UK Green Investment Bank Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017–18

COMPANY NUMBER SC424067

Contents

Strategic report
for the year ended 31 March 2018

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

Principal activities

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

The principal activities of the Company in the period have been 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 20 April 2017, the UK Government announced that it had agreed to sell the Company to a Macquarie-led consortium. The sale completed on 17 August 2017. In line with public statements on 20 April and 18 August 2017, the Company subsequently restructured its interests in a number of investments to facilitate the creation of investment vehicles and platforms - including an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform - to enable investors including USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles. These restructured interests were classified on the Company's 31 March 2017 balance sheet as "Disposal group assets" and on 17 August 2017 this restructuring produced a realised gain on the disposal of these assets of £209m which is disclosed in Note 4.

On 17 August 2017, the Company became part of the group of companies of which Macquarie Group Limited is the ultimate holding company (the "Macquarie Group" or "Macquarie"). Macquarie had stated at both acquisition signing and close that the "Green Investment Bank will become Macquarie's platform for principal investments in UK and European green infrastructure". Macquarie also announced that "in order to pursue the Green Investment Bank's vision to invest in green infrastructure internationally and positively contribute to the globalisation of the renewables industry, the Green Investment Bank will now operate under the name "Green Investment Group". Consequently, two new subsidiaries were formed - Green Investment Group Limited ("GIG") and Green Investment Group Investments Limited ("GIGI"). The Company invested in the Ferrybridge Multifuel 2 waste-to-energy plant in the UK (September 2017). Through the new GIG and GIGI entities, new investments in the UK and Europe have been made including Europe's largest single site onshore wind farm in northern Sweden (November 2017), Covanta's energy from waste plant in Dublin (December 2017), the Westermost Rough offshore wind farm (March 2018) and in a second onshore wind farm in Sweden
(July 2018). There were no new investments in the period 1 April 2017 to 17 August 2017. Full details of these activities are available on www.greeninvestmentgroup.com.

In 2018 Macquarie also indicated its intention to extend the Green Investment Group platform and brand beyond the UK and Europe to include the Middle East, Asia and North America. It is unlikely that investments in these regions will be made by the Company or its subsidiaries but instead would be made by other Macquarie Group entities using the Green Investment Group brand for trading and marketing purposes. However, the Company has only permitted such other Macquarie Group entities to use the Green Investment Group name and brand in return for a contractual undertaking that any activities undertaken by those entities and using the brand name Green Investment Group will be compliant with the UK Green Investment Bank Limited's Green Purposes, Green Investment Principles and Green Investment Policy.

As such, the Green Investment Group brand is now operating across Europe, Asia, the Middle East and North America, with all activity complying with the Company's Green Purposes, Investment Policy and Principles. Stakeholders can gain a complete overview of all activities undertaken under the Green Investment Group brand on the Green Investment Group website (www.greeninvestmentgroup.com), through an annual progress report and at an annual stakeholder and industry event.

The profit/(loss) for the financial year ended 31 March 2018 was £217m (2017: (£1.5m)); Net operating profit for the year ended 31 March 2018 was £207m (2017: £0.6m); and, as at 31 March 2018, the Company had net assets of £1,769m (2017: £1,502m).

Green Impact Reporting

The green impact statements contained in this Annual Report indicate the principal environmental benefits arising from the Company's portfolio of investments. Green impact metrics are reported in terms of the actual green impact delivered by the portfolio during the reporting period, the historical green impact accrued by the portfolio to date, and the forecast green impact for the remaining lifetimes of the projects in the portfolio.

1. GIG's Equator Principles reporting is also available on the Equator Principles website at http://equator-principles.com/members-reporting/

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 2017-18, a copy of which is published on the website. Selected totals for data in the green impact statements (see p. 30-36) in respect of the financial year 2017-18 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p. 37-38.

Equator Principles

The Company adopted the Equator Principles in 2013 and remains as an independent adoptee. The table on page 37 summarises applicable transactions which closed in the 2017-18 reporting period. The Equator Principles do not apply to equity investments.

Principal risks and uncertainties

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

The Company considers the risk of a principal investment not meeting one or more of the Green Purposes and scrutinises all deals before they are approved. This is an integral part of the green governance framework, which also includes a good practice methodology for assessing, monitoring and reporting the positive environmental benefits (green impact) of investments and considers the associated risk of not achieving the green impact forecast. All such assessments and opinions are notified to the trustees of the Green Purposes Company.

On 23 June 2016, a referendum was held on the United Kingdom's membership of the European Union ("EU"), which resulted in the decision to leave the EU. The macro-economic, regulatory and legal environment in which the Company will operate as a result of leaving the EU will depend on the outcome of the ongoing negotiations between the UK and the EU. The Macquarie Group operates parts of its EU business from UK-based subsidiaries such as the Company. The Company continues to monitor and assess the possible impacts and its strategic options as Brexit negotiations unfold.

Financial risk management

Prior to acquisition the Company's Risk Management Framework identified the main risk types to which it was exposed, the risk appetite for each and its' approach to managing each. The key risks were credit risk, liquidity risk and market risk which consisted of power price risk, inflation risk, interest rate risk and wind yield risk. The Audit and Risk Committee had delegated responsibility from the Board for identifying, assessing and managing risk exposures inherent in the company.

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

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

Credit Risk

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

Liquidity Risk

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

Interest rate risk

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

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.

Other matters

Given the straightforward nature of the business and the information provided elsewhere in this report, the Directors are of the opinion that the production of financial and non-financial key performance indicators, the entity's business impact on social, community and human rights issues in the Strategic Report is not necessary for an understanding of the development, performance or position of the business. Full details of the activities of the Company, as part of the wider Green Investment Group brand, are provided on the Green Investment Group website.

On behalf of the Board,

Director

Directors' report for the year ended 31 March 2018 Company Number SC424067

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:

- Neil Arora (appointed 22 October 2018)
- Mark Dooley (appointed 17 August 2017)
- David Fass (appointed 17 August 2017)
- Edward Northam (appointed 17 August 2017)
- Daniel Wong (appointed 17 August 2017)
- Hajir Naghdy (appointed 10 November 2017, resigned 11 August 2018)
- Euan McVicar (appointed 17 August 2017, resigned 3 August 2018)
- Baroness Brown of Cambridge (resigned 17 August 2017)
- Shaun Kingsbury CBE (resigned 17 August 2017)
- Peter Knott (resigned 17 August 2017)
- Laurence Mulliez (resigned 17 August 2017)
- Tom Murley (resigned 17 August 2017)
- David Nish (resigned 17 August 2017)
- Anthony Odgers (resigned 17 August 2017)
- Professor Isobel Sharp (resigned 17 August 2017)
- Lord Smith of Kelvin KT CH (resigned 17 August 2017)
- Tessa Tennant (resigned 17 August 2017)
- Anthony Poulter (resigned 30 June 2017)

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

- Helen Everitt (appointed 17 August 2017)
- Euan McVicar (resigned 17 August 2017)

Results

The profit/(loss) for the financial year ended 31 March 2018 was £217m (2017: (£1.5m)).

Dividends paid or provided for

On 17 August 2017 the Company declared and paid an interim dividend of £78.6m to Her Majesty's Government in order to cleanse the Company of State Aid (2017: £nil). No final dividend has been proposed.

State of affairs

UK Green Investment Bank Limited was previously named UK Green Investment Bank plc until 5 July 2017.

On 17 August 2017 the UK Government sold the UK Green Investment Bank Limited to a Macquarie-led consortium. The immediate parent company is Moorgate PL Holdings Limited and the ultimate parent is Macquarie Group Limited.

To facilitate the aforementioned sale the Company restructured its issued share capital in the period leading up to and including 17 August 2017. Further details are included in Note 20.

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

Events after the reporting year

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 2018 not otherwise disclosed in this report.

Likely developments, business strategies and prospects

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

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

Indemnification and insurance of Directors

Prior to 17 August 2017 the Company had granted indemnities to each of its Directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Constitution. In addition, Directors of the Company were covered by Directors' and Officers' liability insurance.

Since 17 August 2017, as permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The ultimate parent purchased and maintained Directors' liability insurance in respect of the Company and its Directors. The aforementioned indemnities all remain in force as at the date of this report.

