

UK GREEN INVESTMENT BANK LIMITED

COMPANY NUMBER SC424067

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2020

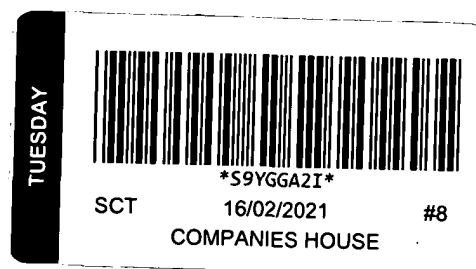


MACQUARIE

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UK Green Investment Bank Limited

2020 Annual Report and Financial Statements

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Strategic Report for the financial year ended 31 March 2020

In accordance with a resolution of the directors (the "Directors") of UK Green Investment Bank Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

Principal activities

The Company acts to give effect to its objects as set out in its Articles of Association. The Company was incorporated with a green objective in 2012 and continues to have a green objective, following the acquisition of the Company by Macquarie Group on 17 August 2017. This green objective, articulated as five Green Purposes, can only be altered with the consent of the Green Purposes Company Limited ("Green Purposes Company") the holders of a special share in the Company, issued on 17 August 2017. No proposal to change the Green Purposes has been made.

The principal activities of the Company during the financial year ended 31 March 2020 were making and holding of green investments either directly or through its subsidiary companies and the employment of staff deployed in the making and management of green investments and ancillary activities.

Review of operations

On 17 August 2017, the UK Green Investment Bank Limited became part of the group of companies of which Macquarie Group Limited is the ultimate holding company (the "Macquarie Group" or "Macquarie"). In order to pursue the Green Investment Bank's mission, and expand its operations geographically, it began operating under the name Green Investment Group ("GIG"). GIG is now Macquarie's platform for principal investment in the green economy, globally.

Investments in regions outside of the UK and Europe are unlikely to be made by the Company or its subsidiaries, but instead, will be made by other Macquarie Group entities using the GIG brand for trading and marketing purposes. Other Macquarie Group entities may only use the GIG name and brand in return for a contractual undertaking that any activities using brand will be compliant with the UK Green Investment Bank Limited's Green Purposes, Green Investment Principles and Green Investment Policy.

The financial information, staff numbers and green impact reporting numbers detailed in this Annual Report represent the Company only, and not the full scope of global activity carried out under the GIG platform and brand.

Stakeholders can gain a complete overview of all activities undertaken through the GIG brand on GIG's website (www.greeninvestmentgroup.com), through an annual progress report (published in October 2020) and at an annual stakeholder and industry event (held in October 2020).

During the FY20 reporting period the Company, and its subsidiaries, invested in new green energy projects including onshore wind development projects in Norway, waste-to-energy projects in the UK, and early stage solar development platforms across Europe. Details of the green impact of these projects is set out in this Report.

Profit for the financial year ended 31 March 2020 was £34m (2019: £44m). The change in profit was driven by a £15m decrease in investment gains from the prior year, offset by a £5m decrease in administrative expenses.

Operating profit for the year ended 31 March 2020 was £7m (2019: £17m).

As at 31 March 2020, the Company had net assets of £139m (2019: £1,806m).

Group Restructuring:

In July 2020, the Company entered into Share Purchase Agreements with Macquarie Asset Management UK Holdings No.2 Limited ("MAMUKH2") and Macquarie International Limited ("MIL") for the corresponding sale of Green Investment Group Management Limited ("GIGML") and UK Green Investments Climate International Limited ("UKCI") shares. The SPAs require the transfer of 100% equity holdings in GIGML and UKCI at the 31 March 2020 fair market price of GBP 56.8 million and 8 million, respectively. The Company recognized gain of GBP 48.8 million on the sale of GIGML. These operations have been disclosed as held for sale in the financial statements herein.

Strategic Report

for the financial year ended 31 March 2020 (continued)

Green Impact Reporting

The Green Impact Statements contained in this Annual Report (see p. 50-61) indicate the principal quantifiable environmental benefits arising from the Company's investments. Green impact metrics are reported in terms of estimated lifetime green impact from 2019-20 investments and all investments to date, where the project has reached final investment decision.

Last year the Company updated the method of reporting the green impact of its investments to reflect the lifetime green impact of all investments to date, whilst still highlighting the expected green impact of investments made in the current year. This year the Company maintained this approach to illustrate the increasing green impact that it is catalysing through its investment activity.

The green impact statements should be read in conjunction with the Company's methodology for calculating green impact. Details of that methodology are set out in the Green Impact Reporting Criteria 2019-20, a copy of which is published on the website.

The green impact of all of the Company's projects – whether qualitative or quantitative – is measured by comparing the performance of the project to a defined baseline or 'counterfactual': what would happen in the absence of the project.

The baseline used for evaluating greenhouse gas emissions avoided by grid-connected energy generation and energy efficiency projects is defined by the IFI harmonized approaches to greenhouse gas accounting. The IFI dataset of marginal grid emission factors is periodically updated to reflect the latest information on electricity grids and associated forecasts of future grid greenhouse gas emissions. The IFI baseline was updated on 1 July 2019 and so all projects that commence operations after this date adopt the latest version (v2.0) dataset. To provide an accurate reflection of the Company's expected impact, the greenhouse gas reduction from the Company's investments in previous years has been re-estimated where applicable, resulting in some decreases to lifetime green impact. Please see notes to the green impact statements on page 62 for further details.

Selected totals for data in the green impact statements in respect of the financial year 2019-20 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out on p. 63-64. The reporting period for the green impact statements is April 2019 to March 2020.

Equator Principles

The Company adopted the Equator Principles in 2013 and remains as an independent adoptee. In the reporting period, the Company did not make any investments to which the Equator Principles apply. The Equator Principles are not applicable to equity investments.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Macquarie Group and are not managed separately. Accordingly, the principal risks and uncertainties of Macquarie Group Limited ("MGL"), which include those of the Company, are discussed in MGL's financial statements and can be obtained from the address given in Note 28.

The Company considers the risk of a principal investment not meeting one or more of the Green Purposes and scrutinises all deals before they are approved. This is an integral part of GIG's green governance framework, which also includes a good practice methodology for assessing, monitoring and reporting the positive environmental benefits (green impact) of investments and considers the associated risk of not achieving the green impact forecast. All such assessments and opinions are discussed with the trustees of the Green Purposes Company on a regular basis and are subject to an external assurance review (see Deloitte report).

Strategic Report

for the financial year ended 31 March 2020 (continued)

Principal risks and uncertainties (continued)

On 29 March 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty and officially notified the EU of its decision to withdraw from the EU (known as "Brexit"). The UK government and the EU Commission subsequently agreed an Article 50 Withdrawal Agreement, pursuant to which a transition period commenced which lasted until 31 December 2020. On 24 December 2020, the United Kingdom and the EU reached agreement on a number of areas relating to their future relationship. This agreement generally did not address financial services, and the nature of the future financial services regime between the UK and EU remains subject to ongoing engagement between the parties. The Company continues to assess the possible impacts of Brexit and its strategic options to mitigate those impacts

The Company is not subject to any other material risks or uncertainties, over and above those stated, although the Directors' note that the emerging situation with respect to COVID-19 has potential, but not material business risks.

Financial risk management

Risk is an integral part of the Macquarie Group's businesses. The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk, market risk, operational risk and exposure to the performance of its subsidiaries. Additional risks faced by the Company include legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Risk Management Group ("RMG") to ensure appropriate assessment and management of these risks.

As ultimately an indirect subsidiary of MGL, the Company manages risk within the framework of the overall strategy and risk management structure of the Macquarie Group. RMG is independent of all other areas of the Macquarie Group, reporting directly to the Managing Director and the Board of MGL. The Head of RMG is a member of the Executive Committee of MGL. RMG authority is required for all material risk acceptance decisions. RMG identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board of MGL. The risks which the Company is exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Credit Risk

Credit exposures, approvals and limits are controlled with the Macquarie Group's credit framework, as established by RMG.

Liquidity Risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively.

Market risk

The Company is exposed to market risk from changes in commodity prices through its facilitation and market making activities. The Directors have adopted the risk model used by the Macquarie Group, as approved by RMG. This model is incorporated into the Macquarie Group's risk management systems to enable the Company to manage this risk effectively. In addition, the Directors have approved RMG imposed cash limits on positions taken by the Equity Markets business.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances and receivables from other Macquarie Group undertakings and external parties, all of which earn a variable rate of interest. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

Strategic Report for the financial year ended 31 March 2020 (continued)

Financial risk management (continued)

Foreign exchange risk

The Company has foreign exchange exposures which include amounts receivable from and payable to other Macquarie Group undertakings and external parties which are denominated in non-functional currencies. Any material non-functional currency exposures are managed by applying a group wide process of minimising exposure at an individual company level.

Section 172 (1) Statement

Section 172(1) of the Companies Act 2006 requires Directors to act in the way they consider would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- (a) the likely long-term consequences of decisions;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between the Company's owners.

Consideration of these factors and other relevant matters, including in particular the Company's Green Objective, articulated as its five Green Purposes, are embedded into all Board decision-making, strategy development and risk assessment throughout the year.

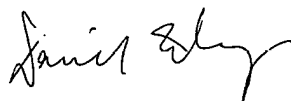
This is the first year that certain UK companies, including the Company, are required to publish a statement setting out how their directors have complied with this requirement. Our Section 172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

From the perspective of the Directors, the Board's considerations and decisions have included appropriate consideration of the matters set out under Section 172 of the Companies Act 2006. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors considered these matters is set out in the Directors' report on pages 8-11.

Other matters

Due to the nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators (including with regard to environmental and employee matters) in the Strategic report is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



Daniel Wong
Director

29 January 2021

Directors' Report for the financial year ended 31 March 2020

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

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:

- Neil K Arora
- Mark Dooley
- David Fass (resigned 1 April 2019)
- Edward Northam
- Daniel Wong

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

- Helen Everitt

Results

The profit for the financial year ended 31 March 2020 was £34m (2019:£44m).

Dividends paid or provided for

Dividends of £135m (2019: nil) were paid during the current financial year. No other dividend has been proposed.

State of affairs

On 2 December 2019, the Company issued a return of capital to Moorgate PL Holdings of £157m. Additionally, £1,410m of share premium was returned to Moorgate. The result of this return of capital was that the par value of each share was reduced from £1 to £0.01.

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 the Directors' report.

Events after the reporting year

Group Restructuring:

In July 2020, the Company entered into Share Purchase Agreements with Macquarie Asset Management UK Holdings No.2 Limited (MAMUKH2) and Macquarie International Limited (MIL) for the corresponding sale of Green Investment Group Management Limited (GIGML) and UK Green Investments Climate International Limited (UKCI) shares. The SPAs require the transfer of 100% equity holdings in GIGML and UKCI at the 31 March 2020 fair market price of GBP 56.8 million and 8 million, respectively. The Company recognized gain of GBP 48.8 million on the sale of GIGML. These operations have been disclosed as held for sale in the financial statements herein.

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2020 not otherwise disclosed in this report.

UK Green Investment Bank Limited

Directors' Report

for the financial year ended 31 March 2020 (continued)

Likely developments, business strategies and prospects

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

IBOR are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate) and 'EURIBOR' (the Euro Inter-bank Offered Rate). Each IBOR is calculated and published daily based on submissions by a panel of banks. Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgement. Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBOR around the world are undergoing reforms.

During 2018, UK Green Investment Bank Limited ultimate Parent Macquarie Group Limited ("MGL") initiated a project, which is sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR. A group-wide steering committee was established with its key responsibility being the governance of the project. This committee includes senior executives from MGL's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance team. The project is wide in scope including identification of the impact of the reform on the separate legal entities within the Consolidated MGL Group (including the Company) and implementing necessary changes in those legal entities.

Coronavirus (COVID 19)

COVID 19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID 19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

A robust risk management framework continues to be applied and RMG continues to monitor the impact of COVID 19 on the Company's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Company's risk management framework. The Company is not subject to a material impact with respect to COVID 19, refer to the accounting considerations on the Company's results disclosed in Note 2.

The Directors believe that no significant changes are expected other than those already disclosed in this report and the Strategic Report.

The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, liquidity risk, interest rate risk and foreign exchange risk are contained within the Strategic Report.

Indemnification and insurance of Directors

As permitted by the Company's 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 year and is currently in force. The ultimate parent purchased and maintained throughout the financial year directors' liability insurance in respect of the Company and its Directors.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and 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).

Directors' Report

for the financial year ended 31 March 2020 (continued)

Statement of Directors' responsibilities (continued)

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, including 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 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.

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.

Section 172 (1) Statement

The Directors acknowledge their responsibility under section 172 (1) of the Companies Act 2006 and have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company whilst having regard to relevant matters including those in respect of the Company's stakeholders. The Company's stakeholders are principally group shareholders, employees, the Green Purposes Company Limited ("Green Purposes Company" or "GPC"), industry groups and trade associations, internal and external customers.

The Directors meet periodically (with documentation circulated in advance) to allow them to fully understand the performance and position of the Company. Each decision that is made by the Directors is supported by documentation, discussion and debate at the meetings. This supports informed and robust decision making, including considerations based on the likely impact of a decision, taking into account relevant stakeholders. The following sets out the requirements of section 172 (1), and notes how the Directors have discharged their duties:

(a) Likely consequences of any decision in the long term:

The Company's ultimate parent is Macquarie Group Limited ("MGL"). The reputations of the Company, Green Investment Group ("GIG") brand and the Company's Directors are fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Company operates to the ethical and business standards set by MGL and the Macquarie Group. Any decision taken will be aligned to the strategy of the Company and the wider Macquarie Group and be made in accordance with Macquarie's Code of Conduct (the "Code"). The Code is based on the three principles that guide the way Macquarie does business – Opportunity, Accountability and Integrity. A guide to good decision making is contained within the Code, which emphasises key questions to ask, including the need to think long term and consider whether a decision will stand the test of time.

