UK GREEN INFRASTRUCTURE PLATFORM LIMITED

COMPANY NUMBER 10669600

Directors' Report and Financial Statements
for the financial year ended 31 March 2019

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The Company's registered office is:

C/O Alter Domus UK Limited
18 St Swithin's Lane
London, EC4N 8AD
United Kingdom

UK Green Infrastructure Platform Limited

2019 Directors' Report and Financial Statements
Contents

Directors' Report
for the financial year ended 31 March 2019

In accordance with a resolution of the Directors (the "Directors") of UK Green Infrastructure Platform Limited (the "Company"), the Directors submit herewith the audited financial statements of the Company and Directors' report as follows:

As the Company meets the qualifying conditions under section 382 of the Companies Act 2006 (the "Act"), the Directors have taken advantage of the exemption provided in sections 414B (as incorporated into the Act by the Strategic Report and Directors' Report Regulations 2013) and 415A of the Act for the preparation of a Strategic Report.

Directors and Secretaries

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

Mark J Dooley	
Niall R Mackenzie	
Anthony J Poulter	
Edward P Northam	
Peter R A Knott	(appointed on 14 August 2018)
Hannah B Gray	(appointed on 23 May 2018)
David A Sandford	(appointed on 22 May 2019)
Jonathan Sell	(resigned on 31 March 2019)
John L Stuart	(appointed on 23 May 2018, resigned on 14 August 2018)
Paul A Norris	(resigned 23 May 2018)

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

Alter Domus (UK) Limited

Principal activities

The principal activity of the Company during the financial year ended 31 March 2019 was to hold and manage investments.

Results

The loss for the financial year ended 31 March 2019 was £34,502k (2018: profit of £4,289k) and was driven by £33,257k of downward revaluation of its debt investment, which was mainly caused by a delay in the asset's construction.

Dividends paid or provided for

No dividends have been paid or proposed during the current financial year to 31 March 2019 (2018: nil).

State of affairs

In December 2018 the Company substantially realised one of its limited partnership investments (Note 7). There were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

The Directors have prepared the accounts on a going concern basis as further discussed in Note 2 'Summary of significant accounting policies'.

Directors' Report

for the financial year ended 31 March 2019 (continued)

Likely developments, business strategies and prospects

The Directors will monitor the performance of all managed assets and will continue to assess the fair value of these assets on an ongoing basis.

Indemnification and insurance of Directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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.

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board

Director NIALL MACKENZIE

5 SEPTEMBER 2019

Governance statement
for the financial year ended 31 March 2019

Introduction

The principal objective of the Company is to hold and manage assets in accordance with its Articles of Association. The Company is ultimately owned and controlled by the Secretary of State for Business, Energy and Industrial Strategy ("BEIS") and is operated by the directors.

BEIS owns 90% of the share capital of the Company with UK Green Investment Bank Limited owning the remaining 10%.

This statement sets out the governance structure, risk management and internal control procedures that have been operated within the company during the year to 31 March 2019.

The Governance Structure

Board responsibilities

The board provides the general oversight of the Company and up to 31 March 2019 the board delegated the day-to-day operation of the business, in accordance with appropriate risk parameters, to UK Government Investments ("UKGI"), a company wholly owned by HM Treasury and UK Green Investment Bank Limited ("UKGIB") a company outside the control of the UK goverment. The board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates. In addition, management is required to update the board on a regular basis, giving the board the opportunity to understand and explore issues in depth as appropriate.

During the financial year ended 31 March 2019, the board considered a wide range of issues, including:

- the financial position of the company;
- the long-term plan for the company;
- approving full-year results;
- considering opportunities for the realisation of assets; and
- discussing risk management and controls within the company including oversight of the assets.

Responsibility of the accounting officer

The Directors, and specifically the accounting officer of the Company, have certain responsibilities. The primary responsibilities (in addition to those defined in the Companies Act 2006) are: to adhere to Chapter 3 of Managing Public Money, being responsible for safeguarding the public funds, for ensuring propriety and regularity in the handling of public funds, and for day to day operations and management of the Company. The Directors and the accounting officer of the company also ensure that it is run on the basis of the standards, in terms of governance, decision making and financial management, that are detailed in Chapter 3.1 of Managing Public Money.