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

On behalf of the Board,

Director

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

Report on the financial statements

Our 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2018; the Profit and loss account, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Director's 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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Allan McGrath
Senior Statutory Auditor
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

Edinburgh

Profit and loss account

for the financial year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	3	26,525	20,664
Gain on investments	4	233,893	2,359
Other operating expenses	5	(46,324)	(25,665)
Movement on the financial assets at fair value through profit and loss	25	(13,010)	8,075
Movement in the fair value of derivatives	25	5,579	(4,882)
Operating profit		**206,663**	**551**
Interest receivable and similar income	6	11,625	-
Profit on ordinary activities before taxation		**218,288**	**551**
Tax on profit on ordinary activities	7	(1,406)	(2,077)
Profit/(loss) for the financial year		**216,882**	**(1,526)**

The above Profit and loss account should be read in conjunction with the accompanying Notes on pages 11 to 29, which form an integral part of the financial statements.

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

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

Company registered number: SC424067

Balance sheet
as at 31 March 2018

	Note	2018 £000	2017 £000
Fixed and non current assets			
Intangible assets	9	-	196
Tangible assets	10	347	1,450
Investments	11	96,979	455,959
Subtotal		**97,326**	**457,605**
Current assets			
Debtors	15	1,629,141	10,820
Investments	11	59,966	92,619
Deferred tax asset		173	244
Cash		16	41,045
Disposal group assets	16	-	934,511
Current liabilities			
Creditors: amounts falling due within one year	17	(15,528)	(19,363)
Net current assets		**1,673,768**	**1,059,876**
Total assets less current liabilities		**1,771,094**	**1,517,481**
Creditors: amounts falling due after more than one year	18	-	(12,903)
Provisions	19	(1,938)	(2,304)
Net assets		**1,769,156**	**1,502,274**
Capital and reserves			
Called up share capital	20	156,745	1,517,450
Other reserves	20	1,489,293	-
Profit and loss account		123,118	(15,176)
Total shareholders' funds		**1,769,156**	**1,502,274**

The above Balance sheet should be read in conjunction with the accompanying Notes on pages 11 to 29, which form an integral part of the financial statements.

The financial statements on pages 8 to 28 were approved by the Board of Directors on 2018 and were signed on its behalf by:

Director

Statement of changes in equity

for the financial year ended 31 March 2018

	Note	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 April 2016		**1,034,850**	**-**	**12,600**	**(13,650)**	**1,033,800**
Loss for the financial year		-	-	-	(1,526)	(1,526)
Issue of further capital	20	482,600	-	(12,600)	-	470,000
Balance at 31 March 2017		**1,517,450**	**-**	**-**	**(15,176)**	**1,502,274**
Profit for the financial year		-	-	-	216,882	216,882
Issue of further capital	20	206,745	1,410,705	78,588	-	1,696,038
Reduction of capital	20	(1,567,450)	-	-	-	(1,567,450)
Dividends paid	8	-	-	-	(78,588)	(78,588)
Balance at 31 March 2018		**156,745**	**1,410,705**	**78,588**	**123,118**	**1,769,156**

The above Statement of changes in equity should be read in conjunction with the accompanying Notes on pages 11 to 29, which form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. General information

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

2. Summary of significant accounting policies

Basis of preparation

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

The Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), whereas previously they were prepared under International Financial Reporting Standards (IFRS). There is no impact on the results and the only impact is a reduction in the disclosures. The financial statements have been prepared under the historical cost convention and in accordance with 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.

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

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

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

Critical accounting estimates and significant judgements

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

Control

Each time the Company makes an investment, an assessment is performed to determine whether the underlying investment company or partnership may be subsidiary, associate or joint venture as determined by the level of control that is deemed to exist between the Company and the underlying investment company or partnership. In determining whether control exists, the Company assesses a wide range of factors.

Revenue recognition

Upfront fees: these are integral to the loan facility and are initially deferred then recognised over the expected term of the loan, as part of the effective interest rate ("EIR"). Judgement is required over whether the loan facilities will be drawn and the period over which they will be drawn. Any changes to the agreed or expected term will impact the rate at which the upfront fee is recognised and early termination of the loan would see any remaining balance of deferred revenue taken to income at the point of termination.

Non-utilisation fees/undrawn facility fees: the Company provides loan facilities to borrowers to enable them to complete construction projects. In return for providing this, the Company receives a fee on the undrawn portion of the facility (with interest received on the drawn portion), calculated in arrears. The Company recognises these fees as they accrue over the commitment period.

Assets held at fair value

The Company has significant Investment assets that it accounts for at fair value with a number of accounting estimates used in calculating the fair market value of these assets. A breakdown of the estimates used can be found in Note 27.

Assessment of impairment

IFRS require companies to carry out impairment testing on any assets which show indications of impairment. In carrying out this assessment, we have exercised judgement in considering future cash flows as well as other information in accordance with the accounting policy to determine the true and fair value of an asset.

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

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The Company's financial statements are presented in 'Pound Sterling' (£), which is also the Company's functional currency.

Transactions and balances

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

Turnover and expense recognition

Turnover is measured at the fair value of the consideration received or receivable. Turnover is recognised for the major business activities as follows:

Net interest income/expense

Interest income and expense is brought to account using the effective interest method for all interest-bearing financial instruments except those classified at fair value through profit or loss. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the profit and loss over the expected life of the instrument.

Fee and commission income

The recognition of fee revenue is determined by the purpose of the fee and the basis of accounting for any associated financial instruments.

- Fees and commissions which are not an integral part of the EIR are recognised when the service has been provided; for example, non-utilisation or undrawn facility fees, or a fee for the provision of services.
- If there is an associated financial instrument, fees that are an integral part of the EIR of that financial instrument are included in the EIR calculation.
- Upfront fees for loans that are likely to be drawn are deferred (together with related direct costs) and recognised as an adjustment to the EIR on the loan once drawn. Where it is unlikely that loan commitments will be drawn upfront, fees are recognised over the life of the commitment.

Dividends

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.

Expenses

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

Taxation

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

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

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

The Company undertakes transactions in the ordinary course of business where the income tax treatment and recognition of deferred tax assets requires the exercise of judgement. The Company estimates its tax liability based on its understanding of the tax law.

Held for sale assets

Non-current assets (or disposal groups) are classified as assets held for sale in line with IFRS 5 when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell unless the assets are financial assets in the scope of IAS 39, in which case they are measured in accordance with that standard.

The criteria for held for sale classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed and expect the sale within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Derivative instruments

Derivative instruments entered into by the Company are swaps in the interest rates. These derivative instruments are principally used for the risk management of existing financial assets.

All derivatives, including those held for hedging purposes, are recognised on the balance sheet and are disclosed as an asset where they have a positive fair value at reporting date or as a liability where the fair value at reporting date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the fair values of derivatives are recognised in the profit and loss, unless the derivative meets the requirements for hedge accounting.

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Company recognises profits or losses immediately when the derivative 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.

Investments and other financial assets

The investments and other financial assets are classified into the following categories: loans and receivables, other financial assets at fair value through profit or loss, investments in subsidiaries and interest in associates and joint ventures. The classification depends on the purpose for which the financial asset was acquired, which is determined at initial recognition and, except for other financial assets at fair value through profit or loss, is re-evaluated at each reporting date.

Loans and receivables

This category includes fee receivables, loan assets held at amortised cost, other receivables and amounts due from related entities, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised on settlement date.

Financial assets at fair value through profit or loss

This category includes only those financial assets which have been designated by management as held at fair value through profit or loss on initial recognition. Management may elect to designate a financial asset as such if:

- the asset contains embedded derivatives which must otherwise be separated and carried at fair value;
- it is part of a group of financial assets and financial liabilities managed and evaluated on a fair value basis; or
- doing so eliminates, or significantly reduces, a measurement or recognition inconsistency that would otherwise arise.

Investments in subsidiaries

Subsidiaries held by the Company are carried in its financial statements at cost less impairment in accordance with IAS 27 Separate Financial Statements. Subsidiaries are all those entities over which the Company has the power to direct the relevant activities of the entity, exposure to significant variable returns and the ability to utilise power to affect the Company's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

The Company has power over an entity when it has existing substantive rights that give it the current ability to direct the entity's relevant activities. Relevant activities are those activities that significantly affect the entity's returns. The Company evaluates whether it has the power to direct the relevant activities. The Company also considers the entity's purpose and design. If the Company determines that it has power over an entity, the Company then evaluates whether it has exposure or rights to variable returns that, in aggregate, are significant. All variable returns are considered including, but not limited to, debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts.

The Company determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct 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 to complete. The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Impairment

Loan assets held at amortised cost

The Company makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used for estimating future cash flows could result in a change in the estimated provisions for impairment on loan assets at the end of the reporting period.