Potential consequences of decisions made by the Board will vary depending on the matter at hand, but the Board typically considers relevant stakeholders, alignment with the long-term value creation strategy of the Company and the culture of the existing business. Before a proposal is brought to the Board for approval, it will have gone through a series of internal approvals, in accordance with the Macquarie Group's risk management framework, which is embedded across all Macquarie Group's operations. The Macquarie Group's approach to risk management is based on the following stable and robust core risk management principles i) ownership of risk at the business level; ii) understanding worst case outcomes and iii) independent sign off by the Risk Management Group.

In connection with the fulfilment of the green objectives set out in the Company's articles of association (the "Green Objective"), all prospective GIG investments are subject to a detailed green assessment by an independent team to ensure compliance with the Green Investment Policy.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Section 172 (1) Statement (continued)

(a) Likely consequences of any decision in the long term (continued):

Further details on GIG's Green Investment Principles and Green Investment Policy can be found at:

<https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html>

All prospective GIG investments are subject to detailed green rating assessment which scrutinises an investment's alignment with GIG's Green Objective and measures contribution to GIG's Green Purposes. The findings of this process are presented as a Green Opinion within the investment committee papers for consideration as part of the investment decision making process.

New investments made under GIG brand continue to be made by the Company's direct and indirect subsidiaries and each such GIG investment is subject to a specific review to determine the likelihood of the investment furthering the Green Objectives. GIG Investments made outside of Europe may be made by other Macquarie Group entities using the GIG name and brand for trading and marketing purposes. However, those entities are only permitted to do this in return for a contractual undertaking that any activities will be compliant with the Company and GIG's Investment Principles and Green Investment Policy. Every new investment under the name GIG is assessed for compliance with the Green Purposes by an independent team. Further details on Green Purposes can be found at:

<https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html>

As such, all activity undertaken under the Green Investment Group name and brand align to the Green Objective enshrined in the articles of association of the Company, by contributing to its five Green Purposes.

Further details of the activities of UK Green Investment Bank ("GIB") can be found in the 2020 GIG Progress Report and GIG's website - <https://www.greeninvestmentgroup.com/>

(b) Interests of the Company's workforce

Employees that provide services to the Company have employment contracts with the Company, or entities within the wider Macquarie Group. Through communications provided by Macquarie Group's Human Resources team and senior management, the Company involves and informs the workforce on matters that are likely to directly affect them. The Company's policies align with Macquarie Group's workforce related policies, including Macquarie's Workforce Diversity Policy.

(c) Business relationships with suppliers, customers and others

The Company and GIG are committed to being active citizens in the global green community. GIG participates in over 40 membership organisations around the world, in which its team members hold a number of key positions.

The GPC is a key stakeholder of the Company. It is a company limited by guarantee, owned and operated by trustees independent of GIG and Macquarie Group. The primary role of the trustees is to approve or reject any changes proposed to GIG's Green Purposes as they apply in the UK and Europe. The Green Purposes can only be altered with the consent of the GPC, the holders of a special share in the UK Green Investment Bank Limited, issued on 17 August 2017. In performing its role, the GPC is committed to public accountability, transparency and competency, and to contributing positively to the future development of GIG.

The Directors are cognisant of the suppliers and customers of the Company and the importance of strong relationships, coupled with appropriate levels of communication and engagement. The Board oversees how the Company deals with its various business relationships, including by way of regular Board reporting with respect to business performance and risk management.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Section 172 (1) Statement (continued)

(c) Business relationships with suppliers, customers and others (continued)

In the context of suppliers, Macquarie is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by Macquarie's business principles. Macquarie has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide Macquarie with high inherent risk goods or services, and also 'Principles for Suppliers' to help uphold our core values with the aim of having supplier relationships that create long term and sustainable value for our clients, shareholders and community. Macquarie's Third Party Risk team supports the Company with subject matter expertise on understanding the inherent risks associated with supplier arrangements and applying appropriate governance and control.

With respect to customers, the Company has both internal and external customers. Along with the publicly available disclosures on our website and through the GIG Progress Report, we look to the Company's workforce (including the Board) to keep customers informed about the depth, breadth and scale of our capabilities in line with local rules and regulations on client suitability and financial promotions. Macquarie Group's publicly available EMEA Terms of Business embed our commitment to the principle of treating customers fairly into all of the Company's business.

With respect to customers and suppliers, the Company and Macquarie Group is committed to our ensuring high standards of environmental, social and governance. Further information on relevant principles and policies can be found in the following documents:

- Supplier Governance Policy
- Principles for Suppliers
- Third Party Risk team
- EMEA Terms of Business
- GIG Progress Report

In the context of COVID-19, the Board recognises that acute crises bring into focus the imperative for organisations to support customers and contribute to the communities in which they operate. During this period, the Company has worked with its clients as they quickly adapt to a changed environment so that they can continue to operate.

(d) Community and the environment:

The Board recognises the importance of sound Environmental, Social and Governance ("ESG") practices as part of their responsibility to our clients, shareholders, communities, people and the environment in which Macquarie operates. Macquarie's ESG approach is structured around focus areas considered to be material to our business.

As an investor, developer, asset manager and owner of businesses, we treat workplace health, safety, environment and social (WHSES) matters as an opportunity to add value beyond risk management.

Clear dialogue with stakeholders is important to building strong relationships, understanding external dynamics, earning and maintaining trust, enhancing business performance and evolving our ESG approach. We regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, staff, suppliers and the wider community.

Macquarie recognises that failure to manage ESG risks could expose the organisation to commercial, reputational and regulatory impacts and affect communities, the environment and other external parties. Assessing and managing Macquarie wide ESG risks is a key business priority and an important component of our broader risk management framework, to which the Company is subject to and included as part of risk reviews during internal approval process. Under the Code, all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice and are supported by the ESR team.

The ESR team, which sits within the Risk Management Group, coordinates a diverse range of ESG activities across business groups and regions, including developing and implementing Macquarie wide and business specific policies, conducting transaction reviews, providing advice on ESG risks and opportunities and facilitating training.

Directors' Report

for the financial year ended 31 March 2020 (continued)

Section 172 (1) Statement (continued)

(e) Reputation for high standards:

The Company and its Directors' reputation is fundamental to the long-term success of the Company and significant effort is expended to ensure that performance and processes attain and wherever possible exceed expectations. The Macquarie Group and the Company are committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. These principles are further reflected in the Code

(f) Need to act fairly as between members of the Company:

The Company is a 100% indirect subsidiary of MGL. Information is shared effectively to ensure that both the direct parent and ultimate shareholder are engaged as appropriate with respect to key decisions of the Company. With respect to Capital allocation decision-making for example, the Directors seek to allocate the Company's capital in a way that offers returns to shareholders in line the Company's approach to dividends while ensuring the Company retains flexibility to continue to deploy capital towards profitable growth. The Directors have engaged with the company's shareholder (both direct and ultimate) and the GPC, where appropriate, on principal decisions taken by the Company during the financial year, and took into consideration the interest of relevant stakeholders in the major developments, activities or transactions which are discussed in the principal activities in the strategic report.

Streamlined energy and carbon reporting ("SECR") requirement

1. Methodology

1.1 Reporting period

The data is reported for the year ended 31 March 2020.

1.2 Reporting boundaries

The following information has been prepared using an operational control approach in line with the UK government's Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

GIB's corporate offices are defined as offices leased by Macquarie Group Limited ("MGL") operating entities globally over which UK Green Investment Bank ("GIB") has operational control and which are also occupied by GIB staff and have a Net Usable Area ("NUA") – the area that can be fitted out by the tenant – greater than 100m². This includes 144 Morrison Street in Edinburgh only. The report reflects the consumption and emissions of GIB only and not subsidiary entities.

Business air travel is defined as travel ticketed by GIB staff through Macquarie's Travel Management Companies for the primary purpose of business. Where business trips booked through Macquarie's Travel Management Companies include staff-funded spousal travel or personal leisure arrangements made as an aside to a business trip, this has been included in 'business air travel'.

1.3 GHG emissions and energy use measurements

Emissions have been calculated in accordance with the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard.

The UK Department for Environment Food and Rural Affairs ("DEFRA")'s emissions factors have been applied to calculate GHG emissions (tonnes CO₂-e).¹

Total electricity consumed (Scope 2)

All electricity data for the reporting period was obtained directly from actual tenancy or building data. No estimates were required.

Other indirect emissions associated with business air travel (Scope 3 emissions)

Air travel data was based on reports provided by International SOS, the organisation contracted to track MGL staff travel and provide emergency assistance where required. Emission factors outlined in Measurement of GHG emissions have then been applied to mileage to determine the equivalent indirect emissions associated with business air travel (Scope 3 emissions).

¹ DEFRA Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors (2019)

Directors' Report for the financial year ended 31 March 2020 (continued)

Streamlined energy and carbon reporting ("SECR") requirement (continued)

1.3 GHG emissions and energy use measurements (continued)

Consistency with other energy use and emissions reporting

This disclosure is consistent with Macquarie's other energy use and emissions reporting, including in MGL's Annual Report and its submission to CDP. The FY20 MGL Annual Report and independent assurance statement are available at [Macquarie.com/ESG](https://www.macquarie.com/ESG).²

² The energy consumption for Morrison Street included in the data was 135,033kWh. 8% of this data was estimated using the average daily invoiced electricity consumed for the part of the reporting period for which invoiced data existed and extrapolating this out to the remainder of the reporting period. This was adjusted post year end when the remaining invoices were received. The actual invoiced data for the full year was 134,950kWh.

2. Disclosure

Emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

	2020	2019
Direct emissions associated with diesel, natural gas and refrigerants usage (Scope 1 emissions) ¹	-	-
Indirect emissions from electricity consumption (Scope 2 emissions) (t CO ₂ e)	34.49	34.49
Other indirect emissions associated with business air travel (Scope 3 emissions) ² (t CO ₂ e)	1,587.51	Not available
<i>Intensity ratios</i> : Scope emissions (t CO ₂ e)/m ² :	0.0304	0.036
<i>Intensity ratios</i> :Total emissions (t CO ₂ e) per capita:	41.59	Not available
Energy consumption – from electricity (kWh)	134,950	144,307

¹ No natural gas, diesel or refrigerants have been consumed at the premises.

² Macquarie does not collect emissions data on fuel used in personal or hire cars on business use. GIB does not own or operate any vehicles.

Other indirect emissions associated with our client portfolio (Scope 3 emissions):

The Green Investment Group (GIG)'s mission is to accelerate the green transition. Its mission is hardwired into the way the GIG does business and protected by the independent trustees of the Green Purposes Company. To ensure its projects align to its mission, every GIG project is individually rated against its Green Investment Criteria and it publishes details of its green impact on its website.

For more details visit <https://www.greeninvestmentgroup.com/>

Energy efficiency measures in the reporting year

FY2020 Scope 2 emissions for the Morrison Street office reduced by 16% from FY2019 due to a continued focus on energy use in all Macquarie premises globally, and continued monitoring for energy performance, environmental quality and staff comfort.

The Morrison Street office provides some of the best sustainability features available, having a BREEAM 'Excellent' and EPC 'B' rating. The building has been developed with low carbon energy technology, low water use systems, energy efficient lifts and low e-glass glazing.

This year, energy audits were completed in the UK in response to the Government's Energy Saving Opportunity Scheme (ESOS) requirements. Two additional energy efficiency opportunities were identified by the audit: the operation of an ISO 50001 EMS program and a review of the LED strategy, including a full lighting upgrade.

UK Green Investment Bank Limited

Directors' Report

for the financial year ended 31 March 2020 (continued)

Streamlined energy and carbon reporting ("SECR") requirement (continued)

Energy efficiency measures in the reporting year (continued)

While the Morrison Street office did not source any energy from renewables in FY20, Macquarie Group has committed to sourcing 100% renewable energy for all Macquarie premises, including Morrison Street, by 2025 in line with our RE100 commitment

Carbon offsets

Macquarie purchased and retired carbon offsets for its emissions from a portfolio of Australian Carbon Credit Units (ACCUs) and other voluntary carbon offsets that met the Gold Standard or Verified Carbon Standard and Climate, Community and Biodiversity Standard. This includes all GIB emissions disclosed above.

Disclosure of information to auditors

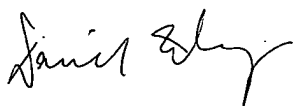
In the case of each Director in office at the date the Directors' Report is approved:

- 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



Daniel Wong
Director

29 January 2021

Independent auditors' report to the members of UK Green Investment Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, UK Green Investment Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2020; the Statement of profit or loss and other comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our 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 an auditors' report that includes our 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

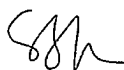
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
29 January 2021

UK Green Investment Bank Limited

Statement of profit or loss and other comprehensive income for the financial year ended 31 March 2020

		2020 ¹	Restated 2019 ²
	Note	£000	£000
Turnover	3	25,469	27,417
Net (loss)/gain on investments	3	(3,182)	11,174
Administrative expenses	3	(18,642)	(23,473)
Credit impairment charges	3	3,689	2,136
Other operating income	3	(283)	9
Operating profit		7,051	17,263
Interest receivable and similar income	5	34,880	40,777
Interest payable and similar expenses	6	(248)	(5,225)
Profit on ordinary activities before taxation		41,683	52,815
Tax on profit on ordinary activities	7	(7,945)	(9,297)
Profit for the financial year		33,738	43,518
Other comprehensive (expense)/income			
Changes in allowance for expected credit losses	20	(83)	83
Total other comprehensive (loss)/income for the financial year		(83)	83
Total comprehensive (expense)/income		33,655	43,601

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

¹The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial periods. Refer to Note 2 Summary of significant accounting policies for the impact on initial adoption of IFRS 16.

²Certain comparative figures have been restated for 2019. Please refer to Note 2(xxi) for further details.