Information received by the board and accounting officer

Written updates on the performance of the assets were provided by UKGI and UKGIB to the Board, including the chair who is the accounting officer. The Board considers that the written updates provided by the management team during the financial year were relevant, sufficient and timely to satisfy its purpose.

Governance statement
for the financial year ended 31 March 2019 (continued)

Review of board's effectiveness

The Board is currently comprised of five non-executive Directors, three of whom are senior officials within Government Departments or other public sector bodies, one being a representative of the Company's minority shareholder, UKGIB (with two alternate Directors) and one independent Director. It is considered that the size and experience of the Board is appropriate given the nature of the company's operations.

The Board carried out a review of its effectiveness during the year, which included a review of the Chairmanship, and all Directors at the time participated in the survey. All findings were presented to the Board for discussion, although no material findings were discovered. The Board, therefore, believes that its structure and monitoring framework are functioning effectively to enable the objectives of the Company to be met.

Compliance with Corporate Governance Code

The directors follow and comply with the principles detailed in the "Corporate governance in central government departments" code in so far as they are applicable to a company limited by shares incorporated under the Companies Act 2006.

Risk management and internal control

The board attaches considerable importance to, and acknowledges its responsibility for, the Company's systems of internal control and risk management. The board's policy is to have systems in place which optimise the Company's ability to manage risk in an effective and appropriate manner. The board has delegated to UKGI and UKGIB the principal responsibilities for identifying, evaluating and monitoring risks facing the company and the Board decides how these are to be managed.

These include on-going controls and review procedures in place to monitor the performance of the investment managers that continue to manage investments on behalf of the Company.

Given the specific nature of the Company, its principal risks and uncertainties reside with the exposure to financial risks arising from its holdings of financial assets.

On behalf of the Board

Director NIALL MACKENZIE

5 SEPTEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK GREEN INFRASTRUCTURE PLATFORM LIMITED

Opinion on financial statements

I have audited the financial statements of UK Green Infrastructure Platform Limited for the year ended 31 March 2019 which comprise the Statement of Profit and Loss, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"), as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the Companies Act 2006.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of UK Green Infrastructure Platform Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UK Green Infrastructure Platform Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UK Green Infrastructure Platform Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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:

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Report; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Greg Wilson

Greg Wilson (Senior Statutory Auditor)
11 September 2019

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

Profit and loss account
for the financial year ended 31 March 2019

	Note	2019 £'000	Period from 14.03.2017 to 31.03.2018 £'000
Turnover	7	8,112	4,854
Other operating expenses	3	(820)	(638)
Administrative expenses	4	(544)	(463)
Operating profit		6,748	3,753
Interest payable and similar charges	5	(1,738)	(1,835)
(Loss)/Gain on revaluation of fair value investments	7	(39,397)	3,244
(Loss) / profit on ordinary activities before taxation		(34,387)	5,162
Tax on (Loss) / profit on ordinary activities	6	(115)	(873)
(Loss) / profit for the financial year		(34,502)	4,289

The above profit and loss account should be read in conjunction with the accompanying notes on pages 11 to 21, which form an integral part of the financial statements.

Turnover and loss on ordinary activities before taxation relate wholly to continuing operations.

There were no other comprehensive income and expenses other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

Balance sheet
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed and non current assets			
Investments	7	35,662	128,959
Current assets			
Investments	7	33,019	-
Debtors	8	500	444
Cash	9	4,024	4,867
		37,543	5,311
Current liabilities			
Creditors: amounts falling due within one year	10	9,731	36,293
Net current assets / (liabilities)		27,812	(30,983)
Total assets less current liabilities		63,474	97,976
Net assets		63,474	97,976
Capital and reserves			
Called up share capital	11	1	1
Share Premium reserve	11	93,686	93,686
Profit and loss account		(30,213)	4,289
Total shareholders' funds		63,474	97,976

The above balance sheet should be read in conjunction with the accompanying notes on pages 11 to 21, which form an integral part of the financial statements.