Loan assets held at amortised cost

If, in a subsequent period, the amount of impairment losses decrease and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment losses are reversed through the profit and loss account to the extent of what the amortised cost would have been had the impairment not been recognised.

When the Company concludes that there is no reasonable expectation of recovering cash flows due under the asset and all possible collateral has been realised, the loan 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.

Loans and receivables

Loans and receivables are subject to regular review and assessment for possible impairment. Provisions for impairment on loans and receivables are recognised based on an incurred loss model and re-assessed at each reporting date. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent of what the amortised cost would have been had the impairment not been recognised.

When the Company concludes that there is no reasonable expectation of recovering cash flows from the asset and all possible collateral has been realised, the loan 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. Bad debts are written off in the period in which they are identified.

Interest in associates and joint ventures

The Company performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The entire carrying amount of each interest in associate and joint venture is considered in the assessment.

In the case of debt securities classified as available for sale, observable data that relates to loss events are considered, including adverse changes in the payment status of the issuer and national or local economic conditions that correlate with defaults on those assets.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance, operational and financing cash flows or changes in technology.

If there is an indication that an interest in associate or joint venture may be impaired, then the entire carrying amount of the interest in the associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Impairment losses recognised in the profit and loss for interests in associates and joint ventures are subsequently reversed through the profit and loss if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised.

Investments in subsidiaries

Investments in subsidiaries 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 loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount (which is 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 the impairment.

Fees receivable

Fees receivable are continuously monitored for ageing debtors. Debtors that are greater than 90 days, have been assessed for recoverability and accordingly provided for.

Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Tangible assets are reviewed for impairment at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset.

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

- Furniture & fittings 10 to 20%
- Leasehold improvements 20%*
- Computer equipment 20%

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

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

Gain or loss on disposal is determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss.

Intangible assets

Where software licences are purchased and have a useful life in excess of one year, they are capitalised as intangible assets and amortised over the shorter of the term of the licence and the useful economic life. All intangible assets were written off in the period (Note 9).

Financial liabilities

The Company currently classifies all financial liabilities as "other financial liabilities" with all liabilities recognised being classed as temporary in nature and derived from the normal course of business.

Provisions

The company makes provisions for liabilities and charges where, at the Balance Sheet date, a legal or constructive obligation exists.

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

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

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

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

Cash at bank

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

Offsetting financial instruments

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

Pensions

The Company operates a defined contribution pension scheme for eligible employees. Under the defined contribution scheme the Company pays fixed contributions into a fund separate from the Companies assets.

Called up share capital

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

3. Turnover

	2018 £000	2017 £000
Interest income	15,361	12,646
Fee income	8,035	7,813
Dividend income	3,129	205
Total	**26,525**	**20,664**

4. Gain on investments

	2018 £000	2017 £000
Realised gain on disposal of investments	14,924	2,359
Unrealised gain on loss of controlled subsidiary	10,209	-
Realised gain on disposal of disposal group[1]	208,760	-
Total	**233,893**	**2,359**

[1]See Note 16 for further information

5. Profit on ordinary activities before taxation

	2018 £000	2017 £000
Profit on ordinary activities before taxation is stated after charging:		
Wages and salaries	(16,070)	(15,337)
Social security costs	(1,623)	(1,711)
Other pension costs	(783)	(1,110)
Share based payment costs	(160)	-
Staff costs	**(18,636)**	**(18,158)**
Loss on disposal of tangible and intangible assets	(660)	(50)
Depreciation of tangible assets	(586)	(807)
Amortisation of intangible assets	(53)	(132)
Fees to the Company's auditors for the audit of the Company	(108)	(346)
Fees payable to the Company's auditors for other services	(71)	(18)
Management fees	(586)	-
Professional fees	(10,337)	(2,374)
Stamp duty	(8,765)	-
Other administration expenses	(6,522)	(3,780)
Total	**(46,324)**	**(25,665)**

Further employee information provided in Note 29.

6. Interest receivable

	2018 £000	2017 £000
Interest receivable from other Macquarie Group undertakings	11,625	-
Total interest receivable and similar income	**11,625**	**-**

7. Tax on profit on ordinary activities

	2018 £000	2017 £000
Analysis of tax charge for the year:		
Current tax		
UK corporation tax at 19% (2017: 20%)	1,540	2,085
Adjustments in respect of prior years	(205)	(371)
Total current tax	**1,335**	**1,714**
Deferred tax		
Origination and reversal of temporary differences	121	367
Adjustments in respect of prior years	(37)	-
Effect of changes in tax rates	(13)	(4)
Total deferred tax	**71**	**363**
Tax per income statement	**1,406**	**2,077**

The taxation charge for the period is lower (2017: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Reconciliation of effective tax rate		
Profit on ordinary activities before taxation	**218,288**	**551**
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	41,475	110
Effects of:		
Adjustment in respect of prior years	(242)	82
Non-deductible expenses	4,075	899
Non-assessable income	(44,795)	(464)
Effects of group relief/ other relief	-	(2,032)
Allocation of share of LP taxable profits	906	3,478
Effect of rate change	(13)	4
Total tax expense	**1,406**	**2,077**

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured at 17%.

The balance comprises timing differences attributable to:	2018 £000	2017 £000
Other assets and liabilities	108	414
Fixed assets	65	(171)
Net deferred income tax assets	**173**	**243**

Reconciliation of the Company's movement in deferred tax	2018 £000	2017 £000
Balance at the beginning of the financial year	243	606
Timing differences:		
Amounts (credited)/debited to profit and loss	(121)	86
Adjustment in respect of previous periods	36	(453)
Deferred tax charged to equity	2	-
Change in tax rate	13	4
Total income tax	**173**	**243**

The tax rate is the same as prior year. The UK Government have enacted a further reduction to 17% from 1 April 2020.

8. Dividends paid

	2018 £000	2017 £000
Interim dividend paid (£0.05 per share)	78,588	-
Total dividends paid	**78,588**	**-**

9. Intangible assets

	2018 £000	2017 £000
Other identifiable intangible asset[1]	-	196
Total intangible assets	**-**	**196**

[1]Intangible asset relates to computer software

Reconciliation of the movement in the Company's intangible assets	2018 £000	2017 £000
Balance at the beginning of the financial year	196	377
Amortisation	(53)	(132)
Additions	-	1
Disposals	(143)	(50)
Total intangible assets	**-**	**196**

10. Tangible assets

	2018 £000	2017 £000
Assets for own use		
Furniture and fittings		
Cost	135	535
Less accumulated depreciation	(52)	(271)
Total furniture and fittings	**83**	**264**
Leasehold improvements		
Cost	377	2,631
Less accumulated depreciation	(197)	(1,782)
Total Leasehold improvements	**180**	**849**
Computer Equipment		
Cost	126	826
Less accumulated depreciation	(42)	(489)
Total equipment	**84**	**337**
Total property, plant and equipment	**347**	**1,450**

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

	Furniture and fittings £000	Leasehold improvements £000	Computer Equipment £000	Total £000
Balance as at 1 April 2016	338	1,421	448	2,207
Acquisitions	2	3	45	50
Depreciation expense	(76)	(575)	(156)	(807)
Balance as at 31 March 2017	264	849	337	1,450
Disposals	(103)	(258)	(156)	(517)
Depreciation expense	(78)	(411)	(97)	(586)
Balance as at 31 March 2018	**83**	**180**	**84**	**347**

11. Investments

	2018 £000	2017 £000
Investment securities held for sale (Note 12)	56,566	-
Interest in associates and joint ventures (Note 13)	13,722	42,834
Investments in subsidiaries (Note 14)	86,657	233,049
Loan assets at amortised cost	-	206,522
Other financial assets at fair value through profit or loss	-	66,173
Total Investments	**156,945**	**548,578**

Classification	2018 £000	2017 £000
Current[1]	59,966	92,619
Non-current	96,979	455,959
Total investment	**156,945**	**548,578**

[1]Balance is made up of ‘Investment securities held for sale’ in addition to £3.4m of shareholder loan balances included within ‘Interest in associates and joint ventures’.