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

UK Green Investment Bank Limited

Balance sheet as at 31 March 2020

	Note	2020 ¹ £000	2019 £000
Fixed assets			
Tangible assets	9	699	99
Investments	10	81,822	93,005
Loan assets	14	257	-
Debtors	16	-	1,686,936
Deferred tax asset	7	471	299
		83,249	1,780,339
Current assets			
Assets held for sale - investments	10	16,010	854
Debtors	16	48,461	35,637
Current liabilities			
Creditors: amounts falling due within one year	17	(6,642)	(9,633)
Net current assets		57,829	26,858
Total assets less current liabilities		141,078	1,807,197
Creditors: amounts falling due after more than one year	17	(1,239)	(695)
Provisions for liabilities	18	(938)	(293)
Net assets		138,901	1,806,209
Capital and reserves			
Called up share capital	19	1,567	156,745
Other reserves	20	78,593	1,489,376
Profit and loss account	20	58,741	160,088
Total shareholders' funds		138,901	1,806,209

The above Balance sheet should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

¹The March 2020 financial results reflect the adoption of IFRS 16 *Leases* on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial periods. Refer to Note 2 *Summary of significant accounting policies* for the impact on the initial adoption of IFRS 16.

The financial statements on pages 16 to 49 were approved by the Board of Directors on 29 January 2021, signed on its behalf by:



Daniel Wong
Director

UK Green Investment Bank Limited

Statement of changes in equity for the financial year ended 31 March 2020

	Note	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 April 2018		156,745	1,489,293	116,570	1,762,608
Profit for the financial year		-	-	43,518	43,518
Total other comprehensive income, net of tax		-	83	-	83
Balance at 31 March 2019		156,745	1,489,376	160,088	1,806,209
Profit for the financial year		-	-	33,738	33,738
Change on initial application of IFRS 16		-	-	(85)	(85)
Total other comprehensive income, net of tax		-	(83)	-	(83)
Contribution from ultimate parent entity in relation to share-based payments		-	5	-	5
Return of capital	19	(156,745)	(1,410,705)	-	(1,567,450)
Issue of share capital	19	1,567	-	-	1,567
Dividends paid		-	-	(135,000)	(135,000)
Balance at 31 March 2020		1,567	78,593	58,741	138,901

The above Statement of changes in equity should be read in conjunction with the accompanying notes, which form an integral part of the financial statements.

Notes to the financial statements for the financial year ended 31 March 2020

Note 1. Company information

The Company is a private company limited by shares and is registered in Scotland. The address of its registered office is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX, Scotland, United Kingdom.

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 years presented, unless otherwise stated.

The Company directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 except for the following items:

- financial instruments (including derivatives) required to be measured at fair value through profit or loss (FVTPL), financial assets classified as fair value through other comprehensive income (FVOCI) and financial instruments that have been designated as FVTPL
- financial assets and liabilities that are otherwise measured on a cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships
- non-current assets and disposal groups that have been classified as held for sale and where the disposal group has been written down at the lower of carrying value or fair value less costs to sell
- obligations in terms of cash-settled share-based payment obligations which are typically measured with reference to MGL's share price in accordance with IFRS 2
- certain other non-financial assets and liabilities that are measured at fair value, such as investment property

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 section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent MGL, a company incorporated in Australia.

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 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 and capital management 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.
- The requirements of paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (details of cash flows of discontinued operations).

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:

- judgement in assessing whether the cash flows generated by a financial asset constitute solely payment of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

Critical accounting estimates and significant judgements (continued)

- judgement in timing and amount of impairment of financial investments, interests in associates and joint ventures, loan assets and investment in subsidiaries (Notes 10, 11, 12 and 13);
- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss (ECL) including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned there to (Note 14).
- estimates in recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 2(v) and 7)
- estimates in the timing of derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss Note 2 iv

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

Management believes that 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.

Coronavirus (COVID 19) impact

Background

The onset of COVID 19 resulted in the application of further judgement within identified risk areas discussed further below. Given the dynamic and evolving nature of COVID 19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Company's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

As a consequence of COVID 19 and in preparing these financial statements, management:

- re evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above;
- updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward looking information, but also for input into the impairment analysis of financial and non financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities;
- conducted several internal processes to ensure consistency in the application of the expected impact of COVID 19 across all asset classes;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID 19; and
- considered the impact of COVID 19 on the Company's financial statement disclosures.

Consideration of the impact on the financial statements and further disclosures

Key financial statement items and related disclosures that have been impacted by COVID 19 were as follows:

Loans and receivables

In response to COVID 19 the Company undertook a review of wholesale and retail credit portfolios, loans to other Macquarie entities and other financial asset exposures and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The impact of COVID 19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Note 11 and 26.

Tangible Assets/Property, plant and equipment and right-of-use assets

Given the impact of COVID 19, the Company's tangible assets/property, plant and equipment and right-of-use assets (as applicable to UK/Irish entity) were subject to impairment testing which concluded that no material impairment was required. Refer to Note 9.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

Critical accounting estimates and significant judgements (continued)

Interest in associates and joint ventures, investments in subsidiaries and interests in unconsolidated structured entities

The Company's investments in associates and joint ventures is diversified, has been acquired over time and covers various sectors (including infrastructure and green energy) and geographic locations. When it has been assessed that there is an indicator of impairment the Company tests the carrying amount of each of its investments for impairment, by comparing the investment's recoverable amount with its carrying value. In addition to the Company assessing its investments in subsidiaries for impairment, the Company re-affirmed that there were no circumstances as a result of COVID 19 that would affect the existing control conclusion for its subsidiaries, including structured entities, nor did it highlight instances in which the Company now had control of such entities. Refer to Note 10 to 12.

Investments classified as held for sale

Held for sale assets and liabilities includes certain investments in subsidiaries for which the conditions precedent relating to the disposal were met subsequent to 31 March 2020. For these and other items that are classified as held for sale, the appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID 19 on the carrying value of the assets and liabilities that were classified as held for sale was assessed. Refer to Note 13 and Note 29.

Creditors

Debt related covenants were assessed to determine whether there were any breaches for which disclosure is required. The Company identified no such breaches at 31 March 2020 nor at the time at which these financial statements were authorised for issue. Refer to Note 16.

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

(a) IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases for the Company's financial year that commenced on 1 April 2019. Subject to certain exceptions, contracts that are leases within the scope of IFRS 16 from the lessee's perspective require the recognition of a right-of-use (ROU) asset and a related lease liability. The classification of leases where the Company is a lessor remains unchanged under IFRS 16.

Transition:

The Company has applied IFRS 16 from 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and Interpretation 4 Determining whether an arrangement contains a lease. At the date of transition to IFRS 16, £865k of ROU assets and £1.3m of associated lease liabilities were recognised after adjusting related amounts previously recorded on the balance sheet. The transition did not have a material impact on the Company's opening retained earnings.

At transition, the Company recognised lease liabilities of £1.3 million as a part of other liabilities and ROU assets of £0.87 million as a part of property, plant and equipment. After adjusting related amounts previously recorded on the balance sheet, this resulted in a reduction to retained earnings of £85k (post tax). As permitted by IFRS 16 the transition adjustment has been determined by the Company by electing practical expedients to not recognise short-term (less than 12 months) or leases of low value assets (less than US\$ 5,000) on its balance sheet at the transition date. Judgement has been applied by the Company in determining the transition adjustment which includes the determination of which contractual arrangements represent a lease, the period over which the lease exists, the incremental borrowing rate of the lessee entities within the Macquarie Group, and the variability of future cash flows. Under IFRS 16 future lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determinable, the Company's incremental borrowing rate. Due to the interest rate implicit in the lease not being readily determinable for any of the Company's leases at transition, the incremental cost of borrowing has been used. The weighted average discount rate at transition was determined by reference to the rate the Company would be able to borrow in the market for similar assets over a similar time period.

The table below presents a reconciliation of the operating lease commitments as disclosed in the Company's 31 March 2019 financial statements, to the lease liabilities recognised on the transition date:

	2019 £000
Particulars	
Operating lease commitments disclosed as at 31 March 2019	1,350
(Less): Impact of discounting the future lease cash flows at the incremental borrowing rate of each lease (weighted average rate of 3.05%)	(86)
Lease liability recognised as at 1 April 2019	1,264

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(i) Basis of preparation (continued)

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

(a) *IFRS 16 Leases (continued)*

The key changes in the Company's significant accounting policies following the transition to IFRS 16 have been included within the relevant sections of this note. Accounting policies applicable to the prior period have been provided in italics as appropriate for comparability purposes.

(b) **IFRIC 23 Interpretation 23 Uncertainty over Income Tax Treatment**

IFRIC Interpretation 23 (Interpretation 23) clarified the application of the recognition and measurement criteria in IAS 112 Income Taxes (IAS 112) where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

Interpretation 23 is effective for the Company's annual financial reporting period beginning on 1 April 2019. The Company's existing recognition and measurement accounting policies, together with accounting related judgements, were in alignment with those required by Interpretation 23 and hence no transition adjustment to retained earnings was required.

(c) **IASB 2019-3 Interest Rate Benchmark Reform**

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs) □

IBOR are interest rate benchmarks that are used in a wide variety of financial instruments such as derivatives and lending arrangements. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate) and 'EURIBOR' (the Euro Inter-bank Offered Rate). Each IBOR is calculated and published daily based on submissions by a panel of banks. Over time, changes in interbank funding markets have meant that IBOR panel bank submissions have become based less on observable transactions and more on expert judgment. Financial markets' authorities reviewed what these changes meant for financial stability, culminating in recommendations to reform major interest rate benchmarks. As a result of these recommendations, many IBOR around the world are undergoing reforms and some, including LIBOR, are being replaced with alternative reference rates (ARRs). The UK Financial Conduct Authority (the regulator of LIBOR) has confirmed that it will no longer compel or persuade panel banks to submit rates for the calculation of LIBOR beyond the end of 2021. As such, there can be no guarantee that LIBOR will be determined after 2021 on the same basis as at present, if at all.

As a diversified financial services group with a variety of global products and services, IBOR reforms, including the transition from LIBOR to ARR are important changes for the Company.

MGL's IBOR project

During 2018, MGL initiated a project, which is sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR. A group-wide steering committee was established with its key responsibility being the governance of the project. This committee includes senior executives from MGL's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance team.

The scope of the project to manage the impacts of IBOR reform across MGL includes: assessing the impacts and risks of LIBOR transition across Operating and Support Groups including legal agreements, systems, models and processes; assessing the impact on clients and developing plans to support their transition to ARR; developing ARR products and implementing plans for operational readiness; monitoring market developments with respect to both LIBOR and ARR, including any changes to accounting standards and other regulator activity; and the identification of the impact of the reform on separate legal entities within MGL, including those entities that are subject to separate regulatory requirements and oversight.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(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) Foreign currency translations

Functional and presentation currency

The functional currency of the Company is determined as the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iv) Revenue and expense recognition

Fee and commission income

Revenue earned by the Company from its contracts with customers primarily consists of the following categories of fee and commission income:

Base and other asset management fees and performance fees - The Company earns base and other asset management and performance fees for providing asset management services for unlisted funds, managed accounts and co-investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur.

Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both, the fund in which the asset(s) are held as well as the underlying asset(s) as follows:

- the extent to which performance fee liabilities have been accrued by funds or managed account to date or consideration of the current valuation case of the assets in relation to the performance fee hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund life or asset management services timeline
- consideration of the ability to dispose of the asset, including any barriers to divest.

Fee and commission income and expenses that are integral to the EIR on a financial asset or liability are capitalised and included in the effective interest rate and are recognised in the profit and loss account over the expected life of the instrument.

Prior to the adoption of IFRS 15, fee and commission income used to be recognised as related services were performed. Where commissions and fees were subject to clawback or meeting certain performance hurdles, they were recognised as income when it became highly probable that those conditions will not affect the outcome.

Mergers and acquisitions, advisory and underwriting fees - The Company earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of equity and debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. For advisory services this is typically at the time of closing the transaction.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(iv) Revenue and expense recognition (continued)

Where mandates contain rights to invoice upon reaching certain milestones, the Company assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt or equity capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

Service fee income/(expense)

Management fees and cost recoveries are charged by/(to) the Company in respect of services provided to/(by) other Macquarie group entities as per the agreed cost sharing arrangement. Such expenses are recognised on an accrual basis in accordance with the standard recovery methodology applied by the servicing entity.

Net interest income/(expense)

Interest income and interest expense are brought to account using the effective interest rate method (EIR) for loan assets and other financial assets and liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with financial assets and financial liabilities are capitalised along with the carrying value and included in the EIR calculation and recognised in the profit and loss account over the expected life of the instrument.

Under IFRS 9, for financial assets, the calculation of EIR does not consider ECL, except for financial assets which are Purchased or originated credit-impaired ("POCI") or have subsequently become credit impaired. Interest income on credit impaired financial assets is determined using credit-adjusted EIR.

Other operating income/(expenses)

Other operating income/(expenses) comprises of net trading income, investment income, and other income.

Net trading income comprises gains and losses related to trading assets/liabilities and derivatives including all realised and unrealised fair value changes, dividends and foreign exchange differences.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities at fair value through profit or loss and dividends or distributions on these securities which represent the return on such investments. Impairment losses/ reversal of impairment losses on these financial assets are not reported separately from other changes in fair value.

Expenses

Expenses are recorded on matching principal basis as and when provision of services is received.

Dividends and distributions

Interim dividends from UK companies are recognised when the dividend proceeds are received by the Company. Final dividends from investments in UK companies and dividends from investments in overseas companies are recognised when the Company becomes entitled to the dividend.

(v) Taxation

The balance sheet approach to tax effect accounting has 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.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(v) Taxation (continued)

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.

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.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

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

Factors considered include the ability to offset tax losses within the tax consolidated group or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

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 and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities.

Where VAT is not recoverable from tax authorities, it is either capitalised to the balance sheet as part of the cost of the related asset or is recognised in the profit and loss account. Where VAT is recoverable from or payable to tax authorities, the amount is recorded as a separate asset or liability in the balance sheet.