The financial statements on pages 8 to 21 were approved by the Board of Directors on 5 SEPTEMBER 2019 and were signed on its behalf by:

Director NIALL MACKENZIE

Statement of changes in equity
for the financial year ended 31 March 2019

	Note	Called up share capital £'000	Profit and loss account £'000	Share premium account £'000	Total shareholders' funds £'000
Issue of share capital	11	1	-	93,686	93,687
Profit for the financial period		-	4,289	-	4,289
Balance at 31 March 2018		1	4,289	93,686	97,976
Loss for the financial year		-	(34,502)	-	(34,502)
Balance at 31 March 2019		1	(30,213)	93,686	63,474

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 11 to 21, which form an integral part of the financial statements.

Notes to the financial statements for the financial year ended 31 March 2019

Note 1. General information

The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is C/O Alter Domus UK Limited, 18 St Swithin's Lane, London, EC4N 8AD.

Note 2. Summary of significant accounting policies

i) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention except for the financial instruments measured at fair value through profit or loss ("FVTPL") (note 7).

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as a parent of a group. The Company is exempt under the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included in full consolidation in the consolidated financial statements of its ultimate parent, being the Secretary of State for Business, Energy and Industrial Strategy.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

In accordance with FRS 101 the Company has availed itself of an exemption from the following requirements of IFRS:

- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D and 111 of IAS 1 'Presentation of Financial Statements' (additional comparatives disclosures);
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.

As a financial institution, the Company is not exempt from applying the requirement of IFRS 7 'Financial Instruments: Disclosures' and IFRS 13 'Fair Value Measurement' in these financial statements.

Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and the financial statements such as:

- revaluation of investments held at fair value (Note 16).
- determining the appropriate business model for a group of financial assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities.

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies

New Accounting Standards and amendments to Accounting Standards that are effective in the current financial year

IFRS 9 Financial Instruments

IFRS 9 replaced International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39") for accounting periods starting after 1 January 2018. IFRS 9 resulted in changes to accounting policies covering the classification, measurement and impairment of financial assets. The Company has applied the requirements of IFRS 9 in the current financial year beginning 1 April 2018.

Transition:

As permitted by the IFRS, the Company has not restated its comparative financial statements. The Company has not recorded a transition adjustment to its opening balance sheet or retained earnings at 1 April 2018 as there was no impact of the adoption of IFRS 9's classification and measurement, and impairment as all investments have continued to be held as FVTPL assets after adoption of this new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all the current guidance on revenue recognition from contracts with customers. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

The Company adopted IFRS 15 on 1 April 2018 and based on the assessment it has been concluded that all income streams are outside the scope of IFRS 15 so there is no transition impact due to adoption on the timing or amount of revenue recognised at 31 March 2018.

ii) 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 therefore continues to adopt the going concern basis in preparing its financial statements.

iii) Turnover and expense recognition

Turnover

Turnover is measured at the fair value of the consideration received or receivable and consists of interest income from the Company's underlying investments.

Expenses

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the balance sheet as a payable.

iv) Taxation

The principles of the balance sheet method of tax effect accounting have been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies

iv) Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

The Company exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are recoverable.

The Company undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Company estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding of the law.

v) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial instrument is initially recognised at fair value which has been adjusted for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument (in the case of instruments not carried at FVTPL). Transaction costs relating to financial instruments carried at FVTPL are expensed in the profit and loss account.

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the balance sheet when:
- the rights to cash flows have expired
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are de-recognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income or expense disclosed as part of other operating income and expenses.

Classification and subsequent measurement

Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

Business model assessment

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:
- how the performance of the financial assets held within that business model is evaluated and reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

The Company exercises judgement to determine the appropriate level at which to assess its business models and its intention with respect to financial assets.

Note 2. Summary of significant accounting policies

v) Financial instruments (continued)

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method if the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been designated to be measured at FVTPL (DFVTPL).

Interest income determined in accordance with the EIR is recognised in interest income. Gains and losses arising from the derecognition of financial assets that are measured on an amortised cost basis are recognised as part of other operating income and charges.

Cash and debtors are measured at amortised cost.

Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income "FVOCI" are measured at FVTPL, with all changes in fair value recognised as part of other operating income and expenses in the profit and loss account.
For the purposes of the Company's financial statements, the FVTPL classification consists of the following:
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows or financial assets that fail the solely payments of principal and interest "SPPI" test.

