UK GREEN INVESTMENT BANK LIMITED

Company Number SC424067

Strategic Report, Directors' Report and Financial Statements
for the financial year ended 31 March 2022

MACQUARIE

The Company's registered office is:

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UK Green Investment Bank Limited

2022 Strategic Report, Directors' Report and Financial Statements
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Strategic Report
for the financial year ended 31 March 2022

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 Limited (the "Macquarie Group" or "Macquarie") 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 2022 ("current financial year") were the 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 Company became part of the group of companies of which the Macquarie Group is the ultimate holding company. In order to pursue the UK Green Investment Bank's mission, and expand its operations geographically, it began operating under the name Green Investment Group ("GIG").

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. The GIG brand may only use the GIG name and brand in return for a contractual undertaking that any activities using the brand will be compliant with the Company'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 November 2022). An annual stakeholder and industry event will be held in February 2023.

During the current financial year the Company, and its subsidiaries, invested in new green energy projects and partnerships covering offshore wind, energy storage and electric vehicle (EV) charging in the UK; created new businesses including a global offshore wind business and a specialist European hydrogen development platform; and continued to invest in solar projects across Europe through its specialist solar development business.

The loss for the financial year ended 31 March 2022 was £3,612,000, as compared to the profit of £143,724,000 in the previous year. The change in result was driven by a £94,490,000 decrease in dividend income and a £35,262,000 decrease in investment gains as a result of the disposal of investments in the prior year.

The net operating loss for the year ended 31 March 2022 was £6,809,000, as compared to the net operating income of £145,486,000 in the previous year. The change in result was mainly driven by the decrease in dividend income of £94m and investment gains of £49m as a result of the liquidation of Pentland SPV 1 Limited and Forth SPV 1 Limited in the prior year. In addition, there was a decrease in Tax transfer pricing (TP) service fees of £22m which were driven by the disposals of Bilboa, Strand (Empire) and Hanseatic Development in the prior year.

Total operating expenses for the year ended 31 March 2022 were £19,816,000, an increase of 3 per cent from £19,263,000 in the previous year.

As at 31 March 2022, the Company had net assets of £240,792,000 (2021: £243,937,000).

Strategic Report
for the financial year ended 31 March 2022 (continued)

Green Impact Reporting (unaudited)
The green impact statements contained in this Annual Report (see p.53 - 67) 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 2021-22 investments and all investments to date, where the project has reached final investment decision.

We maintain 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. This year's reporting also maintains the new disclosures introduced in 2021, where we added reporting of our qualitative contributions to all five Green Purposes – through our green ratings – to our existing quantitative green impact statements.

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. We do not report green impact for projects into which we have only provided development funding at this stage, due to the relative uncertainty over potential future green impact.

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[1].

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 2021-22, a copy of which is published on the website.

Selected totals for data in the green impact statements in respect of the financial year 2021-22 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out on p. 68 - 69. The reporting period for the green impact statements is April 2021 to March 2022.

Principal risks and uncertainties
The Company is responsible for its own risk acceptance decisions. From the perspective of the Company, the principal risks are credit risk and liquidity risk. The principal risks of the Company are monitored by the relevant division of the Risk Management Group ("RMG") of the Macquarie Group. There are currently no plans to substantially change the nature of the business going forward.

The range of factors that may influence the Company's short-term outlook include:

- *market conditions including: events that cause significant volatility in the market*, global inflation and interest rates, and the impact of geopolitical events
- the continued and evolving impact of COVID-19
- potential tax or regulatory changes and tax uncertainties
- completion of year-end reviews and the completion rate of transactions
- the geographic composition of income and the impact of foreign exchange.

The continued impact and uncertainty surrounding Novel Coronavirus (COVID-19) pandemic and the Russia-Ukraine conflict have been monitored throughout the year for the Company by RMG. There was no significant financial impact, and the Company has continued to operate effectively throughout the pandemic.

The Company is not subject to any other material risks or uncertainties, over and above those stated.

[1] http://unfccc.int/climate-action/sectoral-engagement/ifis-harmonization-of-standards-for-ghg-accounting

Strategic Report
for the financial year ended 31 March 2022 (continued)

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, liquidity, market, interest rate and foreign exchange risk. An additional risk faced by the Company includes operational risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the RMG to ensure appropriate assessment and management of these risks.

As 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 Group's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Financial risk management
Credit Risk
Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. 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
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 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, except for certain positions with fixed rate of interest with external parties. Interest bearing liabilities include payables to other Macquarie Group undertakings and external parties, which also incur a variable rate of interest.

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.

Strategic Report
for the financial year ended 31 March 2022 (continued)

Risk management (continued)
Non-financial risk management
Operational risk
The Company operates within a global framework which is applied consistently across all business lines within the Macquarie Group for the identification, monitoring, management and reporting of operational risk. Operational risk management occurs largely as part of the normal day to day running of each business with the framework, policies and oversight being managed at a central level by RMG. The framework can be tailored to the risk profile of each business, but each business must comply with certain mandatory aspects.

Group risk
The risk that the actions and activities of one part of the Macquarie Group may compromise the financial, operational and reputational position of the Company. Management of financial group risk is embedded across underlying governance documents and committees relating to financial exposures. Management of reputation risk is embedded throughout the risk management framework and considered in the assessment of all risk types. Intragroup outsourcing is governed in accordance with the internal Macquarie policies.

Conduct risk
The risk of behaviour, action or omission by individuals employed by, or on behalf of, the Company or taken collectively in representing the Company that may have a negative outcome for the Company's clients, counterparties, the communities and markets in which it operates, its staff, or the Company. The Company's approach to conduct risk management is integrated in its risk management framework.

Regulatory & compliance risk
The risk of failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to the Company's financial services and other regulated activities. Frameworks have been established to manage the identification, escalation, management and reporting of regulatory and compliance risks across Macquarie. These frameworks include policies, guidelines and standards which have been implemented to guide compliance.

Strategic / Business risk
Risk of the Company's business model being inadequate in the medium to long-term. Business and strategic risk is managed and controlled through the annual strategy and business planning process. The Company Board has regular oversight of business risk in the Company.

Environmental & social risk
The risk of reputational or financial impacts due to failure to identify or manage material environmental or social issues arising from or with respect to the Company's investment, financing, client activities or supply chain. Under the Code of Conduct all staff share responsibility for identifying and managing environmental and social issues as part of normal business practice. Staff are supported by the RMG environmental and social risks ("ESR") team, as well as through access to environmental and social risk training.

Financial crime risk
Risk of knowingly or unknowingly perpetuating or helping parties to commit or to further potentially illegal activity through the Company. Financial crime risk encompasses the risks of money laundering, terrorism financing, bribery and corruption, and sanctions. RMG Financial Crime Risk (FCR) manage and oversee financial crime risk, engage with regulators and maintain and monitor the effectiveness of global financial crime risk frameworks, programs and policies for Macquarie.

UK Green Investment Bank Limited
Company Number SC424067

Strategic Report
for the financial year ended 31 March 2022 (continued)

Section 172 (1) Statement
The Directors of the Company consider, both individually and collectively, that they have acted in the way that would most likely promote the success of the Company for the benefit of its members as a whole (having regard to relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 March 2022. 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 7 to 16.

Other matters
Due to the nature of the business and the information provided elsewhere in this report, the Directors have decided not to include additional financial and non-financial key performance indicators (including with regard to environmental and employee matters) in the Strategic report because they would not materially improve an understanding of the development, performance or position of the business.

On behalf of the Board,

MJ Dooley

Mark Dooley
Director

16 December 2022

Directors' Report
for the financial year ended 31 March 2022

In accordance with a resolution of the Directors of 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:

M. Dooley	
P. Knott	(appointed 31 January 2022; resigned 9 August 2022)
E. Northam	
P. Rasi De Mel	(appointed 9 August 2022)
D. Wong	(resigned 29 October 2021)

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

H. Everitt

Results

The loss for the financial year ended 31 March 2022 was £3,612,000 (2021: profit of £143,724,000).

Dividends

No dividends were paid or provided for during the current financial year (2021: £38,802,000). No final dividend has been proposed.

State of affairs

On 7 September 2021, the Company's subsidiaries Forth SPV 1 Limited and Pentland SPV 1 Limited were dissolved via voluntary strike-off.

On 27 January 2022, the Company subscribed for 140,000,000 ordinary shares of £1 each in Green Investment Group Limited.

There were no other significant changes in the state of affairs of the Company that occurred during the current financial year under review not otherwise disclosed in the Directors' report.

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include the London Inter-bank Offered Rate ("LIBOR") and the Euro Inter-bank Offered Rate ("EURIBOR").

After 31 December 2021, 24 of 35 LIBOR currency-tenor pairings were discontinued, 6 LIBOR switched to a modified calculation methodology (known as 'synthetic' LIBORs) and 5 USD LIBOR tenors are expected to cease publication after 30 June 2023. Aside from the ongoing exceptional use of USD LIBOR, the use of LIBOR in new contracts ceased by the end of 2021.

Directors' Report
for the financial year ended 31 March 2022 (continued)

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

During 2018, UK Green Investment Bank Limited's ultimate parent, MGL, initiated a group-wide project, sponsored by its Chief Financial Officer ("CFO"), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARRs. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from MGL's Operating Groups, Financial Management Group ("FMG"), Risk Management Group ("RMG"), Corporate Operations Group ("COG") and Legal and Governance. The project was 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.

In addition to the project's progress outlined in the Company's annual financial statements for prior periods, the project achieved several important milestones including that the Company transitioned its internal GBP LIBOR to Sterling Overnight Index Average ("SONIA"), and re-hedged external funding exposures to relevant currency ARR, given sufficient liquidity in the relevant markets.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Company, they have not resulted in changes to Macquarie Group's risk management strategy and these risks are managed within the existing risk management framework as described in the Financial Risk Management section of the Strategic Report.

Going Concern

The Company has excess of current assets over current liabilities at 31 March 2022 of £97,531,000. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Events after the reporting year

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 2022 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

Coronavirus (COVID-19)

The Novel Coronavirus (COVID-19) has had significant impacts on global economies and financial markets, led to several changes in the economy and resulted in several support actions by financial markets, governments and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurements of its assets and liabilities at the reporting date.

COVID-19 did not have a material impact on the operations of the Company during the financial year.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Likely developments, business strategies and prospects (continued)
Russia-Ukraine conflict
The risk presented by the Russia-Ukraine conflict is managed by the Company within the framework of the overall strategy and risk management structure of the Macquarie Group Limited, the ultimate parent of the Company, and its subsidiaries.

The Russia-Ukraine conflict did not have a material impact on the operations of the Company during the financial year.

The Directors believe that no other significant changes are expected other than those already disclosed in this report and 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 also at the date of approval of the financial statements. 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 in respect of the financial statements
The Directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulation.

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

Under Company law, 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 the financial statements, the Directors are required to:

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

The Directors are 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 also 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.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Section 172 (1) Statement

The following sets out the requirements of section 172 (1) and notes how the Directors have discharged their duties. In doing so they have had regard to matters including those in respect of the Company's stakeholders, who are principally group shareholders, the Green Purposes Company Limited ("Green Purposes Company" or "GPC"), employees, industry groups and trade associations, internal and external customers.

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

The Company is a wholly-owned subsidiary of Macquarie Group Limited ("MGL") and the Macquarie Group and therefore complies with the policies and practices, ethical and business standards that are set by the Macquarie Group Limited Board and are described in the Macquarie Group Annual Report. The following statement should therefore be read in conjunction with the Macquarie Group Limited Annual Report.

Any decision taken is aligned to the wider Macquarie Group and made in accordance with Macquarie's Code of Conduct (the "Code") – and based on the three principles of – Opportunity, Accountability and Integrity. Macquarie's purpose of 'empowering people to innovate and invest for a better future' is deeply embedded in Macquarie's culture and is underpinned by these longstanding operating principles. 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. Macquarie adopts a conservative approach to risk management which is underpinned by a sound risk culture. Macquarie's robust risk management framework and risk culture are embedded across all Macquarie Group's operations.

To facilitate good decision making, Directors meet as required with documentation circulated in advance. Where relevant this may include diligence on financial impacts, as well as non-financial factors to allow them to fully understand the performance and position of the Company, along with the matters that are to be discussed.

The principal activity of the Company during the year was to give effect to its objects (the "Green Objective") as set out in the Company's Articles of Association, through the 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. Key decisions which the Board met to consider during the year included:

a) Approval of the statutory financial statements of the Company;
b) Approval of a transparency statement relating to the Modern Slavery Act, for the 2021 financial year;
c) Quarterly review of work health and safety, finance, risk and human resources reports; and
d) Approval of the publication of the Green Investment Group's ("GIG") Progress Report for the 2021 financial year.