(vi) 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 and is adjusted for (in the case of instruments not classified at FVTPL) transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees earned relating to financial instruments carried at FVTPL are recorded in the profit and loss account.

The best evidence of a financial instrument's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profit or loss immediately when the instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable. The Company applies this day 1 profit or loss policy to all financial instruments measured at fair value.

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

De-recognition of financial instruments

Financial assets

Financial assets are de-recognised from the balance sheet when:

- the rights to cash flows have expired; and
- the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Company i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

- the Company is not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset.
- the Company is prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- the Company is obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

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.

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:

- i. how the performance of the financial assets held within that business model is evaluated and reported to the Macquarie Group's senior management personnel and senior executives;
- ii. 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, and
- iii. how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

Solely payment of principal and interest (SPPI)

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding. This includes an assessment of whether cash flows primarily reflect consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- (iii) the financial asset has not been classified as DFVTPL.

Interest income determined in accordance with the EIR method 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 expenses.

Fair value through other comprehensive income (FVOCI)

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements; and
- (iii) the financial asset has not been classified as DFVTPL.

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised as a credit impairment charge in other operating income and - expenses) and foreign exchange gains and losses (which are recognised in net trading income). When debt financial assets at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI and recognised in investment income as part of other operating income and expenses.

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

For the purposes of the Company's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading. This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVPTL
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL)
- 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
- financial assets that fail the SPPI test (FVTPL).

Changes in the fair value of financial instruments held for the purpose of trading are recognised in net trading income. Changes in the fair value of financial assets that are DFVTPL and FVTPL are recognised as part of other operating income and expenses.

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 into the following categories:

- Loans and receivables: being receivables and amounts due from subsidiaries that were non-derivative financial assets with fixed or determinable payments and that were not quoted in an active market. The measurement and recognition of gains and losses of such assets aligns with that for financial assets classified as at amortised cost in terms of IFRS 9.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(vi) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either held for trading, in which case they are measured at FVTPL, or have been designated to be measured at FVTPL.

All derivative liabilities are classified as held for the purpose of trading, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL.

The changes in fair value of financial liabilities that are measured at FVTPL are recognised as part of net trading income. Changes in the fair value of financial liabilities that are classified as DFVTPL are recognised in other income as part of other operating income and expenses, with the exception of changes in fair value relating to changes in the Company's own credit risk that is presented separately in OCI and is not subsequently reclassified to profit or loss. The interest component of financial liabilities that are measured at FVTPL or DFVTPL is recognised in interest expense.

(vii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

(viii) Derivative instruments

Derivative instruments entered into by the Company include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Company for the purposes of risk management of existing and forecast financial and non financial assets and liabilities and are also entered into for client trading purposes.

Derivatives are recognised in the balance sheet as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Fair values are obtained from quoted prices in active markets where available, and valuation techniques including discounted cash flow models and option pricing models, as appropriate.

The Company applies trade date accounting to the recognition and derecognition of derivative financial instruments.

(ix) Investments

Investments in subsidiaries

Subsidiaries are all those entities (including structured entities) over which the Company has the power to direct the relevant activities of the entity, exposure, or rights, to significant variable returns and the ability to utilise power to affect the Company's own returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Company has power over an entity when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates whether it has exposure or rights to variable returns that, in aggregate, are significant.

All variable returns are considered in making that assessment including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements.

Interest in associates and joint ventures

Associates and joint ventures are entities over which the Company has significant influence or joint control, but not control, and are carried at cost in accordance with IAS27 Separate Financial Statements.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(ix) Investments (continued)

Interest in associates and joint ventures

The Company determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence or jointly control the financial and operating policies of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required to complete. The acquisition/disposal date does not necessarily occur when the transaction is closed or finalised under law.

(x) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Company's lending activities to its customers.

Loan assets are initially recognised at fair value on settlement date (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with the Company's accounting policy for financial instruments Note 2(vi).

Certain finance lease receivables are also presented as part of loan assets. For the detailed policy on financial instruments, including treatment on derecognition, refer to Note 2(vi).

(xi) Tangible assets

Tangible assets are stated at historical cost (which includes, where applicable, directly attributable borrowing costs) less accumulated depreciation and, where applicable, accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the asset.

ROU assets are measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration related costs.

Tangible assets and right-of-use assets include assets leased out under operating leases. Depreciation to allocate the difference between cost and residual values over the estimated useful life is calculated on the following bases:

- diminishing balance method for aviation assets
- unit of production method for certain infrastructure assets
- straight line basis for all other assets.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Depreciation on all assets is calculated on a straight-line basis to allocate the difference between cost and residual values over their estimated useful lives, at the following rates:

Tangible asset

Furniture, fittings and leasehold improvements*	10 to 20%
Computer Equipment	20 to 50%

* Where remaining lease terms are less than five years, leasehold improvements are depreciated over the shorter of useful life or remaining lease term.

Right-of-use assets

Property	3 to 67%
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Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items and on disposal are recognised in the profit and loss account.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(xi) Tangible assets (continued)

The depreciation charge relating to corporate building leases is presented as part of 'occupancy expenses' while depreciation relating to leases entered into by trading related businesses is presented as part of net trading income in the profit and loss account. The Company does not recognise a right of use asset for short term or low value leases, instead the expense is recognised over the lease term as appropriate as part of 'operating expenses' in the profit and loss account.

(xii) Non-current assets and liabilities of disposal groups classified as held for sale

This category includes interests in businesses, subsidiaries, associates and joint ventures and other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute ("disposal group") for which their carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and it is highly probable that they will be sold or distributed within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Company retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities are classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation are suspended when the held for sale criteria is satisfied.

(xiii) Due to/from related entities

Transactions between the Company and related entities principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, interCompany services and transactions and the provision of financial guarantees. Refer to Note 2(iv) Revenue and expense recognition and Note 2(vi) Financial instruments.

Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 2(vii)), such that the net amount is reported in the balance sheet.

(xiv) Impairment

Expected credit losses (ECL)

The ECL requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts. The Company applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward-looking or macroeconomic information (FLI). Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 13 Expected credit loss for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the PD over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI.

(ii) Stage II – Lifetime ECL not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for FLI. The Company applies its judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLI that includes significant management judgement. Detail on the Company's process to determine whether there has been a SICR is provided in Note 2(xiv) Expected credit losses.

Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(xiv) Impairment (continued)

(iii) Stage III – Lifetime ECL credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD and EAD, adjusted for FLI.

(iv) Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired (POCI) financial assets are initially recognised at fair value with interest income subsequently determined using a credit-adjusted EIR. The credit-adjusted EIR is the EIR adjusted for expected credit losses on initial recognition.

The ECL is measured as the product of the lifetime PD, LGD and EAD adjusted for FLI or by discounting the difference between the contractual and expected cash flows from the individual exposure using the credit adjusted EIR, with increases and decreases in the measured ECL from the date of origination or purchase being recognised in the profit and loss account as either an impairment gain or loss.

Presentation of loss allowances

The loss allowances for ECL are presented in the balance sheet as follows:

- Loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- Loan assets, loans to associates and joint ventures, and debt financial investments measured at fair value through OCI – as a reduction in the OCI reserve account under equity. The carrying amount of the asset is not adjusted as it is recognised at fair value
- Lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- Undrawn credit commitments – as a provision included in other liabilities.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

Impairment of interests in associates and joint ventures

The Company performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Company evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value in use and, with its carrying amount.

Impairment losses recognised in the profit and loss account for investments in associates and joint ventures are subsequently reversed through the profit and loss account if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value in use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(xiv) Impairment (continued)

Impairment of interests in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value in use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

Impairment of tangible assets and right-of-use assets

For tangible assets and right-of-use assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and expenses for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(xv) Performance based remuneration

Share based payments

The entity participates in its ultimate parent company, MGL's share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (MEREP). Information relating to these schemes is set out in Note 24 – Employee equity participation. The Company recognises a prepaid asset at grant for these awards, since MGL is reimbursed in advance. This amount is recognized as an expense over the respective vesting periods. MGL recognises a corresponding increase in equity for the equity settled awards to employees.

Profit share remuneration

The Company recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

(xvi) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

(a) Accounting where the Company is the lessee

The Company leases corporate buildings, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods and may include extension options. Leases are recognised as a ROU asset and a corresponding liability at the commencement date, being the date, the leased asset is available for use by the Company.

Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of 'interest and similar expense' in the profit and loss account over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised in the profit and loss account in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, in the profit and loss account, where the carrying value of the ROU asset has been fully written down.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(xvi) Leases (continued)

Right-of-use asset

ROU assets are measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, in accordance with the rates specified in Note 2(xi) *Property, plant and equipment*. The depreciation charge relating to corporate building leases is presented as part of 'occupancy expenses' while depreciation relating to leases entered into by trading-related businesses is presented as part of net trading income in the profit and loss account. The Company does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of 'operating expenses' in the profit and loss account.

Presentation

The Company presents ROU assets in 'property, plant and equipment & right-of-use assets' (refer to Note 9) and lease liabilities in 'other liabilities' (refer to Note 16) in the balance sheet.

Prior to the adoption of IFRS 16, where the Company was the lessee in an operating lease arrangement, the total fixed payments were charged to the profit and loss account on a straight-line basis over the period of the lease. The difference between the cumulative expense recognised and cash paid was recorded on the balance sheet as either a payable or receivable as appropriate.

(xvii) Other assets and liabilities

With the exception of assets and liabilities classified separately in the balance sheet, the remaining assets and liabilities are presented as other assets and liabilities and further categorised primarily into the following categories in notes: prepayments, other creditors, accrued charges, income received in advance and other non-financial assets and liabilities. The classification depends on the purpose for which the asset was acquired, which is determined at initial recognition.

(xviii) Provisions

The company makes provisions for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive obligation exists.

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded on the balance sheet at the salary rates which are expected to be paid when the liability is settled. Provisions for long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Company is legally released from the obligation and does not retain a constructive obligation.

(xix) Cash at bank

Cash at bank comprise cash balances and call deposits with qualifying financial institutions. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

(xx) Called up share capital

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 2. Summary of significant accounting policies (continued)

(xxi) Comparatives

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

For 2019 the Company has restated balances from Administrative expenses of £2,145k to Credit impairment charges and Other operating income. Balances from Interest receivable and similar income of £5,225k to Interest payable and similar expenses were also restated. These are voluntary changes in accounting policy as it has been determined that this is the appropriate classification given the nature of the balances.

There is no impact on the retained earnings or net assets.

	Revised £000	Previously Reported £000	Change £000
2019 Profit and Loss:			
Administrative expense	(23,473)	(21,328)	(2,145)
Credit impairment charges	2,136	-	2,136
Other operating income	9	-	9
Interest receivable and similar income	40,777	35,552	5,225
Interest payable and similar expenses	(5,225)	-	(5,225)
Profit and Loss Total	14,224	14,224	-

In accordance with FRS 101 8(g) the Company has applied an exemption from the requirements of IFRS IAS 1 para 40A-D of presenting third balance sheet.

(xxii) Rounding of amounts

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

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020

Note 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (charging)/ crediting:

Turnover by category:	2020 £000	2019 £000
Advisory services	2,152	3,853
Service fees	23,277	11,148
Dividend income	-	9,518
External interest	18	2,156
Other income	22	742
Total turnover	25,469	27,417

Net (loss) / gain on investments by category:

Impairments of interest in associates and joint ventures	(3,173)	(3,983)
Realized (loss) gain on disposal of investment	(9)	15,157
Total net (loss) / gain on investments	(3,182)	11,174

Administrative expenses by category:

Wages and salaries	(10,018)	(10,790)
Social security costs	(923)	(1,215)
Share based payment costs	(940)	(464)
Other staff costs	(317)	(330)
Other pension costs	(326)	(489)
Staff costs	(12,524)	(13,288)

Fees payable to the Company's auditors for audit	(48)	(191)
Depreciation charges	(274)	(270)
Management fees	(2,943)	(2,081)
Professional fees	(260)	(3,639)
Rent and occupancy costs	(415)	(1,187)
Other administrative expenses	(2,178)	(2,817)
Total administrative expenses	(18,642)	(23,473)

Credit impairment charges	3,689	2,136
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Other operating income/(expense) by category

Foreign exchange (losses)/gains	(283)	9
Other income	(283)	9

Note 4. Employee Information

The average number of persons employed by the Company during the year calculated on a monthly basis was:

	No. of employees 2020	No. of employees 2019
Total employees	43	57

Note 5. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from other Macquarie Group undertakings	34,880	40,751
Interest receivable from unrelated parties	-	26
Total interest receivable and similar income	34,880	40,777

Note 6. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable to other Macquarie Group undertakings	(204)	(5,225)
Interest payable from unrelated parties	(44)	-
Total interest payable and similar expenses	(248)	(5,225)

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 7. Tax on profit on ordinary activities	2020	2019
	£000	£000
Analysis of tax charge for the year:		
Current tax		
UK corporation tax at 19% (2019: 19%)	8,045	8,544
Adjustments in respect of prior years	68	793
Total current tax	8,112	9,337

Deferred tax		
Origination and reversal of temporary differences	(89)	-
Adjustments in respect of prior years	(41)	(45)
Effect of changes in tax rates	(36)	5
Total deferred tax	(167)	(40)
Tax per income statement	7,945	9,297

The taxation charge for the year is lower (2019: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained below:

Reconciliation of effective tax rate		
Profit on ordinary activities before taxation	41,683	52,815
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	7,920	10,035
Effects of:		
Adjustment in respect of prior years	27	748
Non-deductible (expenses)/income	621	514
Movement in equity reserve	108	-
Non assessable income	(777)	(2,005)
Effect of rate change	(36)	5
Share based payments	82	-
Total tax expense	7,945	9,297

The UK Corporation tax rate for the financial year beginning 1 April 2020 will remain at 19%. This reverses the previously enacted rate change reducing the rate to 17%. Deferred tax has been measured at 19%.

