British Business Investments

Annual Report and Accounts 2023

Investing for growth across the UK

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"Against a backdrop of economic uncertainty, British Business Investments has continued to support the UK economy, by bolstering the finance options that are available to smaller businesses."

Catherine Lewis La Torre
Chair

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Chair's statement

Bolstering small business finance

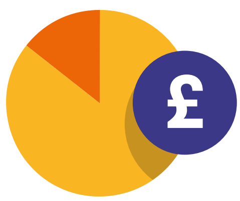
In challenging economic times, the importance of British Business Investments' role has been demonstrated once again.

Another strong year

In this, my last Annual Report as Chair of British Business Investments, I am delighted to be reflecting on another strong year, in which we have performed well against our key objectives, while at the same time contributing to the overall results of the British Business Bank Group.

British Business Investments' mission is to improve access to alternative finance for smaller businesses across the whole of the UK, while supporting the UK's transition to a net zero economy. We do this while generating a commercial rate of return on our investments, on behalf of the UK taxpayer.

"We have delivered strongly for the UK's smaller businesses, while also consistently generating positive returns for the taxpayer."



£3.8bn

Total cumulative value of commitments since 2014

During the 2022/23 financial year, delivering on this mission was as critical as ever. The UK economy continued to feel the impact of wider economic shocks: while the effects of the Covid-19 pandemic declined, the war in Ukraine and rising interest rates and increasing inflation all had an effect.

Against this backdrop of economic uncertainty, British Business Investments has continued to support the UK economy by bolstering the finance options that are available to smaller businesses. British Business Investments has maintained its strong record of delivery, continuing to invest in support of growth throughout the economic cycle, and continuing to support our delivery partners and smaller businesses.

I am pleased to confirm that British Business Investments made new commitments totalling £386m in the past financial year, taking our total commitments since inception in 2014 to more than £3.8bn. We have also generated a strong financial return for the British Business Bank Group, with profit before tax of £38.1m.

A growing presence in the market

Looking back over the seven years since I first joined British Business Investments as CEO, I am extremely proud of all that we have achieved together. During that time, the value of our commitments has more than doubled and we have contributed more than £551m to Group profits. As well as growing in terms of its investment and profitability, British Business Investments has also significantly increased the diversity of its investment portfolio, which is varied by delivery partner, by sector, by region and by asset class. We have delivered strongly for the UK's smaller businesses, while also consistently generating positive returns for the taxpayer.

Looking ahead

Looking forward, I am confident that British Business Investments will continue to deliver against its long-term strategic objectives and will contribute strongly towards the results of the British Business Bank Group.

It has truly been a pleasure working with the British Business Investments team over the past seven years. This is a highly experienced, skilled and dedicated team and our achievements to date are down to their hard work and commitment. As I step down as Chair, I wish continued success to the British Business Investments Board, including Louis Taylor who succeeds me in this role.

Judith Hartley's time as Chief Executive Officer has also come to an end, after three years in the role. I would like to thank Judith for her dedicated and skilled leadership, during what has been an unusually challenging period globally. During this time, Judith has not only continued to build the business into a significant market investor which has consistently delivered on its strategic and commercial mandate, but also helped to successfully steer the business through the turbulent pandemic period.

British Business Investments is a highly successful and impactful organisation. I am confident it will continue to work tirelessly to support smaller businesses in the UK, and to bolster a strong and healthy ecosystem of small business finance.

Catherine Lewis La Torre
Chair

Chief Executive's statement

Continuing to deliver strong results

British Business Investments has continued to invest to support the UK's smaller businesses.

Expanding our portfolio

During the 2022/23 financial year, British Business Investments further expanded the size and diversity of its portfolio. We made 19 new commitments, totalling £386m, taking the total number of investments made to date to 115 and increasing the total number of delivery partners we are currently working with to 66.

Whilst we continued to invest into debt-based providers of capital, such as direct-lending funds, challenger banks, asset finance providers, marketplace lenders and FinTech companies, we have also increased our equity-based investment via our Regional Angels and Managed Funds programmes. This increased diversification of our portfolio improves the availability of long-term patient capital for high-growth UK businesses.

We predominantly invest on a pari passu basis alongside institutional and other investors and seek a commercial return commensurate with the risk undertaken. Our funding helps to unlock further third-party investment for our delivery partners and in the last financial year, alongside our new commitments of £386m, third parties have committed £962m, generating £1,348m of new funding for the UK small business finance market.

These latest investments have enabled us to broaden our reach across the UK's alternative finance markets and increase the support we provide to smaller businesses. We support smaller businesses all across the UK, more than 84% of which are located outside of London. We are also very proud that we have investments in every one of the Devolved Nations and English regions, helping to unlock potential across the whole of the UK.

Whilst we have had a strong year in terms of new commitments and further diversification of the portfolio, write-downs in fair value gains for some of the growth-stage companies within our portfolio have impacted our financial performance. This means that our return in 2022/23 is lower than for the previous financial year. Our income from investments was £53.1m and we delivered profit before tax of £38.1m, compared to £203.4m and £189.4m respectively in the previous financial year. We measure our performance on the basis of a five year adjusted return on average capital employed, and as at the end of March 2023 we had generated a return of 6.3%.

It is important to note that the write-down in fair value gains for some of our equity holdings was expected and is in line with performance across the wider venture capital market. The equity we provide to companies forms part of a long-term investment strategy and it is too early to assess the final performance of our equity portfolio. Overall we remain pleased with our financial performance.

Looking to the future

In early 2023, I announced that I would be standing down as CEO towards the end of the year. Over the three years that I have been CEO of British Business Investments, it has been my pleasure to work with the Board and the investment team, who are a dedicated and skilled group of professionals, delivering increased commitments and significant returns for the British Business Bank Group, year after year. The investment team works tirelessly, alongside our delivery partners, to deliver and expand the range of options available for the UK's smaller businesses. I would like to thank each and every member of the investment team for their huge commitment and support over the past three years.

> "We have investments in every one of the Devolved Nations and English regions, helping to unlock potential across the whole of the UK."

84%

The proportion of businesses supported by British Business Investments that are outside of London

I would also like to thank Catherine Lewis La Torre, who has provided invaluable guidance and help throughout my tenure as CEO.

Looking ahead, with Louis Taylor as the new Chair and with the expertise and experience of the Non-executive Directors, I am confident that British Business Investments will continue to grow and prosper.

We have a strong track record of delivery, and in the coming years we are well-placed to make significant further investments, to help drive economic growth and support the UK's alternative finance market for smaller businesses.

Judith Hartley
Chief Executive

JB Hartley

Our Board

We have a Board and governance structure which enables us to move quickly in investment decision-making, whilst also being designed to optimise our commercial approach.

Catherine Lewis La Torre

Chair (until 16 April 2023)

Catherine was appointed Chair of British Business Investments on 16 June 2022.

