a forward-looking method that considers the current equity value and then allocates that value to the various classes of equity considering a continuous distribution of outcomes.

IPEV guidance states that where an arm's length transaction takes place between a willing buyer and willing seller, it is representative of fair value at the date of the transaction. For all direct equity investments, the Company invested alongside third-party investors in a transaction completed on a commercial basis and thus representative of fair value. As at the year end, the Company assessed the performance since each investment date and concluded that there had been no material under-performance or over-performance for any of the investments. Therefore, it was concluded the transaction price was still the best indication of fair value at the reporting date.

iii) Financial guarantee receivable

The financial guarantee receivable is measured at fair value, which equates to the discounted future value of the fee receivable at each period end.

1.3.4 Deferred tax

The Company recognises deferred tax in relation to unrealised fair value gains on its investments in equity funds and direct held equity investments. This is a critical judgement for management as it relies on assumptions on the availability of tax reliefs at the point of disposal, and the method of distribution of realised gains to the Company, which cannot be confirmed until the point of disposal of individual investments or liquidation of the LP, and subsequent distribution of any gains up to the Company.

Management has made assumptions about the most likely tax implications of any such distributions in arriving at the estimate for deferred tax.

1.3.5 Investments in associates and joint ventures – existence of significant influence or joint control

The Company's equity and equity-like investments may result in gaining significant influence or joint control over the investee. Significant influence relates to the Company's ability to participate in the financial and operating policy decisions of the investee's business. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

In assessing whether or not significant influence or joint control exists, the Company considers the combined rights attached to the investment. Where rights are protective in nature, these do not meet the criteria for joint control over an investment. Board representation, specific consent or veto rights over relevant activities of the investee, combined with the Company's status as a cornerstone or a lead investor, are often indicative of significant influence even when the Company does not hold a minimum 20% of voting interest in the investee.

Each investment is considered individually to determine whether the Company is deemed to have significant influence over the investee.

Please see *Note 12 Investment in associates* on page 140 and 141 for further information.

1.3.6 Investments in associates and joint ventures – accounting method

Where the Company has a significant influence in its investments, management assesses whether or not the investment should be accounted for using the equity method of accounting.

In making this assessment, management considers both the features of the instruments it holds in the investee and the substance of its potential voting rights.

The seniority of preference shares is considered when determining whether the shares give access to the returns associated with an ownership interest in an associate or a joint venture.

Where the variability of returns does not resemble the variability of returns associated with ownership interest, the investment is held at fair value under IFRS 9.

Additionally, where an instrument provides returns in the form of contractual interest, has redemption features or non-ordinary liquidation rights, and the potential voting rights are not substantive (i.e. there are financial barriers that deter NWF from exercising the conversion rights at the reporting date or in the foreseeable future), the instrument is held at fair value.

1.3.7 Financial guarantee contracts – recognition of guarantee fee income

For the Company's financial guarantee contracts, significant judgement is required to assess whether the benefit of the guarantee cover transfers to the customer over time or at a point in time in accordance with IFRS 15. In making this assessment, the Company considers the benefits that the customer obtains from the guarantee impacting on its capital requirements, rather than solely the cash flows that occur when the guarantee is called.

Therefore, the Company recognises that the benefit is accruing to the customer over time rather than upon the occurrence of the specific event. All guarantee contract revenue is therefore recognised evenly over the period the guarantee is provided.

2. Interest income

	2023–24 £000	2022–23 £000
Other interest received	0	171
Interest income on loans at amortised cost	30,876	9,966
Total interest income	**30,876**	**10,137**

During 2023–24, the Company recognised interest of £28.5 million (FY 2022–23: £7.6 million) in respect of private sector lending and £2.4 million (FY 2022–23: £2.4 million) in relation to local authority lending.

Other interest received in 2022–23 comprises equalisation interest received in relation to the investments in funds.

3. Interest expense

	2023–24 £000	2022–23 £000
Interest expense on amounts owed to Shareholder	5,662	756
Total interest expense	**5,662**	**756**

During 2023–24, the Company recognised interest of £5.5 million (FY 2022–23: £0.6 million) in respect of the floating rate loan from HM Treasury and £0.2 million (FY 2022–23: £0.2 million) in relation to the fixed rate loan from HM Treasury.

4. Fee and commission income

	2023–24 £000	2022–23 £000
Guarantee income	2,248	0
Management fees	690	690
Deal-related fees	570	805
Other operating income	159	0
Total fee and commission income	**3,667**	**1,495**

5. Investment income

	2023–24 £000	2022–23 £000
Distribution income	5,038	0
Total investment income	**5,038**	**0**

Distribution income received in the period relates to income from fund investments, which are measured at FVTPL.