Deferred tax comprises timing differences attributable to:		
Other assets and liabilities	373	200
Fixed assets	98	99
Total deferred income tax assets	471	299

Reconciliation of the Company's movement in deferred tax		
Balance at the beginning of the financial year	299	173
Timing differences:		
Amounts credited to profit and loss	89	-
IFRS 16 transition adjustment charged to equity	17	-
Deferred tax (credited)/charged to equity	(11)	86
Effect of changes in tax rates	36	(5)
Adjustment in respect of previous periods	41	45
Total income tax	471	299

Note 8. Dividends paid	2020	2019
	£000	£000
Interim dividend paid (£0.05 per share)	135,000	-
Total dividends paid	135,000	-

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 9. Tangible Assets

	Cost £000	Accumulated depreciation £000	Written down value £000
As at 31 March 2020			
Assets for own use			
Furniture, fittings and leasehold improvements	541	(500)	41
Computer and communication equipment	129	(127)	2
Total assets for own use	670	(627)	43
Right-of-use assets			
Property	864	(208)	656
Total right-of-use assets¹	864	(208)	656
Total tangible assets	1,534	(835)	699

The majority of the above amounts are expected to be recovered after 12 months of the balance date by the Company.

⁽¹⁾ Represents operating leases recognised in statement of financial position following the adoption of IFRS 16. As permitted by IFRS 16, the Company has not restated the comparative financial reporting periods. Refer Note 1 for the impact on initial adoption of IFRS 16.

Reconciliation of the movement in the Company's tangible assets at their written down value:

	Right-of- Use assets £000	Furniture, fittings and leasehold improvements £000	Computer equipment £000	Total £000
Balance as at 1 April 2018	-	263	84	347
Acquisitions	-	21	1	22
Depreciation expense	-	(206)	(64)	(270)
Balance as at 31 March 2019	-	78	21	99
Acquisitions	864	8	2	874
Depreciation expense	(208)	(45)	(21)	(274)
Balance as at 31 March 2020	656	41	2	699

Note 10. Investments

	2020 £000	2019 £000
Interest in associates and joint ventures (Note 11)	3,175	7,202
Investments in subsidiaries (Note 12)	78,647	86,657
Assets held for sale - investments (Note 13)	16,010	-
Total Investments	97,832	93,859
Current ¹	16,010	854
Non-current	81,822	93,005
Total Investments	97,832	93,859

¹ Balance of £16,010 includes equity interest in Green Investment Group Limited and UK Green Climate International Limited (2019: £854k shareholder loan included within 'Interest in associates and joint ventures').

Note 11. Interests in associates and joint ventures

	2020 £000	2019 £000
Loans and investments with provisions for impairment	10,331	11,185
Less provision for impairment	(7,156)	(3,983)
Total interests in associates and joint ventures	3,175	7,202

The total interests in associates and joint ventures in 2020 relates to an equity holding. In 2019, the total was split between £6,348k related to an equity holding and £854k related to a shareholder loan.

Name of investment	Nature of business	2020 % ownership
UK Green Infrastructure Platform Limited ¹	Holding company	11

¹ Registered office: C/O Alter Domus Limited, 18 St Swithin's Lane, London, EC4N 8AD

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 12. Investments in subsidiaries	2020 £'000	2019 £'000
Investments at cost	78,647	86,657
Total investments in subsidiaries	78,647	86,657

Note 13. Assets held for sale - investments	2020 £'000	2019 £'000
Investment in subsidiaries ¹	16,010	-
Total investments held for sale	16,010	-

¹Represents 100% of the Company's equity interest in subsidiaries Green Investment Group Management Limited and UK Green Investment Climate International Limited. See Subsequent events note 29 for further details.

Name of investment	Nature of business	Country of incorporation	2020 % ownership
UK Green Community Lending Limited	Holds investments	¹ UK	100%
Forth SPV 1 Limited	Holding company	¹ UK	100%
Pentland SPV 1 Limited	Holding company	¹ UK	100%
Green Investment Group Management Limited	Fund Management	² UK	100%
Green Investment Group Limited	Holds investments	³ UK	100%
UK Green Investment Climate International Limited	Fund Management	¹ UK	100%
<i>Indirect related undertakings</i>			
MGREF 1 GP Limited (Formerly UK Green Investment (OSW) GP Limited)		¹ UK	100%
Green Investment Group Investments Limited		³ UK	100%
Forth SPV 2 Limited		¹ UK	100%
Pentland SPV 2 Limited		¹ UK	100%
Chablis TK Holdings Limited		¹ UK	100%
Chaptre Greenco Holdings Limited		¹ UK	100%
Gnoweee Iberia Holdings Limited		¹ UK	100%
GIG OSW Extension TopCo Limited		¹ UK	100%
Green Empire WtE Holdings Limited		¹ UK	100%
Green Investment Group Developments Limited		¹ UK	100%
Green Investment Group Development Holdings (Italy) Limited		¹ UK	100%
Sonne (Italy) Holdings Limited		¹ UK	100%
Trisol 81 S.r.l.		⁶ Italy	100%
Green Investment Group Development Holdings (UK) Limited		¹ UK	100%
ILIOS Investment Limited		¹ UK	100%
Sonne Solar Limited		¹ UK	100%
Nordic Renewable Power Holdings (UK) Limited		¹ UK	100%
Nordic Renewable Power Holdings AB		⁴ Sweden	100%
Offshore Wind Power Limited		¹ UK	85%
Poland Wind HoldCo Limited		⁵ UK	100%
Sole Renewables Limited		¹ UK	90%
Sole Renewables Italy Limited		¹ UK	100%
Energia Verde Trapani S.r.l.		⁶ Italy	100%
SOL PV1 S.R.L.		⁶ Italy	100%
SR Augusta S.R.L.		⁶ Italy	100%
SR Bari S.R.L.		⁶ Italy	100%
SR Project 1 S.R.L.		⁶ Italy	100%
SR Project 2 S.R.L.		⁶ Italy	100%
SR Project 3 S.R.L.		⁶ Italy	100%
SR Project 4 S.R.L.		⁶ Italy	100%
SR Project 5 S.R.L.		⁶ Italy	100%
SR San Giuseppe S.R.L.		⁶ Italy	100%
SR Taranto S.R.L.		⁶ Italy	100%
SR Torino S.R.L.		⁶ Italy	100%
SR Trapani S.R.L.		⁶ Italy	100%

¹The registered address is Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom

²The registered address is 50 Lothian Road, Festival Square, Edinburgh, United Kingdom, EH3 9WL

³The registered address is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

⁴The registered address is Box 270, 851 04 Sundsvall, Stockholm, Sweden

⁵The registered address is Welken House, 10-11 Charterhouse Square, London, United Kingdom, EC1M 6EH

⁶The registered address is Piazza del Carmine, Milano, 20121, Italy

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 14. Loan assets	2020	2019
	£'000	£'000
Finance lease receivables	257	-
Total loan assets	257	-

⁽¹⁾ Represents leases recognised in statement of financial position following the adoption of IFRS 16. As permitted by IFRS 16, the Company has not restated the comparative financial reporting periods. Refer Note 1 for the impact on initial adoption of IFRS 16.

Note 15. Expected credit losses

The Company determines its expected credit losses by assessing whether the credit risk of an exposure has significantly deteriorated and with reference to a range of inputs notably that of Exposure at default (EAD), probability of default (PD) and loss given default (LGD). In addition, IFRS 9 requires the inclusion of Forward-Looking information (FLI) to be included in the determination of the ECL. The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of whether there has been a Significant Increase in Credit Risk (SICR) as well as the LGD (relevant to the determination of the recovery rate on collateral).

The below table presents the gross exposure and related ECL allowance for each class of assets and off-balance sheet items subject to impairment requirements of IFRS 9⁽¹⁾.

	As at 31 Mar 2020		As at 31 Mar 2019	
	Gross exposure ⁽¹⁾	ECL allowance	Gross exposure ⁽¹⁾	ECL allowance
	£000	£000	£000	£000
Amounts owed from other Macquarie Group	46,283	(57)	1,724,541	(4,194)
Loans to associates and joint ventures	-	-	854	(83)
Other debtors	1,021	(48)	104	(8)
Undrawn credit commitments and financial guarantees ⁽²⁾	1,040	(758)	1,040	(231)
Total credit impaired financial assets	48,344	(863)	1,726,539	(4,516)

(1) Gross exposure represents the carrying value of assets subject to impairment requirements of IFRS 9.

(2) Gross exposure for undrawn credit commitments and financial guarantees represents notional values of these contracts.

The table below represents the reconciliation from the opening balance to the closing balance of ECL allowances:

	Amounts owed from other Macquarie Group Undertakings ¹	Interests in associates and joint ventures - loans	Investment securities held for sale	Other debtors	Undrawn credit commitments	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(5,409)	(641)	(454)	-	(231)	(6,735)
Transfers during the year:						
To 12 month ECL	-	-	-	(8)	(231)	(239)
ECL reversal	1,215	558	454	-	231	2,458
Balance as at 31 March 2019	(4,194)	(83)	-	(8)	(231)	(4,516)
Transfers during the year:						
To 12 month ECL	-	-	-	(40)	(527)	(567)
ECL reversal	4,137	83	-	-	-	4,220
Balance as at 31 March 2020	(57)	-	-	(48)	(758)	(863)

(1) Balances as at 31 March 2019 relate to 'Stage 1 12 month ECL'.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 16. Debtors

	2020	2019
	£000	£000
Amounts owed by other Macquarie Group undertakings ⁽¹⁾	46,283	1,720,347
Fees and other receivables	1,021	1,623
Other debtors	13	36
Prepayments and accrued income	527	507
Taxation	617	-
VAT recoverable	-	60
Total debtors	48,461	1,722,573

⁽¹⁾ Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2020 the rate applied ranged between LIBOR plus 1.74% and LIBOR plus 2.30% (2019: LIBOR plus 2.72%).

Maturity profile of debtors

Current	48,461	31,442
Non-current	-	1,691,131
Balance at the end of the financial year	48,461	1,722,573

Note 17. Creditors

	2020	2019
	£000	£000
Accruals and deferred income	(3,821)	(4,921)
Lease liability ¹	(1,239)	-
Amounts owed to other Macquarie Group undertakings ²	(414)	(41)
Taxation	-	(1,496)
VAT payable	(78)	-
Other creditors	(2,329)	(3,870)
Total creditors	(7,881)	(10,328)

⁽¹⁾ The March 2020 financial results reflect the adoption of IFRS 16 Leases on 1 April 2019. As permitted by IFRS 16, the Company has not restated previously reported financial periods. Refer to Note 2 Summary of significant accounting policies for the impact on the initial adoption of IFRS 16.

⁽²⁾ Amount due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company incurs interest on amounts owed to other Macquarie Group undertakings at market rates and at 31 March 2020 the rate applied was LIBOR plus 2.30% (2019: LIBOR plus 3.24%).

	2020	2019
	£000	£000
Maturity profile of creditors		
Current	(6,642)	(9,633)
Non-current	(1,239)	(695)
Balance at the end of the financial year	(7,881)	(10,328)

Note 18. Provisions for liabilities

	2020	2019
	£000	£000
Expected credit loss - off balance sheet	(758)	(231)
Other provisions	(180)	(62)
Total provisions for liabilities	(938)	(293)

	Other	ECL	Total
	£000	£000	£000
Reconciliation of provisions:			
Balance as at 1 April 2019	(62)	(231)	(293)
Provisions used during the year	(118)	(527)	(645)
Balance as at 31 March 2020	(180)	(758)	(938)

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 19. Called up share capital

	2020 Number of shares 000	2019 Number of shares 000	2020 £000	2019 £000
Ordinary share capital issued and fully paid				
Opening balance of fully paid ordinary shares	156,745	156,745	156,745	156,745
Return of capital	-	-	(155,178)	-
Closing balance of issued and fully paid ordinary shares	156,745	156,745	1,567	156,745

On 2 December 2019, the Company issued a return of capital to Moorgate PL Holdings of £155,178k. The result of this return of capital was that the par value of each share was reduced from £1 to £0.01.

Note 20. Other reserves and profit and loss account

	2020 £000	2019 £000
FVOCI reserve		
Balance at the beginning of the financial year	83	-
Change in allowance for ECL, net of	(83)	83
Balance at the end of the financial year	-	83
Equity contribution from parent entity		
Opening balance	78,588	78,588
Capital contribution	5	-
Total equity contribution from parent entity	78,593	78,588
Share premium reserve		
Opening balance	1,410,705	1,410,705
Additional share premium	-	-
Distribution of share premium	(1,410,705)	-
Total share premium reserve	-	1,410,705
Total other reserves	78,593	1,489,376
Profit and loss account		
Balance at the beginning of the financial year	160,088	116,570
Profit for the financial year	33,738	43,518
Dividend paid	(135,000)	-
Change on initial application of IFRS 16	(86)	-
Balance at the end of the financial year	58,740	160,088

Note 21. 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.

During the current and prior years, the Company has continued to meet its capital requirements under the licence, and no breaches have occurred.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 22. Related party information

During the year, a new Master Loan Agreement (the MLA) replaced the Omnibus Loan and Deposit Agreement (the Omnibus), which contains the key terms for funding and related arrangements between various related body corporate entities which are under the common control of MGL. The MLA clarifies terms including tenor, pricing, settlement and offsetting terms for entities within the group. Substantially all entities which were a party to the Omnibus have acceded to the MLA.

The MLA excludes derivatives, repurchase agreements, broker settlements and stock lending related balances. These, together with certain bespoke lending arrangements, have been presented on a gross basis as at 31 March 2020 and is not comparable with the previous year wherein they have been offset with other balances under the Omnibus.