During FY2022, the Board continued to enable virtual attendance at Board meetings, workshops and meetings with management, as needed to respond to ongoing COVID-19 restrictions.

In connection with the fulfilment of the Green Objective, all prospective Green Investment Group ("GIG") investments are subject to a detailed green rating assessment, which scrutinises an investment's alignment with the Green Objective and GIG's Green Investment Principles by measuring the contribution to GIG's Green Purposes and its alignment with the GIG Green Investment Policy. The findings of this process are presented as a Green Opinion within the documentation for consideration as part of the investment decision making process.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Section 172 (1) Statement (continued)
New investments made under the GIG brand continued to be made by the Company's direct and indirect subsidiaries during the financial year ended 31st March 2022, and each such GIG investment is subject to a specific review to determine the likelihood of the investment aligning with the Green Objective and GIG's Green Investment Principles. 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.

Further details on GIG's Green Investment Principles, Green Investment Policy and Green Purposes can be found at: https://www.greeninvestmentgroup.com/who-we-are/measuring-our-impact.html

(b) Interests of the Company's workforce
The employees of the Company have employment contracts with the Company or entities within the wider Macquarie Group.

The Company involves and informs the workforce on matters that could affect them. Where a Board decision is likely to impact the workforce, these considerations are reflected in the supporting documentation and relevant subject matter experts present to the Board in relation thereto, for our example, our Human Resources team. The Company's policies align with Macquarie Group's workforce policies, including Macquarie's Workforce Diversity Policy. The Macquarie Group and the Company are committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything we do. Macquarie Group's focus continues to be on developing the internal and external pipeline of women and people from under-represented groups at all levels and enhancing our recruitment and talent practices to facilitate this.

(c) Business relationships with suppliers, customers and others
The Board is cognisant of the stakeholders 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.

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.

GPC: 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 Company, issued on 17 August 2017. The GPC is committed to public accountability, transparency and competency, and to contributing positively to the future development of GIG.

Suppliers: Macquarie Group is committed to ensuring high standards of environmental, social and governance performance across its supply chain. This commitment is driven by our business principles. Macquarie Group has put in place a Supplier Governance Policy to manage the risks associated with suppliers who provide the Macquarie Group 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.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Section 172 (1) Statement (continued)

Through GIG's workplace health and safety programme, we seek to support our development teams in applying responsible criteria to their supplier selection and procurement activities.

Customers: As a holding company for other Macquarie Group entities, the Company's customers are predominantly internal to the Macquarie Group subsidiaries and affiliates, however the Company also had external customers during the financial year. Along with the publicly available disclosures on the Macquarie website and through the GIG Progress Report, Macquarie looks to the Company's workforce (including the Directors) to keep customers informed about the depth, breadth and scale of our capabilities in line with local rules and regulations on financial promotions while offering our products in a highly regulated financial services environment in EMEA. 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.

(d) Community and the environment

The Board and Management recognise the importance of sound Environmental, Social and Governance (ESG) practices as part of their responsibility to their clients, shareholders, communities, staff and the environment in which the Company operates. ESG considerations are embedded in both our operational and investment decision-making, along with the asset management frameworks that inform how our portfolio companies assess and improve their performance.

As a subsidiary of the Macquarie Group, the Company has committed to the Group's ESG approach, which is structured around focus areas considered to be material to our business. Assessing and managing Macquarie Group wide ESG risks is a key business priority and an important component of Macquarie's broader risk management framework, to which the Company is subject.

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. The Macquarie Group regularly engage with a broad range of stakeholders including clients, shareholders, investors, analysts, governments, regulators, the workforce, suppliers and the wider community.

Macquarie Group recognises that failure to manage ESG risks could affect communities, the environment and other external parties, and expose the organisation to commercial, reputational and regulatory impacts.

Environmental and social risks ('ESR') are managed through the implementation of the ESR and Work Health and Safety ('WHS') policies, which are based on international standards. These are updated periodically to address opportunities for improvement and emerging risks.

Macquarie Group is committed to playing a leading role in driving the global transition to net zero. Alongside Macquarie's' investment commitments and work with clients to deliver practical solutions, Macquarie and GIG play an active role in the mobilisation of private capital through our participation in global initiatives.

In early FY2022, Macquarie Group made a commitment to reach net zero operational emissions by 2025 and to align financing activity with the global goal of net zero emissions by 2050.

GIG's mission is to accelerate the transition to net zero. To support this mission, GIG has moved to operate as part of Macquarie Asset Management ('MAM'). MAM has committed to invest and manage its portfolio in line with global net zero by 2040. The need for investment in the energy transition continues to grow substantially. The combined teams aim to significantly enhance Macquarie's capacity to mobilise institutional capital for the transition and provide greater scale of decarbonisation solution for clients, portfolio companies, communities and the environment.

Directors' Report
for the financial year ended 31 March 2022 (continued)

Section 172 (1) Statement (continued)
(d) Community and the environment (continued)
The Board acknowledges the work of the Macquarie Group Foundation (the "Foundation"), which is the philanthropic arm of Macquarie. The Foundation encourages Macquarie's employees to give back to the communities in which they live and work by contributing service, financial support and leadership to the community organisations they feel passionately about.

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. Further details on GIG's approach in the last year can be found in the GIG Progress Report.

(e) Reputation for high standards
The reputations of the Company, GIG 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 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 separate legal entity and is therefore making this statement as such, but in practical terms, the Company is part of a wider group and in addition to promoting the success of the Company as a whole, the duties of the directors of the Company are exercised in a way that is most likely to promote the success of the Company for the Macquarie group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

Directors' confirmations
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.

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

1. Methodology
1.1 Reporting period
The data is reported for the year ended 31 March 2022.

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.*

Directors' Report
for the financial year ended 31 March 2022 (continued)

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

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

The primary source of business-related travel emissions data in FY2022 was the dashboard provided by the Macquarie Group's exclusive global corporate card provider (Amex). Travel emissions are defined to include air travel, hotels, and ground transport. Additionally, our corporate card data also includes food & beverages for meals while travelling, as well as other forms of food & beverages spend that may not be directly related to business travel (e.g. staff or client entertainment). Emissions associated with personal expenses charged to a corporate Amex card will be included in "business travel.'

The definition of Scope 3 emissions relating to business travel has been expanded this year as more data has become available. From FY2010 to FY2020, business travel emissions were limited to air travel. In FY2021, they included both air and rail travel.

Additionally, in FY2022 the air travel emission calculation methodology has matured to be more comprehensive and now reflects the class of ticket flown (e.g. economy, business class).

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]

<u>Total electricity consumed (Scope 2)</u>
All electricity data for the financial year was obtained directly from actual tenancy or building data. No estimates were required.

<u>Other indirect emissions associated with business travel (Scope 3 emissions)</u>
Travel emissions data was sourced from Amex's Commercial Insights Carbon Footprint Tool and is based on spend and other transaction data collected from merchants. DEFRA emissions factors have been applied to air and ground travel, US Environmental Protection Agency (US EPA) emissions factors have been applied to food & beverages, and the Cornell Hotel Sustainability Benchmark Index (CHSB) was used to calculate hotel emissions.

Given the data available through the Commercial Insights Carbon Footprint Tool does not allow reporting based on individual employees, the data was extracted based on the Macquarie Group departments that the GIB employees work in and may therefore include a small amount of additional emissions outside of GIB's remit.

<u>Consistency with other energy use and emissions reporting</u>
This disclosure is consistent with the Macquarie Group's other energy use and emissions reporting, including in MGL's Annual Report and its submission to CDP (formerly the Carbon Disclosure Project). The FY2022 MGL Annual Report and independent assurance statement are available at Macquarie.com/ESG.

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

Directors' Report
for the financial year ended 31 March 2022 (continued)

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

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

	2022	Restated[3] 2021
Direct emissions associated with diesel, natural gas and refrigerants usage (Scope 1 emissions)[1] (t CO_2e)	-	-
Indirect emissions from electricity consumption (Scope 2 emissions) (t CO_2e)[2]	-	-
Other indirect emissions associated with business air travel (Scope 3 emissions) (t CO_2e)	**251.21**	5.39
Total emissions (all scopes) (t CO_2e)	**251.21**	5.39
Intensity ratios: Scope emissions (t CO_2e)/m2	-	-
Intensity ratios: Total emissions (t CO_2e) per capita	**9.66**	0.18
Energy consumption – from electricity (kWh)	**107,896**	96,815

[1] No natural gas, diesel or refrigerants have been consumed at the premises.
[2] All electricity consumed at the premises was procured from renewable energy sources.
[3] As stated above, the definition of Scope 3 emissions relating to business travel has been expanded this year. 2021 data has been restated from 2.86 t CO2e in line with the methodology change to allow for comparison. The increase in 2022 is due to COVID-19 travel restrictions being lifted.

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

Other indirect emissions associated with our client portfolio (Scope 3 emissions)
The 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
The energy consumed at the Morrison Street office increased by 11% from FY2021. While this can be largely attributed to the return of staff to the office, when comparing energy usage to a pre Covid year, FY22 consumption was 20% less than FY20.

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, all of the energy consumed at Morrison Street was sourced from renewable energy, in line with Macquarie Group's RE100 commitment to source 100% renewable energy for all Macquarie premises by 2025.

Carbon offsets
The Macquarie Group 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 Verified Carbon Standard. This includes all GIB emissions disclosed above.

Directors' Report
for the financial year ended 31 March 2022 (continued)

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. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and, 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,

Mark Dooley
Director

16 December 2022

Profit and loss account
for the financial year ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	4	**6,080**	123,732
Net gain on investments	4	**-**	42,690
Administrative expenses	4	**(19,816)**	(19,263)
Other operating income/(expenses)	4	**6,927**	(1,673)
Operating (loss)/profit		**(6,809)**	145,486
Interest receivable and similar income	4	**221**	72
Interest payable and similar expenses	4	**(88)**	(84)
(Loss)/profit before taxation	4	**(6,676)**	145,474
Tax on (loss)/profit	6	**3,064**	(1,750)
(Loss)/profit for the financial year		**(3,612)**	143,724

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

Turnover and (loss)/profit before taxation relate wholly to continuing operations.

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

UK Green Investment Bank Limited

Company Number SC424067

Balance sheet
as at 31 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets and right-of-use assets	8	**407**	701
Investments	9, 10, 11	**140,574**	1,750
Loan assets	12	**-**	177
Deferred tax assets	13	**2,379**	1,010
		143,360	3,638
Current assets			
Loan assets	12	**85**	-
Debtors	14	**105,742**	281,512
Current liabilities			
Creditors: amounts falling due within one year	16	**(8,295)**	(39,964)
Net current assets		**97,532**	241,548
Total assets less current liabilities		**240,892**	245,186
Creditors: amounts falling due after more than one year	17	**(100)**	(491)
Provisions for liabilities	18	**-**	(758)
Net assets		**240,792**	243,937
Shareholders' funds			
Called up share capital	19	**1,567**	1,567
Other reserves	20	**79,174**	78,707
Profit and loss account	20	**160,051**	163,663
Total shareholders' funds		**240,792**	243,937

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

The financial statements on pages 17 to 49 were approved by the Board of Directors on 16 December 2022 and were signed on its behalf by:

Mark Dooley
Director

Statement of changes in equity
for the financial year ended 31 March 2022

	Note	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
Balance as at 1 April 2020		1,567	78,593	58,741	138,901
Profit and total comprehensive income for the financial year		-	-	143,724	143,724
Total comprehensive income		-	-	**143,724**	**143,724**
Transactions with equity holders in their capacity as ordinary equity holders:					
Contribution from ultimate parent entity in relation to share-based payments	20	-	114	-	114
Dividends paid	7	-	-	(38,802)	(38,802)
Balance as at 31 March 2021		**1,567**	**78,707**	**163,663**	**243,937**
Loss and total comprehensive expense for the financial year		-	-	(3,612)	(3,612)
Total comprehensive expense		-	-	**(3,612)**	**(3,612)**
Transactions with equity holders in their capacity as ordinary equity holders:					
Contribution from ultimate parent entity in relation to share-based payments	20	-	467	-	467
Balance as at 31 March 2022		**1,567**	**79,174**	**160,051**	**240,792**

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 2022

Note 1. Company information

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

The principal activities of the Company during the financial year ended 31 March 2022 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.