6. Staff numbers and staff costs

The average monthly number of FTE employees including Directors was:

	2023–24	2022–23
Staff numbers		
Employees	152	27
Secondees	21	44
Contractors	59	93
Total staff numbers	**232**	**164**

Staff costs comprised:

	2023–24 £000	2022–23 £000
Employees		
Salaries and wages	19,834	3,883
Staff pension costs	2,114	378
Social security costs	2,599	527
Others		
Secondees	2,837	5,431
Contractors	10,432	16,633
Total costs	**37,816**	**26,852**

Staff costs relate to permanent staff, secondees from other public sector organisations and contractors. Additional details of staff costs, Directors' emoluments and FTE employees are available in the Remuneration report and Staff report on pages 85 to 100.

7. Other operating expenditure

	2023–24 £000	2022–23 £000
IT		
Other IT-related spend	2,960	571
Project implementation	2,524	1,309
Legal fees		
Deal-related	2,657	1,659
Other legal fees	770	920
Consultancy		
Project implementation	1,339	74
Other consultancy	1,083	687
Deal-related	404	23
Recruitment	1,594	1,043
Estate-related costs	1,167	351
Professional services	901	31
Staff-related expenses	490	510
Auditor's remuneration	456	336
Corporate subscriptions	392	207
Other expenditure	427	241
Total other operating expenditure	**17,164**	**7,962**

The accounts of the Company are audited by the National Audit Office under the Companies Act 2006. The cost of audit work performed is £0.5 million excluding VAT (FY 2022–23: £0.3 million excluding VAT). There were no payments to the National Audit Office for non-audit work during 2023–24 and 2022–23.

During 2023–24, the Company recognised deal-related other operating expenditure of £3.1 million (2022–23: £1.7 million), and project implementation related other expenditure of £3.9 million (2022–23: £1.4 million).

8. Taxation

	2023–24 £000	2022–23 £000
Current tax		
Current year	–	–
Changes in estimates related to prior years	–	(1,776)
Total current tax	**–**	**(1,776)**
Deferred tax		
Origination and reversal of temporary differences	(16,517)	(13,725)
Total deferred tax	**(16,517)**	**(13,725)**
Total tax recognised	**(16,517)**	**(15,501)**

Reconciliation of the tax charge in the period

	2023–24 £000	2022–23 £000
Loss before tax	(82,234)	(21,453)
Tax on loss at standard rate 25% (FY 2022–23: 19%)	(20,558)	(4,076)
Effects of:		
Movements in realised/unrealised gains	6,296	(6,796)
Expenses not deductible	164	224
Income not taxable	(1,260)	(33)
Impact of changes in tax rates	–	(3,294)
Movement in unrecognised deferred tax	–	(320)
Prior period adjustments	(1,159)	(1,776)
Profit allocated from limited partnerships in respect of investments relationships	–	570
Total tax charge	**(16,517)**	**(15,501)**

Deferred tax

	2023–24 £000	2022–23 £000
Balance at 31 March	**(2,553)**	**11,172**
Recognised in statement of comprehensive income	(16,517)	(13,725)
Deferred tax (asset)/liability	**(19,070)**	**(2,553)**

Breakdown of the deferred tax:

	2023–24 £000	2022–23 £000
Deferred tax asset relating to tax-adjusted losses carried forward	19,268	7,841
Deferred tax liability arising on equity funds	–	(5,150)
Deferred tax arising from accelerated capital allowances	(198)	(138)
Deferred tax	**19,070**	**2,553**

The tax rate used is the rate of 25%, which was effective from 1 April 2023. This rate had been substantively enacted at the previous balance sheet date and so brought-forward deferred tax balances in these accounts have been measured at the rate of 25%.

The Company has chosen to offset the deferred tax asset of £19.3 million in relation to the tax-adjusted losses, and the deferred tax liability of £0.2 million arising from capital allowances, to give a net deferred tax asset on the Statement of Financial Position. This is based on the Company forecasting taxable profits in future years to utilise the losses against, as it continues to build its income-generating asset portfolio.

9. Cash and cash equivalents

	2023–24 £000	2022–23 £000
Cash at bank	63,606	54,770

All cash is held in the Government Banking Service and managed by the Company.

10. Trade and other receivables

	2023–24 £000	2022–23 £000
Prepayments	496	623
Other receivables	267	478
Accrued income	207	1,198
Corporation tax	7	1,841
Accrued commitment fees	–	372
VAT recoverable	–	125
Total trade and other receivables	**977**	**4,637**

11. Assets held at FVTPL

	Funds £000	Direct equity £000	Convertible instruments £000	Total £000
Balance at 31 March 2022	**170,075**	**–**	**–**	**170,075**
Additions	129,468	–	–	**129,468**
Repayments	(2,500)	–	–	**(2,500)**
Fair value movements	11,685	–	–	**11,685**
Balance at 31 March 2023	**308,728**	**–**	**–**	**308,728**
Additions	166,061	105,171	30,000	301,232
Repayments	(13,000)	–	–	(13,000)
Fair value movements	(45,938)	156	–	(45,782)
Balance at 31 March 2024	**415,851**	**105,327**	**30,000**	**551,178**

The Company recognised unrealised fair value losses of £45.9 million (FY 2022–23: gains of £9.2 million) from fund investments in the year through the profit and loss. Fair value gains of £0.2 million (FY 2022–23: £Nil million) recognised for direct equity investments are all unrealised.