Catherine was appointed CEO of British Patient Capital (BPC) in October 2022, having led the British Business Bank as interim CEO since September 2020. Catherine joined the Bank in 2016 to lead the commercial arm, first as CEO of British Business Investments and, from October 2018, as CEO of both British Business Investments and British Patient Capital.

Catherine has built a career in venture capital and private equity fund management. Prior to 2016, she was Head of Private Equity for Cardano, managing a global portfolio of private capital investments on behalf of UK pension funds. She was also previously a Partner and Managing Director of Fondinvest Capital, and before that a founding partner of ProVenture. Catherine is a member of the Rose Review Board.

Judith Hartley

Chief Executive Officer

Judith has been Chief Executive Officer of British Business Investments since September 2020, and between September 2020 to October 2022 she was also interim CEO of British Patient Capital, the other commercial subsidiary within the British Business Bank Group.

Judith built a career in corporate banking with Barclays and Bank of Scotland before becoming involved in the delivery of publicly funded access-to-finance products. Judith was previously the British Business Bank's Managing Director, Lending Solutions, where she was responsible for the delivery of several of the Bank's debt-based products. She also set up the Bank's UK Network, a team that is physically located within each of the Devolved Nations and English regions.

Since 2022, Judith has been a member of the UK Government-sponsored Taskforce for Women-Led High Growth Businesses.

Louis Taylor

Chair (from 17 April 2023)

Louis Taylor is CEO of the British Business Bank. Prior to that, he was Chief Executive of UK Export Finance (UKEF), the UK's export credit agency, for seven years. He also held roles as a Director General in the Department for International Trade, and as a member of its Executive Committee and Management Board.

Before joining UKEF, Louis held a range of senior roles at Standard Chartered Bank, including from 2013 to 2015 as Chief Operating Officer of Group Treasury, based in London. Before that, he spent three years as the bank's CEO for Vietnam, Cambodia and Laos, based in Ho Chi Minh City. During this time he was also Vice Chairman of the European Chamber of Commerce in Vietnam (EuroCham).

Louis is a trustee of the charity Sightsavers, which prevents sight loss and avoidable blindness, and promotes equal rights for disabled people. He has an MA in Law from the University of Cambridge.

Sue Douthwaite

Non-executive Director

Sue became a Non-executive Director in February 2022. Sue is a Chartered Banker and has enjoyed an extensive career in financial services working in retail, corporate and SME banking. Her previous roles include Managing Director of Santander Business in Santander UK, and Head of SME Strategy for Virgin Money.

She has been involved in transformational FinTech projects and alliance partnerships in the UK and Europe and the successful delivery of new operating models, systems and culture. She has been actively involved in the diversity agenda for many years.

Sue is the Chair of the NHS Business Services Authority which delivers high-volume transactional services and develops and runs national platforms supporting the NHS and wider citizens. Sue is also a Non-executive Director of The Melton Building Society, and Chair of Nexa Finance Ltd. She is also Chair of the Advisory Board of Queen's Business School at Queens University, Belfast.

Caroline Bault

Non-executive Director

Caroline became a Non-executive Director in February 2022. She has 30 years' experience in financial services and capital markets, ranging from equity research to investment banking and asset allocation.

Caroline is Managing Partner at CounselRock Partners, a specialist hedge fund research and alternative investment consultancy. Her prior roles include Managing Director of Global Business Development at CAIA, Director of European Research at Commerzbank in London and Frankfurt, and Executive Director at Goldman Sachs International.

She is currently a Non-executive Director of healthcare management consultancy ETL, the Natural Environment Research Council (NERC) and social impact investment platform Ethex, as well as a trustee of the Royal Brompton & Harefield Hospitals Charity, and the African Conservation Foundation (ACF). She is a Chartered Alternative Investment Analyst (CAIA) and a member of the CFA Institute.

Meet the team

Back row (left to right)

Luke Whitehead	Senior Manager
Christopher Amory	Senior Manager
Andrew Magowan	Senior Manager – Risk and Control
Joanne Ward	Personal Assistant
Mads Ladefoged	Manager
Jonathan Marriott	Director
Jay Coulson	Analyst
Alex Butterworth	Analyst
Mealad Alighanbari	Manager
Jacqueline Kaminsky	Manager

Front row (left to right)

Richard Coldwell	Director
Geoff Whiteland	Director
Adam Kelly	Managing Director
Judith Hartley	CEO
Rishi Puri	Senior Manager
Nancy Liu	Senior Manager

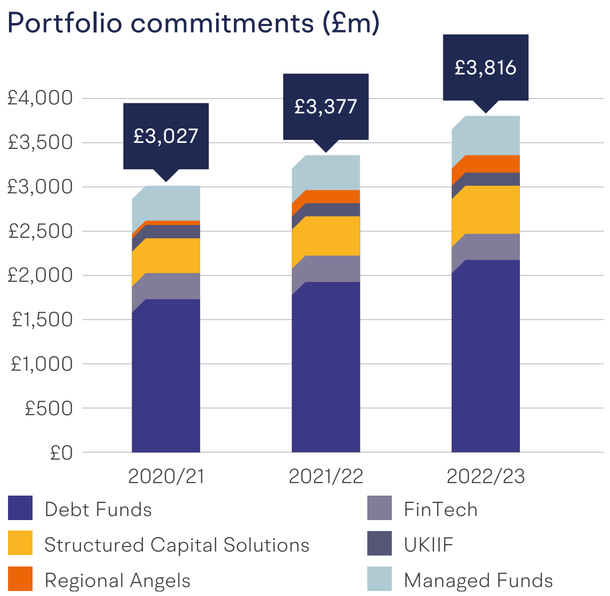
Not pictured

Jasleen Haer	Analyst
John Bannister	Analyst
Mark Barry	Director
Vianney de Leudeville	Director