12. Investment securities held for sale

	2018 £000	2017 £000
Investment in associate	19,581	-
Loans and receivables	36,985	-
Total investment securities held for sale	**56,566**	**-**

	Nature of business	2018 % ownership
Clyde SPV Limited[1]	Holds investments	100
Speyside Renewable Energy Partnership HoldCo Limited[2]	Waste-to-energy	41.6
Cramlington Renewable Energy Developments Limited[3]	Waste-to-energy	35.3

[1] Registered office: C/O Alter Domus Limited, 18 St Swithin's Lane, London, EC4N 8AD
[2] Registered office: 13 Queen's Road, Aberdeen, AB15 4YL
[3] Registered office: 8 White Oak Square, London Road, Swanley, Kent, England, BR8 7AG

13. Interests in associates and joint ventures

	2018 £000	2017 £000
Loans and investments with provisions for impairment	-	15,215
Less provision for impairment	-	(2,408)
Loans and investments at recoverable amount	-	12,807
Loans and investments without provisions for impairment	13,722	30,027
Total interests in associates and joint ventures	**13,722**	**42,834**

Of the total investments in associates and joint venture balance of £13.7m, £10.3m relates to an equity holding with the remaining balance relating to a shareholder loan.

13. Interests in associates and joint ventures (continued)

	Nature of business	2018 % ownership
UK Green Infrastructure Platform Limited[1]	Holding company	10

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

14. Investments in subsidiaries

Name of investment	2018 £000	2017 £000
Investments at cost without provisions for impairment	86,657	233,049
Total investments in subsidiaries	**86,657**	**233,049**

	Nature of business	Country of incorporation	2018 % ownership
UK Green Community Lending Limited	Holds investments	UK[1]	100%
Forth SPV 1 Limited	Holding company	UK[1]	100%
Pentland SPV 1 Limited	Holding company	UK[1]	100%
Green Investment Group Management Limited (formerly UK Green Investment Bank Financial Services)	Fund Management	UK[2]	100%
Green Investment Group Limited	Holds investments	UK[3]	100%
UK Green Investment Climate International Limited	Fund Management	UK[1]	100%
Indirect related undertakings			
Forth SPV 2 Limited		UK[1]	100%
Pentland SPV 2 Limited		UK[1]	100%
Fuujin Power Limited		UK[4]	100%
Green Investment Group Investments Limited		UK[3]	100%
GIG Cloud Midco AB		Sweden[5]	100%
Chaptre Greenco Holdings Limited		UK[1]	100%
Dalmatia WtE EUR Topco Limited		UK[1]	100%
Chaptre Greenco Limited		UK[1]	100%
Chaptre Investments Limited		UK[1]	100%
Dalmatia WtE EUR Holdings Limited		UK[1]	100%

[1]The registered address is Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, United Kingdom
[2]The registered address is 50 Lothian Road, Festival Square, Edinburgh, United Kingdom, EH3 9WL
[3]The registered address is Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
[4]The registered address is Two London Bridge, London, United Kingdom, SE1 9RA
[5]The registered address is Box 270, 851 04 Sundsvall, Stockholm, Sweden

15. Debtors

	2018 £000	2017 £000
Debtors and prepayments	1,909	2,351
Amounts owed from other Macquarie Group Undertakings	1,626,643	-
Amounts owed from other UK Green Investment Bank Plc Group Undertakings	-	8,374
Others	589	95
Total debtors	**1,629,141**	**10,820**

Amounts owed by other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at rates in the range of 0% to 2.73%. Prior to the acquisition interest on intercompany loans to group undertakings was nil.

16. Disposal group assets

	2018 £000	2017 £000
Investment in controlled entities	-	796,441
Investments in associates and joint ventures	-	92,204
Loans and receivables	-	45,866
Total disposal group assets	**-**	**934,511**

On 20 April 2017, the UK Government announced that it had agreed to sell the UK Green Investment Bank Limited (GIB) to a Macquarie-led consortium. The sale completed on 17 August 2017. In line with public statements on 20 April and 18 August 2017, GIB subsequently restructured its interests in a number of investments to facilitate the creation of investment vehicles and platforms - including an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform - to enable investors including USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles.

As such, a number of investment interests were classified as held for sale in line with IFRS 5. The group of investment interests were accounted for at the lower of carrying value, or fair value less costs to sell, with no impairment being recognised during the transition to being accounted for as held for sale.

These assets and liabilities have been grouped into a disposal group.

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	(450)	(7,024)
Accruals and deferred income	(5,958)	(11,012)
Amounts owed to other Macquarie Group undertakings	(4,477)	-
Amounts owed to other UK Green Investment Bank Plc Group Undertakings	-	(1,327)
Other creditors	(4,643)	-
Total creditors amounts falling due within one year	**(15,528)**	**(19,363)**

Amounts owed to other Macquarie Group undertakings are unsecured and have no fixed date of repayment. The Company derives interest on intercompany loans to group undertakings at market rates and at 31 March 2018 the average rate applied was 2.73%. Prior to the acquisition interest on intercompany loans to group undertakings was nil.

18. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Derivative financial instruments[1]	-	(12,903)
Total creditors amounts falling due after more than one year	**-**	**(12,903)**

[1]Further information in Note 25.

19. Provisions for liabilities

	2018 £000	2017 £000
Provision for employee entitlements	(1,835)	(2,104)
Other provisions	(103)	(200)
Total provisions for liabilities	**(1,938)**	**(2,304)**

Employee entitlements provisions exist in respect of LTIP payments to current or former members of the Leadership Team. The amount provided for is an estimate of the amount that will be payable when the liability falls due, and is not discounted for the time value of money as this is deemed to be non-material.

Other provisions exist in respect of dilapidations requirements for the Atria and Millbank properties. The amount provided for is an estimate of the amount that will be payable when the liability falls due, and is not discounted for the time value of money as this is deemed to be non-material.

19. Provisions for liabilities (continued)

	Other £000	Employee entitlements £000	Total £000
Reconciliation of provisions:			
Balance as at 1 April 2017	(200)	(2,104)	(2,304)
Provisions made during the year	-	(542)	(542)
Provisions used during the year	96	811	907
Over provisions released during the year	1	-	1
Balance as at 31 March 2018	**(103)**	**(1,835)**	**(1,938)**

Maturity profile of provision for employee benefits payable	2018 £000	2017 £000
Current	(335)	(797)
Non-current	(1,500)	(1,307)
Balance at the end of the financial year	**(1,835)**	**(2,104)**

20. Called up share capital and reserves

Ordinary share capital	2018 Number of shares '000	2017 Number of shares '000	2018 '000	2017 '000
Opening balance of fully paid ordinary shares	1,517,450	1,034,850	1,517,450	1,034,850
Issue of 145,000,000 £1 ordinary shares on 15 July 2016	-	145,000	-	145,000
Issue of 325,000,000 £1 ordinary shares on 8 March 2017	-	325,000	-	325,000
Issue of 12,600,000 £1 ordinary shares on 13 March 2017	-	12,600	-	12,600
Issue of 50,000,000 £1 ordinary shares on 10 August 2017	50,000	-	50,000	-
Issue of 1 £1 special share on 17 August 2017[1]	-	-	-	-
Issue of 156,745,000 £1 ordinary shares on 17 August 2017	156,745	-	156,745	-
Buy-back and cancellation of 1,567,450,000 £1 ordinary shares on 17 August 2017	(1,567,450)	-	(1,567,450)	-
Closing balance of fully paid ordinary shares	**156,745**	**1,517,450**	**156,745**	**1,517,450**

[1]Special share held by the Green Purposes Company Limited as further discussed in the Strategic Report.

Share premium reserve	2018 £000	2017 £000
Opening balance of share premium reserve	-	-
Additional share premium	1,410,705	-
Closing balance of share premium reserve	**1,410,705**	**-**

Share premium originated on the issue of 156,745,000 ordinary shares on 17 August 2017.

Equity contribution from parent entity	2018 £000	2017 £000
Opening balance	-	-
Capital contribution	78,588	-
Total equity contribution from parent entity	**78,588**	**-**
Closing balance of reserves	**1,489,293**	**-**

21. Capital management strategy

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

The Company's capital management objectives are to:

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

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

22. Related party information

From 17 August 2017, 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 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 28.

From the start of the reporting period up until 17 August 2017, the Company was part of a controlled group. The above exemption has been taken for the period of the financial year in which it was part of this group.

In line with the Company's activities it has provided financing to associates and joint ventures. Total balance outstanding, included within investments and debtors, at the year ending 31 March 2018 is £40,034k (2017:£45,672k) with interest recognised in the profit and loss for the year totaling £2,233k. Underlying transactions are arranged and settled in line with prevailing market terms. Outstanding commitments for the Company relate solely to associates and joint ventures. All related undertakings have been disclosed in notes 12-14.