12. Investment in associates

The Company has investments in associates, for which the carrying values are presented in the Statement of Financial Position under Assets held at FVTPL.

As at 31 March 2024, the Company had the following investments in associates.

GeoPura Limited

GeoPura is a UK-based green hydrogen developer which provides hydrogen-fuelled clean energy to enable its customers to decarbonise their consumption of temporary, backup and off-grid energy. GeoPura operates an Energy-as-a-Service (EaaS) business model by renting proprietary Hydrogen Power Units, supported by external and in-house hydrogen production and distribution. GeoPura is a market leader in the sector. The client base for Hydrogen Power Units comprises a portfolio of blue-chip customers across construction, TV/film, festival, government and events.

The Company obtained significant influence over GeoPura via a combination of Board representation, participation in decisions relating to dividend policy, and other rights, resulting in it being treated as a Series A investor. Its stake in the investee upon exercise of the potential voting rights (conversion) will not exceed 20%. Because the instruments held by the Company (convertible loan notes) have been assessed not to be substantively the same as the investee's returns associated with an ownership interest for the purpose of IAS 28 accounting, the investment is measured at fair value in accordance with IFRS 9.

Pragmatic Semiconductor Limited

Pragmatic is a UK-based semiconductor manufacturer that has developed a flexible integrated circuit (Flex IC) using plastic as a substrate, which can be used in a variety of applications such as radio frequency identification (RFID) and near-field communication (NFC). It provides a platform for semiconductor design and manufacturing at its foundry in Durham, coupled with its R&D facility in Cambridge.

The Company obtained significant influence over Pragmatic via a combination of the rights to Board representation, participation in decisions relating to dividend policy, and consent rights over the matters of

operational and financial policy. Its stake in the investee upon conversion will not exceed 20%. The voting rights as at the reporting date are 14.6%. Because the instruments held by the Company (convertible preference shares) have been assessed not to be substantively the same as the investee's returns associated with an ownership interest ordinary shares for the purpose of IAS 28 accounting, the investment is measured at fair value in accordance with IFRS 9.

Cornish Lithium Plc

Cornish Lithium is a British mineral exploration and development company, focused on the environmentally responsible extraction of lithium from hardrock and geothermal waters in Cornwall, which expects to commence first lithium production in 2026.

In mid-2023, it issued preferred stock which the Company invested in alongside two other parties.

The Company obtained significant influence over Cornish Lithium via a combination of the rights to Board representation, participation in decisions relating to dividend policy, and consent/veto rights over matters of operational and financial policy. The consent rights are protective in nature and do not give the company joint control over Cornish Lithium. Its stake in the investee upon conversion will not exceed 20%. Because the instruments held by the Company (convertible preference shares) have been assessed not to be substantively the same as the investee's returns associated with an ownership interest for the purpose of IAS 28 accounting, the investment is measured at fair value in accordance with IFRS 9.

The summarised financial information of the associates is:

£000	**GeoPura***	**Pragmatic****	**Cornish Lithium*****
Current assets	66,563	159,900	10,456
Non-current assets	24,018	63,332	29,837
Current liabilities	11,570	16,007	4,451
Non-current liabilities	53,148	3,896	13,554
Revenues for the year to 31 March	n/a****	1,705	0
Profit/(loss) for the year to 31 March	(9,925)	(34,283)	(8,593)
Carrying value as at 31 March 2024	**30,000**	**60,000**	**13,661**

* Financial accounts (audited) to March 2024

** Financial accounts (audited) to December 2023

*** Financial accounts (audited) to December 2023

**** Revenue for GeoPura is not included in the Financial Statements on Companies House

13. Loans held at amortised cost

	Private sector £000	Local authority £000	Total £000
Balance at 31 March 2022	**58,047**	**117,618**	**175,665**
Additions	167,398	–	167,398
Repayments of capital	(42,833)	(435)	(43,268)
Repayments of interest	(7,924)	(203)	(8,127)
Interest income using the effective interest rate method	7,613	2,353	9,966
Deal-related fees	(7,373)	–	(7,373)
(Expected credit losses)/reversals	(4,653)	–	(4,653)
Balance at 31 March 2023	**170,275**	**119,333**	**289,608**
Additions	431,418	–	431,418
Repayments of capital	(106,420)	(435)	(106,855)
Repayments of interest	(26,104)	(194)	(26,298)
Interest income using the effective interest rate method	28,512	2,364	30,876
Deal-related fees	(13,537)	–	(13,537)
(Expected credit losses)/reversals	(11,128)	–	(11,128)
Balance at 31 March 2024	**473,016**	**121,068**	**594,084**

There is no ECL recognised against local authority loans, as these instruments are 0% risk rated. As a result, there is no LGD applicable to local authority loans as the definitive counterparty risk and ultimate recourse for all local authorities is the UK Government. Please refer to *Note 1.3.2 Local authority lending* on pages 131 and 132 for further information.