Meeting our strategic and commercial objectives

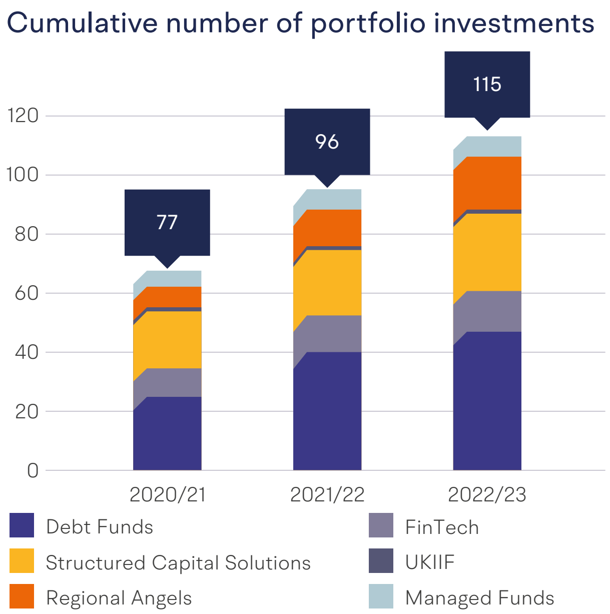
Supply

Increasing the supply of finance to smaller businesses across the UK



Diversity of funding

Helping to create a more diverse finance market

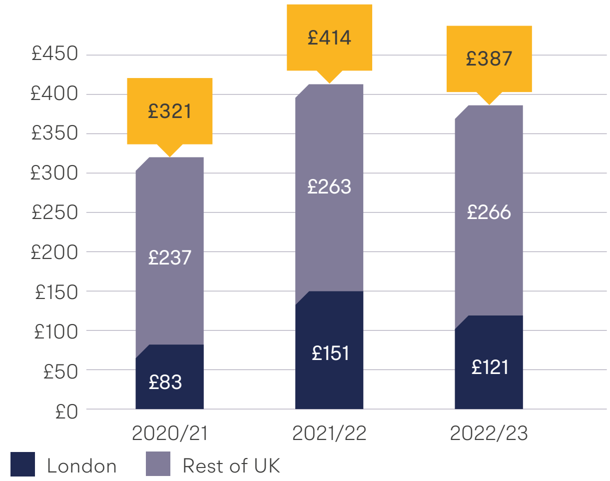


British Business Investments has four strategic and commercial objectives. We continuously evaluate our performance to make sure that we are on course to meet these objectives.

Regional access

Identifying and helping to address regional imbalances in access to finance

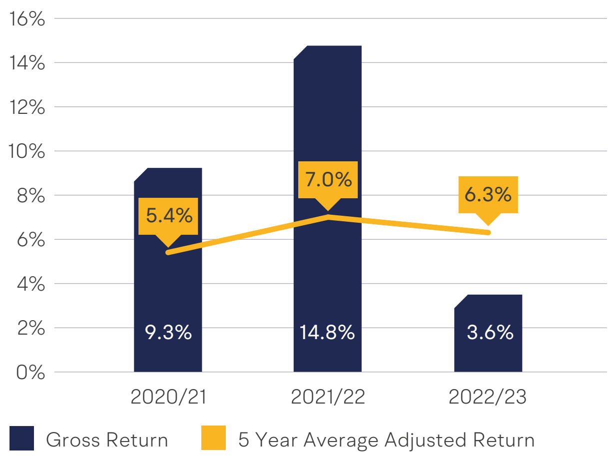
Gross Deployment (£m)



Returns

Managing taxpayers' money efficiently while generating a commercial rate of return

Return on invested capital



* 2021/22 figure has been restated since last years report.

Delivering our key objectives

British Business Investments is a commercial subsidiary of the British Business Bank.

Adam Kelly
Managing Director

Our role

We support the Bank in achieving its strategic objectives, while generating commercial returns by investing alongside private sector investors.

We do not invest in smaller businesses directly. Instead, we make financial commitments to a variety of finance providers that we call delivery partners, who then provide funding to smaller businesses.

Our delivery partners vary widely: they include challenger banks, asset finance providers, FinTech lenders, debt funds, angel networks and Venture Capital fund of funds managers.

Each of our programmes supplies either debt finance or equity capital to the market, and by working with our delivery partners we increase the volume and the diversity of finance that is available for smaller businesses throughout the UK. We have five programmes in total, three of which are still investing, while two are fully invested and in run-off.

A year of sustained achievement

Despite the continued challenging economic environment, British Business Investments saw resilient performance in its portfolio during the past financial year, combined with strong demand across all of our programmes. This illustrates that funding gaps remain in the market for the types of finance that we support.

During the year we made commitments to several new delivery partners – including challenger bank Oxbury which provides finance to the agricultural and farming sector. An investment such as this meets a number of our objectives, including regionality, while it also connects with the increased focus on food security in the UK.

	Debt finance programmes	Equity capital programmes
Currently investing	Investment Programme	Managed Funds Programme Regional Angels Programme
Fully invested	Business Finance Partnership (mid-cap and small-cap)	UK Innovation Investment Fund

The past financial year was exceptionally strong in many respects: with 19 new commitments, bringing the total number of investments made since launch to 115, while also increasing the number of our current delivery partners to 66, which is the highest in our history.

Our ability to deliver such a high volume of transactions is testament to the commitment and determination of the team. We have also reviewed our investment process to make it quicker, more efficient and more transparent for applicants, and have updated our documentation so our templates and due diligence questionnaires are clearer.

Looking ahead we have set ourselves ambitious targets for the new financial year, not least in the number of new commitments that we are aiming to make. Although we are expecting economic headwinds to continue, we will be looking to again deliver strongly on our key objectives.

Debt finance: Investment Programme

Our Investment Programme provides funding to alternative lenders to increase their access to institutional capital. They, in turn, are then able to provide increased alternative finance to smaller businesses. We aim to support both existing players and new entrants.

The programme consists of three asset classes to support specific areas of the debt market: Debt Funds, FinTech, and Structured Capital Solutions.

Equity capital: Managed Funds Programme and Regional Angels Programme

These two programmes were established in 2018 as part of the response to the Government's Patient Capital Review. The Managed Funds Programme makes commitments to established Venture Capital fund of funds managers to increase the supply of later-stage finance. The Regional Angels Programme makes commitments to early-stage investors, such as angel networks, to address regional imbalances in early-stage capital.

Case study

Alma Rail Ltd

BBI Programme: Debt Funds
Delivery partner: Beach Point Capital

Founded in 2007, Alma Rail provides track engineering services, including track inspections, repairs, installation of new track, track drainage, railway-related civil engineering and rail-related building work. The majority of its activities are on privately owned and leased rail infrastructure throughout the UK, with a small proportion of its work carried out on Network Rail infrastructure.

Finance was sought from Beach Point Capital in order to allow the purchase of the majority of Alma Rail shares from the original owners, by the RDCP Group. Obtaining finance for the transaction has allowed Alma Rail Ltd to gain the benefits and security of becoming part of a much larger group.

The business is now seeing benefits from shared functions, especially in financial management and analysis, allowing the Alma Rail management team to analyse the areas in which it is most profitable and dedicate time and effort into these areas.

Going forward, it seeks to build the business further, attracting new clients and offering additional services to existing clients.

New commitments

British Business Investments' purpose is to increase the supply of alternative finance for UK smaller businesses, while making a commercial return for the UK taxpayer.

Increasing the number and type of delivery partners that we invest into contributes towards our strategic objectives.

By committing capital to new and existing delivery partners, we increase the supply and diversity of finance that is available to smaller businesses across the UK.

By supporting delivery partners that offer a wide variety of finance products, we help to create more competition and choice within the alternative finance market.

This, in turn, means that smaller businesses can benefit from the greater choice of finance options in the market.

In the past financial year, British Business Investments made 19 new commitments to delivery partners.

Nine of these were to new delivery partners.