Note 2. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and have been prepared in accordance with the provisions of the Companies Act 2006.

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. These financial statements are separate financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(i) Going concern

As at 31 March 2022, the Company had net assets of £240,792,000 (2021: £243,937,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(ii) Basis of measurement

The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention except for the following items:

- financial assets and liabilities that are otherwise measured on an amortised cost basis.
- 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.

(iii) Disclosure exemptions

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 UK adopted accounting standards ("IFRS").

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received was determined).
- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding).
  - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives).
- The requirements of IAS 7 'Statement of Cash Flows'.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 2. *Basis of preparation (continued)*

(iii) Disclosure exemptions (continued)

- 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 and 18A of IAS 24 'Related Party Disclosures' (key management compensation).
- 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 paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

(iv) Critical accounting estimates and significant judgements

The preparation of the financial statements in compliance 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 payments 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 (Note 3(iv)).
- judgement in timing and amount of impairment of interests in associates, loan assets and investment in subsidiaries (Notes 9, 10, 11, and 12).
- judgement in the choice of inputs, estimates and assumptions used in the measurement of Expected Credit Losses ("ECL") including the determination of significant increase in credit risk ("SICR"), forecasts of economic conditions and the weightings assigned thereto (Note 15 and 3(ix)).

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

(v) Coronavirus (COVID-19) impact

The Novel Coronavirus has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments, and regulators. The impact of COVID-19 continues to evolve and, where applicable, has been incorporated into the determination of the Company's results of operations and measurement of its assets and liabilities at the reporting date.

The Company's processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 31 March 2021 financial statements. Those processes identified that expected credit losses (Note 15) required continued judgement as a result of the impact of COVID-19.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. 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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 2. Basis of preparation (continued)

(vi) New Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been early adopted

The amendments to existing accounting standards that are effective for the annual reporting period beginning on 1 April 2021 did not result in a material impact to the Company's financial statements.

Note 3. Significant accounting policies

(i) Foreign currency translation

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

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, and
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in other operating expense (see Note 4).

For the detailed policy on Financial instruments refer to Note 3(iv).

(ii) 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 listed and 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), such as:

- the extent to which performance fee liabilities have been accrued by the fund 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's assets and potential downside valuation risks on each;
- time remaining until realisation of the assets and the fund's life or asset management services' timeline; and
- consideration of the ability to dispose of the asset, including any barriers to divest.

Advisory fees - The Company earns revenue through its role as advisor on corporate transactions as well as through its role as manager. 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 2022 (continued)

Note 3. Significant accounting policies (continued)

(ii) Revenue and expense recognition (continued)

Fee and commission income (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.

Other operating income/(expenses)

Other operating income/(expenses) comprises of net trading income or loss, 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 that are classified as fair value through profit and loss ("FVTPL") 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.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income.

Net interest income/(expense)

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset, which is not measured at fair value) are recognised using the effective interest rate ("EIR") method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. 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 to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

Interest income on financial assets that are not credit impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit impaired (Stage 3), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

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.

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and the dividend can be measured reliably.

Dividends or distributions from held for trading ("HFT") assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or Fair Value through Other Comprehensive Income ("FVOCI"), or as a reduction to the carrying amount of the investment in associates in the Company's balance sheet. Where associates are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income/expenses.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(ii) Revenue and expense recognition (continued)

Dividends and distributions (continued)

Judgement is applied in determining whether distributions from subsidiaries or associates are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income/expenses when the recognition criteria are met.

Expenses

Expenses are recognised in the profit and loss account as and when the provision of services is received.

Fee expense

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

(iii) 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 basis of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax basis 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 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 on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

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

Factors considered include the ability to offset tax losses, 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 with reference to the nature of the underlying uncertainty.

Value-Added Tax (VAT)

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 as a part of other operating expenses 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.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(iv) 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) for 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 paid or received 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 inputs 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 profit and loss account over the life of the transaction or when the inputs become observable.

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; or
- consideration of whether each of the financial instruments has its own terms and conditions and each may be transferred or settled separately.

De-recognition of financial instruments

Financial assets

Financial assets are derecognised from the balance sheet when:

- the rights to cash flows have expired; or
- 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;
- prohibited from selling or pledging the original asset other than as security to the eventual recipients; and
- 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 derecognised from the balance sheet when the Company's obligation has been discharged, cancelled or has expired.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost;
- investment income within other operating income and charges in respect of financial investments and loans to associates; and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

Classification and subsequent measurement

Financial assets

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

Business model assessment

The Company uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. 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).

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 consistent with a basic lending arrangement. 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.

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; and
(iii) the financial asset has not been classified as designated as at fair value through profit and loss ("DFVTPL").

Interest income determined in accordance with the EIR method is recognised as part of interest and similar income.

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 to both collect contractual cash flows and to sell the financial asset;
(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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

Fair value through other comprehensive income ("FVOCI") (continued)

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 in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified at FVOCI are de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income/(loss) as part of other operating income/(expenses) for all other financial assets.

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 (HFT), which are measured at FVTPL. 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 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 (FVTPL);
- *financial assets that fail the SPPI test (FVTPL); and*
- 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).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income/expenses.

Subsequent changes in the fair value of debt financial assets are measured at FVTPL are presented as follows:

- Changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis *are recognised in net trading income.*
- Changes in the fair value of debt financial investments and loans to associates that fail SPPI are recognised in investment income as part of other operating income/expenses.
- Changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income/(loss) and charges within other operating income and charges.

Where applicable, the interest component of financial assets is recognised as interest and similar income.

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 asset's new measurement category.

The Company does not reclassify financial liabilities after initial recognition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen;
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative liabilities are classified as HFT.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(iv) Financial instruments (continued)

Changes in the fair value of financial liabilities that are not classified as HFT are, with the exception of changes in fair value relating to changes in the Company's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised in other income and charges as part of other operating income/expenses.
Where applicable, the interest component of financial liabilities is recognised as interest and similar expense.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported on the balance sheet, when there is a current 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.

(v) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Company's lending activities to its customers. The Company's loans are finance lease receivables and represent the present value of lease rentals to be received from sub-tenants on the sub-let premises.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost) and subsequently measured in accordance with Note 3(iv) *Financial Instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment on derecognition, refer to Note 3(iv) *Financial Instruments*.

(vi) Investments

Investment 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 entity'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 provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. 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 its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from 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.

Investment in subsidiaries are assessed for impairment at each reporting date, refer to Note 3(ix) *Impairment*.

Interest in associates

Associates are entities, over which the Company has significant influence or joint control, but not control, are carried at cost in accordance with *IAS 27 Separate Financial Statements*.

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 the financial and operating policies or jointly control the relevant activities 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 (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(vii) Tangible assets and Right-of-use ("ROU") assets

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

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. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Tangible assets and ROU 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 a straight line basis for all assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Tangible Assets	Depreciation rates
Furniture, fittings and leasehold improvements[1]	10 to 20%
Computer Equipment	23 to 50%

[1] Where remaining lease terms are less than five years (20%), leasehold improvements are depreciated over the remaining lease term.

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised as part of other operating income and charges in the profit and loss account.

The depreciation charge relating to corporate building leases and depreciation relating to leases entered into or assets held by trading-related businesses for the purpose of facilitating trading activities is presented as part of administrative expenses 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.

(viii) Due to/from related entities

Transactions between the Company and its subsidiaries principally arise from the provision of lending arrangements and acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees, and are accounted for in accordance with Note 3(ii) *Revenue and expense recognition* and Note 3(iv) *Financial Instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 3(iv)), such that the net amount is reported in the balance sheet.

(ix) 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 issued that are not DFVTPL. 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").

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 15 Expected credit losses for further information. Outcomes within the next financial year that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(ix) Impairment (continued)
Expected credit losses ("ECL") (continued)

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 probability of default ("PD") over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage 1 also includes financial assets where the credit risk has improved and the instrument has been reclassified from stage 2.

(ii) Stage 2 – 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 lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Company exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Company's process to determine whether there has been a SICR is provided in Note 15 *Expected credit losses*.

Use of 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 adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Company exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage 2 may include financial assets where the credit risk has improved and has been reclassified from stage 3.

(iii) Stage 3 – Lifetime ECL credit-impaired
Financial assets are classified as Stage III where they are determined to be credit impaired, which generally matches 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 for portfolios of exposure, ECL is measured as the product of the lifetime PD, the loss given default ("LGD") and the exposure at default ("EAD"), adjusted for FLI.

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

- loan assets, 'Amounts due from other Macquarie group entities, loans to associates measured at amortised cost – as a deduction to the gross carrying amount.
- loan assets, loans to associates, and debt financial investments measured at FVOCI – as a reduction in FVOCI reserve within 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 and financial guarantees (not measured at FVTPL) – 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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(ix) Impairment (continued)
Expected credit losses ("ECL") (continued)
Impairment of interests in associates
The Company performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates 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 may be impaired, then the entire carrying amount of the investment in the associate 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 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. The impairment losses (reversal of impairments) on investment in associates are recognised in the profit and loss account as part of other impairment charges/reversal.

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.

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 in other impairment charges/reversal, 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/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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(x) Performance based remuneration
Share-based payments
The Company participates in its ultimate parent company, Macquarie Group'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.

The awards are measured at the grant date based on their fair value and using the number of equity instruments expected to vest.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(x) Performance based remuneration (continued)

The Company accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units ("PSUs") under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest. On vesting, the amount recognised in the share-based payment reserve is transferred to contributed equity.

For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREP award. To the extent that employing subsidiaries compensate the Company for the MEREP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREP liabilities are recognised and disclosed in Note 22 *Related party information*. To the extent that employing subsidiaries do not compensate the Company for the MEREP offered to their employees', the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in subsidiary with a corresponding increase in the share-based payments reserve. On vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

Cash settled awards: The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

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.

(xi) 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 of 12 months to 33 years and may include extension options. Leases are recognised as a ROU asset (as explained in Note 3(vii) *Tangible assets and right-of-use assets*) 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 as other administrative expenses 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, as other administrative expenses, where the carrying value of the ROU asset has been reduced to zero.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 3. Significant accounting policies (continued)

(xi) Leases (continued)

Presentation

The Company presents ROU assets in *Tangible Assets & right of use assets* (refer to Note 8) and lease liabilities in *Creditors: amounts falling due after more than one year* (refer to Note 17) in the balance sheet.

(xii) Called up share capital

Ordinary shares and other similar instruments are classified as equity.

(xiii) 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. Pound sterling amounts are presented in the Financial statements and the accompanying notes in thousands (£'000) unless otherwise indicated.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 4. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after crediting/(charging):	2022 £000	2021 £000
Turnover by category:		
Advisory services	**216**	1,322
Dividend income	**870**	95,360
Service fees received from other Macquarie Group undertakings	**4,959**	27,002
Other income	**35**	48
Total turnover	**6,080**	123,732
Net gain on investments:		
Realised gain on sale of investment	**-**	41,265
Total net gain on investments	**-**	41,265
Administrative expenses		
Wages and salaries	**(9,450)**	(9,930)
Social security costs	**(1,323)**	(1,028)
Share-based payment costs	**(2,183)**	(1,651)
Other staff costs	**(121)**	(236)
Other pension costs	**(185)**	(245)
Total staff costs	**(13,262)**	(13,090)
Service fees paid to Macquarie Group undertakings	**(2,761)**	(2,081)
Auditors' remuneration		
- Fees payable to the Company's auditors for the audit of the Company[3]	**(52)**	(40)
Resource charge from Macquarie Group undertakings	**(2,462)**	(2,362)
Depreciation charges	**(327)**	(254)
Professional fees	**(140)**	(332)
Rent and occupancy costs	**(78)**	(294)
Other administrative expenses	**(734)**	(810)
Total administrative expenses	**(19,816)**	(19,263)
Other operating income/(expenses):		
Foreign exchange losses	**(51)**	(56)
Credit impairment reversals/(charges)	**975**	(192)
Other impairment reversals/(charges)		
- Interest in associate	**6,003**	(1,425)
Total other operating income/(expenses)	**6,927**	(1,673)
Interest		
Interest receivable and similar income from: [1]		
Other Macquarie Group undertakings	**221**	72
Total interest receivable and similar income	**221**	72
Interest payable and similar expenses to: [2]		
Other Macquarie Group undertakings	**(61)**	(49)
Unrelated parties	**(27)**	(35)
Total interest payable and similar expenses	**(88)**	(84)

[1] Includes interest income calculated using effective interest method of £221,000 (2021: £72,000) on the financial assets in the Company that are measured at amortised cost.