On average, private sector loans are expected to run for eight years and local authority loans are expected to run for 33 years, as at the year end.

14. Financial guarantee fee receivables

	£000
Balance at 31 March 2023	**–**
Additions	46,983
Cash receipts	(224)
Fair value movements	(97)
Balance at 31 March 2024	**46,662**

In the period, the Company issued a financial guarantee of £240 million under a guarantee and reimbursement agreement.

The guarantee financial asset is the discounted value of the future premiums receivable and is held at fair value through profit and loss.

All gains and losses on the financial guarantee receivable are unrealised as at the reporting date.

The financial risks and management policies associated with financial guarantees are detailed in *Note 22 Financial risk review* on page 148 to 153, which sets out the maximum exposure to the Company as a result of issuing these guarantees.

15. Trade and other payables

	2023–24 £000	2022–23 £000
Accrued expenditure	9,051	5,635
Deferred undrawn commitment fees	5,644	6,509
VAT payable	61	–
Other tax and other social security	987	308
Pension	296	77
Total trade and other payables	**16,039**	**12,529**

16. Loan commitment financial liabilities

	2023–24 £000	2022–23 £000
Balance at 1 April	5,817	2,274
Provided in period	3,060	3,543
Released in period	(774)	–
Balance at 31 March	8,103	5,817
Of which:		
Current	8,103	5,817
Non-current	–	–

Loan commitment financial liabilities are the allowance of ECLs for undrawn loan commitments. See *Note 19 Undrawn loan and capital commitments* on page 145 for information on the total and *Note 22 Financial risk review* on pages 148 to 153 for the further breakdown of the movements of the loan commitment gross exposure and ECL.

17. Guarantee financial liabilities

	2023–24 £000	2022–23 £000
Balance at 1 April	**–**	**–**
Additions	46,983	–
Finance costs	314	–
Amortisation	(2,248)	–
Releases	–	–
Balance at 31 March	**45,049**	**–**
Of which:		
Current	7,923	
Non-current	37,126	–

In the period, the Company issued a financial guarantee of £240 million under a guarantee and reimbursement agreement.

The guarantee financial liability recognised is the carrying value of the present value of the premiums receivable, less the cumulative amortisation of the cash value of the premiums over the life of the underlying instrument (at the end of which the instrument will be repaid in full).

At the reporting period, the higher-of test has been performed to ensure that the liability is measured at the greater of the ECL on the underlying instrument, and the amortised value of the initial liability as described above. As the ECL on the underlying debt is lower, the liability has remained unchanged.

The financial risks and management policies associated with financial guarantees are detailed in *Note 22 Financial risk review on page 148*, which sets out the maximum exposure to the Company as a result of issuing these guarantees.

No guarantees were called or released in the period.

18. Loan amounts owed to Shareholder

	2023–24 £000	2022–23 £000
Balance at 1 April	**50,171**	**10,012**
Additions	478,000	125,000
Repayments of capital	(387,000)	(85,000)
Repayments of interest	(5,573)	(597)
Interest recognised using effective interest rate method	5,662	756
Balance at 31 March	**141,260**	**50,171**

The closing balance for loan amounts owed to Shareholder represents a floating interest loan entered into in the prior year with an outstanding balance of £131 million at the year end, and a £10 million fixed rate loan brought forward from FY 2022–23. The amount entered into during the year was executed under the terms of the overarching funding agreement with HM Treasury, with the floating interest rate being Gilts plus 11bps.

19. Undrawn loan and capital commitments

The Company had the following undrawn commitments at the balance sheet date.

	2023–24 £000	2022–23 £000
Undrawn capital commitments		
Funds	587,187	441,233
Direct equity	10,339	–
Total undrawn capital commitments	**597,526**	**441,233**
Undrawn loan commitments		
Private sector lending	752,030	691,023
Local authority lending	490,000	–
Total undrawn loan commitments	**1,242,030**	**691,023**
Undrawn guarantee commitments		
Financial guarantees	240,000	–
Total undrawn guarantee commitments	**240,000**	–
Total undrawn commitments	**2,079,556**	**1,132,256**