Changes in the fair value of financial assets that are FVTPL are recognised as part of other operating income and charges. The interest component of financial assets that are classified as FVTPL are recognised in interest income.

All investment assets are measured at FVTPL.

Reclassification of financial instruments

The Company reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial instrument's new measurement category.
The Company does not reclassify financial liabilities after initial recognition.

Prior to the adoption of IFRS 9, the Company's financial assets were classified as FVTPL as the assets were part of a group of financial assets and financial liabilities managed and evaluated on a fair value basis in accordance with the investment strategy, and reporting is provided on that basis to key management personnel.

Financial liabilities

Financial liabilities are measured at amortised cost.

vi) Investments

The Company has been designated as an investment entity in line with IFRS 10 'Consolidated Financial Statements' as it met the relevant criteria of such an entity. The criteria has been laid out below:

- The company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- The company commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- The company measures and evaluates the performance of substantially all of its investments on a fair value basis.

In light of this it does not consolidate any subsidiaries, or equity account for any associates or joint ventures in accordance with IAS 28 'Investments in Associates and Joint Ventures', but holds these investments at fair value through profit or loss.

The fair value of each asset includes the relevant cost of all shares, limited partner stakes, principal loan balances and any unpaid accrued interest relating to the investment. All investments undergo a valuation process which occurs at least semi-annually, with any change in fair value being processed as a revaluation through the profit or loss statement (note 16).

Notes to the financial statements
for the financial year ended 31 March 2019 (continued)

Note 2. Summary of significant accounting policies

vii) Cash at bank
Cash at bank comprises cash balances with qualifying financial institutions.

viii) Called up share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

ix) Rounding of amounts
All amounts in the Directors' Report and Financial Statements have been rounded off to the nearest thousand pound sterling (£'000) unless otherwise indicated.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 3. Other operating expenses

	2019	Period from 14.03.2017 to 31.03.2018
	£'000	£'000
Outsourced management services	820	638

Note 4. Administrative expenses

	2019	Period from 14.03.2017 to 31.03.2018
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Fees payable to the Company's auditors for the audit of the Company	54	72
Professional fees	129	103
Other administration expenses	361	288
Total	544	463

The Company had no employees since incorporation.

Note 5. Interest payable and similar charges

	2019	Period from 14.03.2017 to 31.03.2018
	£'000	£'000
Interest payable	1,738	1,835

Note 6. Taxation

	2019	2018
	£'000	£'000
Analysis of tax charge for the year:		
Current tax		
UK corporation tax	115	873

The income tax expense for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019	2018
(Loss)/Profit on ordinary activities before taxation	(34,387)	5,162
(Loss)/Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19%	(6,534)	981
Effects of:		
Adjustment to tax charge in respect of prior years	115	
Non assessable income	-	(108)
Allowable losses utilised in the year	6,534	-
Total income tax	115	873

The UK Government has enacted a reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 7. Investments

	2019 £'000	2018 £'000
Financial assets	68,681	128,959

Reconciliation of movement in investments	Debt investment (current)*	Limited Partnership (current)*	Shareholder investment (non current)*	2019 Total	2018 Total
Balance at the beginning of the financial period	50,540	42,063	36,356	128,959	-
Transfers on 4 August 2017	-	-	-	-	135,988
Additions	-	904	-	904	13,999
Interest	2,079	-	6,033	8,112	4,854
Disposals	(3,134)	(26,763)	-	(29,897)	(29,126)
Revaluation	(33,257)	587	(6,727)	(39,397)	3,244
Balance at the end of the financial period	16,228	16,791	35,662	68,681	128,959

**The above current and non current classifications relate to the year ended 31 March 2019.*

The transfers mentioned above relate to the value of the five assets acquired at the inception of the Company, and were initially valued in line with the accounting policies of the transferor.

The Limited Partnership assets above relate to investments in funds that invest in a range of renewable energy projects throughout the UK. Control of these funds is determined through the limited partnership agreements, with such control deemed to lie outwith UK GIP, and as such, these investments are classified as unconsolidated structured entities.