These nine new delivery partners were:

Debt Funds
- Foresight Group
- Panoramic Growth Equity

FinTech
- CrowdProperty

Structured Capital Solutions
- Allica Bank
- Oxbury
- Tower Leasing Limited

Regional Angels Programme
- Eos
- Science Creates Ventures
- Haatch Ventures

The remaining 10 new commitments were to existing delivery partners. By providing follow-on commitments, we enable our existing delivery partners to scale their own businesses and increase the amount of funding they can supply to smaller UK businesses.

Our delivery partners at the end of March 2023

- 24Haymarket Private Capital
- admiral Leasing & Loans
- Alcentra
- Allica Bank
- apera asset management
- Ares
- assetz capital
- Atempo Growth
- Atom bank
- Beach Point Capital Management
- Beechbrook capital
- bms finance
- Bootstrap Europe
- Clarendon Fund Managers
- Claret Capital Partners
- Columbia Lake Partners
- compass business finance
- Cordet Capital Partners
- CrowdProperty together we build
- Deepbridge
- DSW Ventures
- EOS
- Folk 2 Folk
- Foresight For a smarter future
- fdc Frontier Development Capital
- Funding Circle
- Green Angel Syndicate
- haatch ventures
- Hambro Perks
- Harwood Private Capital
- Haydock Finance
- Hayfin
- Hermes GPE
- ICG
- igf Independent Growth Finance
- Isomer Capital
- kingsway Finance A Praetura Group Company
- LGT Capital Partners your partner for alternative investments
- Liberty Leasing The Asset Finance Specialist
- M&G Investments
- Market Finance
- MML Return on Ideas
- panoramic
- mobeus
- Muzinich & Co
- Newable
- Oxbury
- par equity
- PCF Bank
- Præsidian capital
- praetura ventures
- PGIM Private Capital
- Roma Lending less ordinary
- ventures
- Secure Trust Bank Group
- SFC
- Shard Credit Partners
- Shawbrook Bank
- Shire Leasing
- Thincats
- TopTier
- tower
- TDC Tosca Debt Capital
- UKFTF
- Wilshire

Debt finance

We have one debt finance programme that is currently investing: the Investment Programme.

This programme supports our delivery partners in providing many different types of debt products to smaller businesses in the UK. We partner with new market entrants, and also help more established alternative lenders to grow. In this way, we increase and diversify the supply of debt finance for smaller UK businesses.

Our Investment Programme supports three core asset classes, covering different areas of the UK's small business finance market: Debt Funds, FinTech, and Structured Capital Solutions.

Equity capital

Equity capital programmes

Our equity capital programmes unlock additional private sector capital to support business growth across the UK and generate a market rate of return.

We have two equity capital programmes which are currently investing. The Managed Funds Programme invests in large-scale, private sector fund of funds managers providing later-stage Venture Capital. The Regional Angels Programme invests alongside business angels and other early-stage equity investors.

Debt finance – Investment Programme

Debt Funds

In a difficult fund-raising environment, British Business Investments played an important role in catalysing new funds.

282
businesses supported*

47
portfolio investments*

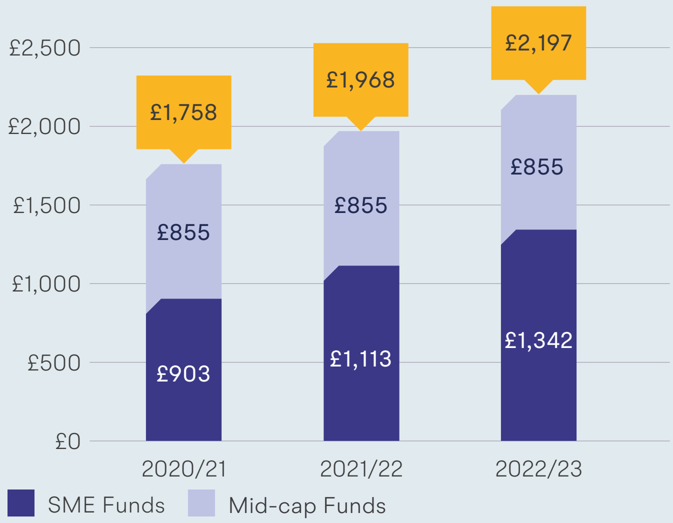
28
delivery partners*

£2.2bn
committed (cumulative)*

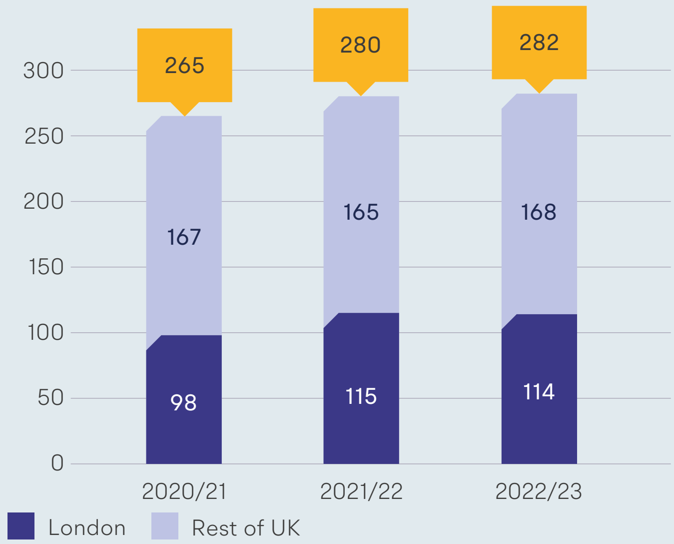
£185m
committed in 2022/23

* Please note the above numbers include the BFP mid-cap programme.

Debt Fund commitments (£m)



Number of businesses supported



Case study

Eurotek Foundry Products Ltd

Delivery partner:
Frontier Development Capital

Formed in 1993, Eurotek's headquarters are in Elland, West Yorkshire. Eurotek provides foundry additives, which help to prevent casting defects, and its product range covers most of the major additives required to form castings that foundries need. The company also provides technical services to enhance its product offering.

Finance from Frontier Development Capital was used to buy out the existing shareholders who wanted to exit the business after many years of successful operations and growth. Eurotek now intends to pursue further growth and expand the business in the future, adding products and further regional diversification, following the recent expansion of its supply network across Germany, Poland and Sweden.

Debt Funds continue to represent the largest part of our balance sheet and the return from this portfolio underpins our overall financial result. Although the return was lower than the previous year, given volatile markets, the portfolio performed in line with expectations. The result highlighted the resilience of this portfolio, with much of the return being generated from interest.

Although the fund-raising market for debt funds remained weak, we made seven new commitments to new and existing delivery partners during the year.

Three commitments were to new delivery partners:

- Foresight North East Fund (£20m)
- Foresight Scotland Fund (£30m)
- Panoramic Growth Equity (£30m)

During the year, we also made four additional commitments to existing delivery partners:

- Frontier Development Capital (£10m)
- Apera Asset Management (£30m)
- MML Enterprise Fund (£40m)
- Shard Credit Partners Venture Debt Fund* (£25m)

* This commitment was subsequently cancelled.