23. Directors' remuneration

None of the executive directors were paid fees for their services to this Company. The non-executive directors who were in place during the year were paid an annual fee for their services. The Company did not pay any pension contributions on their behalf. During the year under review the following amounts were paid to non-executive directors:

	2018 £000	2017 £000
Lord Smith of Kelvin KT CH	30	120
Baroness Brown of Cambridge	10	25
Laurence Mulliez	10	25
Tom Murley	10	25
David Nish	12	30
Anthony Poulter	10	40
Professor Isobel Sharp	12	30
Tessa Tennant	10	25
Directors' Remuneration	**104**	**320**

All executive directors were paid by other group entities. The current 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 remuneration accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed.

24. Contingent liabilities and commitments

Commitments exist in respect of:	2018 £000	2017 £000
Investment commitments	1,040	388,954
Balance at the end of the financial year	**1,040**	**388,954**

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

25. Derivative financial instruments

The Company used derivatives to hedge interest rate risk against the value of investments. All hedged assets were designated as fair value through profit or loss. The Company did not apply hedge accounting as the assets did not meet the relevant criteria under IAS 39. All gains and losses on hedge assets were recognised in the profit and loss account as they arose.

Hedge assets and derivative financial instruments have been reflected in the financial statements as follows:

Profit and loss account	2018 £000	2017 £000
Movement on financial assets held at fair value - hedged	(13,010)	8,075
Movement in the fair value of derivatives	5,579	(4,882)
(Charge)/credit to the profit and loss account	**(7,431)**	**3,193**

On 3 August 2017 the entire portfolio of SWAP positions was closed out.

26. Financial risk management

Risk Management Group

Risk is an integral part of the Macquarie Group's businesses. The main risks faced by the Group are market risk, equity risk, credit risk, liquidity risk, operational risk, legal risk and compliance risk. Responsibility for risk management lies at the business level. It is the responsibility of the Risk Management Group to ensure appropriate assessment and management of these risks.

RMG is independent of all other areas of the Macquarie Group. RMG approval 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. The head of RMG, as Macquarie's Chief Risk Officer, is a member of the Executive Committee of MGL and MBL and reports directly to the Chief Executive Officer with a secondary reporting line to the Board Risk Committee.

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

26.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan not repaid or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk within the Company is managed on a group basis by the RMG at MGL.

The balances disclosed in the credit risk tables below exclude financial assets that are subject to risks other than credit risk, such as equity investments, interest in associates and joint ventures.

Maximum exposure to credit risk

The table below details the concentration of maximum exposure to credit risk of the Company's assets, credit commitments and contingent liabilities by significant geographical locations and counterparty type. The geographical location is determined by the domicile and industry type of the counterparty.

2018	Cash	Loans and receivables £000	Amounts owed by other Macquarie Group undertakings £000	Other receivables £000	Total £000
Europe, Middle East & Africa					
Other	16	40,374	1,626,643	1,732	1,668,765
Total gross credit risk	**16**	**40,374**	**1,626,643**	**1,732**	**1,668,765**

Loans and receivables balance is made up of £36,985k and £3,389k in 'investment securities held for sale' and 'interest in associates and joint ventures' respectively.

Other receivables balance is made up of Trade debtors of £1,398 and Other debtors of £334.

Excludes non-financial assets totalling £119k.

26. Financial risk management (continued)

26.1 Credit risk (continued)

2017	Cash	Loans and receivables £000	Amounts owed by other Macquarie Group undertakings £000	Other receivables £000	Total £000
Europe, Middle East & Africa					
Other	41,045	252,194	8,374	95	301,708
Total gross credit risk	**41,045**	**252,194**	**8,374**	**95**	**301,708**

Excludes non-financial assets totalling £1.2 billion.

Credit quality of financial assets

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

	Neither past due nor impaired		
2018	Investment grade £000	Unrated £000	Total £000
Cash	16	-	16
Loans and receivables	-	40,374	40,374
Amounts owed by other Macquarie Group undertakings	-	1,626,643	1,626,643
Other debtors	-	1,732	1,732
Total	**16**	**1,668,749**	**1,668,765**

	Neither past due nor impaired		
2017	Investment grade £000	Unrated £000	Total £000
Cash	-	41,045	41,045
Loans and receivables	-	252,194	252,194
Amounts owed by other Macquarie Group undertakings	-	8,374	8,374
Other debtors	-	95	95
Total	**-**	**301,708**	**301,708**

26.2 Liquidity risk

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

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

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay.

2018	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Trade Creditors	-	(450)	-	-	(450)
Amounts owed to other Macquarie Undertakings	(4,447)	-	-	-	(4,447)
Total undiscounted cash flows	**(4,447)**	**(450)**	**-**	**-**	**(4,897)**

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

26. Financial risk management (continued)

26.2 Liquidity risk (continued)

2017	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Trade Creditors	-	(7,024)	-	-	(7,024)
Amounts owed to other UK Green Investment Bank Plc Group Undertakings	(1,327)	-	-	-	(1,327)
Total undiscounted cash flows	**(1,327)**	**(7,024)**	**-**	**-**	**(8,351)**

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

26.3 Market risk

Market risk

Market risk is the exposure to adverse changes in the value of Company's financial assets and liabilities as a result of changes in market prices or volatility. The Company is exposed to the following risks in each of the major markets in which it trades:

- foreign exchange: changes in spot and forward exchange rates;
- interest rates: changes in the level, shape and volatility of yield curves; and
- the Company is also exposed to the correlation of market prices and rates within and across markets.

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

Interest rate risk

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

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

	Movement in basis points	2018 Sensitivity of profit point before tax £000	2017 Sensitivity of profit point before tax £000
Great British Pound	+50	491	13,350
Great British Pound	-50	(491)	(13,350)

Foreign currency risk

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

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

	Movement of +10%		Movement of -10%	
	2018 Sensitivity of profit before tax '000	2017 Sensitivity of profit before tax '000	2018 Sensitivity of profit before tax '000	2017 Sensitivity of profit before tax '000
US Dollar[1]	15	-	(15)	-

[1]Exposure to currency risk in 2017 was mitigated by hedge accounting as detailed in accounting policies.

27. Fair values of financial assets and financial liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

- the fair value of fixed rate loans and debt carried at amortised cost is estimated by reference to current market rates offered on similar loans and the credit worthiness of the borrower.
- financial assets and liabilities at fair value through profit or loss, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- the fair values of balances due from/to related entities are approximated by their carrying amount as the balances are generally receivable/payable on demand; and
- the fair value of debt issues and subordinated debt is based on market prices where available. Where market prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and issue and incorporates changes in the Company's own credit spread.

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

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

The fair value of all financial assets and liabilities approximates their carrying value at balance sheet date.

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

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

2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Investment securities held for sale	-	-	14,746	14,746
Total assets	**-**	**-**	**14,746**	**14,746**

2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Other financial assets at fair value through profit or loss	-	-	66,173	66,173
Total assets	**-**	**-**	**66,173**	**66,173**
Liabilities				
Derivative financial stability		-	(12,903)	(12,903)
Total liabilities	**-**	**-**	**(12,903)**	**(12,903)**

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table presents the changes in Level 3 of the fair value hierarchy for the Company for the year ended 31 March 2018.

	Investment securities available for sale £000	Other financial assets at fair value through profit or loss £000	Total £000
Balance at 1 April 2017	**-**	**32,011**	**32,011**
Additions	-	24,717	24,717
Repayments	-	(869)	(869)
Interest receivable	-	2,579	2,579
Revaluation (unrealised)	-	7,735	7,735
Balance at 31 March 2017	**-**	**66,173**	**66,173**
Additions	-	3,924	3,924
Transfers into available for sale	13,147	-	13,147
Repayments	-	(193)	(193)
Interest receivable	2,362	1,081	3,443
Revaluation (unrealised)	(763)	(13,021)	(13,784)
Disposal	-	(57,964)	(57,964)
Balance at 31 March 2018	**14,746**	**-**	**14,746**

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

Sensitivity analysis of valuations using unobservable inputs
The table below shows the sensitivity in changing assumptions to reasonably possible alternative assumptions, for those financial instruments for which fair values are determined in whole or in part using valuation techniques based on such assumptions.