20. Fair value measurements

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

	Fair value hierarchy level	2023–24 £000 Carrying value	2023–24 £000 Fair value	2022–23 £000 Carrying value	2022–23 £000 Fair value
Financial assets: held at FVTPL					
Funds	Level 3	415,851	415,851	308,728	308,728
Other assets held at FVTPL	Level 2	135,327	135,327	-	-
Financial guarantee fee receivable	Level 2	46,662	46,662	–	–
Financial assets: held at amortised cost					
Cash and cash equivalents	Level 1	63,606	63,606	54,770	54,770
Loans held at amortised cost	Level 3	594,084	609,267	289,608	251,450
Total		**1,255,530**	**1,270,713**	**653,106**	**614,948**
Financial liabilities: held at amortised cost					
Lease liabilities	Level 2	242	242	2,173	2,173
Loan finance	Level 2	141,260	137,277	50,171	46,724
Guarantee financial liabilities	Level 2	45,049	45,049	–	–
Financial liabilities: loan commitment ECL					
Loan commitment ECL	Level 3	8,103	8,103	5,817	5,817
Total		**194,654**	**190,671**	**58,161**	**54,714**

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 market prices 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 at the reporting date.
- Level 3: Inputs that are unobservable.

The fair value of the Company's investments which are not traded in an active market is determined by using appropriate valuation techniques in accordance with the IPEV guidelines, including the discounted cash flow method, EBITDA multiples, comparison with similar instruments for which market-observable prices exist and other relevant valuation models. These models incorporate investment-specific credit, liquidity, operational and capital risk factors, and require the limited partnership to make assumptions in relation to unobservable inputs. As set out in *Note 1.2.7 Financial instruments* on pages 124 to 129, these figures have been taken as a fair interpretation of the situation as at 31 March 2024.

The valuation approach for the direct equity instruments and convertible loan notes takes the PORI and compares this with the value implied by selected early-stage valuation methods in accordance with the

IPEV guidelines. Any recent changes in the business and the market between the original investment date (investment date) and the valuation date (milestone analysis) have been considered to give an appropriate valuation. Such early-stage valuation methods include but are not limited to the venture capital method, option pricing method and scenario analysis. As at the reporting date, it was deemed that the PORI was a reasonable valuation method to apply to the above direct equity portfolio.

The most significant input used in the valuation methodology across all funds is the investments' discount rate, as determined by the respective fund managers, as changes in discount rate could materially impact the reported fair value of investments.

The fair value of the guarantee fee receivable is the present value of the future fees receivable. There were no transfers between levels in the hierarchy during the period. Further information on the accounting treatment of financial instruments under IFRS 9 is given in *Note 1.2.7 Financial instruments* on pages 124 to 129. For the reconciliation of financial assets held at Level 3, see *Note 11 Assets held at fair value through profit and loss* on page 140.

As the Company's direct equity investments are held at cost at the reporting date, any sensitivities of the unobservable inputs are not provided.

As at 31 March 2024, 5% over- or undervaluation of the Company's portfolio of assets could lead to a movement upwards or downwards in the carrying value of interests in funds of: £27.7 million (FY 2022–23: £15.4 million).

21. 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 Company. Such interests include holdings of debt and equity investments, and investment management agreements. Depending on the Company'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.

21.1 Consolidated structured entities

As at 31 March 2024, the Company does not consolidate any interests in structured entities, as the Company is not considered to have control rights over these entities.

21.2 Unconsolidated structured entities

The Company has £57.9 million of interests in the form of debt investments in structured entities as at 31 March 2024 (FY 2022–23: £Nil). For equity investments through limited partnerships considered to be structured entities, the Company has £415.9 million (FY 2022–23: £308.7 million) of interests that were measured at fair value through profit and loss.

Maximum exposure to loss from its interests in unconsolidated structured entities represents the maximum loss the Company could incur as a result of its involvement with these entities, regardless of the probability of the loss being incurred. For both debt and equity investments in unconsolidated structured entities, the maximum exposure to loss is the total carrying value of on-balance sheet positions and off-balance sheet arrangements, being loan and capital commitments, at the reporting date.

The Company's interests in, and the maximum exposure to, unconsolidated structured entities are set out below.

Nature of interest	**2023–24**		**2022–23**	
	Debt £000	**Equity £000**	**Debt £000**	**Equity £000**
Private fund partnerships	–	415,851	–	308,728
Loans held at amortised cost	57,794	–	–	–
Total on-balance sheet exposures	**57,794**	**415,851**	**–**	**308,728**
Total off-balance sheet exposures	**183,000**	**587,187**	**250,000**	**441,233**
Maximum exposure to loss	**240,794**	**1,003,038**	**250,000**	**749,961**
Total assets of the structured entity	906,700	1,030,479	497,200	824,945

22. Financial risk review

22.1 Risk management

The objective of the Company's financial risk management is to manage and control the risk exposures of its investments. Details of the Company's risk management structure are provided in the 'Risk management and internal controls' section within the Accountability Report (see pages 52 to 55). This note presents information about the nature and extent of risks arising from the financial instruments.

22.2 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 Company's investments comprise fixed and variable interest rate loans. The Company's exposure to net interest rate risk is not significant for the financial period 2023–24, and the Company does not use derivatives to hedge interest rate risk.