> "Looking ahead, we expect fund-raising will continue to be difficult for this asset class and hence demand for our programme will remain strong."

Regionality has featured strongly in our new commitments during the past financial year, with several new commitments to funds that are focused on the Devolved Nations and English regions. In line with our mission, we have continued to focus on funds that invest in smaller companies. Looking ahead, we expect fund-raising will continue to be difficult for this asset class and hence demand for our programme will remain strong. In terms of underlying small businesses, many of them are still seeking funding to grow despite the weak economic outlook. This shows that there continues to be a structural shortage of capital to support their ambitions.

Debt finance – Investment Programme

FinTech

FinTech lenders continue to diversify the products and services that are available to many smaller businesses, improving access and choice, including for those businesses operating in rural areas.

5,401
businesses supported

14
portfolio investments

5
delivery partners

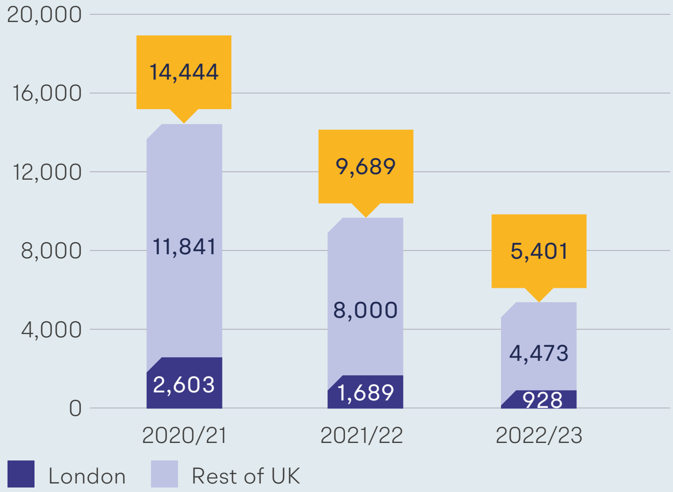
£280m
committed (cumulative)*

£15m
committed in 2022/23

* Adjusted from 2022

Total FinTech commitments (£m)

Number of businesses supported



Supporting innovative lenders that make use of financial technology (FinTech) aligns well with some of British Business Investments' strategic objectives, especially around improving choice and diversity for small businesses and improving access across the whole of the UK. FinTech remains an important source of alternative funding for many smaller businesses.

Although we continue to maintain a strong regional presence, the total number of smaller businesses that we supported this year has reduced as a result of the planned run-off of some investments in existing FinTech delivery partners.

Case study

Fiji Homes and Properties Ltd

Delivery partner:
CrowdProperty

CrowdProperty backs SME businesses to build much-needed homes throughout Britain, with the majority of projects outside of London and the South East. Fiji Homes and Properties Ltd is a husband and wife development team, Dr Mayowa Oluwatosin and Dr Nkiru Oluwatosin, who have completed 15 previous projects, several of which have been supported by CrowdProperty.

Their current project is a development of seven new-build family homes in Lincolnshire, in a predominantly agricultural and residential area. The developers value the expertise-led funding that CrowdProperty provides to support projects and enable them to scale their business.

In 2022/23, we made one new FinTech commitment:

- CrowdProperty (£15m), a specialist in online property finance for SME property professionals. Based in Birmingham, this is a national platform with a strong regional focus.

Working with our FinTech delivery partners, we are supporting 5,401 small businesses across all of the Devolved Nations and English regions.

Looking ahead, we hope to help develop new sources of funding for smaller businesses, and that FinTech continues to play an important role. By supporting specialist lenders in this way, we increase the choice and diversity of alternative finance that is available to smaller businesses across the UK.

> “FinTech remains an important source of alternative funding for many smaller businesses.”

Debt finance – Investment Programme

Structured Capital Solutions

British Business Investments helps specialist lenders, such as asset and invoice finance providers and challenger banks, to increase and diversify their lending to UK smaller businesses.

11,572
businesses supported

27
portfolio investments

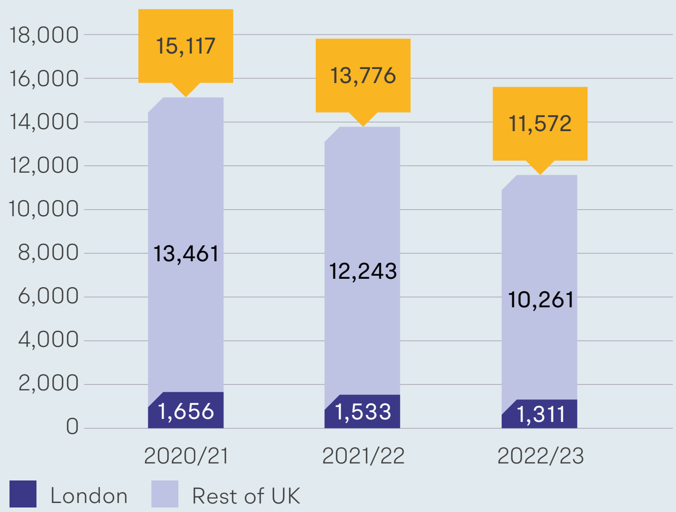
15
delivery partners

£573m*
committed (cumulative)

£110m
committed in 2022/23

Total Structured Capital Solutions commitments (£m)

Number of businesses supported



* Adjusted from 2022

By supporting specialist lenders and challenger banks, we increase the choice and diversity of alternative finance that is available to smaller businesses across the UK.

During the past financial year, Structured Capital Solutions saw strong demand across all three of the sub-asset classes it supports: asset finance, invoice finance and challenger banks. Five new commitments were completed, three of which were to new delivery partners:

- Allica Bank (£30m), a challenger bank focusing on SMEs
- Oxbury (£25m), a regional challenger bank that supports agricultural funds
- Tower Leasing (£25m), an asset finance provider, with a focus on finance leases for business and office equipment.

In addition, we made two follow-on commitments to existing delivery partners:

- Secure Trust Bank (£20m), a challenger bank
- Kingsway Finance (£10m), one of the UK's longest established independent asset finance providers.

Asset finance remains an important funding option for businesses: it is the second most utilised lending instrument outside of loans and overdrafts. British Business Investments will continue to drive innovation in this area and support high quality lenders who support smaller businesses in underserved parts of the market.

Case study

Complete Smiles

Delivery partner:
Kingsway Finance

Complete Smiles is a start-up offering general, cosmetic and advanced dentistry. It hopes to inject life into an old-fashioned industry, aiming to both reduce the fear of visiting a dentist and make visiting the dentist fun.

Complete Smiles provides direct-to-consumer dentistry with a focus on hospitality and innovation through by reimagining in-office dental care.

The business required finance from Kingsway to begin scaling up from an initial pilot, and to support growth. Started in 2021, it is in the process of opening a second dental practice to support current demand on services.

In the future, it plans to increase its service offerings throughout London and its borders, providing a standardised quality of care at the right price with no delays for treatment.