The Company's maximum exposure to these funds is through the investments that it has made, which is represented by their carrying value.

Included in the shareholder investment above is the Company's 47% investment in Tilbury Green Power Holdings Limited ("Tilbury"), a company which invests in a 40MW Biomass power plant at the Port of Tilbury, and whose registered address is Tricor Services Europe Llp 4th Floor, 50 Mark Lane, London, England, EC3R 7QR. Due to its shareholding this investment is classed as a joint venture, while it is not seen as a strategic investment due to the Company holding other renewable energy investments.

Tilbury is also classed as a related party, and during the period transactions relating to interest income totalling £6,033k occurred. The outstanding receivable balance at 31 March 2019 with Tilbury was £35,662k, and there are no further commitments due to this company.

Note 8. Debtors

	2019 £'000	2018 £'000
Debtors	444	437
Prepayments	-	7
Tax receivables	56	-
Total debtors	500	444

Note 9. Cash at bank

	2019 £'000	2018 £'000
Cash at bank in the UK	4,024	4,867
Total Cash at bank	4,024	4,867

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 10. *Creditors: amounts falling due within one year*

	2019 £'000	2018 £'000
Shareholder loans	**(8,532)**	(33,892)
Other Creditors	**(818)**	(1,275)
Accruals and deferred income	**(381)**	(359)
Taxation	-	(768)
Total creditors amounts falling due within one year	**(9,731)**	(36,294)

Included within the Creditors balance above are balances owed to the Secretary of state for Business, Energy and Industrial Strategy ("BEIS"), a shareholder, and related party of the Company. During the period, £24,770k of loan repayments were made, and £1,562k of interest was accrued as payable to BEIS (2018: transactions totalled £31,625k). The outstanding payables balance between BEIS and the Company at 31 March 2019 is £7,979k (2018: £31,188k), and the outstanding commitments at this date are £9,360k (2018: £9,360k).

UK Green Investment Bank Limited is also a shareholder, and related party, of the Company. During the period, £3,645k of loan and service fee repayments were made, and £1,001k of interest and service fees were accrued as payable to UK Green Investment Bank Limited (2018: transactions totalled £4,153k). The outstanding payables balance between UK Green Investment Bank Limited and the Company at 31 March 2019 is £1,113k (2018: £4,153k), and the outstanding commitments at this date are £1,040k (2018: £1,040k).

Note 11. Called up share capital

	2019 Number of shares	2019 £	2018 Number of shares	2018 £
Ordinary share capital				
Opening balance as at incorporation of fully paid ordinary shares of £1 each	**1,000**	**1,000**	100	100
Issue of 900 ordinary shares of £1 each	-	-	900	900
Closing balance of fully paid ordinary shares	**1,000**	**1,000**	1,000	1,000

	2019 £'000	2018 £'000
Share premium reserve		
Opening balance of share premium reserve	**93,686**	-
Additional share premium ordinary shares issued	-	93,686
Closing balance of share premium reserve	**93,686**	93,686

Note 12. Directors' remuneration

The executive directors were paid by other entities. The non executive director Anthony J Poulter received a fee of £20k in the year

Note 13. Contingent liabilities and commitments

The Company has £23,405k in undrawn commitments at year end (2018: £24,333k). These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Company.

Note 14. Ultimate parent undertaking

At 31 March 2019 the immediate parent undertaking of the Company is the Secretary of State for Business, Energy and Industrial Strategy

The ultimate parent undertaking and controlling party of the Company is the UK Government, and is the only group to consolidate these financial statements. Copies of the consolidated financial statements for the UK Government can be obtained from www.gov.uk.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 15. Risk Disclosure

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and market risk. The Company does not use derivative financial instruments.

Cash flow risk

Interest bearing assets are held at a fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances, and investments. The Company's credit risk is primarily attributable to its investments. The amounts presented in the balance sheet reflect a revaluation assessment that considers, amongst other factors, if there is an identified loss event and will evaluate the recoverability of the cash flows if required, which is based on previous experience.