The impact of a 50bps increase/(decrease) in effective interest rate applicable to loan investments would be an approximate increase/(decrease) in interest income for the period of +/−£1.4 million.

The above impact has been calculated by applying a 50bps sensitivity to the interest rate applicable to each interest income-deriving investment. Investments based on a floating rate of interest only have been factored into the sensitivity calculation and note that the relationship between the basis points and interest income is linear. We assume that a fixed rate investment would not be impacted by a change in interest rate.

Other price risk

The Company 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; the 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 20 Fair value measurements* on pages 146 and 147.

Foreign exchange risk

The Company has minimal exposure to foreign exchange risk and re-values any financial assets and liabilities at the reporting date in line with IAS 21.

22.3 Credit risk

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

Maximum credit risk exposure

	Maximum exposure to loss 2023–24 £000	Maximum exposure to loss 2022–23 £000
Cash and cash equivalents	63,606	54,770
Assets held at FVTPL	551,178	308,728
Loans held at amortised cost	594,084	295,182
Financial guarantee fee receivable	46,662	–
Balance at 31 March	**1,255,530**	**658,680**

Off-balance sheet

	Maximum exposure to loss 2023–24 £000	Maximum exposure to loss 2022–23 £000
Contractual lending commitments	1,242,030	691,023
Capital commitments	597,526	441,233
Guarantee commitments	240,000	–
Balance at 31 March	**2,079,556**	**1,132,256**

Information on the fair value assessment and related sensitivity analysis of the assets held at FVTPL can be found in *Note 20 Fair value measurements* on pages 146 and 147.

The table below shows the total ECL provision recognised on financial instruments.

	2023–24 £000	2022–23 £000
Impairment of loan	16,702	5,574
Impairment of loan commitment	8,103	5,817
Total ECL provision on amortised cost instruments	**24,805**	**11,391**

The table below shows the total ECL charged in the period for financial instruments.

	2023–24 £000	2022–23 £000
Impairment of loan	11,128	4,653
Impairment of loan commitment	2,286	3,542
Total ECL charge on amortised cost instruments	**13,414**	**8,195**

The Company held cash and cash equivalents of £63.6 million as at 31 March 2024 (FY 2022-23: £54.8 million). The cash and cash equivalents are held with a bank which is rated A long term and A-1 short term based on S&P ratings. The Company considers that cash and cash equivalents have a low credit risk based on the external ratings of the holding parties. As such, an ECL has not been recognised in the accounts.

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

The Company has carried out sensitivity analysis on the key input to the ECL model. The potential impact of a deteriorated PD input with a sensitivity of a one-notch downgrade could increase ECL provisions by £19.3 million. The potential impact of a one-notch downgrade on the LGD rating scale could increase ECL provisions by £12.7 million. Additionally, a macroeconomic downside stress test using the downside scenario could increase ECL provisions by £0.8 million. The macroeconomic downside scenario considers an increase in defaults and a fall in equity valuation occurring as a shock in the short term, which reflects the risk of operating in large infrastructure projects that require large quantities of materials and energy through an oil price shock. The Company also assesses unlikely but plausible losses assuming a severe downside, which aligns with the Bank of England's stress tests for commercial banks.

The tables on the following page 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 1.2.7 Financial instruments* on pages 124 to 129.

Allowance for ECLs on financial assets

	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 31 March 2022	**176,586**	**(921)**	**–**	**–**	**–**	**–**	**176,586**	**(921)**
Additions to existing assets	45,883	(2,233)	–	–	–	–	45,883	(2,233)
New loans originated or purchased	124,108	(2,534)	–	–	–	–	124,108	(2,534)
Repayments in the year	(51,395)	114	–	–	–	–	(51,395)	114
Balance at 31 March 2023	**295,182**	**(5,574)**	**–**	**–**	**–**	**–**	**295,182**	**(5,574)**
Changes to model assumptions	–	(1,483)	–	–	–	–	–	(1,483)
Additions to existing assets	191,950	(11,977)	–	–	–	–	191,950	(11,977)
New assets originated or purchased	178,243	(709)	–	–	–	–	178,243	(709)
Repayments in the year	(54,589)	3,041	–	–	–	–	(54,589)	3,041
Balance at 31 March 2024	**610,786**	**(16,702)**	**–**	**–**	**–**	**–**	**610,786**	**(16,702)**
Carrying amounts at 31 March 2024		**594,084**		**–**		**–**		**594,084**

Allowance for ECLs 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 31 March 2022	**133,421**	**(2,274)**	**–**	**–**	**–**	**–**	**133,421**	**(2,274)**
Existing loan commitments	65,997	1,035	–	–	–	–	65,997	1,035
New loan commitments	491,605	(4,578)					491,605	(4,578)
Balance at 31 March 2023	**691,023**	**(5,817)**	**–**	**–**	**–**	**–**	**691,023**	**(5,817)**
Changes to model assumptions	–	(528)	–	–	–	–	–	(528)
Additions to existing loans	(199,506)	(1,202)	–	–	–	–	(199,506)	(1,202)
New loans originated	729,306	(1,329)	–	–	–	–	729,306	(1,329)
Released loan commitments	(43,684)	773	–	–	–	–	(43,684)	773
Balance at 31 March 2024	**1,177,139**	**(8,103)**	**–**	**–**	**–**	**–**	**1,177,139**	**(8,103)**
Carrying amounts at 31 March 2024		**1,169,036**		**–**		**–**		**1,169,036**