We will also continue to look to support UK challenger banks as they look to raise additional capital including when the revised Basel 3.1 standards become effective. This will, in turn, boost lending activity to smaller businesses.

Equity capital

Managed Funds Programme

The Managed Funds Programme makes cornerstone investments in a small number of large-scale, private-sector funds of funds.

605
businesses supported

7
portfolio investments

5
delivery partners

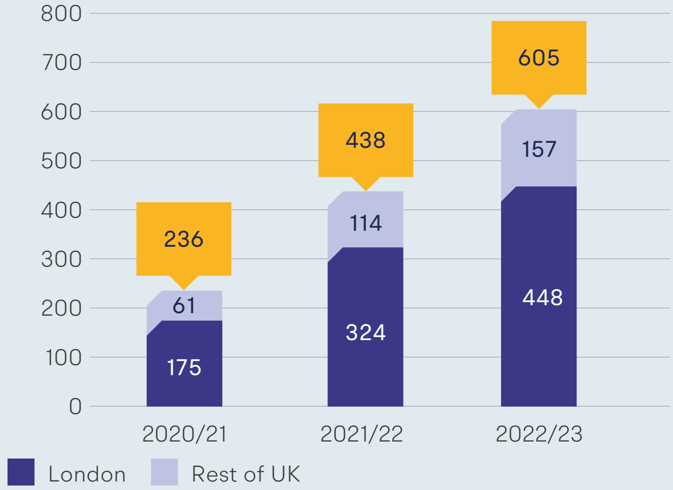
£431m
committed (cumulative)

£21m
committed in 2022/23

Please note, the above numbers refer to the Managed Funds Programme only and do not include commitments made under the UKIIF Programme.

Total Managed Funds Programme commitments (£m)

Number of businesses supported



Case study

Yoto

Delivery partner:
Isomer Capital

Started in 2017, Yoto is an interactive audio player platform for kids. Its connected audio players are controlled without using a screen, and supported by a catalogue of audio that inspires creative play and learning.

With big growth ambitions, it sought finance to scale its products, processes and systems and allow Yoto to expand internationally and to hire a world-class team. The finance has helped it to grow quickly and sustainably, and become profitable, launching its products internationally in the US, Canada and France with plans to continue to expand further in the future.

Our commitments are designed to catalyse institutional capital in the venture and growth asset class and provide capital to high growth businesses in the UK.

Through this £500m programme, which was launched in 2018, British Business Investments is a significant cornerstone investor with a patient capital mandate: we typically commit between 20% and 35% of each fund of funds, with the balance coming from other private sector investors. The investments we make provide our delivery partners with the capital to help them invest into funds and high growth companies. It also supports the development of the UK Venture Capital and Growth ecosystem by encouraging more institutional investors to focus upon UK and European venture opportunities.

We made one new commitment in 2022/23:

– Wilshire UK Co-investments (£21m)

While British Business Investments has invested previously in European co-investment funds, this co-investment mandate is the first of its kind with a 100% UK strategy. It is designed to make co-investment into late-stage UK businesses alongside other vehicles managed by Wilshire. The objective is to enable UK companies to receive larger investments and benefit from the expertise of experienced investors.

Looking ahead, next year we expect to maintain a steady pace of two or three cornerstone investments in funds of funds launched by best-in-class, innovative managers. These investments will continue to support the UK Venture Capital and Growth ecosystem, adding to the diversity of funding that is available, while complementing a diverse portfolio that generates a commercial rate of return.

The Managed Funds Programme operates alongside our pre-existing £150m fund of funds portfolio, consisting of two commitments to mature funds – the UK Future Technology Fund and the Environmental Innovation Fund (made under the UK Innovation Investment Fund Programme). These funds are no longer actively investing.

> “Looking ahead, next year we expect to maintain a steady pace of two or three cornerstone investments in funds of funds launched by best-in-class, innovative managers.”

Equity capital

Regional Angels Programme

The Regional Angels Programme is designed to address regional imbalances in the availability of early-stage equity finance and has a specific regional remit.

477
businesses supported

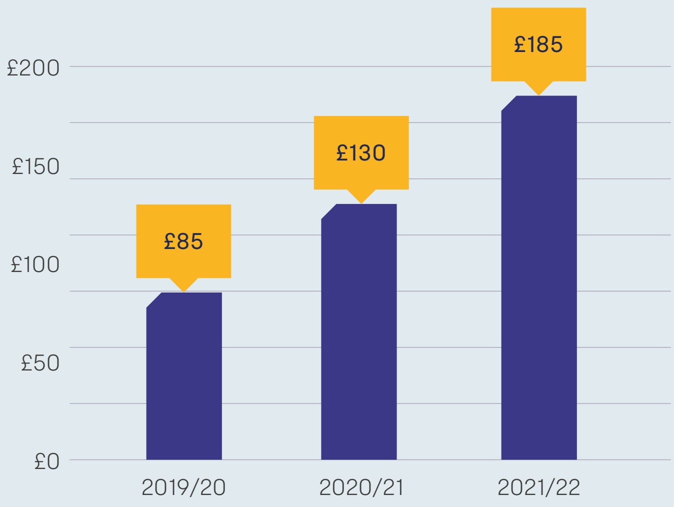
18
portfolio investments

13
delivery partners

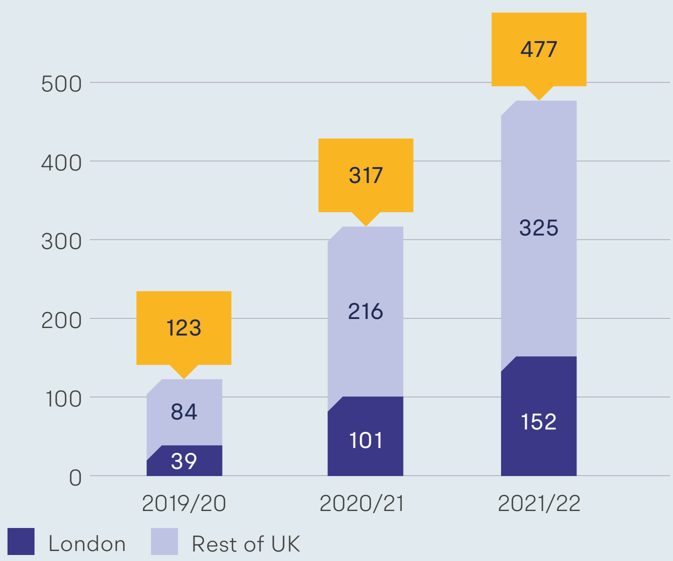
£185m
committed (cumulative)

£55m
committed in 2022/23

Total Regional Angels Programme commitments (£m)



Number of businesses supported



The Regional Angels Programme, which is now in its fourth full year of operation, aims to increase the supply of early-stage capital that is available to regionally based businesses with high growth potential. Using innovative funding structures, we partner with early-stage investors to invest alongside angel networks. This, in turn, helps to attract additional angels to invest alongside our delivery partners, making more capital available for the most promising start-ups and early-stage businesses in all of the Devolved Nations and English regions.