	2018		2017	
	Favourable £000	Unfavourable £000	Favourable £000	Unfavourable £000
Product type				
Investment securities available for sale				
Risk adjusted discount rate[1]	6	(6)	-	-
Product type				
Fair value through profit and loss				
Risk adjusted discount rate[1]	-	-	(12)	14
Total	**6**	**(6)**	**(12)**	**14**

[1]A change in discount rate by +/- 100 bps.
[2]A change in power prices +/- 10%.

Significant unobservable inputs
The key sensitivities of the fair value of assets are the discount rate used for calculating the discounted cash flow valuation and the future power price assumptions. The table above shows how the fair valuations are impacted by increasing and decreasing the discount rate used by 1% and also the impact of increasing and decreasing the future power prices by 10%.

28. Ultimate parent undertaking
At 31 March 2018 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.

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

By activity	2018	2017
Investment	57	59
Operations	48	61
Balance at the end of the financial year	**105**	**120**

30. Events after the reporting year
On 21 September 2018 investments Speyside Renewable Energy Partnership HoldCo Limited and Cramlington Renewable Energy Developments Limited, classified as held for sale as at 31 March 2018, were sold for cash with no material impact upon the financial performance for the year ending March 2019..

Green performance

Here we provide a summary of the contribution of our investments to each of our Green Purposes, with more detailed reporting of the green impact of the portfolio of investments in the green impact statements on p. 32-36.

The reduction of greenhouse gas emissions

The forecast lifetime greenhouse gas emissions from projects in which we invested in 2017/18, and the cumulative total for all UK GIB investments to date, are summarised below. All of the projects invested in during the reporting period are expected to contribute to greenhouse gas emissions reduction.

The advancement of efficiency in the use of natural resources

The contribution to this green purpose is measured by the metrics below on renewable energy generation, energy demand reduction and materials recycled. Of the five projects invested in during the reporting period, all of them are expected to advance natural resource efficiency.

The protection or enhancement of the natural environment

Two projects invested in during the reporting period are expected to contribute to the protection of the natural environment – these do so by diverting waste from landfill.

The metrics for landfill diversion are summarised below, and detailed in the green impact statements.

The protection or enhancement of biodiversity

None of the projects invested in during the reporting period are anticipated to make a material positive contribution to this green purpose. We undertake due diligence before each investment by reviewing projects' Environmental Impact Assessments, as applicable, to evaluate the significance of any adverse or beneficial effects on biodiversity and any mitigation and/or monitoring measures required. Three of the projects are developments on brownfield sites with low existing biodiversity value and have potential to deliver minor local benefits to biodiversity; the remaining projects have been designed (e.g. through wind turbine siting), and/or are applying mitigation (e.g. through timing construction to reduce disturbance to local fauna), to minimise adverse effects on biodiversity. Consequently all projects in the reporting period were assessed as having minor or no significant residual effects on biodiversity.

The promotion of environmental sustainability

Two investments made during the reporting period are anticipated to promote environmental sustainability – these do so by delivering new low-carbon generation capacity with a long technology horizon, and by demonstrating innovative new investment partnerships in green infrastructure that can be replicated by other investors.

Lifetime green impact metrics

	Additional lifetime green impact from investments made in 2017/18	Lifetime green impact from cumulative investments to date
Greenhouse gas emissions avoided (kt CO_2e)	17,190†	173,855
Renewable energy generated (GWh)	84,941†	460,629
Energy demand reduced (GWh)	-†	3,977
Materials recycled (kt)	3,640†	32,977
Waste to landfill avoided (kt)	15,652†	100,948

GIG green impact statements

The green impact statements overleaf indicate the principal environmental benefits arising from the Company's portfolio of investments. Green impact metrics are reported in terms of the actual green impact delivered by the portfolio during the reporting period, the historical green impact accrued by the portfolio to date, and the forecast green impact for the remaining lifetimes of the projects in the portfolio.

The green impact statements should be read in conjunction with the methodology for calculating green impact. The details of which are set out in the Green Impact Reporting Criteria 2017-18, a copy of which is published on http://greeninvestmentgroup.com/green-impact/

Selected totals for data in the Green Impact Statements (see p. 30-36) in respect of the financial year 2017-18 have been independently assured by Deloitte in accordance with the Independent Assurance Report set out at p. 39-40.

Note: Data marked † on this page are assured disclosures.

Green performance

Green impact of the Company's portfolio in year

	Year ended 31.03.18	Year ended 31.03.17
GHG emissions reduction (t CO_2e '000)	4,142	7,835
Renewable energy generated (GWh)	8,173	15,606
Energy demand reduced (MWh)	78,445	86,552
Materials recycled (t)	282,156	247,091
Waste to landfill avoided (t)	534,458	402,773

Future estimated remaining lifetime green impact of the Company's portfolio at year end

	Year ended 31.03.18	Year ended 31.03.17
GHG emissions reduction (t CO_2e '000)	73,427	134,087
Renewable energy generated (GWh)	214,907	331,402
Energy demand reduced (MWh)	2,149,487	3,788,648
Materials recycled (t)	4,240,269	28,962,650
Waste to landfill avoided (t)	11,871,643	84,675,960

Future estimated average annual green impact of the Company's portfolio at year end

	Year ended 31.03.18	Year ended 31.03.17
GHG emissions reduction (t CO_2e '000)	3,624	7,955
Renewable energy generated (GWh)	10,443	21,547
Energy demand reduced (MWh)	164,850	272,396
Materials recycled (t)	188,212	1,155,477
Waste to landfill avoided (t)	477,676	3,212,199

Reduction of greenhouse gas emissions

Consolidated statement of GHG emissions reduction of the Company's portfolio for the year ended 31 March 2018

	Note 3	Year ended 31.03.18 t CO_2e '000	Year ended 31.03.17 t CO_2e '000
Offshore wind - UK Green Investment Bank Limited		632	553
Offshore wind - Offshore Wind Fund		705	384
Waste		354	381
Non-domestic energy efficiency		66	56
Bioenergy		2,367	6,449
Onshore renewables		18	12
Total		**4,142**	**7,835**

Consolidated statement of estimated lifetime GHG emissions reduction of portfolio at 31 March 2018

Cumulative historical GHG emissions reduction of portfolio	Year ended 31.03.18 t CO_2e '000	Year ended 31.03.17 t CO_2e '000
Total carried forward from last year	20,468	12,633
Net contribution this year	4,142	7,835
Total historical GHG emissions reduction	**24,610**	**20,468**

Estimated remaining lifetime GHG emissions reduction of portfolio, by sector	Year ended 31.03.18	Year ended 31.03.17
Offshore wind - UK Green Investment Bank Limited	39,031	41,205
Offshore wind - Offshore Wind Fund	11,007	11,742
Waste	7,216	33,393
Non-domestic energy efficiency	551	2,264
Bioenergy	13,505	43,740
Onshore renewables	2,117	1,743
Total estimated remaining lifetime GHG emissions reduction	73,427	134,087
Total estimated lifetime GHG emissions reduction	**98,037**	**154,555**

Consolidated statement of estimated remaining lifetime GHG emissions reduction of exited transactions, at time of exit

	Note 2	Year ended 31.03.18 t CO_2e '000	Year ended 31.03.17 t CO_2e '000
Total		**74,300**	**1,518**

Generation of renewable energy

Consolidated statement of renewable energy generated by portfolio for the year ended 31 March 2018

	Note 3	Year ended 31.03.18 GWh	Year ended 31.03.17 GWh
Offshore wind - UK Green Investment Bank Limited		1,459	1,277
Offshore wind - Offshore Wind Fund		1,629	888
Waste		349	311
Non-domestic energy efficiency		38	9
Bioenergy		4,656	13,093
Onshore renewables		42	28
Total		**8,173**	**15,606**

Consolidated statement of estimated lifetime renewable energy generated by portfolio at 31 March 2018

Cumulative historical lifetime renewable energy generated by GIB portfolio	Year ended 31.03.18 GWh	Year ended 31.03.17 GWh
Total carried forward from last year	41,301	25,695
Net contribution this year	8,173	15,606
Total historical lifetime renewable energy generated	49,474	41,301
Estimated remaining lifetime renewable energy generated by portfolio, by sector		
Offshore wind - UK Green Investment Bank Limited	90,142	95,163
Offshore wind - Offshore Wind Fund	25,421	27,118
Waste	12,771	49,421
Non-domestic energy efficiency	51	1,375
Bioenergy	42,418	154,299
Onshore renewables	44,104	4,026
Total estimated remaining lifetime renewable electricity generated	214,907	331,402
Total estimated lifetime renewable electricity generated	**264,381**	**372,703**