[2] Includes interest expense of £88,000 (2021: £84,000) on the financial liabilities measured at amortised cost.

[3] Fees payable to the Company's auditors for current year includes £10,000 relating to previous year.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 5. Employee information

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

By activity	No. of employees 2022	No. of employees 2021
Advisory and sales	**25**	32
Administration and support services	**2**	3
Total employees	**27**	35

Note 6. Tax on (loss)/profit

	2022 £000	2021 £000
(i) Tax (credit)/expense included in profit or loss		
Current tax		
UK corporation tax at 19% (2021: 19%)	**(2,100)**	2,166
Adjustment in respect of previous periods	**(56)**	15
Total current tax	**(2,156)**	2,181
Deferred tax		
Origination and reversal of temporary differences	**(541)**	(431)
Adjustment in respect of previous periods	**70**	-
Effect of rate change	**(437)**	-
Total deferred tax	**(908)**	(431)
Tax on (loss)/profit	**(3,064)**	1,750

(ii) Reconciliation of effective tax rate

The income tax credit for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

(Loss)/profit before taxation	**(6,676)**	145,474
Current tax charge at 19% (2021: 19%)	**(1,268)**	27,640
Effects of:		
Adjustment in respect of previous periods	**14**	15
Non-deductible (expenses)/income	**(33)**	275
Effect of rate change	**(437)**	-
Non-assessable income	**(1,310)**	(26,184)
Share-based payments	**(30)**	4
Total tax on profit	**(3,064)**	1,750

The UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Note 7. Dividends paid

	2022 £000	2021 £000
Dividends paid		
Ordinary share capital		
- Dividends paid	-	38,802
Total dividends paid (Note 20)	-	38,802

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 8. Tangible assets and right-of-use assets

As at 31 March 2022	Cost £000	Accumulated depreciation and impairment £000	Carrying Value £000
Assets for own use			
Furniture, fittings and leasehold improvements	555	(532)	23
Computer and communication equipment	134	(132)	2
Total assets for own use	**689**	**(664)**	**25**
Right-of-use assets			
Office premises	1,134	(752)	382
Total right-of-use assets	**1,134**	**(752)**	**382**
Total tangible assets & right-of-use assets	**1,823**	**(1,416)**	**407**

The majority of the above amounts have expected useful lives longer than 12 months after the balance date.

The movement in the carrying value of the Company's tangible assets and right-of-use assets was as follows:

Assets for own use	Furniture, fittings and leasehold improvements £000	Computer equipment £000	Total £000
Balance at 31 March 2021			
Cost	544	134	678
Accumulated depreciation and impairment	(525)	(130)	(655)
Balance at 1 April 2021	19	4	23
Acquisitions and adjustments	11	-	11
Depreciation (Note 4)	(7)	(2)	(9)
Cost	555	134	689
Accumulated depreciation and impairment	(532)	(132)	(664)
Balance at 31 March 2022	**23**	**2**	**25**

Right-of-use assets	Property £000	Total £000
Balance at 31 March 2021		
Cost	1,112	1,112
Accumulated depreciation and impairment	(434)	(434)
Balance at 1 April 2021	678	678
Acquisitions	22	22
Depreciation (Note 4)	(318)	(318)
Cost	1,134	1,134
Accumulated depreciation and impairment	(752)	(752)
Balance at 31 March 2022	**382**	**382**

Note 9. Investments

	2022 £000	2021 £000
Interests in associates (Note 10)	**574**	1,750
Investments in subsidiaries (Note 11)	**140,000**	-
Total Investments	**140,574**	1,750

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 10. Interests in associates

	2022 £000	2021 £000
Equity investments with no provisions for impairment	**574**	-
Equity investments with provisions for impairment	-	10,331
Less: provisions for impairment	-	(8,581)
Total equity investments in associates[1][2]	**574**	1,750

[1]Financial statements of associates have various reporting dates which have been adjusted to align with the Company's reporting date.

[2]There are no associates that are individually material to the Company.

Reconciliation of movement:	Cost £000	Impairment £000	Net carrying value £000
Balance at 31 March 2021	10,331	(8,581)	1,750
Distribution[1]	**(2,578)**	-	**(2,578)**
Distribution	**(7,179)**	-	**(7,179)**
Impairment reversal	-	**8,581**	**8,581**
Balance at 31 March 2022	**574**	-	**574**

[1] Distribution treated as dividend income in 2021; in 2022 it was reclassified as a return of capital and charged against the gain. Net gain of £6,003 calculated by the impairment reversal of £8,581 less the 2021 distribution of (£2,578).

The Company holds a 10% interest (2021: 10%) in UK Green Infrastructure Platform Limited and accounts for it as an interest in associate on the basis of exercising significant influence through its advisory contract, Board representation and secondment of key management. The carrying value of the investment in associate represents the recoverable value of the Company's share as determined on the basis of its value in use ("VIU"). As at 6 April 2022, the associate entered voluntary liquidation.

Summarised information of certain interests in material associates are as follows:

Name of entity	Principal activity	Ownership interest 2022 %	2021 %
UK Green Infrastructure Platform Limited[1]	Holding company	**10**	10

[1] The registered address is 1 More London Place, London, SE1 2AF, United Kingdom.

Note 11. Investments in subsidiaries

	2022 £000	2021 £000
Investments at cost with no provisions for impairment[1]	**140,000**	-
Total investments in subsidiaries	**140,000**	-

[1]During the financial year the Company did not recognise a provision for impairment on its investment in subsidiaries. The recoverable amount has been estimated using valuation techniques which incorporate the subsidiaries' consolidated maintainable earnings, financial position and growth rates.

The material subsidiary of the Company, based on contribution to the Company's (loss)/profit after income tax, the size of the investment made by the Company or the nature of activities conducted by the subsidiary, is:

Name of subsidiary	Nature of business	Place of incorporation	2022 % ownership[3]	2022 £000	2021 £000
Green Investment Group Limited	Holding company	UK[1]	100%	**140,000**	-
UK Green Community Lending Limited	Holding company	UK[2]	100%	-	-
Total investments in subsidiaries				**140,000**	-

[1]The registered office is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX, Scotland.

[2]The registered office is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom.

[3]There was no change in ownership % from the prior year.

The subsidiaries have a 31 March reporting date.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 12. Loan assets

Finance lease receivables

Finance lease receivables are included within loan assets and represent the present value of lease rentals to be received from sub-tenants on the sub-let premises located at Atria One, 144 Morrison Street, Edinburgh, EH3 8EX, Scotland, United Kingdom.

	2022			2021		
	Gross	**ECL allowance**	**Net**	Gross	ECL allowance	Net
	£000	**£000**	**£000**	£000	£000	£000
Finance lease receivables	**85**	**-**	**85**	177	-	177
Total loan assets	**85**	**-**	**85**	177	-	177

The following table represents the maturity profile of the contractual undiscounted cashflows of the Company:

	2022			2021		
	Gross investment in finance lease receivables	**Unearned income**	**Present value of minimum lease payments receivable**	Gross investment in finance lease receivables	Unearned income	Present value of minimum lease payments receivable
	£000	**£000**	**£000**	£000	£000	£000
Within one year	**87**	**(2)**	**85**	96	(4)	92
Between one to two years	**-**	**-**	**-**	87	(2)	85
Between two to three years	**-**	**-**	**-**	-	-	-
Total finance lease receivables	**87**	**(2)**	**85**	183	(6)	

The receivables under finance leases are as follows:

	Total future payments	**Unearned interest income**	**Present value**	Total future payments	Unearned interest income	Present value
	£000	**£000**	**£000**	£000	£000	£000
Within one year	**87**	**(2)**	**85**	96	(4)	92
Between one and five years	**-**	**-**	**-**	87	(2)	85
Total	**87**	**(2)**	**85**	183	(6)	177

Note 13. Deferred tax assets

	2022	2021
The balance comprises temporary differences attributable to:	**£000**	£000
Other assets and liabilities	**2,282**	924
Fixed assets	**97**	86
Net deferred tax assets	**2,379**	1,010
Reconciliation of the Company's movement in deferred tax assets		
Balance at the beginning of the financial year	**1,010**	471
Timing differences:		
Amounts credited to profit and loss	**541**	431
Effect of changes in tax rates	**437**	-
Deferred tax charged to equity	**449**	108
Adjustment in respect of previous periods	**(70)**	-
Others	**12**	-
Balance at the end of the financial year	**2,379**	1,010

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

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 14. Debtors

	2022 £000	2021 £000
Amounts owed by other Macquarie Group undertakings[1]	**103,190**	280,848
Income tax receivables	**2,120**	-
Prepayments and accrued income	**394**	409
VAT recoverable	**31**	-
Fees and other receivables	**2**	209
Other debtors	**5**	46
Total debtors	**105,742**	281,512

[1]Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

At the reporting date, amounts owed from other Macquarie Group undertakings have ECL allowance of £85,000 (2021: £301,000) which is net presented against the gross carrying amount.

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 *Financial Instruments*.

	As at 31 Mar 2022		As at 31 Mar 2021	
	Gross exposure[1]	**ECL allowance**	Gross exposure[1]	ECL allowance
	£000	**£000**	£000	£000
Amounts owed from other Macquarie Group Undertakings	**103,190**	**(80)**	280,848	(302)
Other debtors	**2**	**-**	209	-
Undrawn credit/(charge) commitments and financial guarantees[2]	**1,040**	**-**	1,040	(758)
Total credit/(charge) impaired financial assets	**104,232**	**(80)**	282,097	(1,060)

[1]The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents amortised cost before fair value adjustments and ECL allowance. *Accordingly, these exposures will not equal the amount as presented in the Balance sheet.*

[2]Off balance sheet exposures includes gross exposure for undrawn credit commitments and financial guarantees (not measured at FVTPL). The gross exposure represents the 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	**Other debtors**	**Undrawn credit commitments**	**Total**
	£000	**£000**	**£000**	**£000**
Balance as at 1 April 2020	(57)	(48)	(758)	(863)
Transfers during the year:				
Impairment (charge)/reversal	(245)	48	-	(197)
Balance as at 31 March 2021	(302)	-	(758)	(1,060)
Transfers during the year:				
Impairment reversal	**222**	**-**	**758**	**980**
Balance as at 31 March 2022	**(80)**	**-**	**-**	**(80)**

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 16. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Lease liabilities	**(391)**	(380)
Taxation	-	(2,164)
Amounts owed to other Macquarie Group undertakings[1]	**(268)**	(31,094)
Accruals and deferred income[2]	**(4,302)**	(3,804)
VAT payable	-	(353)
Other creditors	**(3,334)**	(2,169)
Total creditors: amounts falling due within one year	**(8,295)**	(39,964)

[1]Amounts due to other Macquarie Group undertakings are unsecured and have no fixed date of repayment.

[2]The revenue recognised in the current year that was included in the deferred income balance at the beginning of the year was £5,000 (2021: £4,000).

Note 17. Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**(100)**	(491)
Total creditors: amounts falling due after more than one year	**(100)**	(491)

Note 18. Provisions for liabilities

	2022 £000	2021 £000
Expected credit loss - off balance sheet	-	(758)
Total provisions for liabilities	-	(758)

The above amounts are expected to be settled after 12 months of the reporting date by the Company.

Reconciliation of provisions:	**ECL £000**	**Total £000**
Balance at the beginning of the financial year	(758)	(758)
Provisions reversed during the year	758	758
Balance at the end of the financial year	-	-

Note 19. Called up share capital

	2022 Number	2021 Number	2022 £000	2021 £000
Called up share capital				
Opening balance of fully paid ordinary shares at £0.01 per share	**156,745**	156,745	**1,567**	1,567
Closing balance of issued and fully paid ordinary shares at £0.01 per share	**156,745**	156,745	**1,567**	1,567

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 20. Reserves and profit and loss account

	2022 £000	2021 £000
Equity contribution from parent entity		
Opening balance of equity contribution from parent entity	**78,707**	78,593
Capital contribution	**467**	114
Total equity contribution from parent entity	**79,174**	78,707
Total other reserves	**79,174**	78,707

Profit and loss account	2022 £000	2021 £000
Balance at the beginning of the financial year	**163,663**	58,741
(Loss)/profit for the financial year	**(3,612)**	143,724
Dividends paid on ordinary share capital (Note 7)	**-**	(38,802)
Balance at the end of the financial year	**160,051**	163,663

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; and
- safeguard the Company's ability to continue as a going concern.