22.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due. The Company currently receives equity and debt funding from HM Treasury to finance its operations and investment activities. If the Company finds itself unable to meet its payment obligations, under the terms of its Keep Well agreement with HM Treasury, it will receive support from HM Treasury up to a cap of £22 billion to enable it to satisfy its financial obligations, and therefore the Company is exposed to minimal liquidity risk. The Company 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 2023	On demand	Not more than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Assets held at FVTPL	–	–	–	–	308,728	308,728
Cash and cash equivalents	54,770	–	–	–	–	54,770
Loans held at amortised cost	–	–	435	59,000	230,173	289,608
Total financial assets	**54,770**	**–**	**435**	**59,000**	**538,901**	**653,106**

31 March 2024	On demand	Not more than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Assets held at FVTPL	–	–	–	160,067	391,111	551,178
Cash and cash equivalents	63,606	–	–	–	–	63,606
Loans held at amortised cost	–	144,316	1,106	84,266	364,396	594,084
Financial guarantee fee receivable	–	–	5,569	29,491	11,602	46,662
Total financial assets	**63,606**	**144,316**	**6,675**	**273,824**	**767,109**	**1,255,530**

The tables below show the contractual maturity of the financial liabilities as at the end of the financial year. There is no material difference between discounted and undiscounted values.

31 March 2023	On demand	Not more than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000
Financial liabilities						
Loan finance	–	–	–	40,000	10,171	50,171
Loan commitment	–	–	5,817	–	–	5,817
Total financial liabilities	**–**	**–**	**5,817**	**40,000**	**10,171**	**55,988**

31 March 2024	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	–	–	–	131,227	10,033	141,260
Loan commitment	–	–	8,103	–	–	8,103
Guarantee financial liabilities	–	–	7,923	25,241	11,885	45,049
Total financial liabilities	**–**	**–**	**16,026**	**156,468**	**21,918**	**194,412**

The tables below reflect the anticipated drawdowns following the end of the financial year based on a cash flow forecast and the elements of total commitments expected to expire without being drawn.

31 March 2023	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	–	106,843	177,703	356,477	50,000	691,023
Capital commitments	–	46,593	106,337	237,975	50,328	441,233
Total off-balance sheet	**–**	**153,436**	**284,040**	**594,452**	**100,328**	**1,132,256**

31 March 2024	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	–	694,232	263,001	234,797	50,000	1,242,030
Capital commitments	–	44,811	110,589	261,300	180,826	597,526
Guarantee commitments	–	–	–	–	240,000	240,000
Total off-balance sheet	**–**	**739,043**	**373,590**	**496,097**	**470,826**	**2,079,556**

22.5 Capital management

The Company is not regulated by the Prudential Regulation Authority or the Financial Conduct Authority. The Company'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 Company's economic capital comprised issued share capital, reserves and retained earnings, and, when assessed at the year end, was deemed sufficient under the standardised approach.

The Company assesses capital requirements in order to maintain an efficient overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions, future expected cash outflows, and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may request additional funding from its Shareholder, HM Treasury.

The amounts managed as capital for the reporting periods under review are therefore as described within 'Equity' in the Statement of Financial Position on page 117, and further detailed in the Statement of Changes in Equity on page 118.

23. Share capital

	Number of Shares	Total £000
Authorised equity: Allotted, called up and fully paid		
Balance at 31 March 2022	**274,200,100**	**274,200**
Issued Ordinary shares of £1 each	–	–
Balance at 31 March 2023	**274,200,100**	**274,200**
Issued Ordinary shares of £1 each	490,000,000	490,000
Balance at 31 March 2024	**764,200,100**	**764,200**

In accordance with the Companies Act 2006, the Company 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. During the year, the Company issued a total of 490,000,000 Ordinary shares of £1 each at par. No dividends were declared or paid in 2023–24 (FY 2022–23: £Nil) on the Company's Ordinary shares.

24. Parent company

As at 31 March 2024, the Company was a wholly owned subsidiary of HM Treasury, owned by the Treasury Solicitor as nominee Shareholder. In the opinion of the Directors, the Company'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.

25. Related party transactions

HM Treasury is the ultimate controlling party of the Company. While the Company is expected to be self-sufficient, as part of the Keep Well agreement between the Company and HM Treasury, the Company's operating costs and financial obligations will be met by HM Treasury if required.

Key management personnel refers to Executive and Non-Executive Directors of the Board.