Consolidated statement of estimated remaining lifetime renewable energy generated by exited transactions, at time of exit

	Note 2	Year ended 31.03.18 GWh	Year ended 31.03.17 GWh
Total		**192,743**	**3,505**

Energy demand reduction

Consolidated statement of energy demand reduced by portfolio for the year ended 31 March 2018

	Note 3	Year ended 31.03.18 MWh	Year ended 31.03.17 MWh
Electricity		69,651	75,317
Heating fuels		8,794	11,235
Total		**78,445**	**86,552**

Consolidated statement of estimated lifetime energy demand reduced by portfolio at 31 March 2018

Cumulative historical energy demand reduced by portfolio	Year ended 31.03.18 MWh	Year ended 31.03.17 MWh
Total carried forward from last year	169,325	82,773
Net contribution this year	78,445	86,552
Total historical energy demand reduced	**247,770**	**169,325**
Estimated remaining lifetime energy demand reduced, by fuel type		
Electricity	122,358	1,655,748
Heating fuels	2,027,129	2,132,900
Total estimated remaining lifetime energy demand reduced	2,149,487	3,788,648
Total estimated lifetime energy demand reduced	**2,397,257**	**3,957,973**

Consolidated statement of estimated remaining lifetime energy demand reduction of exited transactions, at time of exit

	Note 2	Year ended 31.03.18 MWh	Year ended 31.03.17 MWh
Total		**1,579,479**	**-**

Recycling of materials

Consolidated statement of materials consumption avoided through materials recycling by portfolio for the year ended 31 March 2018

	Note 3	Year ended 31.03.18 tonnes	Year ended 31.03.17 tonnes
Compost		25,373	25,213
Digestate (PAS 110)		145,701	177,315
Compost-like output		33,870	28,406
Plastics – mixed		2,036	(381)
Ferrous metals		7,470	1,500
Non-ferrous metals		1,723	549
Paper/card		328	(4,032)
Glass		281	81
Mineral aggregates		54,452	4,016
Waste electrical and electronic equipment (WEEE)		-	-
Other		10,922	14,424
Total		**282,156**	**247,091**

Consolidated statement of estimated lifetime materials consumption avoided through materials recycling by portfolio at 31 March 2018

Cumulative historical materials consumption avoided by portfolio	Year ended 31.03.18 tonnes	Year ended 31.03.17 tonnes
Total carried forward from last year	389,162	142,071
Net contribution this year	282,156	247,091
Total historical materials consumption avoided	**671,318**	**389,162**
Estimated remaining lifetime materials consumption avoided by portfolio, by recyclate type		
Compost	-	936,764
Digestate (PAS 110)	1,320,208	6,748,054
Compost-like output	-	1,091,302
Plastics – mixed	151,891	704,432
Ferrous metals	247,920	1,043,821
Non-ferrous metals	114,395	276,070
Paper/card	-	658,330
Glass	-	9,343
Mineral aggregates	2,371,527	11,328,282
Waste electrical and electronic equipment (WEEE)	34,328	34,328
Other	-	6,131,924
Total estimated remaining lifetime materials consumption avoided	4,240,269	28,962,650
Total estimated lifetime materials consumption avoided	**4,911,587**	**29,351,812**

Recycling of materials

Consolidated statement of estimated remaining lifetime materials consumption avoided of exited transactions, at time of exit

	Note 2	Year ended 31.03.18 tonnes	Year ended 31.03.17 tonnes
Total		**28,065,866**	**-**

Avoidance of waste to landfill

Consolidated statement of waste to landfill avoided by portfolio for the year ended 31 March 2018

	Note 3	Year ended 31.03.18 tonnes	Year ended 31.03.17 tonnes
Biodegradable waste		416,731	366,031
Non-biodegradable waste		117,727	36,742
Total		**534,458**	**402,773**

Consolidated statement of estimated lifetime waste to landfill avoided by portfolio at 31 March 2018

Cumulative historical waste to landfill avoided by portfolio	Year ended 31.03.18 tonnes	Year ended 31.03.17 tonnes
Total carried forward from last year	562,816	160,043
Net contribution this year	534,458	402,773
Total historical waste to landfill avoided	**1,097,274**	**562,816**
Estimated remaining lifetime waste to landfill avoided by portfolio, by waste type		
Biodegradable waste	9,063,263	53,879,080
Non-biodegradable waste	2,808,380	30,796,880
Total estimated remaining lifetime waste to landfill avoided	11,871,643	84,675,960
Total estimated lifetime waste to landfill avoided	**12,968,917**	**85,238,776**

Consolidated statement of estimated remaining lifetime materials consumption avoided of exited transactions, at time of exit

	Note 2	Year ended 31.03.18 t CO_2e '000	Year ended 31.03.17 t CO_2e '000
Total		**87,978,985**	**-**

Equator principles reporting

Equator Principles reporting on transactions closed in the 2017-18 reporting period[1]

	Cat. A	Cat. B	Cat. C
Waste	0	1	0
Offshore wind	0	0	0
Energy efficiency	0	0	0
Onshore renewables	0	0	0

Independent review of assessment documentation in accordance with Principle 7

	Cat. A	Cat. B	Cat. C
Yes	-	1	-
No	-	-	-

The project reported – Ferrybridge Multifuel 2 – was classified as project finance and is located in the UK (a 'designated country' under the Equator Principles).

[1] GIG's Equator Principles reporting is also available on the Equator Principles website at http://equator-principles.com/members-reporting.

Notes to the green impact statements

1. Year-on-year changes to portfolio green impact

The table overleaf shows how the remaining lifetime green impact at the end of 2017-18 compares to that at the end of 2016-17, and provides a breakdown of the year-on-year changes. The changes in forecast remaining lifetime green impact were caused by:

- New investments made in the period – the Company invested in five new projects in the reporting period; of these, four are expected to contribute to increased forecast green impact. The remaining investment in the reporting period was the acquisition of an additional 25% interest in the Westermost Rough offshore wind farm. As the Company already reports the green impact of this project in accordance with the Green Impact Reporting Criteria 2017-18, no additional green impact is reportable as a result of this additional investment into the project.
- Projects exited or cancelled in the period – please see Note 2 below for further details.
- Actual green impact realised by existing projects in the period – 70 of the projects that were in the portfolio at the end of 2016-17 were operational and producing green impact in the reporting period; this green impact is deducted from the end 2016-17 forecast remaining lifetime. Please see Note 3 below for further details.
- Existing projects' variation of performance/reforecasts from last year's forecast – for some of the projects that were in the Company's portfolio at the end of 2016-17, green impact produced in the reporting period differed from the previous year's forecast, leading to reforecasting of the green impact. None of the variances or reforecasts arising from individual projects are material to the overall portfolio remaining lifetime green impact.

2. Estimated remaining lifetime green impact of exited transactions

On 20 April 2017, the UK Government announced that it had agreed to sell the Company to a Macquarie-led consortium. The sale completed on 17 August 2017. In line with public statements on 20 April and 18 August 2017, the Company subsequently restructured its interests in a number of investments to facilitate the creation of investment vehicles and platforms – including an offshore wind investment vehicle, a low-carbon lending platform and a green infrastructure investment platform – to enable investors including Macquarie's consortium partners USS, MEIF5 and the UK Government to invest in the underlying interests via these vehicles.

As a result of this restructuring and due to other exited transactions, a number of projects exited the Company's portfolio in the reporting period. As these exited projects are still anticipated to deliver green impact, in accordance with the Green Impact Reporting Criteria 2017-18, remaining lifetime green impact for exited transactions is reported as a separate item from future estimated portfolio green impact.

3. Actual green impact realised by existing projects in the period – estimation methodology for exited transactions

A number of operational projects that were in the portfolio at the end of 2016-17 were exited partway through the reporting period; as such, end-of-year reporting of actual green impact has not been available[1]. For such projects, the actual green impact delivered during that part of the year has been estimated on a *pro rata* basis in accordance with the Green Impact Reporting Criteria 2017-18. The estimation methodology has used the length of time that each project was operational and in the portfolio and applied a *pro rata* estimation of the green impact generated by the project in that period, using the performance forecast previously reported by the project.