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

Note 22. Related party information

As 100% of the voting rights of the Company are controlled within the group headed by MGL, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Macquarie Group. The consolidated financial statements of MGL, within which the Company is included, can be obtained from the address given in Note 26.

The Master Loan Agreement (the "MLA") governs the funding arrangements between various subsidiaries and related body corporate entities which are under the common control of MGL and have acceded to the MLA. The Tripartite Outsourcing Major Services Agreement ("TOMSA") governs the provision of intra-group services between subsidiaries and related body corporate entities other than certain excluded entities.

Relationships with an entity which is not a party to the MLA have been presented on a gross basis.

The Company does not have any related party transactions or balances other than those with entities which form part of the Macquarie Group as mentioned below and the loans and investments in associates. All transactions with related entities were made on normal commercial terms and conditions and at market rates except where indicated.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 22. Related party information (continued)
Investments held by Company's subsidiaries:

Details of holdings by related party undertakings are as below:

Name of related party	Registered office	2022 % ownership	Class of shares
Subsidiaries of Green Investment Group Limited			
Green Investment Group Investments Limited	UK[1]	100%	Ordinary
Bilbao Offshore TopCo Limited	UK[2]	100%	Ordinary
Cero Generation Limited	UK[3]	100%	Ordinary
Cero Generation Holdings France Limited	UK[3]	100%	Ordinary
Cero Generation Holdings Greece Limited	UK[3]	100%	Ordinary
Gilda Energy Single Member Private Company	Greece[13]	100%	Ordinary
Hibiscus Energy Single Member Private Company	Greece[4]	100%	Ordinary
Helios Serron SA	Greece[4]	100%	Ordinary
Wattcrop Projects UK Limited	UK[3]	66.67%	Ordinary
Wattrcop Hellas I.K.E	Greece[5]	66.67%	Share Parts
Cero Generation Holdings Italy Limited	UK[3]	100%	Ordinary
Solar Italy III S.R.L.	Italy[6]	100%	Quota
Solar Italy VI S.R.L.	Italy[6]	100%	Quota
Sole Renewables Limited	UK[3]	90%	Ordinary
Sole Renewables Italy Limited	UK[3]	90%	Ordinary
Energia Verde Trapani S.r.l.	Italy[7]	90%	Quota
SOL PV1 S.R.L.	Italy[8]	90%	Quota
SR Augusta S.R.L.	Italy[9]	90%	Ordinary
SR Bari S.R.L.	Italy[9]	90%	Ordinary
SR Project 1 S.R.L.	Italy[9]	90%	Ordinary
SR Project 4 S.R.L.	Italy[9]	90%	Ordinary
SR Project 5 S.R.L.	Italy[9]	90%	Ordinary
SR San Giuseppe S.R.L.	Italy[9]	90%	Ordinary
SR Taranto S.R.L.	Italy[9]	90%	Ordinary
SR Torino S.R.L.	Italy[9]	90%	Ordinary
SR Trapani S.R.L.	Italy[9]	90%	Ordinary
Sonne (Italy) Holdings Limited	UK[3]	100%	Ordinary
Trisol 81 S.r.l.	Italy[6]	100%	Ordinary
Trisol 82 S.r.l.	Italy[6]	100%	Quota
Cero Generation Holdings Spain Limited	UK[3]	100%	Ordinary
Nara Solar, S.L.	Spain[10]	80%	N/A
Paseta Servicios Empresariales, S.L.	Spain[11]	100%	Ordinary
Tencata Servicios Empresariales, S.L.	Spain[11]	100%	Ordinary
Encina New Energy S.L.	Spain[11]	80%	Ordinary
Ficus Solar PV, S.L.	Spain[11]	80%	Ordinary
Manzano Solar PV, S.L.	Spain[11]	80%	Ordinary
Solar-PV EXT 001 Sociedad Limitada	Spain[11]	80%	Ordinary
Ticopa Servicios Empresariales, S.L.	Spain[11]	100%	Ordinary
Abeto New Energy S.L.	Spain[11]	80%	Ordinary

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 22. Related party information (continued)

Name of related party	Registered office	2022 % ownership	Class of shares
Loto Solar PV, S.L.	Spain[11]	80%	Ordinary
Magnolia Solar PV, S.L.	Spain[11]	80%	Ordinary
Olivo New Energy, S.L.	Spain[11]	80%	Ordinary
Sabina Solar PV S.L.	Spain[11]	80%	Ordinary
Sauce New Energy, S.L.	Spain[11]	80%	Ordinary
Cero Generation Holdings UK Limited	UK[3]	100%	Ordinary
Enso Green Holdings Limited	UK[3]	75%	Ordinary
Aberthaw Green Limited	UK[3]	75%	Ordinary
Bolney Green Limited	UK[3]	75%	Ordinary
Bramford Green Limited	UK[3]	75%	Ordinary
Bramley Solar Limited	UK[3]	75%	Ordinary
Bridgwater Green Limited	UK[3]	75%	Ordinary
Cowley Baldon Green Limited	UK[3]	75%	Ordinary
Elstree Green Limited	UK[3]	75%	Ordinary
Enso Green Holdings A Limited	UK[3]	75%	Ordinary
Enso Green Holdings B Limited	UK[3]	75%	Ordinary
Enso Green Holdings C Limited	UK[3]	75%	Ordinary
Enso Green Holdings D Limited	UK[3]	75%	Ordinary
Enso Green Holdings E Limited	UK[3]	75%	Ordinary
Enso Green Holdings F Limited	UK[3]	75%	Ordinary
Enso Green Holdings G Limited	UK[3]	75%	Ordinary
Enso Green Holdings H Limited	UK[3]	75%	Ordinary
Enso Green Holdings I Limited	UK[3]	75%	Ordinary
Enso Green Holdings J Limited	UK[3]	75%	Ordinary
Enso Green Holdings K Limited	UK[3]	75%	Ordinary
Enso Green Holdings L Limited	UK[3]	75%	Ordinary
Enso Green Holdings M Limited	UK[3]	75%	Ordinary
Enso Green Holdings N Limited	UK[3]	75%	Ordinary
Enso Green Holdings O Limited	UK[3]	75%	Ordinary
Iron Acton Green Limited	UK[3]	75%	Ordinary
Enso Green Holdings P Limited	UK[3]	75%	Ordinary
Enso Green Holdings Q Limited	UK[3]	75%	Ordinary
Enso Green Holdings R Limited	UK[3]	75%	Ordinary
ENSO GREEN HOLDINGS SS LIMITED	UK[3]	75%	Ordinary
Enso Green Holdings T Limited	UK[3]	75%	Ordinary
Enso Green Holdings U Limited	UK[3]	75%	Ordinary
Enso Green Holdings V Limited	UK[3]	75%	Ordinary
Enso Green Holdings W Limited	UK[3]	75%	Ordinary
Enso Green Holdings X Limited	UK[3]	75%	Ordinary
Enso Green Holdings Y Limited	UK[3]	75%	Ordinary
Enso Green Holdings Z Limited	UK[3]	75%	Ordinary
Fleet Green Limited	UK[3]	75%	Ordinary

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 22. Related party information (continued)

Name of related party	Registered office	2022 % ownership	Class of shares
Lovedean Green Limited	UK[3]	75%	Ordinary
Melksham Calne Green Limited	UK[3]	75%	Ordinary
Pembroke Green Limited	UK[3]	75%	Ordinary
Rayleigh Green Limited	UK[3]	75%	Ordinary
Sundon Green Limited	UK[3]	75%	Ordinary
Walpole Green Limited	UK[3]	75%	Ordinary
Warley Green Limited	UK[3]	75%	Ordinary
Wylfa Green Limited	UK[3]	75%	Ordinary
Ilios Investment Limited	UK[3]	100%	Ordinary
Clifton Investment Holdings Limited	UK[3]	100%	Ordinary
NRG 1 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 10 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 11 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 12 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 13 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 14 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 16 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 2 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 3 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 4 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 5 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 6 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 7 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 8 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
NRG 9 spółka z ograniczoną odpowiedzialnością	Poland[12]	100%	Ordinary
Sonne Solar Limited	UK[3]	100%	Ordinary
Cero Generation Services Limited	UK[3]	100%	Ordinary
Corio Generation Limited	UK[3]	100%	Ordinary
Cero Generation Services Greece Single Member Private Company	Greece[13]	100%	Ordinary
Cero Generation Services Limited, Sucursal en España	Spain[11]	100%	Ordinary
Cero Services Italy S.R.L.	Italy[14]	100%	Quota
Chablis TK Holdings Limited	UK[3]	100%	Ordinary
CHAPTRE GreenCo Holdings Limited	UK[3]	100%	Ordinary
CHAPTRE GreenCo Limited	UK[15]	100%	Ordinary
CHAPTRE Investments Limited	UK[15]	100%	Ordinary
GIG OSW Investments Limited	UK[3]	100%	Ordinary
GIG Faune HoldCo Limited	UK[3]	100%	Ordinary
Capbal Faune Limited	UK[3]	100%	Ordinary
Maldon BESS Limited	UK[3]	100%	Ordinary
GIG OSW Extension TopCo Limited	UK[3]	100%	Ordinary
Bada Services (Korea) Limited	Korea[29]	100%	Ordinary
FEMA HoldCo PTE. Limited	Singapore[16]	100%	Ordinary

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 22. Related party information (continued)

Name of related party	Registered office	2022 % ownership	Class of shares
GIG Australian Offshore Wind Energy Holdings PTY Ltd.	Australia[17]	100%	Ordinary
Great Southern Offshore Wind Farm PTY Ltd.	Australia[17]	100%	Ordinary
Great Southern Offshore Wind Farm Project Co. PTY Ltd.	Australia[17]	100%	Ordinary
GIG Australian Offshore Wind Investments HoldCo Limited	UK[3]	100%	Ordinary
GIG OSW Service Company Limited	UK[3]	100%	Ordinary
Macquarie Capital (Taiwan) Co, Ltd.	Taiwan[30]	100%	Ordinary
OSW Investments Taiwan JVCo 1 Limited	UK[3]	100%	Ordinary
OSW Investments Taiwan JVCo 2 Limited	UK[3]	100%	Ordinary
OSW Investments Taiwan JVCo 3 Limited	UK[3]	100%	Ordinary
Philippines OSW Investments Limited	UK[3]	100%	Ordinary
Green Empire WtE Holdings Limited	UK[3]	100%	Ordinary
Inis Top Company Limited	UK[3]	100%	Ordinary
Inis Holding Company Limited	UK[3]	100%	Ordinary
Fuinneamh Sceirde Teoranta	Ireland[18]	100%	Ordinary
Kusten Offshore Holding Company Limited	UK[3]	100%	Ordinary
Favonius AB	Sweden[19]	100%	Ordinary
Lapin Investment Limited	UK[3]	100%	Ordinary
Lochlann FinCo Limited	UK[1]	100%	Ordinary
Lochlann HoldCo Limited	UK[1]	100%	Ordinary
Lochlann TopCo Limited	UK[1]	100%	Ordinary
Maryland HoldCo Limited	UK[3]	100%	Ordinary
Maryland TopCo Limited	UK[3]	100%	Ordinary
Nordic Renewable Power Holdings (UK) Limited	UK[3]	100%	Ordinary
Nordic Renewable Power (Holdings) AB	Sweden[20]	100%	Ordinary
Nordic Renewable Power AB	Sweden[20]	100%	Ordinary
Buheii Vindkraft AS	Norway[21]	100%	Ordinary
Lake Wind AB	Sweden[22]	100%	Ordinary
Tysvaer Vindpark AS	Norway[23]	100%	Ordinary
Norgh Holding Company Limited	UK[3]	100%	Ordinary
Pakaa HoldCo ApS	Denmark[24]	100%	Ordinary
Poland Wind HoldCo Limited	UK[3]	100%	Ordinary
Renewables HoldCo Limited	UK[3]	100%	Ordinary
Sea Lion Wind HoldCo Limited	UK[3]	100%	Ordinary
Vanadium Holdco Limited	UK[3]	100%	Ordinary
Collfield Investments sp.z.o.o.	Poland[25]	100%	Ordinary
Elwiatr Pruszynski sp.z o.o.	Poland[26]	100%	Ordinary
Future Energy sp. z o.o.	Poland[27]	100%	Ordinary
Radzyn Clean Energy Poland sp.z o.o.	Poland[28]	100%	Ordinary
NieuweWind HoldCo Limited	UK[3]	100%	Ordinary

[1]The registered address is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX, Scotland, United Kingdom.

[2]The registered address is 3, 4th Floor, More London Riverside, London, SE1 2AQ, England.

[3]The registered address is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom.