The programme began investing through delivery partners since March 2020 and has now invested in 477 smaller businesses, making it a significant early-stage investor across the UK.

Against a backdrop of a difficult market in the early-stage ecosystem, with a subdued fundraising environment in which smaller businesses found it difficult to raise money, this was still an active year for British Business Investments.

In the 2022/23 financial year, we made five new commitments. Three were to new delivery partners:

- Eos (£10m), a deep-tech and life sciences investor based in St Andrews, Scotland
- Science Creates Ventures (£15m), a deep-tech investor based in Bristol
- Haatch Ventures (£10m), a B2B software investor based in Stamford, Lincolnshire.

Case study

Integrated Graphene

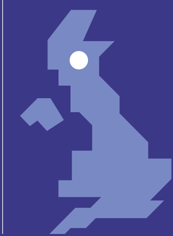
Delivery partner: Par Equity

Based in Stirling, Integrated Graphene is an advanced material supplier that has invented, patented and commercialised a revolutionary design for a manufacturing process to produce a high-performing pure 3D graphene foam, Gii, on any surface, in seconds.

Integrated Graphene tailors and enhances Gii for specific applications to enable disruptive manufacturers across industries to develop high-value products of the future.

As a capital intensive process, funding was needed to develop the new material and commercialise it, hire a team of technical and commercial experts, and to demonstrate scalability and performance.

The finance received from Par Equity so far has allowed the company to put in place an expert team, and buy and install equipment required to support fast growth. To date, revenues from its novel material are growing by 250% year-on-year, with plans to expand internationally.



In addition, we made two follow-on investments:

- Par Equity (£10m), a deep-tech investor based in Edinburgh
- 24Haymarket (£10m), a technology investor based in London and Edinburgh.

The Regional Angels Programme continues to build its portfolio, with delivery partners investing in all of the Devolved Nations and English regions, and in a wide range of sectors.

We welcome the innovation that we are seeing in the early-stage equity space. Looking ahead, we will continue to work to build sophisticated angel networks across the UK.

Managing our risks and corporate governance

British Business Investments operates within the Risk Management and Governance Framework of the British Business Bank but has its own Investment Committee.

Risk management and internal control

British Business Investments does not hold regulatory capital and is not regulated by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA). However, British Business Investments Ltd is registered with the FCA (FRN 930734) and is supervised for anti-money-laundering purposes. Whilst registration with the FCA does not require an entity to comply with the FCA Senior Management Arrangements, Systems and Controls (SYSC), British Business Investments, however, is subject to other applicable laws and regulations and has policies and procedures in place designed to ensure compliance.

British Business Investments is committed to following relevant applicable good practice and ensuring high standards of internal controls.

British Business Investments operates within the Risk Management Framework of the British Business Bank and has its own Investment Committees. A full description of the British Business Bank Risk Management Framework is included within its Annual Report. The main aspects of the framework are:

- a collection of tools, processes and methodologies that support British Business Investments in identifying, assessing, monitoring and controlling the risks it faces in delivery of its strategic objectives
- an approach to Risk Appetite which British Business Investments is subject to, though the British Business Investments Board approves the Company's own Risk Appetite Statement
- risk governance based on the 'three lines of defence' model
- a wide range of policies, frameworks and procedures which take account of regulatory or legal requirements and industry best practice.

The key non-financial risks that the Company is exposed to are around:

- maintaining a suitably qualified investment team and Board to deliver the Company's investment strategy
- ensuring that systems and processes support investment decision-making, reporting and portfolio management
- procuring appropriate support across a range of services from British Business Bank plc, including in finance, legal, risk, IT and communications.

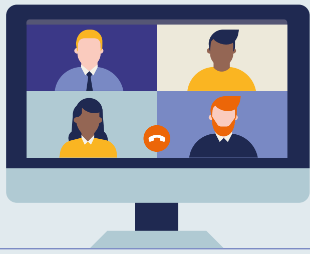
The key financial risks that the Company is exposed to are detailed in note 16.3 of the accompanying financial statements.

Louis Taylor
Chair of the British Business Investments Board

Louis Taylor

1 November 2023

Our key stakeholders



In accordance with Section 172 of the Companies Act 2006, the following pages outline who our stakeholders are, why they are important to our long-term success, how we engage with them to understand their views and issues and where you can find further information about them.

- British Business Bank and Shareholder
- Colleagues
- Delivery partners
- Smaller businesses

These pages highlight our key stakeholders, and why and how we engage with them.

British Business Bank and Shareholder

Why?

British Business Investments Ltd is a wholly owned subsidiary of British Business Bank plc. The Secretary of State for Business and Trade is the sole shareholder of British Business Bank plc, and therefore is vital to British Business Investments' operations and funding. Effective engagement with the Department for Business and Trade (DBT), alongside British Business Bank plc, helps to enable British Business Investments to achieve its strategic objectives, as a commercially focused subsidiary.

How?

- British Business Bank plc holds regular meetings with DBT, including quarterly Shareholder and policy meetings
- A DBT Representative Director is on the Board of British Business Bank plc
- A DBT representative attends British Business Investments' quarterly portfolio monitoring and valuation meetings.

Where?

See the latest Annual Report and Accounts for British Business Bank plc which provides detail on decisions being made in consultation with DBT.

> "Our people make the Bank what it is, and we work hard to ensure that our people are supported and able to thrive."

Colleagues

Why?

Our people make the Bank what it is, and we work hard to ensure that our people are supported and able to thrive. Without our colleagues doing what they do every single day we would not be able to deliver for our Shareholder, wider group of stakeholders and, most critically, for the business across the UK that we are here to support.

How?

- Quarterly town halls and regular 'Ask me anything' sessions with the Group CEO.
- Annual engagement survey leading to action plans which are followed up and monitored with colleagues.
- Colleague Forum on operational change, business updates and wellbeing.

Where?

See the latest Annual Report and Accounts for British Business Bank plc which details our overall engagement and the range of support we provide for our colleagues across the British Business Bank plc Group.

Delivery partners

Why?

We support the provision of both debt and equity finance to small and medium-sized businesses through a network of UK-based delivery partners across five separate programmes. Our delivery partners are the bridge between us and smaller businesses, and have a central role in our business success. The delivery partner model allows British Business Investments to reach significant scale whilst utilising the private sector's expertise to increase the supply of finance and generate a commercial rate of return for British Business Investments. Existing programmes have proved to be successful in providing a commercial rate of return and are a major profit contributor to British Business Bank plc's overall performance.

How?

Ongoing relationship management:

- Product and portfolio teams maintain close working relationships with all delivery partners
- British Business Investments conducts extensive due diligence on each delivery partner prior to making a commitment to ensure they will enable us to deliver on our objectives
- Ongoing performance and risk monitoring of existing delivery partners is done via quarterly review meetings, analysis of performance data and reporting, attendance at Annual General Meetings and Limited Partner Advisory Committees and general communication with delivery partners.