Note 23. Directors' remuneration

During the financial years ended 31 March 2020 and 31 March 2019, all Directors were employed by and received all emoluments from other Macquarie Group undertakings. The Directors perform directors' duties for multiple entities in the Macquarie Group, as well as their employment duties within Macquarie Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be meaningful. Accordingly, no separate remuneration has been disclosed apart from where stated above.

Note 24. Contingent liabilities and commitments

	2020	2019
Commitments exist in respect of	£000	£000
Investment commitments	1,040	1,040
Balance at the end of the financial year	1,040	1,040

At initial investment stage, the Company commits to an agreed level of cash funding. Given that not all of this funding is drawn down immediately the Company has future investment commitments to satisfy. These commitments represent future cash flows down into investments and are needed by the investee to match the cash requirement of the underlying investment projects. The table above shows the level of outstanding commitments at the year end.

Note 25. Employee equity participation

Macquarie Group Employee Retained Equity Plan (MEREP)

The Company participates in its ultimate parent company's, Macquarie Group Limited (MGL), share based compensation plans, being the Macquarie Group Employee Retained Equity Plan (the MEREP). In terms of this plan, awards are granted by MGL to qualifying employees for delivery of MGL shares.

Award Types under the MEREP:

Number of RSU Awards	2020	2019
RSUs on issue at the beginning of the financial year	10,719	6,786
Granted during the financial year	21,754	8,344
Forfeited during the financial year	(816)	(3,978)
Vested RSUs withdrawn or sold from the MEREP during the financial year	(1,026)	(378)
Net transfers to related body corporate entities	-	(55)
RSU on issue at the end of the financial year	30,631	10,719
RSUs vested and not withdrawn from the MEREP at the end of the financial year	-	-

The weighted average fair value of the RSU awards granted during the Financial year was £62.82 (2019: £58.08).

Participation in the MEREP is currently provided to the following Eligible Employees:

- Staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards).
- Staff other than Executive Directors with retained profit share above a threshold amount (Retained Profit Share Awards) and staff who were promoted to Associate Director, Division Director or Executive Director, who received a fixed Australian dollar value allocation of MEREP awards (Promotion Awards).

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 25. Employee equity participation (continued)

– New MFHPL Group staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value, depending on level (New Hire Awards).

– In limited circumstances, MFHPL Group staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the MFHPL Group upon the acquisition of their employer by an MFHPL Group entity or who receive an additional award at the time of joining Macquarie (also referred to above as New Hire Awards).

Vesting periods are as follows:

Award type	Level	Vesting
Awards and	Below Executive Director	following the year of grant ⁽¹⁾
Retained DPS Awards	All other Executive Directors	following the year of grant ⁽²⁾
		trading window on or after the
		2nd, 3rd and 4th anniversaries of
New Hire Awards	All Director-level staff	the date of allocation

⁽¹⁾ Vesting will occur during an eligible staff trading window.

⁽²⁾ Vesting will occur during an eligible staff trading window. If an Executive Director has been on leave without pay (excluding leave to which the Executive Director may be eligible under local laws) for 12 months or more, the vesting period may be extended accordingly.

In limited cases, the application form for awards may set out a different vesting period, in which case that period will be the vesting period for the award. For example, staff in jurisdictions outside Australia may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing 2019 retention, the allocation price was the weighted average price of the shares acquired for the 2019 purchase period, which was 13 May 2019 to 24 June 2019. That price was calculated to be £62.82 (2019: £58.08).

Assumptions used to determine fair value of MEREP awards

RSU's are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting periods.

RSUs have been granted in the current financial year in respect of 2019. The accounting fair value of each of these grants is estimated using MGL's share price on the date of grant.

While RSUs for FY2020 will be granted during FY2021, the entity begins recognizing an expense for these awards (based on an initial estimate) from 1 April 2019. The expense is estimated using the price of MGL ordinary shares as at 31 March 2020 and the number of equity instruments expected to vest. In the following financial year, the entity will adjust the accumulated expense recognized for the final determination of fair value for each RSU when granted and will use this validation for recognizing the expense over the remaining vesting period.

The entity annually reviews its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the employment expenses in the income statement. For the financial year ended 31 March 2020, compensation expense relating to the MEREP totaled £182,950 (2019: £82,089).

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 26. Financial risk management

Risk management group

Risk is an integral part of the Macquarie Group's businesses. The material risks faced by the Group include strategic, reputation, conduct, aggregate, credit, equity, asset, liquidity, market, operational, environmental and social, work health and safety, financial crime, regulatory and compliance, legal and tax.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout Macquarie is to ensure they manage risks appropriately.

RMG is independent of all other areas of the Macquarie Group. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee.

The risks which the Company are exposed to are managed on a globally consolidated basis for MGL as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions (i.e. not differentiating where the risk is taken within Macquarie).

Note 26.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan or financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

Credit assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly. Credit risk assessment includes a comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable. After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required. Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. Credit exposures for loan assets are reported at amortised cost or fair value. Derivative exposures are measured using high confidence potential future underlying asset prices. To mitigate credit risk, where appropriate, the Company makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

For internal balances, credit rating of each affiliate entity has been defined based on entity classification into bank or non-bank which is broadly aligned to external credit rating agencies. This is assessed and potentially adjusted on an annual basis, whenever required.

The balances disclosed in the credit risk tables below include only those financial assets and off-balance sheet items that are subject to impairment requirements of IFRS 9.

Ratings and reviews

Refer to Note 15 Expected credit losses for details regarding the manner in which the Company has adopted and applied IFRS 9's expected credit loss impairment requirements.

Due from related parties

Balances with related parties are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 26. Financial risk management (continued)

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount⁽¹⁾ of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of IFRS 9. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

	Neither past due nor impaired		Total
	Gross carrying value ⁽¹⁾	12 month ECL	
2020	£000	£000	£000
<u>Investment grade</u>			
Other	1,021	(48)	973
<u>Satisfactory</u>			
Amounts owed by other Macquarie Group undertakings	46,283	(57)	46,226
<u>Higher risk</u>			
Interest in associates and joint ventures - loans	-	-	-
Total	47,304	(105)	47,199

⁽¹⁾ All exposures are in Stage 1

For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount may not reconcile to the balance sheet.

	Neither past due nor impaired		Total
	Gross carrying value ⁽¹⁾	12 month ECL	
2019	£000	£000	£000
<u>Investment grade</u>			
Other	104	(8)	96
<u>Satisfactory</u>			
Amounts owed by other Macquarie Group undertakings	1,724,541	(4,194)	1,720,347
<u>Higher risk</u>			
Interest in associates and joint ventures - loans	854	(83)	771
Total	1,725,499	(4,285)	1,721,214

⁽¹⁾ All exposures are in Stage 1 credit quality

For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying amount may not reconcile to the balance sheet.

Credit risk concentration

The tables below detail the concentration of credit risk by significant geographical locations and counterparty type of the Company's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of IFRS 9. The geographical location is determined by the country of risk or country of domicile. Counterparty type is based on APRA classification.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 26. Financial risk management (continued)

	Interest in associates and joint ventures - loans £000	Amounts owed by other Macquarie Group undertakings £000	Other debtors £000	Total £000
2020				
Europe, Middle East & Africa				
Other	-	46,226	973	47,199
Total gross credit risk	-	46,226	973	47,199

	Interest in associates and joint ventures - loans £000	Amounts owed by other Macquarie Group undertakings £000	Other debtors £000	Total £000
2019				
Europe, Middle East & Africa				
Other	771	1,720,347	96	1,721,214
Total gross credit risk	771	1,720,347	96	1,721,214

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is shown in the above credit quality table. For off-balance sheet instruments, the maximum exposure to credit risk generally represents the contractual notional amounts and is disclosed in Note 15- Expected credit losses.

Credit quality of financial assets

The table below details the credit quality of the Company's financial assets for the maximum exposure to credit risk. The credit quality is based on the individual counterparty's credit rating and industry type using the Company's credit rating system.

Note 26.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities.

Liquidity risk within the Company is managed on a group basis by Group Treasury with oversight from the Asset and Liability Committee and RMG.

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Company's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as at the balance sheet date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour expected cash flows indicated by the Company's deposit retention history since the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay.

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
2020					
Undertakings	(414)	-	-	-	(414)
Total undiscounted cash flows	(414)	-	-	-	(414)

Excludes items that are not financial instruments and non contractual accruals and provisions.

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 26. Financial risk management (continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
2019	£000	£000	£000	£000	£000
Undertakings	(41)	-	-	-	(41)
Total undiscounted cash flows	(41)	-	-	-	(41)

Excludes items that are not financial instruments and non contractual accruals and provisions.

Note 26.3 Market risk

Market Risk

Market risk is the risk of adverse changes in the value of the Company's trading positions as a result of changes in market conditions. The Company is exposed to the following risks

- Price: The risk of loss due to changes in price of a risk factor (Interest rates, foreign exchange, commodities etc.)
- Correlation: Risk that the actual correlation between two assets or variables is different from the assumed correlation

Market risk of the Company is managed on a globally consolidated basis for Macquarie Group as a whole, including all subsidiaries, in all locations. Macquarie's internal approach to risk (i.e. not differentiating where the risk is taken within Macquarie) ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Interest rate risk

The Company has exposure to non-traded interest rate risk generated by interest bearing assets and liabilities.

The table below indicates the Company's exposure to movements in interest rates as at 31 March.

	Movement in basis points	2020 Sensitivity of profit before tax £000	2019 Sensitivity of profit before tax £000
Great British Pound	+50	65	8,611
Great British Pound	-50	(65)	(8,611)

Foreign currency risk

The Company is exposed to foreign currency risk arising from transactions entered into in its normal course of business. Movement in foreign currency exchange rates will result in gains or losses in the profit and loss account due to the revaluation of certain balances or in movements in the foreign currency translation reserve due to the revaluation of foreign operations.

The table below indicates the sensitivity to movements in the Great British Pound rate against various foreign currencies at 31 March. The Company is active in various currencies with the Australian dollar having the largest impact on the sensitivity analysis as shown below.

	Movement of +10%		Movement of -10%	
	2020 Sensitivity of profit before tax £000	2019 Sensitivity of profit before tax £000	2020 Sensitivity of profit before tax £000	2019 Sensitivity of profit before tax £000
Australian dollar	6	-	(6)	-

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 27. 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 – unadjusted quoted prices 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:

- the fair value of fixed rate loans and debt carried at amortised cost is estimated by reference to current market rates offered on similar loans and the credit worthiness of the borrower.
- financial assets and liabilities at fair value through profit or loss, derivative financial instruments 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.

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 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 (e.g. for OTC derivatives), 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 fair values calculated for financial instruments which are carried on the statement of financial position at amortised cost are for disclosure purposes only. The methods and assumptions applied to derive these fair values, as described below, can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions.

The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2020				
Assets				
Interest in associates and joint ventures - loans	-	-	-	-
Total assets	-	-	-	-
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2019				
Assets				
Interest in associates and joint ventures - loans	-	-	854	854
Total assets	-	-	854	854

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for the financial instruments measured at fair value.

UK Green Investment Bank Limited

Notes to the financial statements for the financial year ended 31 March 2020 (continued)

Note 27. Fair values of financial assets and financial liabilities (continued)

	Interest in associates and joint ventures - loans £000	Investment securities available for sale £000	Total £000
Balance at 1 April 2018	-	14,746	14,746
Change on initial application of IFRS 9	3,389	-	3,389
Repayments	(2,709)	-	(2,709)
Interest receivable	174	606	780
Disposal	-	(15,352)	(15,352)
Balance at 31 March 2019	854	-	854
Repayments	(854)	-	(854)
Balance at 31 March 2020	-	-	-

Note 28. Ultimate parent undertaking

At 31 March 2020 the immediate parent undertaking of the Company is Moorgate PL Holdings Limited.

The ultimate parent undertaking and controlling party of the Company is MGL. The largest group to consolidate these financial statements, is MGL, a company incorporated in Australia. The smallest group to consolidate these financial statements, is Macquarie Financial Holdings Pty Limited ("MFHPL"), a company incorporated in Australia. Copies of the consolidated financial statements for MGL and MFHPL can be obtained from the Company Secretary, Level 6, 50 Martin Place, Sydney, New South Wales, 2000, Australia.

Note 29. Events after the reporting year

Group Restructuring:

In July 2020, in accordance with the terms of the Group's restructuring project, post completion of legal procedures and obtaining regulatory approvals, the Company entered into Share Purchase Agreements with Macquarie Asset Management UK Holdings No.2 Limited (MAMUKH2) and Macquarie International Limited (MIL) for the corresponding sale of Green Investment Group Management Limited (GIGML) and UK Green Investments Climate International Limited (UKCI) shares. The SPAs require the transfer of 100% equity holdings in GIGML and UKCI at the 31 March 2020 fair market price of GBP 56.8 million and 8 million, respectively. The Company recognized gain of GBP 48.8 million on the sale of GIGML. The sale values were reassessed as at 1 July 2020 as part of a true up payment between the MAMUKH2, MIL and GIB as noted in the SPAs. No change in valuations were noted.

There were no material events subsequent to 31 March 2020 that have not been reflected in the financial statements.

Green impact statements

Green performance

Since its inception, the Company has reported the green impact of its investments, each year, in the green impact statements. This year the Company is increasing the transparency of its reporting by providing additional disclosures on the qualitative assessments undertaken on each of its investments, against all five of the Green Purposes.

GREEN IMPACT METRICS – THE QUANTITATIVE APPROACH

The Company maintains the same robust and consistent approach to accounting and disclosure of green impact metrics as applied in previous years, reporting performance in our green impact statements. In 2019 the underlying IFI dataset used by the Company for project greenhouse gas accounting was updated to reflect more up-to-date data, which has affected forecast emissions avoided. Further details are provided on p. 62.

In 2020 the Company commissioned an independent benchmarking review to identify potential new metrics to track green impact. We look forward to further developing emerging approaches in the fields of environmental and biodiversity measurement that can be applied in future years.