Notes to the financial statements for the financial year ended 31 March 2022 (continued)

Note 22. Related party information (continued)

[4] The registered address is Grant Thornton, Athens 58 Katehaki Av., Athens Zip Code 11525, Greece.

[5]The registered address is 46 Imeras Street, Ptolemaida, P.C. 50200, Greece.

[6]The registered address is Via Giorgio, Giulini 2, CAP 20123, Milano, Italy.

[7]The registered address is via Venti Settembre, 69, 90141, Palermo, Italy.

[8]The registered address is Augusta (SR) , Via Deledda 5, 96011, Sicily, Italy.

[9]The registered address is Largo Donegani Guido 2, CAP 20121, Milano, Italy.

[10]The registered address is Calle Lopez de Hoyos 15, 28006, Madrid, Spain.

[11]The registered address is Calle Serrano, 21, 5th floor, 28001, Madrid, Spain.

[12]The registered address is Grant Thornton Poland, Grant Thornton Frąckowiak sp. z o.o, Malta Office Park Bud. F, ul. abpa A. Baraniaka

[13]The registered address is Katehaki 58, Athens, 11525, Greece.

[14]The registered address is Via Melchiorre Gioia 8, 20124, Milano, Italy.

[15]The registered address is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG, United Kingdom.

[16]The registered address is 9 Straits View, #21-07 Marina One West Tower, 018937, Singapore.

[17]The registered address is Level 6, 50 Martin Place, Sydney NSW 2000, Australia.

[18]The registered address is Teach Mór Thiar, Inverin, Co. Galway, Ireland.

[19]The registered address is c/o Deloitte AB, Box 415, 831 26 Östersund, Sweden.

[20]The registered address is c/o Permian, Bryggargatan 5, 111 21, Stockholm, Sweden.

[21]The registered address is Wergelandsveien 23B, 0167 Oslo, Oslo, 0301, Norway.

[22]The registered address is c/o OX2, Box 2299, 103 17, Stockholm, Sweden.

[23]The registered address is 5570 Aksdal, Tysvaer, 1146, Norway.

[24]The registered address is c/o JB Future ApS, Thorvaldsensvej 2, 5. th., Frederiksberg C Denmark 1871.

[25]The registered address is Towarowa Street 28, 00-839, Warsaw, Poland.

[26]The registered address is Plac Pilsudskiego 1, 00-078, Warsaw, Poland.

[27]The registered address is Pl. Rodła 8, 70-419 Szczecin, Poland.

[28]The registered address is Konstruktorska 12A, 02-673, Warsaw, Poland.

[29]The registered address is 18th Floor, Unit A, Centropolis, 26 Ujeongguk-ro, Jongno-gu, Seoul, 03161, Korea, Republic of.

[30]The registered address is 27F-1, Taipei Nanshan Plaza, No. 100 Songren Road, Xinyi District, Taipei , Taiwan, 11073 , Taiwan.

Loans and investments in associates

Transactions between the Company and its associated companies principally arise from equity investments, the granting of loans, and related interest income.

UK Green Infrastructure Platform Limited (UK GIP)	**2022**	2021
Equity funding	**£000**	£000
Investment balance brought forward	**10,331**	10,331
Return of capital[(1)]	**(9,757)**	-
Total loans and investments in associates as at 31 March	**574**	10,331

[(1)]Investment in UK GIP was decreased due to a return of capital.

Note 23. Directors' remuneration

During the financial years ended 31 March 2022 and 31 March 2021, 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.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 24. Employee equity participation

Macquarie Group Employee Retained Equity Plan ("MEREP")

The Company participates in its ultimate parent company's share based compensation plans, being 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:

Restricted Share Units ("RSUs")

An RSU is a beneficial interest in an MGL ordinary share held on behalf of a MEREP participant by the plan trustee ("Trustee"). The participant is entitled to receive dividends on the share and direct the Trustee how to exercise voting rights of the share. The participant also has the right to request the release of the share from the MEREP Trust, subject to the vesting and forfeiture provisions of the MEREP.

	Number of RSU Awards	
	2022	2021
RSUs on issue at the beginning of the financial year	**37,773**	30,631
Granted during the financial year	**9,467**	13,209
Forfeited during the financial year	**(933)**	(1,089)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(6,569)**	(4,756)
Net transfers to related body corporate entities	**(5,700)**	(222)
RSUs on issue at the end of the financial year	**34,038**	37,773
RSUs vested and not withdrawn from the MEREP at the	**-**	-

The weighted average fair value of the RSU awards granted during the Financial year was £86.31 (2021: £68.62).

Deferred Share Units ("DSUs")

A DSU represents a right to receive on exercise of the DSU either an MGL's share held in the Trust or a newly issued MGL share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. MGL may issue shares to the Trustee or direct the Trustee to acquire shares on-market, or via a share acquisition arrangement for potential future allocations to holders of DSUs.

Generally, where permitted by law, DSUs will provide for cash payments in lieu of dividends paid on MGL ordinary shares before the DSU is exercised. Further, the number of shares underlying a DSU will be adjusted upon any bonus issue or other capital reconstruction of MGL in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the MGL's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

DSUs will only be offered in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs have been granted with an expiry period of up to nine years.

	Number of DSU Awards	
	2022	2021
DSUs on issue at the beginning of the financial year	**10,780**	-
Granted during the financial year	**20,753**	10,780
DSUs on issue at the end of the financial year	**31,533**	10,780
DSUs exercisable at the end of the financial year	**11,273**	3,697

The weighted average fair value of the DSU awards granted during the financial year was £80.47 (2021: £63.20).

Restricted Shares

A Restricted Share is an MGL ordinary share transferred from the MEREP Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. The participant is entitled to receive dividends on, and to exercise the voting rights of, the Restricted Shares. Restricted Shares are only offered in jurisdictions where legal or tax rules make RSU/DSU awards impractical.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 24. Employee equity participation (continued)

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

- Executive Directors with retained Directors' Profit Share (DPS) from 2013 onwards, a proportion of which is allocated in the form of MEREP awards (Retained DPS 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).
- 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
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant[1]
Retained DPS Awards	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant[2]
New Hire Awards	All Director-level staff	1/3rd on each first day of a staff trading window on or after the 2nd, 3rd and 4th anniversaries of 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 invitation or 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 2021 retention, the allocation price was the weighted average price of the shares acquired for the 2021 issue period, which was 24 May 2021 to 4 June 2021. That price was calculated to be £86.49 (2020 retention: £61.87).

Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value. This amount is recognised as an expense evenly over the respective vesting period.

RSUs and DSUs have been granted in the current financial year in respect of the 2021 performance. The accounting fair value of each of these grants is estimated using MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 0.5291% per annum
- expected vesting dates of PSUs: 1 July 2025
- dividend yield: 3.73% per annum.

While RSUs and DSUs for FY2022 performance will be granted during FY2023, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021, related to these future grants. The expense is estimated using the estimated MEREP retention for FY2022 and applying the amortisation profile to the retained amount.

In the following financial year, the entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU and DSU when granted and will use this valuation for recognising the expense over the remaining vesting period.

Notes to the financial statements
for the financial year ended 31 March 2022 (continued)

Note 24. Employee equity participation (continued)

The Company annually revises its estimates of the number of awards (including those delivered through MEREP) that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the employment expenses in the profit and loss account.

For the financial year ended 31 March 2022, compensation expenses relating to the MEREP totalled £2,281,000 (2021: £1.667.000).

Note 25. Contingent liabilities and commitments

The following contingent liabilities and commitments exclude derivatives.

Commitments exist in respect of	**2022** **£000**	2021 £000
Undrawn credit facilities[1],[2]	**1,040**	1,040
Total contingent liabilities and commitments	**1,040**	1,040

[1]Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Company.

[2]Includes £1,040 (2021: £1,040) of debt commitment to associates of the Company. This undrawn credit facility (UK GIP) was subsequently wound down in April 2022.

The Company operates in a number of regulated markets and is subject to regular regulatory reviews and inquiries. From time to time these may result in litigation, fines or other regulatory enforcement actions. As at the reporting date there are no matters of this nature for which the Company expects to result in a material economic outflow of resources and the Company considers the probability of there being a material adverse effect in respect of litigation or claims that have not yet been provided for to be remote.

Note 26. Ultimate parent undertaking

At 31 March 2022 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 27. Events after the reporting year

There were no material events subsequent to 31 March 2022 and up until the authorisation of the financial statements for issue that have not been reflected in the financial statements.

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 2022 and of its loss 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 2022; the Profit and loss account and 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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 in respect of the financial statements, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as The Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to Statement of Directors' responsibilities in respect of the financial performance, and applying management bias in the determination of accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiries with management and those charged with governance, including review of meeting minutes in so far as they relate to the financial statements, and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Applying risk-based criteria to all journal entries posted in the audit period, including consideration of backdated entries, post-close entries and those journals posted by a defined group of unexpected users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 December 2022

Green impact statements (unaudited)

Green performance

We measure and report on the green impact of our investment activities with rigour and transparency. We have maintained a consistent and robust approach since our inception to ensure all our investment activities contribute positively to at least one of GIG's Green Purposes.

Our investment approach is underpinned by a framework of three documents which drive all our investment decisions. All three documents are publicly available on the GIG website.

- *Green Investment Principles*
  - Sets the benchmark for assessing and managing the green impact of investment transactions and related activity.
- *Green Investment Policy*
  - Describes how we ensure that our activities and those of our portfolio companies and funds align with our Green Investment Principles.
- *Green Impact Reporting Criteria*
  - Sets out how we calculate and report the green impact of our investments and activities.

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. The quantitative green impact of all our projects is measured by comparing the performance of a project to a defined baseline or 'counterfactual'. This baseline is what would happen in the absence of a project. We do not report green impact for projects into which we have only provided development funding at this stage, due to the relative uncertainty over potential future green impact.

Further details are provided on p. 59.

In 2020 the Company commissioned an independent benchmarking review by Arup to identify potential new metrics to track green impact. We continue to develop approaches in the fields of environmental and biodiversity measurement that can be applied in future years.

GREEN RATINGS – THE QUALITATIVE APPROACH

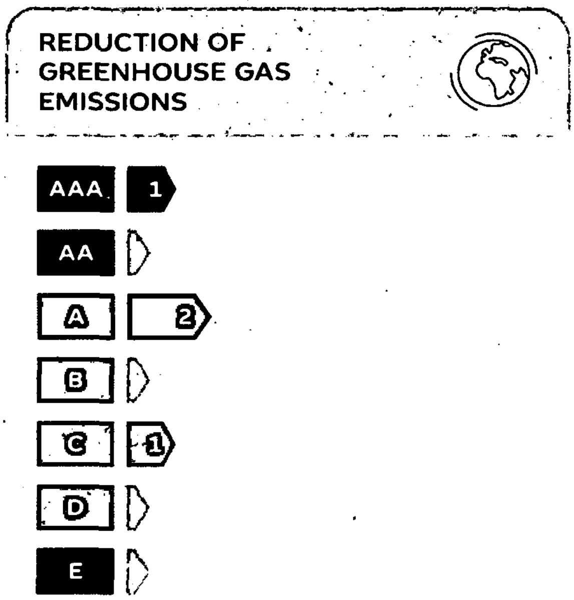
The Company has always used qualitative data as well as metrics to evaluate the green impact of investments, as we know that certain environmental effects of projects – such as on habitats and species – are not readily quantified. We have measured and disclosed the qualitative contributions of our activities to our five Green Purposes through green ratings. Our ratings approach for the reporting period is consistent and comparable with our first disclosures of these ratings last year, although we are currently in the process of revisiting and updating our approach in light of the findings of the independent benchmarking review undertaken by Arup.

We use our green ratings against all five of our Green Purposes to inform our investment decisions – a project's contribution is evaluated on a scale of AAA to E, as indicated below. Here we report our total ratings given to investments in the year (at FID or later, in accordance with our Green Impact Reporting Criteria). The graphics below indicate the number of projects assigned to each rating .