Of the actual green impact reported for the period 2017-18, performance estimated in such a way accounts for:

- 65% of GHG emissions reduction
- 61% of renewable energy generation
- 34% of energy demand reduction
- 77% of materials recycled
- 87% of waste to landfill avoided

Future estimated remaining lifetime green impact of the Company's portfolio at year end

	Note	GHG emissions reduction t CO_2e '000	Renewable energy generated GWh	Energy demand reduced MWh	Materials recycled t	Waste to landfill avoided t
Year ended 31.03.17		**134,087**	**331,402**	**3,788,648**	**28,962,650**	**84,675,960**
New investments made in the period		17,190	84,941	0	3,639,764	15,651,867
Projects exited or cancelled in the period		(74,300)	(192,743)	(1,579,479)	(28,065,866)	(87,978,985)
Actual green impact realised by existing projects in the period (deducted from last year's forecast)		(4,142)	(8,173)	(78,445)	(282,155)	(534,457)
Existing projects' variation of performance/reforecasts from last year's forecast		592	(520)	18,763	(14,124)	57,258
Year ended 31.03.18		**73,427**	**214,907**	**2,149,487**	**4,240,269**	**11,871,643**

[1] With the exception of the Drax coal to biomass conversion project, for which actual green impact data has been sourced from the *Drax Group plc Annual report and accounts 2018*.

Independent Assurance Report to the UK Green Investment Bank Limited on portfolio performance-related Green Impact Data and the application of the Equator Principles

We have been engaged by the Directors of the UK Green Investment Bank Limited (the Company) to conduct a limited assurance engagement relating to the Assured Disclosures concerning portfolio performance-related Green Impact Data and the application of the Equator Principles within the Annual Report for the year ended 31 March 2018.

Our unqualified conclusion
Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Assured Disclosures, which have been prepared in accordance with the Company's Green Impact Reporting Criteria and Equator Principles Reporting Criteria (the "Reporting Criteria"), materially misstate the Company's Green Impact for the year ended 31 March 2018.

The data have been prepared on the basis of the methodology set out in the Company's respective Reporting Criteria which can be seen on the Company website.

Find out more
www.greeninvestmentgroup.com/green-impact

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

Our engagement provides limited assurance as defined in ISAE 3000 (revised). The evidence gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our procedures consisted primarily of:

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

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

Responsibilities of the Directors

The Directors are responsible for preparing the annual report, including the following Assured Disclosures:

Green Impact Data (Annual Actual 2017-18, Lifetime and Average Annual forecasts for year ended 31.03.18) (see page 29 and pages 30-36)	
Greenhouse gas emissions reduction	(t CO_2e)
Renewable energy generated	(GWh)
Energy demand reduced	(MWh)
Materials consumption avoided through materials recycling	(t)
Waste-to-landfill avoided	(t)
Equator Principles (see p.36)	
Total number of Project Finance transactions and Project-Related Corporate Loans that reached financial close within the reporting period, to which the Equator Principles apply.	

Inherent Limitations

Since the Lifetime and Average Annual 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 Lifetime and Average Annual Data.

Independence

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

London

Note: The following contents have not been audited by the independent auditors, and do not contain any disclosures assured by the independent assurance provider.

Green Purposes Company Trustees' letter

Background

The Green Purposes Company (GPC) was established by the UK Parliament to safeguard the green mission of the UK Green Investment Bank Limited (GIB) and its subsidiaries, which now trade under the brand of 'Green Investment Group' (GIG). The GPC performs its role in two main ways:

- The GPC holds a special share in the GIB with powers to approve or veto any proposed amendment to the five green purposes as set out in the GIB's Articles of Association. No such proposals have been made; and
- The GPC publishes this letter for inclusion in the GIB's annual report, setting out its assessment of how the GIB has performed against the five green purposes.

The GPC may also attend the annual stakeholder meeting which GIG has committed to hold, and to attend the annual general meeting, or other shareholder meetings, of the GIB where the GPC would be permitted to speak on matters in relation to any change to the green purposes.

In performing its role, the GPC is committed to public accountability, transparency and competency, and to contributing positively to the future development of the GIB.

The GPC consists of five Trustees: Peter Young (Chair), Tushita Ranchan, Robin Teverson, James Curran and Trevor Hutchings.

The GPC's role extends to the activity undertaken by GIB entities. All investments in this reporting period have taken place in the UK and Europe, with GIG activity elsewhere likely to have been undertaken by entities other than GIB, as explained in the preceding strategy report.

The GPC has reached its views informed by regular meetings with GIG's senior management, reviewing substantive information provided by GIG, individual work by the Trustees and specialist consultancy support. Our areas of particular interest in this first year are set out below.

Green Assessments

The principal assessment of GIG's investment performance against the five green purposes is made with reference to the green impact statements prepared and published by GIG in its Progress Report and in this annual report. Whilst some details of the calculations remain inaccessible, our methods to gather evidence provide us with confidence that our conclusions are well-founded.

We are pleased to see that GIG:

- Takes robust account of wider environmental impacts at initial screening of potential investments and of counter-factuals (ie alternative scenarios), and have seen evidence that the results impact on investment opportunity selection;
- Goes well beyond the Equator Principles in respect of non-equity investments;
- Uses environmental sustainability criteria which picks up on wider and downstream benefits;
- Assesses the likelihood of all environmental benefits actually being realised;
- Undertakes ongoing monitoring of the performance of investments to ensure that they are working effectively; and
- Has adopted the same methodology as when in public ownership, allowing direct comparison with previous GIB reports.

On balance, the GIG assessment methodology is in the top tier of comparable procedures and is designed to offer breadth & balance across its components. It is one of few methodologies that excludes prospective investments on the grounds of poor environmental performance. It also includes internal, confidential, third-party scrutiny by independent experts.

However, we find the transparency of the assessment process significantly less than the exemplary approach of the European Investment Bank (EIB). Whilst constrained by commercial considerations compared to the EIB, we believe the GIG could work towards publishing Green Impact Statements with greater detail and consistency between the five green purposes in the 'comment on contribution to green purpose' section, for example against the biodiversity green purpose. The addressing of potential mitigation of negative impacts could be enhanced, ultimately we would like to see a clearer requirement for all investments to have no net negative impact on any green purpose.

There is an opportunity to evolve GIG's green assessment methods, for example using more refined forecasting of carbon savings where data permit. The green impact accounts presented here could also become more suited to GIG's future investment strategy regarding a greater diversity in geography, type and holding period.

External Green Assurance

This report contains the statement from GIB's independent Green Assurers. They provide a limited assurance across a sample of the investment portfolio, according to the scope of work set out in their

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Green Purposes Company Trustees' letter

statement. One focus is on the completeness and accuracy of the green ratings calculation process. We are comforted that the Assurers regard the assessment of green impacts from GIG's investments as consistent, based on good quality data, and that reports are transparent to interested investors.

Investment Strategy

There was insufficient evidence from investments made, during this reporting period, whether GIG will invest to a greater or lesser extent in early-stage developments.

Thought Leadership

We commend the GIG for remaining committed to thought leadership through its input to several public activities and to the investment community.

Innovation

In terms of technology innovation, GIG tends, on the small sample of investments made so far, to focus on relatively well-established energy-generating infrastructure, two from wind and two from waste.

In terms of financial innovation the onshore wind investment at MarkbygdenEtt was one of the first transactions of its kind. The use of a medium-term bilateral power purchase agreement was key to its financial viability. Setting this contractual precedent is especially pertinent in pointing the way towards a post-subsidy investment environment.

Investment Record

We are aware that GIG has invested just under £450M over the period, of which 40% was within the UK and 60% within the rest of Europe. In the UK £169M co-investment was forthcoming, but there was proportionately twice as much leverage in Europe, with approximately £560M of co-investment. Whilst the GPC welcomes the investment in Europe, we are disappointed by the relatively low UK investment levels, whilst noting that the UK green investment market weakened during this reporting period. The GPC would also welcome public clarification from GIG on how it assesses investments made against the £3 billion commitment made in April 2017.

Forward Look

Some questions remain outstanding for the GPC. Next year we would expect to look specifically at the new advisory services being operated by GIG in the UK and Europe; we would wish to investigate the methodology for reporting environmental benefits of investments that are held for short periods; and we would also like to look at the influence that GIG has on project design when actively seeking early-stage investment opportunities.

Peter J. Young

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

Edinburgh

23 October 2018

London office
Ropemaker Place,
28 Ropemaker Street,
London EC2Y 9HD
+44 (0) 203 037 2000

Edinburgh office
Atria One, Level 7,
144 Morrison Street,
Edinburgh EH3 8EX
Tel: +44 (0)330 123 2167

Find out more
enquiries@greeninvestmentgroup.com
Green Investment Group
@GreenInvGroup

greeninvestmentgroup.com