GREEN RATINGS – THE QUALITATIVE APPROACH

The Company has always used qualitative data as well as metrics to evaluate the green impact of investments, as we know that certain environmental effects of projects – such as on habitats and species – are not readily quantified.

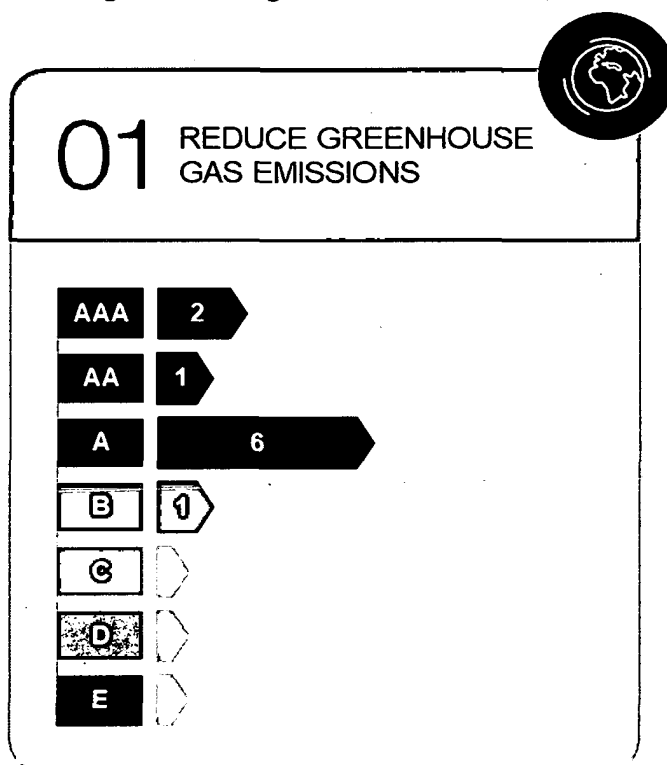
Every investment decision by the Company is informed by our green ratings against all five of our Green Purposes, with the project's contribution evaluated on a scale of AAA to E, as indicated on the following page. This year the Company has disclosed the total ratings given to investments in the year . The graphics on the following pages indicate the number of projects assigned to each rating. We hope this approach improves the transparency of the performance of our investments against the Green Purposes.

The reporting period for the green impact statements is April 2019 to March 2020.

Green impact statements (continued)

Green performance (continued)

The reduction of greenhouse gas emissions

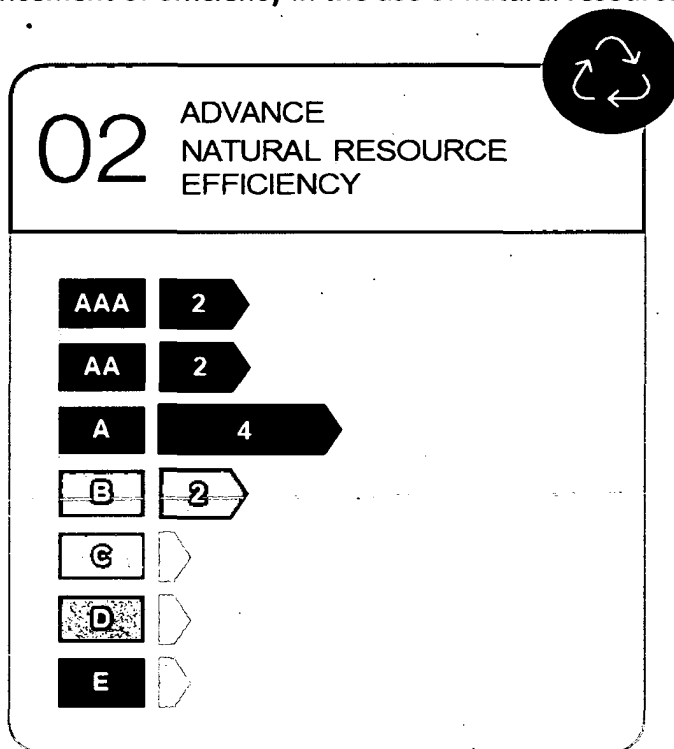


- All of the projects in which the Company invested in 2019/20 are forecast to result in reduced greenhouse gas emissions.
- Projects achieving higher green ratings for this Green Purpose are located in countries with higher grid emissions (e.g. Poland) and are technologies with lower embedded project emissions (e.g. onshore wind).
- The metric reported for this Green Purpose is lifetime greenhouse gas emissions avoided (kt CO₂e).

Green impact statements (continued)

Green performance (continued)

The advancement of efficiency in the use of natural resources

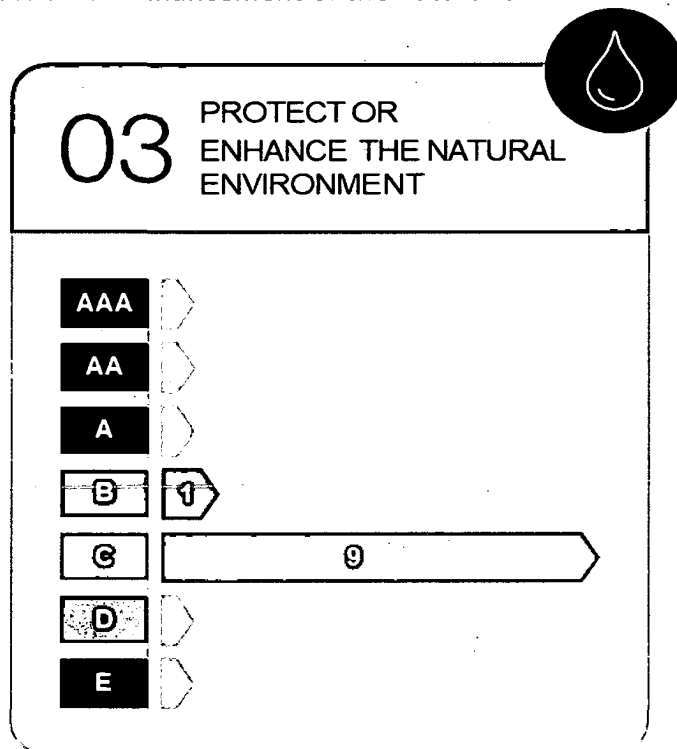


- All of the 2019/20 projects are forecast to advance resource use efficiency.
- Projects achieving higher ratings have greater displacement of natural resource consumption.
- Metrics reported for this Green Purpose are:
 - renewable energy generation (GWh);
 - energy consumption avoided (GWh); and,
 - materials recovered for recycling (kt).

Green impact statements (continued)

Green performance (continued)

The protection or enhancement of the natural environment

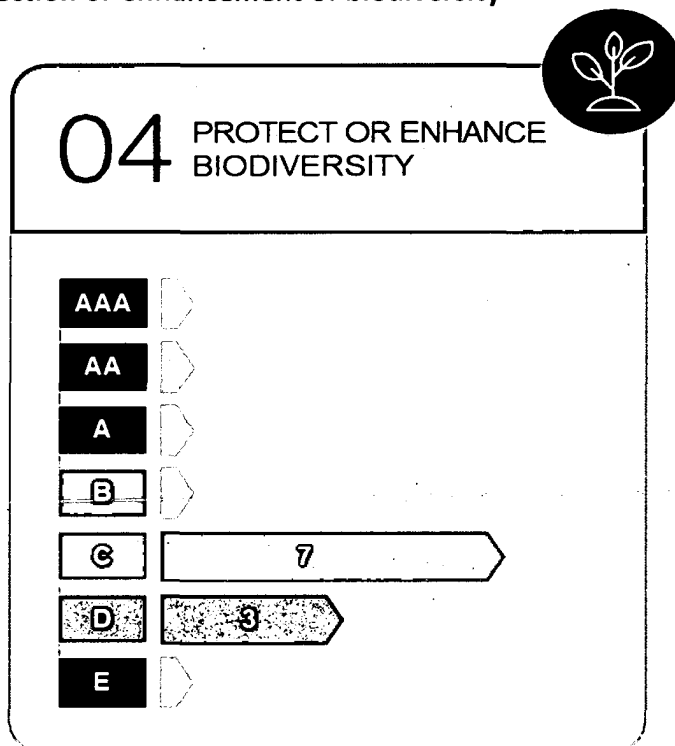


- Most of the 2019/20 projects are anticipated to have no significant or minor adverse effects on the local natural environment, following environmental mitigation measures.
- One project is expected to contribute positively to protection of the natural environment by diverting waste from landfill.
- The metric reported for this Green Purpose is landfill avoided (kt).

Green impact statements (continued)

Green performance (continued)

The protection or enhancement of biodiversity

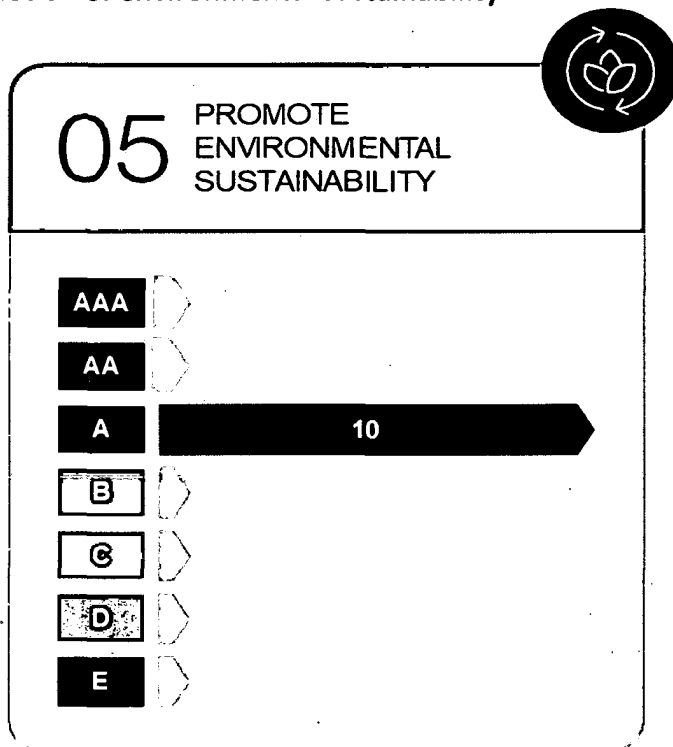


- None of the 2019/20 projects are expected to contribute directly to biodiversity protection or enhancement.
- With biodiversity net gain principles being adopted in countries such as the UK, we expect to see greater contributions to this Green Purpose in future.
- Adverse effects on biodiversity have been mitigated to the fullest extent possible, with residual effects deemed acceptable by planning and permitting authorities for each project.
- The majority of projects are anticipated to result in minor or no significant adverse effects on biodiversity following mitigation and compensatory measures, but some will have moderate adverse effects.
- Where there is uncertainty over impacts – e.g. disturbance of marine mammals during offshore wind construction or cable laying – we conservatively assume more severe impacts.

Green impact statements (continued)

Green performance (continued)

The promotion of environmental sustainability



- Whilst the other Green Purposes encompass direct environmental sustainability improvements, this Green Purpose addresses indirect effects of projects to facilitate, stimulate or promote environmentally beneficial action.
- All of our projects are expected to make a positive contribution to indirect promotion of environmental sustainability.

UK Green Investment Bank Limited

Green impact statements (continued)

Green performance (continued)

Lifetime green impact metrics

	Additional lifetime green impact from investments made in 2019/20	Lifetime green impact from all investments made to date
Greenhouse gas emissions avoided (kt CO ₂ e)	13,907	168,104
Renewable energy generated (GWh)	45,805	503,559
Energy demand reduced (GWh)	0	3,959
Materials recycled (kt)	2,059	36,007
Waste to landfill avoided (kt)	10,178	115,843

Green impact statements

The green impact statements overleaf indicate the principal environmental benefits arising from the Company's investments. Green impact metrics are reported in terms of estimated lifetime green impact from 2019-20 investments and all investments to date, where the project has reached final investment decision. The reporting period for the green impact statements is April 2019 to March 2020.

The green impact statements should be read in conjunction with the Company's methodology for calculating green impact. Details of that methodology are set out in the Green Impact Reporting Criteria 2019-20, a copy of which is published on <https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html>.