Green impact statements (unaudited) (continued)

Green performance (continued)

The reduction of greenhouse gas emissions



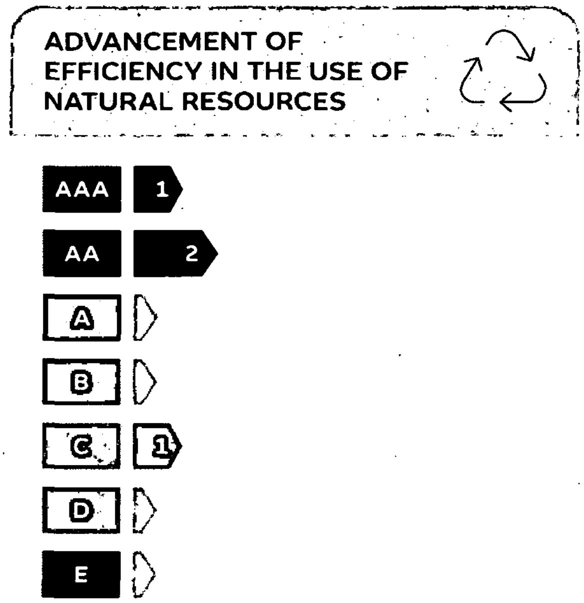
- Most of the projects in which we invested in 2021/22 are forecast to result in reduced greenhouse gas emissions with one project rated AAA, the highest rating.
- One project is not forecast to directly result in reduced greenhouse gas emissions. This is a Battery *Energy Storage System (BESS) project.*
- 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 CO_2e).

Green impact statements (unaudited) (continued)

Green performance (continued)

The advancement of efficiency in the use of natural resources

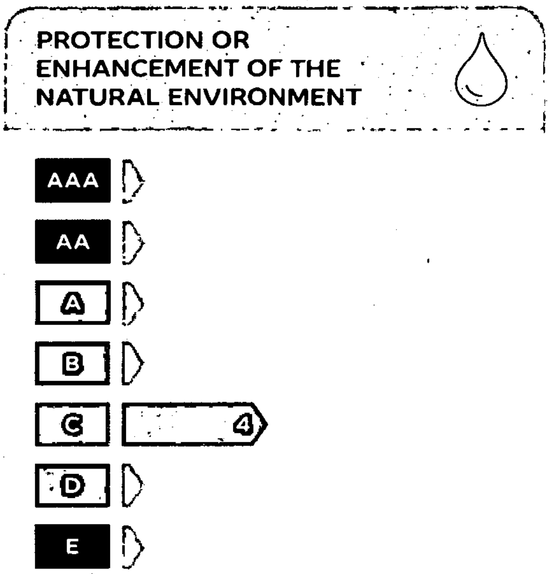


- Most of the 2021/22 projects are forecast to advance resource use efficiency.
- Projects achieving higher ratings have greater displacement of natural resource consumption.
- The BESS project has achieved a C rating as it does not directly result in advancing natural resource efficiency.

The metrics reported for this Green Purpose are:
- renewable energy generation (GWh)
- energy consumption avoided (GWh)
- materials recovered for recycling (kt)

Green impact statements (unaudited) (continued)
Green performance (continued)

The protection or enhancement of the natural environment

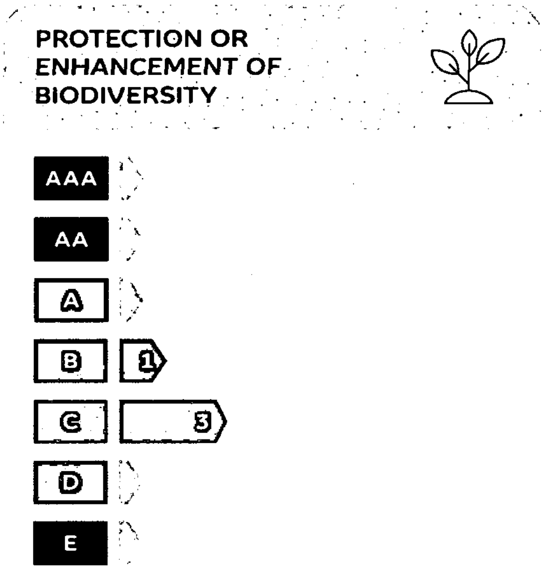


- All of the 2021/22 projects are anticipated to have no significant or minor adverse effects on the local natural environment, following environmental mitigation measures.

The metric reported for this Green Purpose is landfill avoided (kt).

Green impact statements (unaudited) (continued)
Green performance (continued)

The protection or enhancement of biodiversity

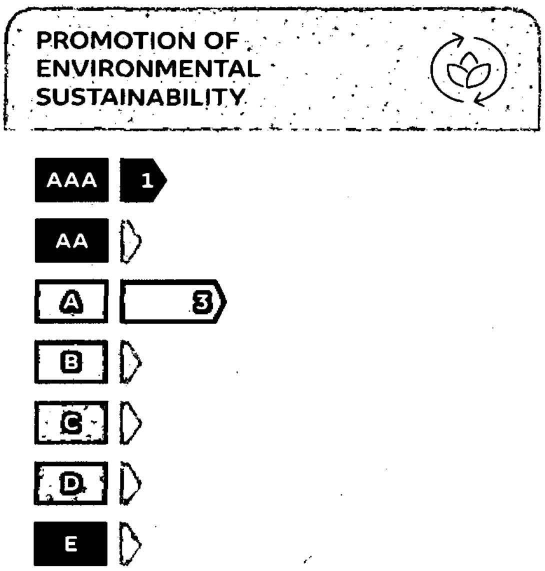


- One project in 2021/22 is expected to contribute directly to biodiversity protection or enhancement, with a B rating. This is for a solar PV project in the UK where re-wilding and habitat corridors have been introduced as part of the project to achieve biodiversity net gain. This is partly due to biodiversity net gain principles being adopted in the UK.
- Adverse effects on biodiversity have been fully mitigated where possible, with residual effects deemed acceptable by planning and permitting authorities for each project.
- Most 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 mammals and birds during onshore wind construction and operation – we conservatively assume more severe impacts until mitigation measures are implemented.

Green impact statements (unaudited) (continued)

Green performance (continued)

The promotion of environmental sustainability



- While 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.
- Green impact metrics associated with this green purpose are energy storage capacity in MW and MWh (or equivalent).
- One project, the BESS project, is forecast to achieve the highest rating of AAA. BESS projects score highly against this green purpose due to their strong enabling effect. They support the deployment of further renewable energy generation by stabilising the grid and therefore accelerate the transition to net zero by maximising clean energy capacity and grid stability in markets globally.

Green impact statements (unaudited) (continued)

Green performance (continued)

Lifetime green impact metrics

	Additional lifetime green impact from investments made in 2021/22	Lifetime green impact from all investments made to date
Greenhouse gas emissions avoided (kt CO_2e)	4,520	167,167
Renewable energy generated (GWh)	9,243	499,974
Energy demand reduced (GWh)	-	3,959
Materials recycled (kt)	-	38,452
Waste to landfill avoided (kt)	-	125,319
Energy storage capacity (MW/MWh)	40/50	40/50

Green impact statements

The green impact statements on p. 53 - 65 indicate the principal environmental benefits arising from the Company's investments. Green impact metrics are reported in terms of estimated lifetime green impact from 2021-22 investments and all investments to date, where the project has reached final investment decision.

The green impact of our assets – whether qualitative or quantitative – is measured by comparing the performance of the project to a defined baseline or 'counterfactual': i.e. what would happen in the absence of the project. Green impact is not reported for projects into which only development funding has been provided due to the relative uncertainty over potential future green impact. 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 2021-22, a copy of which is published on https://www.greeninvestmentgroup.com/en/who-we-are/measuring-our-impact.html.

Selected totals for data in the green impact statements in respect of the financial year 2021-22 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out on p. 68 - 69. The reporting period for the green impact statements is April 2021 to March 2022.

Green impact statements (unaudited) (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 31.03.22 $ktCO_2e$	year ended 31.03.21 $ktCO_2e$
Offshore wind	-	-
Waste	-	1,929
Energy efficiency	-	-
Bioenergy	-	-
Onshore wind	2,359	1,543
Solar (note 2.a)	2,161	177
Total	4,520	3,649

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

	year ended 31.03.22 $ktCO_2e$	year ended 31.03.21 $ktCO_2e$
Offshore wind	47,347	47,347
Waste	37,721	37,639
Energy efficiency	2,277	2,277
Bioenergy (note 4)	66,202	67,302
Onshore wind	9,679	7,514
Solar	3,941	1,805
Total	167,167	163,884

Green impact statements (unaudited) (continued)

Generation of renewable energy

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

	year ended 31.03.22 GWh	year ended 31.03.21 GWh
Offshore wind	-	-
Waste	-	4,448
Energy efficiency	-	-
Bioenergy	-	-
Onshore wind	2,788	4,976
Solar (note 2.a)	6,455	494
Total	9,243	9,918

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

	year ended 31.03.22 GWh	year ended 31.03.21 GWh
Offshore wind	110,718	110,717
Waste	72,613	70,466
Energy efficiency	1,265	1,265
Bioenergy	220,582	222,359
Onshore wind	83,179	80,246
Solar	11,617	5,220
Total	499,974	490,273

Green impact statements (unaudited) (continued)

Energy demand reduction

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

	year ended 31.03.22 MWh	year ended 31.03.21 MWh
Electricity	-	-
Heating fuels	-	-
Total	-	-

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

	year ended 31.03.22 MWh	year ended 31.03.21 MWh
Electricity	1,800,459	1,800,459
Heating fuels	2,158,799	2,158,799
Total	3,959,258	3,959,258

Green impact statements (unaudited) (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 31.03.22 tonnes	year ended 31.03.21 tonnes
Compost	-	-
Digestate (PAS 110)	-	-
Compost-like output	-	-
Plastics - mixed	-	-
Ferrous metals	-	90,000
Non-ferrous metals	-	190,000
Paper/card	-	-
Glass	-	-
Mineral aggregates	-	1,680,775
Waste electrical and electronic equipment (WEEE)	-	-
Other	-	-
Total	-	1,960,775

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

	year ended 31.03.22 tonnes	year ended 31.03.21 tonnes
Compost	987,642	987,642
Digestate (PAS 110)	7,466,156	7,466,156
Compost-like output	1,128,809	1,128,809
Plastics - mixed	704,050	704,050
Ferrous metals	1,412,638	1,373,718
Non-ferrous metals	789,200	753,832
Paper/card	654,299	654,299
Glass	9,424	9,424
Mineral aggregates	19,119,170	18,488,365
Waste electrical and electronic equipment (WEEE)	34,328	34,328
Other	6,146,348	6,146,348
Total	38,452,064	37,746,971

Green impact statements (unaudited) (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 31.03.22 tonnes	year ended 31.03.21 tonnes
Biodegradable waste	-	6,742,000
Non-biodegradable waste	-	1,028,225
Total	-	7,770,225

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

	year ended 31.03.22 tonnes	year ended 31.03.21 tonnes
Biodegradable waste	84,441,591	82,278,651
Non-biodegradable waste	40,877,690	40,302,097
Total	125,319,281	122,580,748

Green impact statements (unaudited) (continued)

Energy storage capacity

Estimated lifetime energy storage capacity added by new UK Green Investment Bank Limited investments in the reporting period

	year ended 31.03.22	year ended 31.03.21
Electrical power capacity (MW)	40	-
Electrical energy capacity (MWh)	50	-

Estimated lifetime energy storage capacity added by all UK Green Investment Bank Limited investments to date

	year ended 31.03.22	year ended 31.03.21
Electrical power capacity (MW)	40	-
Electrical energy capacity (MWh)	50	-

Green impact statements (unaudited) (continued)

Notes to the Green Impact Statements

Year-on-year changes to estimated lifetime green

The table on the following page shows how the lifetime green impact at the end of 2021/22 compares to that at the end of 2020/21, and provides a breakdown of the changes. In summary, these changes in lifetime green impact were caused by:

1. **Non-material adjustments/corrections to prior reporting period –**
   - GIG's approach to green impact allocation for projects acquired when already operational has been amended to align with the attribution factor for equity investment in private companies defined in the PCAF Global GHG Standard. The new methodology is detailed in GIG's Green Impact Reporting Criteria. This adjustment has affected the green impact estimates of leveraged assets that were acquired as operational.
   - Investments made in the prior reporting period but had been erroneously omitted from last year's report as GIG invested in and developed these assets beyond FID, 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. This is a solar project in the UK (Nottingham, Cero C&I).
   - One investment (Markbydgen) had an incorrect GHG emissions conversion factor applied. This has been corrected to align with the project's commercial operations date. For more information on how the GHG emissions conversion factor is applied, please see the GIG Green Impact Reporting Criteria.
   - Impact data reported in last year's report was amended where new information was received to indicate a correction was required, such as a correction to a forecast.

2. **New investments made in the period –**
   a. Projects incorrectly categorised as new investments in last year's report (Cero C&I).
   b. New investments made in this period include solar projects (Pontinia, Italy; Brighouse and Larks Green, UK), a battery storage project (Maldon, UK) and an onshore wind project in Poland (Radzyn).