The credit risk of counterparties is considered and monitored closely by the Board of Directors. The Company has no significant concentration of credit risk. The investments have exposure spread over a number of counterparties and customers. The credit risk, for additional services procured by UKGIP, is with counterparties with high credit-ratings assigned by recognised credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for outstanding commitments to the investments and ongoing cash requirements for the Company, it predominantly uses shareholder loan notes to finance its activities. The Board does not intend to repay shareholder loan notes until an asset is sold or cash distributed from investments.

Market risk

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

- Power price risk. A number of UKGIP's investments earn part of their revenue by exporting electricity to the grid. As a consequence, UKGIP is exposed to movements in UK wholesale power prices. However, because UKGIP's portfolio consists of investments that either receive part of their income through Renewables Obligations Certificates, or have other income streams alongside the sale of electricity, the impact of power price movements is mitigated.

- Inflation risk. A number of UKGIP's investments have underlying contracts that are indexed to UK inflation rates. In consequence, lower than expected inflation will have a negative impact on nominal returns but may also reduce the operating expense inflation.

Note 16. Fair values of financial assets and financial liabilities

Fair value reflects 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. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

- financial assets and liabilities at fair value through profit or loss and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 16. Fair values of financial assets and financial liabilities (continued)

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models that are relied upon are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data, however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as volatility and correlation.

The following tables summarise the levels of the fair value hierarchy for financial instruments measured at fair value of the Company at 31 March 2019:

2019	Level 1 *£'000s*	Level 2 *£'000s*	Level 3 *£'000s*
Assets			
Investments			68,681
Total assets	-	-	68,681

Cash and debtors are financial instruments but are not included in the above table as neither are not accounted for as fair value assets.

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table presents the changes in Level 3 of the fair value hierarchy for the Company for the year ended 31 March 2019.

	£'000s
Balance at the beginning of the financial period	128,959
Transfers	-
Additions	904
Interest	8,112
Disposals	(29,897)
Revaluation	(39,397)
Balance at 31 March 2019	**68,681**

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity in changing assumptions to reasonably possible alternative assumptions, for those financial instruments for which fair values are determined in whole or in part using valuation techniques based on such assumptions. Although the table relates to the sensitivity associated with all of the Company's financial instruments, they are predominantly linked to the Company's shareholder investment.

	2019	
	Favourable £'000s	**Unfavourable £'000s**
Product type		
Investment at fair value through profit and loss		
Asset backed products		
Risk adjusted discount rate[1]	**3,443**	**3,047**
Power prices[2]	**3,592**	**3,458**
Total	**7,035**	**6,505**

[1] A change in discount rate by +/- 100 bps.

[2] A change in power prices +/- 5%.

Significant unobservable inputs

The key sensitivities of the fair value of assets are the discount rate used for calculating the discounted cash flow valuation and the future power price assumptions. The table above shows how the fair valuations are impacted by increasing and decreasing the discount rate used by 1% and also the impact of increasing and decreasing the future power prices by 5%.

Other factors, such as feedstock costs, were also considered for this analysis, but these were not deemed to be key sensitivities.

Notes to the financial statements for the financial year ended 31 March 2019 (continued)

Note 17. Capital management strategy

The Company's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Company's capital management objectives are to:
- ensure sufficient capital resource to support the Company's business and operational requirements;
- safeguard the Company's ability to continue as a going concern.

Periodic reviews of the entity's capital requirements are performed to ensure the Company is meeting its objectives. Capital is defined as share capital plus reserves, including profit and loss account.

Note 18. Events after the reporting year

On 16 May 2019, one of the Limited Partnership investments that the Company manages was substantially realised. The proceeds of £15.8m were used to repay all of the shareholder loan.

The Company's debt investment funded an energy from waste facility which recycled local authority waste. At the year end, the Board acknowledged that the Councils might terminate this contract, which led to a downward revaluation of this asset in the year to 31 March 2019 (Note 7). Although the Councils subsequently terminated this contract, lenders have realised a substantial amount of the value recognised at year end. On 27 August 2019, the Company received £14.2m of the £16.2m carrying value and the unrealised portion has been retained by the Company to facilitate further recovery of the loan.

On 4 September 2019, the project company to which UK GIP had lent money filed for administration. UK GIP will continue to pursue all possibilities to seek repayment of the loan.

There were no other material events subsequent to 31 March 2019 that have not been reflected in the financial statements.