Selected totals for data in the green impact statements in respect of the financial year 2019-20 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out on p.63 - 64

UK Green Investment Bank Limited

Green impact statements (continued)

Reduction of greenhouse gas emissions

Estimated lifetime GHG emissions reduction of new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.20 ktCO ₂ e	year ended 31.03.19 ktCO ₂ e
Offshore wind	9,791	-
Waste	2,172	3,501
Energy efficiency	-	-
Bioenergy	-	-
Onshore wind	593	822
Solar	1,351	-
Total	13,907	4,323

Estimated lifetime GHG emissions reduction of all UK Green Investment Bank Limited investments to date

	year ended 31.03.20 ktCO ₂ e	year ended 31.03.19 ktCO ₂ e
Offshore wind	55,855	51,822
Waste	35,879	39,293
Energy efficiency	2,277	2,277
Bioenergy	67,302	72,816
Onshore wind	5,440	4,624
Solar	1,351	-
Total	168,104	170,832

UK Green Investment Bank Limited

Green impact statements (continued)

Generation of renewable energy

Estimated lifetime renewable energy generated by new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.20 GWh	year ended 31.03.19 GWh
Offshore wind	27,380	-
Waste	4,797	9,499
Energy efficiency	-	-
Bioenergy	-	-
Onshore wind	9,696	17,275
Solar	3,932	-
Total	45,805	26,774

Estimated lifetime renewable energy generated by all UK Green Investment Bank Limited investments to date

	year ended 31.03.20 GWh	year ended 31.03.19 GWh
Offshore wind	134,510	120,429
Waste	66,522	62,931
Energy efficiency	1,265	1,265
Bioenergy	222,359	222,359
Onshore wind	74,971	65,274
Solar	3,932	-
Total	503,559	472,258

UK Green Investment Bank Limited

Green impact statements (continued)

Energy demand reduction

Estimated lifetime energy demand reduced by new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.20 MWh	year ended 31.03.19 MWh
Electricity	-	-
Heating fuels	-	-
Total	-	-

Estimated lifetime energy demand reduced by all UK Green Investment Bank Limited investments to date

	year ended 31.03.20 MWh	year ended 31.03.19 MWh
Electricity	1,800,459	1,800,459
Heating fuels	2,158,799	2,158,799
Total	3,959,258	3,959,258

UK Green Investment Bank Limited

Green impact statements (continued)

Recycling of materials

Estimated lifetime materials consumption avoided through materials recycling by new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.20 tonnes	year ended 31.03.19 tonnes
Compost	-	-
Digestate (PAS 110)	-	-
Compost-like output	-	-
Plastics - mixed	-	-
Ferrous metals	94,500	132,750
Non-ferrous metals	199,500	80,845
Paper/card	-	-
Glass	-	-
Mineral aggregates	1,764,840	2,014,065
Waste electrical and electronic equipment (WEEE)	-	-
Other	-	-
Total	2,058,840	2,227,660

Estimated lifetime materials consumption avoided through materials recycling by all UK Green Investment Bank Limited investments to date

	year ended 31.03.20 tonnes	year ended 31.03.19 tonnes
Compost	987,642	987,642
Digestate (PAS 110)	7,466,156	7,053,177
Compost-like output	1,128,809	1,128,809
Plastics - mixed	704,050	704,050
Ferrous metals	1,294,132	1,199,812
Non-ferrous metals	577,246	377,619
Paper/card	654,299	654,299
Glass	9,424	9,424
Mineral aggregates	17,004,968	15,224,675
Waste electrical and electronic equipment (WEEE)	34,328	34,328
Other	6,146,348	6,146,348
Total	36,007,402	33,520,183

UK Green Investment Bank Limited

Green impact statements (continued)

Avoidance of waste to landfill

Estimated lifetime waste to landfill avoided by new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.20 tonnes	year ended 31.03.19 tonnes
Biodegradable waste	7,079,100	6,669,380
Non-biodegradable waste	3,099,060	2,274,540
Total	10,178,160	8,943,920

Estimated lifetime waste to landfill avoided by all UK Green Investment Bank Limited investments to date

	year ended 31.03.20 tonnes	year ended 31.03.19 tonnes
Biodegradable waste	76,225,075	67,736,675
Non-biodegradable waste	39,618,135	36,447,722
Total	115,843,210	104,184,397

UK Green Investment Bank Limited

Green impact statements (continued)

Notes to the Green Impact Statements

Year-on-year changes to estimated lifetime green

The table below shows how the lifetime green impact at the end of 2019-20 compares to that at the end of 2018-19, and provides a breakdown of the year-on-year changes. In summary, these changes in lifetime green impact were caused by:

1. New investments made in the period – for the first time, the Company invested in and developed solar projects beyond Final Investment Decision, which is the milestone for securing the project's financing prior to construction and the point at which projects are reported in the green impact statements. These include portfolios of solar projects in the UK and Spain. Other new investments include an offshore wind project (East Anglia ONE, UK), onshore wind projects (Hornamossen, Sweden; Buheii, Norway; Kisielice & Zajączkowo, Poland) and an energy from waste project in the UK (Newhurst).

2. Removal of estimated remaining lifetime of exited assets that were acquired as operational – in line with the Green Impact Reporting Criteria, when the Company acquired assets that were already operational, the remaining lifetime green impact of these is not included upon divestment. Remaining green impact from such assets divested prior to, during, and since the reporting period is not included in the 2019/20 figures.

3. Existing projects' variation of performance/reforecasts from last year forecasts

- Where project performance varies >10 per cent from forecasts, the Company takes an average of past performance and, where relevant, pre-operational forecasts to estimate the remaining lifetime green impact. This was done on the Dublin energy from waste project, in a similar process to last year, with the new operating data used to update the forecast green impact. On exit from the Greensphere portfolio a re-estimate was made, again taking into consideration the performance of the projects, to achieve an accurate estimate of forecast green impact.

- Adjustment of forecast green impact due to an update to the IFI greenhouse gas baseline – the baseline used for evaluating greenhouse gas reduction from renewable energy projects and energy efficiency projects is defined by the IFI Harmonization of Standards for GHG Accounting. This baseline was updated on 1 July 2019 and so all projects that commence operations after this date adopt the latest version (v2.0) dataset. To provide an accurate reflection of the Company's expected impact, the greenhouse gas reduction from the Company's investments as of 2018/19 has been reestimated.

Estimated lifetime green impact of all UK Green Investment Bank Limited investments to date - year on year changes

	GHG emissions reduction	Renewable energy generated	Energy demand reduced	Materials recycled	Waste to landfill avoided
	kilotonnes CO ₂ e	GWh	MWh	tonnes	tonnes
Year ended 31.03.19	172,454	476,067	3,959,258	34,782,008	104,413,284
Revised 31.03.19 following non-material corrections	170,832	472,258	3,959,258	33,520,183	104,184,397
New investments made in the period	13,907	45,805	-	2,058,840	10,178,160
Projects cancelled in the period	-	-	-	-	-
Removal of estimated remaining lifetime of assets exited in the period that were acquired as operational	(9,921)	(22,912)	-	-	-
Variation of forecast remaining lifetime and actuals from last year's forecast	(6,714)	8,408	-	428,379	1,480,653
Year ended 31.03.20	168,104	503,559	3,959,258	36,007,402	115,843,210

Independent Assurance Report to the UK Green Investment Bank Limited on Green Impact Data and the application of Equator Principles within the UK Green Investment Bank Annual Report

We have been engaged by the Directors of the UK Green Investment Bank Ltd. ("GIB") to conduct a limited assurance engagement over specific Assured Disclosures. The Assured Disclosures comprise performance-related Green Impact Data ("Green Impact Data") and the application of Equator Principles within the GIB Annual Report for the year ended 31 March 2020.

Our unqualified conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with GIB's Green Impact Reporting Criteria and Equator Principles Reporting Criteria (the "Reporting Criteria"), materially misstate GIB's Green Impact for the year ended 31 March 2020. The data have been prepared on the basis of the methodology set out in GIB's respective Reporting Criteria which can be seen on the Green Investment Group website.

Responsibilities of the Directors

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

Green Impact Data

(estimated lifetime performance for new GIB investments in the reporting period and all GIB investments to date as at financial year end – see pages 56 -61)

Greenhouse gas (GHG) emissions reduction (kilotonnes CO₂e)

Renewable energy generated (GWh)

Energy demand reduced (MWh)

Materials consumption avoided through materials recycling (tonnes)

Waste-to-landfill avoided (tonnes)

Equator Principles (see page 3)

Total number of Project Finance transactions and Project-Related Corporate Loans that reached financial close within the reporting period, to which the Equator Principles apply (absolute)

Responsibilities of the assurance provider

Our responsibility is to express a conclusion on the Assured Disclosures based on our procedures. We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE 3000") (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board, in order to state whether anything had come to our attention that causes us to believe that the Assured Data have not been prepared, in all material respects, in accordance with the applicable criteria.

Our engagement provides limited assurance as defined in ISAE 3000 (Revised). The evidence gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement, and therefore the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures consisted primarily of:

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

Our report is made solely to GIB, in accordance with ISAE 3000 (Revised). Our work has been undertaken so that we might state to GIB those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than GIB for our work, this report, or for the conclusions we have formed.

Inherent Limitations

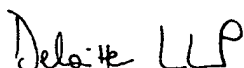
Since the Estimated Lifetime Green Impact Data are based on assumptions about the future which cannot be predicted with certainty, as with any predictions about the future, the actual future Green Impact Data may be more or less than the stated Estimated Lifetime Data.

GIB does not receive project data or conduct further estimations following the exit date from an investment.

With respect to disposals, GIB processes do not require reconciliation between: the operating assumptions on which Estimated Lifetime Green Impact Data is based; and asset actual or expected performance data (if any) stated in investment disposal documentation. Consequently we rely on written management representations to confirm that Estimated Lifetime Green Impact Data with respect to disposed-of investments is based on the best information available to GIB management at the point of disposal.

Independence

We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants' Code of Ethics and in some areas are more restrictive. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Deloitte LLP

2nd February 2021

Letter from the trustees of the Green Purposes Company

GREEN PURPOSES COMPANY: ANNUAL LETTER 2020

Introduction

This is our third annual letter in which we comment on GIG's performance against its five green purposes. The letter addresses GIG activities in the UK and Europe and is for the financial year 2019/20. We enjoy a constructive relationship with GIG and have been encouraged by actions taken and commitments given in response to concerns raised in our 2019 letter. This year we draw attention to areas where we believe GIG can further strengthen its performance. We confirm that no request to change the green purposes has been received since our last letter.

Investment Strategy

GIG is now a leading investor globally in projects that are driving carbon emission reductions. This is strong and important progress. However, GIG has five green purposes, of which we are the guardians. Together those five purposes cover a wide environmental spectrum beyond climate change mitigation. GIG, through its expertise and the resources of Macquarie, has a unique opportunity to drive forward the development of green finance products in areas such as nature-based solutions, the reversal of bio-diversity decline, and the wider provision of eco-system services. We accept that these are still frontier areas but in five or ten years they will become mainstream. GIG has the potential to bring these timescales forward and in doing so lead the market. We believe this is entirely consistent with GIG's mission to 'accelerate the green transition', and with global efforts to tackle the climate and environmental crises.

Green Impact Reporting

GIG operates a Green Governance Framework to ensure compliance with, and to measure impact against, the green purposes. This governance framework remains one of the most comprehensive available in the market and we are pleased that GIG applies it to all global activity undertaken using the GIG brand, something that goes beyond the special share arrangement which applies to the UK and Europe only. Furthermore, it is encouraging that GIG has improved the transparency of its green impact reporting, for example the clear presentation of all five green purposes on pages 51-55 of this report, and that it commissioned an independent review of its approach.

Nevertheless, best practice in green impact reporting continues to evolve across markets. As such, it is important that GIG continues to develop and strengthen its methodology to ensure it is robust, deserves the confidence of the market and demonstrates leadership. To this end, we encourage GIG to take steps in four areas:

Letter from the trustees of the Green Purposes Company

(continued)

Green Impact Reporting (continued)

1. GIG has a robust methodology with quantified metrics for green purpose no.1, the reduction of greenhouse gas emissions, and we welcome the use of updated IFI (International Financial Institution) data since our last letter. However, in order to provide greater confidence in emissions savings estimates, we would continue to encourage sensitivity analysis using more up-to-date national data sets where these exist.
2. We are concerned that for green purposes 3, 4 and 5, GIG's assessments are largely qualitative and we would encourage the development of robust methodologies and metrics for these, drawing on best practice and standards that are already in use elsewhere. In doing so it will be important to ensure transparency of the methodology and data sets used such that the impact of an investment on any of the green purposes is readily verifiable, something that is not currently possible.
3. We encourage further consideration of the inter-play between the green purposes. This includes the risk of double counting impacts, and the process and criteria for determining whether an investment which contributes to one or more green purpose should go ahead, despite it having a detrimental impact on one or more of the other green purposes. In such circumstances we would like GIG to seek to improve overall project outcomes through proactive interventions that require project developers to go beyond regulatory-driven compliance to deliver clear net benefits.
4. We are pleased to note the success of GIG's advisory services. As these mature we believe they should be brought fully within the scope of the green impact reporting arrangements such that their contribution to the green purposes can be readily understood.

External green assurance

As noted above, we commend GIG for undertaking an independent review of their Green Investment Ratings methodology and for sharing this with the GPC. Many of the observations made in this review chime with our own, and we encourage GIG to take forward the key recommendations. To this end we would be pleased to work with GIG to further clarify the meaning of those green purposes that are currently open to wide interpretation.

Letter from the trustees of the Green Purposes Company

(continued)

Innovation

While investments over the year were restricted to a limited range of established technologies, there is welcome evidence that GIG is broadening its approach, bringing in expertise in new technologies together with innovation in project design and financing structures. Again, we would encourage innovation in some of the more challenging areas of green investment such as in nature-based solutions as noted earlier in this letter.

Thought leadership and influence

We are pleased to note GIG's continued thought leadership and influence through engagement with governments, private sector and other organisations. Examples include supporting the development of green finance in developing countries, and the launch of the GIG Carbon Score tool in partnership with BloombergNEF. The Macquarie GIG Green Energy Conference has become a key event on the green finance calendar and GIG's advisory services have influenced thinking in those organisations with which it has engaged. Significantly, this includes the wider Macquarie Group which is now more actively engaged in the green agenda and this also helps strengthen the integrity of the GIG brand.

Investment record

There was a significant uplift in investments over the reporting period, with 12 investments totalling £2,302m of which £2,034m was in UK and £268m in the rest of Europe. The increased level of investment is welcomed, and it is noted that GIG will exceed its first three years commitment for £3bn of new investment, either directly or by arranging capital from other investors, in the UK or Europe.

Divestments

We welcome the further clarification that was provided subsequent to our 2019 letter on the accounting treatment of divestments and the commitment to re-examine the green impact for all investments, including ones from which GIG has divested, should GIG become aware that the estimated green impact is likely to have materially changed. There nonetheless remains a risk of double-counting of the green impact of an investment should a new investor(s) claim the same project benefits after GIG has divested, and GIG may wish to draw attention to this point when reporting.

Letter from the trustees of the Green Purposes Company

(continued)

Forward look

The COVID-19 pandemic was just taking hold at the end of the reporting period covered by this letter and we commend the efforts of GIG to minimise the impact of this on its activities and on green finance more generally. We look forward to working with GIG over the year ahead, including providing our input and support in the areas of attention we have highlighted in this letter. In acting on these points we believe GIG should be able to strengthen its market-leading position in the provision of green finance.



Trevor Hutchings

Chair, for and on behalf of the
Trustees of the Green Purposes Company

11 September 2020