3. **Existing projects' variation of performance/reforecasts from last year forecasts –**
   - Where project performance varies >10 per cent from forecasts, GIG takes an average of past performance and, where relevant, pre-operational forecasts to estimate the remaining lifetime 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 December 2021 and so all projects that commence operations after this date adopt the latest version (v3.2) dataset. To provide an accurate reflection of GIG's expected impact, the greenhouse gas reduction from GIG's investments as of 2020/21 has been re-estimated.
   - Earls Gate (energy from waste project, UK) had a permit increase, resulting in an increase to the waste throughput forecast and a consequent increase in green impact.

4. GIG is aware of the sustainability concerns raised regarding the biomass feedstock supply to Drax Power Station ('Drax') by the BBC programme 'Panorama' in October 2022. In 2012, the UK Green Investment Bank committed to a defined use-of-proceeds corporate loan to Drax to finance the conversion of 3 of 6 coal-fired units at Drax to 100% biomass. Upon refinancing of the loan, the loan facility was terminated and repaid in 2017. As the loan was provided at FID, in line with the GIG Green Impact Reporting Criteria, GIG reported 100% of the total estimated lifetime green impact, and continues to report this in the Green Impact Statements (under "Estimated lifetime GHG emissions reduction of all investments to date"). Drax's estimated lifetime green impact makes a material contribution to GIG's reported green impact from all investments to date, estimated at 35% of GIG's reported lifetime green impact, and therefore the allegations made in the Panorama programme are materially relevant to GIG's reported green impact metrics. As such, we have reviewed relevant information including the allegations themselves, Drax's public responses and the sustainability safeguards that had been put in place during the time of GIG's investment. We have concluded that there is not sufficient evidence for us to believe that the reported estimated lifetime green impact for the project is materially incorrect.

Green impact statements (unaudited) (continued)

Notes to the Green Impact Statements (continued)

Estimated lifetime green impact of all the Company's investments to date – year-on-year changes

	GHG emissions reduction kilotonnes CO_2e	Renewable energy generated GWh	Energy demand reduced MWh	Materials recycled tonnes	Waste to landfill avoided tonnes	Energy storage capacity MW/MWh
Year ended 31.03.21	**166,970**	**500,282**	**3,959,258**	**37,746,971**	**122,580,748**	
Revised 31.03.21 following non-material corrections (note 1)	**163,884**	**490,273**	**3,959,258**	**37,746,971**	**122,580,748**	**0/0**
New investments made in the period (note 2.b)	4,520	9,243	-	-	-	40/50
Projects cancelled in the period	-	-	-	-	-	-
Removal of estimated remaining lifetime of assets exited in the period that were acquired as operational	-	-	-	-	-	-
Variation of forecast remaining lifetime and actuals from last year's forecast (note 3)	(1,237)	458	-	705,093	2,738,533	-
Year ended 31.03.22	**167,167**	**499,974**	**3,959,258**	**38,452,064**	**125,319,281**	**40/50**

Independent Assurance Report to the UK Green Investment Bank Limited on Green Impact Data within the Annual Report in relation to Green Impact Data reported for projects held on UK Green Investment Bank Limited's balance sheet

To: the Directors of UK Green Investment Bank Limited

We have been engaged by the Directors of the UK Green Investment Bank Limited ("GIB") to conduct a limited assurance engagement over specified Assured Disclosures. The Assured Disclosures comprise Green Investment Bank ("GIB")'s performance-related Green Impact Data ("Green Impact Data") within the GIB Annual Report for the year ended 31 March 2022.

The following Green Impact indicators were subject to our assurance, for reporting of "Lifetime green impact from all investments made to date" and "Additional lifetime green impact from investments made in 2021/22":

- Greenhouse gas (GHG) emissions reduction (kilotonnes CO_2e)
- Renewable energy generated (GWh)
- Energy demand reduced (GWh)
- Materials consumption avoided through materials recycling (kilotonnes)
- Waste to landfill avoided (kilotonnes)
- Energy storage capacity (MW / MWh)

Together these constitute the "Assured Disclosures".

Our 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 the Green Investment Group ("GIG") Green Impact Reporting Criteria (the "Reporting Criteria"), materially misstate the Green Impact for the year ended 31 March 2022. The data have been prepared on the basis of the methodology set out in the respective GIB Reporting Criteria which can be seen on the GIG website.

Emphasis of Matter

We draw your attention to Note 4, of Notes to the Statements, which explains that the indicator for GIB's 'Estimated lifetime GHG emissions reduction of all GIB investments to date', includes the lifetime impact of a corporate use-of-proceeds loan previously made to Drax Power Station by GIB. Management have set out their assessment of allegations by the BBC's Panorama programme about Drax's Canadian biomass sourcing operations which would, if true, result in higher GHG emissions over the lifecycle of wood pellet production and use than those estimated by GIB, and their consideration of the impact of these allegations on the reported indicator. Our conclusion is not modified in this respect.

Respective responsibilities of the directors and assurance provider

The Directors are responsible for preparing the GIB Annual Report.

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 Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board ("IAASB"), in order to state whether anything had come to our attention that causes us to believe that the Assured Disclosures have not been prepared, in all material respects, in accordance with the applicable criteria.

We apply International Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement provides limited assurance as defined in ISAE 3000 (Revised). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, 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;
- 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;
- testing a representative sample of Green Impact Data, 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; and
- *conducting an evaluation of management's response to allegations made by the* BBC Panorama documentary, "The Green Energy Scandal", alongside publicly available information to consider the potential impact on the Assured Disclosures.

Our work has been undertaken so that we might state to the Company those matters we are required to state to them 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 the Company and the company's members as a body for our work, this report, or for the conclusions we have formed.

Our report is made solely to the GIB's Directors, as a body, 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 to them 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 the Company and the company's members as a body 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

In conducting our engagement, we have complied with the independence and other ethical requirements of the Code of Ethics of the Institute of Chartered Accountants of England and

Wales which include the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

Deloitte LLP

Deloitte LLP
London, United Kingdom
14 December 2022

GREEN PURPOSES COMPANY: ANNUAL LETTER 2022

Introduction

This is our fifth annual letter in which we independently comment on GIG's performance against its green objective and five green purposes. The letter addresses GIG branded investments globally for the financial year to 31 March 2022. We confirm that no request to change the green purposes was received in that period. This letter should not be relied upon to provide formal assurance of GIG's activities or their green impact.

Summary

GIG is a market leader in green investment, with evidence of leading practice in a range of assessment areas. However, in considering comparable institutions, we take the view that this position is increasingly at risk: other players have caught up and, in some assessment areas, overtaken GIG in market best practice. Without taking the actions set out in this letter we believe other market actors are likely to fully overtake GIG in setting the pace. The main areas where, in our view, GIG has lost ground to peers, include disclosure, stakeholder engagement and risk.

GIG therefore needs to rapidly evolve across several assessment areas if it wishes to maintain a leadership position through which it can help unlock the further flow of investment into green projects and fulfil its mission to 'accelerate the transition to net zero'.

Leading and best practice in the finance sector is increasingly set by internationally recognised standards, such as the TCFD[1], plus, for green investment, frameworks such as SFDR,[2] and the EU Taxonomy of sustainable activities. Accordingly, in our detailed assessment below we have aligned our commentary to the main themes included in these standards and frameworks, namely strategy, governance, risk and opportunity management, metrics and targets, continuous improvement, stakeholder engagement and disclosure.

Strategy

GIG transitioned from Macquarie Capital to Macquarie Asset Management (MAM) around the end of the reporting period covered by this letter. This is a significant development. It provides GIG with the opportunity to operate at greater scale and to exert greater influence over the wider Macquarie group. Together GIG and MAM form an impressive platform with the resources and expertise to shift the dial on the flow of capital into green projects around the world. We look forward to seeing GIG thrive under these new arrangements.

GIG's commitment to net zero is welcome. We recommend GIG develop and publish a net zero transition plan demonstrating how the commitment will be met, aligned with international standards.

We remain disappointed that GIG has not invested beyond carbon emission reduction projects over the reporting period. As in previous letters, we encourage GIG to invest across the full spectrum of the green purposes, such as in nature-based solutions and the circular economy. These are not only essential areas on the journey to net zero but offer significantly growing market opportunities. Nevertheless, the steps GIG has made in battery storage and EV charging, and their plans to include some of these wider areas in future are welcome, as are such projects in the wider Macquarie group. We encourage GIG to publish more details on these developments as soon as it is able to.

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[1] Task Force on Climate-related Financial Disclosures

[2] Regulation on sustainability-related disclosure in financial services

Governance

As the integration of GIG into MAM settles down, we would encourage greater clarity on the interaction between the new Chief Sustainability Officer, Macquarie's net zero commitments and the governance of GIG's Green Objective.

GIG's Green Governance Framework, for several years an industry benchmark, should be reviewed against emerging regulatory and best practice standards. As part of any future review, we believe consideration should be given to the thresholds at which an investment contributes to one or more green purpose. Currently, any investment which makes a *positive* contribution, or one which offers *protection,* is deemed sufficient. We encourage GIG to continue to operate to a higher bar, consistent with net zero and environmental targets.

The GPC forms a key part of GIG's governance arrangements. We enjoy a constructive relationship, including quarterly meetings with the senior leadership team and subject matter experts. Our regular meetings, together with an information sharing protocol and funding agreement, have helped ensure that the GPC role and special share arrangement remains effective and relevant, and contributes to GIG's reputation as a green investor. It is important that GIG devotes the time and resources necessary to ensure that this remains the case.

Risk and opportunity management

The identification, assessment and management of ESG (Environmental, Social and Governance) risks is core to GIG's principles and policies and to the Green Governance Framework. We encourage GIG to consider enhanced disclosure of such risks and its risk management framework. This should include the methods to assess and mitigate risk, and to realise opportunities.

Metrics and targets

GIG's green impact methodology follows widely accepted best practice. As with the wider governance framework, GPC believes there are opportunities to further strengthen this as the market evolves.

First, when forecasting and reforecasting the green impact of a project over its lifetime, GIG may wish to consider applying a TCFD-style analysis process such as stress testing, uncertainty forecasting or scenario analysis, and adding this uncertainty to the green impact statements.

Second, the supply chain for green technologies extends far and wide. Accordingly, it is essential that robust processes are in place for assessing full Scope 3 carbon emissions, and to ensure full life cycle analysis and due diligence of the social and environmental impacts arising from the full value chain (e.g. any negative impact associated with the extraction, processing and supply of raw materials).

Third, the methods to determine green impact beyond greenhouse gas emissions remains opaque for stakeholders. We recommend GIG discloses a robust explanation of the methods used, whether these are quantitative or qualitative.

The green impact disclosures within GIG's annual Progress Report are subject to external assurance. This is welcome, but as in previous years, we note that in providing this assurance, the quality or accuracy of the underlying data was not in scope. Only the calculation methodologies and output data are assured. It is our view that this scope of assurance will only meet market expectations if there are: i) greater levels of disclosure as advocated in this letter; and ii) associated assurance is provided on those additional disclosures.

Continuous improvement

It is pleasing to note that GIG staff have been involved in the progression of various industry standards, frameworks and initiatives. This includes co-chairing the FAST Infra Sustainable Infrastructure Label, leading UK input into ISO 14030 and representing Macquarie on the Sustainable Markets Initiative. With this engagement GIG continues to demonstrate strong evidence of thought leadership and is aligned with peers in many respects. As GIG is now part of MAM we look forward to this influence extending into the various global asset managers' initiatives to accelerate the path to net zero.

Stakeholder engagement

While GIG undertakes a range of outreach activities, including an annual stakeholder event, they could conduct more systematic stakeholder engagement in line with good practice. To provide the foundation for such engagement, a comprehensive stakeholder mapping exercise should be undertaken to identify and categorise key stakeholders. Undertaking these exercises would align GIG with peers, many of which disclose their key stakeholders, how they engage with them, and the key issues identified through this engagement.

Disclosure

Disclosure is an area where, in our view, GIG is now at risk of falling significantly behind peers and leading practice. To maintain credible global leadership and influence within green investment policy, process and practice, GIG should aspire to leading edge disclosure practices. As noted above, there are several areas where disclosure could be improved. These include risk, stakeholder engagement and the metrics and targets associated with GIG's commitments to net zero, among others.

This concludes our annual letter 2022. We very much look forward to working with GIG over the year ahead.

T. Hutchings

Trevor Hutchings
Chair, Green Purposes Company Ltd.
21 November 2022