Further details of compensation for key management personnel can be found in the Remuneration report and Staff report on pages 85 to 100.

There were no further transactions between the Company and key members of management.

With the exception of the lending facilities with HM Treasury, there were no other transactions between the Company and any other members of the HM Treasury group, or any other government bodies in the year.

All investments in associates are recognised as related parties. In the financial year 2023–24, there were no other transactions with associated companies.

26. Subsidiaries and other significant undertakings

The Company has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20%. The Company does not exert significant influence over these undertakings. These are held at fair value through the profit or loss in the Statement of Financial Position.

Significant undertakings	Country of incorporation	Nature of holding	Shares held by the Company
Charging Infrastructure Investment LLP Fund Registered address: 26 Ives Street, London SW3 2ND	UK	Equity fund investment	47.58%
Digital Infrastructure Investment Partners LP Fund Registered address: 10 Fenchurch Avenue, London EC3M 5AG	UK	Equity fund investment	100.00%
National Digital Infrastructure Fund LP Registered address: 3 More London Riverside, London SE1 2AQ	UK	Equity fund investment	50.00%
NextPower UK ESG Fund Registered address: 20 Savile Row, London W1S 3PR	UK	Equity fund investment	41.98%
Octopus Sustainable Infrastructure Fund Registered address: 8 Angel Court, London EC2R 7HP	UK	Equity fund investment	49.75%
Equitix UK ESF Fund Registered address: 65 Haymarket Terrace, Edinburgh EH12 5HD	UK	Equity fund investment	49.75%
Dragon SLP LP (Ogi) Registered address: 10 Fenchurch Avenue, London EC3M 5AG	UK	Equity fund investment	21.80%
Gresham House SIReS Fund Registered address: 80 Cheapside, London EC2V 6EE	UK	Equity fund investment	49.75%
Infracapital (Gigaclear) LLP Registered address: 10 Fenchurch Avenue, London EC3M 5AG	UK	Equity fund investment	33.45%
Gaia Sciences Innovation LP Registered address: Floor 2 Trafalgar Court, Guernsey GY1 4LY	UK	Equity fund investment	49.75%

The Company has investments in which it exercises significant influence. See *Note 12 Investment in associates* on pages 140 and 141 for further information on the circumstances that give rise to significant influence over each investee company.

Associated companies	Country of incorporation	Nature of holding
Geopura Limited Registered address: c/o Hobsons, Alexandra Street, Nottingham NG5 1AY	UK	Investment in Associate
Cornish Lithium Plc Registered address: Tremough Innovation Centre, Penryn, Cornwall TR10 9TA	UK	Investment in Associate
Pragmatic Semiconductor Limited Registered address: 400 Cambridge Science Park, Milton Road, Cambridge CB4 0WH	UK	Investment in Associate

27. Events after the reporting period

National Wealth Fund

On the 14 October 2024 it was announced by the Chancellor at the International Investment Summit that UK Infrastructure Bank (UKIB) would become the National Wealth Fund (NWF).

The NWF will expand UKIB's remit beyond infrastructure in support of the Government's industrial strategy, building on its success over the last three years.

With additional financial capacity and an enhanced risk budget, the NWF will be capitalised with £27.8bn to catalyse private investment in the market. It will inherit UKIB's existing £22 billion capitalisation and have an additional £5.8 billion. The additional £5.8 billion of capital will be focused in five sectors: green hydrogen, green steel, carbon capture, gigafactories and ports.

The NWF will expand its team based at its headquarters in Leeds, securing additional sector expertise to support its new remit. It will continue to provide commercial and financial advisory services and lending to local authorities, and further strengthening its partnerships with Mayors to support the Government's growth ambitions.

The NWF will also take on a more sophisticated partnership role with Government departments, bringing investment expertise and policymaking closer together, to accelerate policy development which supports and grows the market.

The NWF will continue to make private sector investments against a clear set of principles, with a focus on crowding in private finance to sectors and technologies which are critical to the UK's clean energy and growth ambitions.

The government will set out further details of the NWF's role in delivering the Industrial Strategy in a statement of strategic priorities in the coming months, as well as an updated framework document, investment principles document and reviewing the organisation's success metrics. Until this time, the NWF will continue investing in its five sectors (clean energy, digital, transport, water and waste) and apply its existing four investment principles.

Investments since 31 March 2024

Since the end of the 2023–24 financial year, the Company has signed a further 13 deals, spanning a range of areas across our priority sectors, including digital, clean energy and retrofit. The Company's agreed commitment to these deal totals £1,584 million.

As of 30 September 2024, the NWF terminated its contract with the Gresham House Fund. As at the 31 March 2024, the NWF commitment with Gresham House was £75 million, with none of this amount drawn.

Capital

Also in October 2024, the Company issued 100,000,000 ordinary shares to its shareholder, HM Treasury.

28. Date of authorisation for issue of the financial statements

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

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