Where?

Our website (www.bbinv.co.uk/our-portfolio). We operate under the Risk Management Framework of British Business Bank plc. Its Annual Report and Accounts includes details of risk management related to our delivery partners.

Smaller businesses

Why?

Smaller businesses are the underlying recipients of our capital investments which enable them to grow. We operate through a delivery partner model and, as such, we do not directly interact with SMEs ourselves.

How?

– Feedback from delivery partners.
– Supporting British Business Bank plc in its wider marketing and support activities for SMEs.
– Undertaking evaluations of programmes.
– Monitoring the impact our investments have had on SMEs.

Where?

See the Annual Report and Accounts for British Business Bank plc which provides further detail of smaller businesses' engagement provided by the Group. For the latest Bank research and programme evaluations, see: www.british-business-bank.co.uk/research

Principal decisions

The principal decisions taken by the British Business Bank plc Board during 2022/23 are set out in the British Business Bank plc Annual Report and Accounts. These are also relevant to British Business Investments' stakeholders. In addition, the British Business Investments Board made a number of principal decisions which took account of our stakeholders and with regard to the Directors' duty to promote the longer-term success of the Company.

These decisions included more overtly embracing the three themes from British Business Investments' updated mission statement of regionality, diversity and inclusion, and net zero/sustainability in its investment strategy: including through Request for Proposals, assessment criteria, due diligence processes, Investment Committee papers, and ongoing monitoring and control processes. In addition, following a change to the Board's Articles of Association in December 2022, approving changes to Board membership including the appointment of a new Chair and the Chief Executive Officer of British Business Investments as an Executive Director.

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and auditor's report, for the period ended 31 March 2023

The following information required by the Companies Act 2006 can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

– a description of the principal activities of the Company during the course of the period, an indication of likely future developments in the business and the key operational and financial risks the Company is exposed to are all included in the Strategic report

– details of significant events since the balance sheet date are contained in note 19 to the financial statements

– information about the use of financial instruments by the Company is given in note 16 to the financial statements

– information regarding how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, can be found on p31–33. This also demonstrates how the Directors have had regard to their duties to promote the success of the Company.

Dividends and reserves

No dividends have been paid or proposed for the year ended 31 March 2023.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies notes in the financial statements.

Directors

The Directors who held office during the period were as follows:

– Francis Small – Chair (resigned from the Board on 15 June 2022)

– Catherine Lewis La Torre, Executive Director – Chair from 16 June 2022–16 April 2023. Catherine resigned from the Board on 3 May 2023

– Judith Hartley was appointed as permanent Chief Executive Officer from 1 October 2022, having previously held the role on an interim basis from 2020. In order to ensure compliance with the Company Articles of Association relating to the composition of the Board, Judith Hartley stepped down as an Executive Director on 16 June 2022. Following an amendment to the Company articles, Judith was re-instated as an Executive Director on 17 April 2023. Judith resigned as a Director on 31 October 2023

– Louis Taylor – Executive Director and Chair from 17 April 2023

– Caroline Bault, Non-executive Director

– Sue Douthwaite, Non-executive Director.

British Business Investments has not made any political donations or incurred any political expenditure during the financial year.

Company Secretary

Elizabeth O'Neill, General Counsel and Company Secretary of the British Business Bank plc, served as the Company Secretary of British Business Investments during the financial year and until 14 July 2023. Elizabeth was replaced by Alice Carpenter as Interim Company Secretary of British Business Investments, effective from 15 July 2023.

Corporate governance statement

British Business Investments is a wholly owned commercial subsidiary of British Business Bank plc, the Government-owned business development bank whose sole shareholder is the Secretary of State for Business and Trade.

British Business Investments is part of the British Business Bank plc Group and operates within the British Business Bank Governance Framework. The British Business Bank Directors have reported on the Bank's application of the principles and provisions of the UK Corporate Governance Code in a statement of compliance detailed in their Annual Report and Accounts.

The CEO of the British Business Bank serves as an Executive Director and is Chair of the British Business Investments Board and is also the Accounting Officer of the British Business Bank plc Group.

British Business Investments Board

The British Business Investments Board met five times during the year and held a separate strategy session. All meetings were well attended. The British Business Investments Board's key responsibilities are:

- Reviewing, approving and guiding corporate strategy and business plans, and monitoring implementation and corporate performance
- Considering proposals for new Investment Programmes and material changes to existing programmes
- Approving any transactions or variations relating to investments or financial commitments between £50m and £75m or transactions that are considered strategically important, novel, or contentious
- Considering transactions and variations relating to investments or financial commitments in excess of £75m (new programmes and greater than £75m are also to be considered by the British Business Bank plc Board)
- Monitoring the effectiveness of the Company's governance arrangements and practices
- Reviewing and approving the Risk Appetite and monitoring anti-money laundering compliance
- Approving each year's Annual Report and Accounts and financial statements prior to publication.

Attendance at Board meetings given as a share of the number of meetings for when they were in post during the year:

Francis Small	1/1
Catherine Lewis La Torre	5/5
Judith Hartley	1/1*
Caroline Bault	5/5
Sue Douthwaite	5/5

* Although Judith Hartley was not a Board member during the full reporting period, she attended all five meetings in her capacity as CEO of British Business Investments and was re-appointed to the Board as an Executive Director from April 2023.

Committees

British Business Investments Investment Committee (BBI IC)

Membership and attendees: British Business Investments Executive Members (CEO of BBI and Chair of BBI), CEO of British Business Bank plc, and Executive Approvers from British Business Bank plc.

British Business Investments Investment Committee operates under delegated authority from the British Business Investments Board and met regularly to consider investment proposals in relation to British Business Investments' investment and equity capital programmes.

Appointment and removal of Directors

The Articles of Association provide that any appointment of a Director to the Board of British Business Investments requires the prior consent of the Shareholder. Additionally, where the appointee is not already an employee of the Group, the prior written consent of the Secretary of State for Business and Trade (formerly Business, Energy and Industrial Strategy) is required. No person may be removed as a Director without the prior written consent of the Secretary of State for Business and Trade.

Directors' indemnities

The British Business Bank plc Group has granted indemnities to certain 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 law and the company's Articles of Association. The company provides Directors' and Officers' liability insurance. There are no pension scheme indemnity provisions to be disclosed.

Directors' conflicts of interest and independence

A British Business Bank plc Group Conflicts of Interest policy is in place, ensuring a proper process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest. The Group policy is reviewed regularly, and any relevant amendments approved by the respective Boards. Directors declare any conflicts at the start of each Board or Committee meeting which are recorded in the minutes of the meeting. The Directors also declare any conflicts directly for inclusion on the Conflicts of Interest Register as they occur.

Directors' confirmations in relation to the audit

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

– so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors

Louis Taylor
Chair of the British Business Investments Board

1 November 2023

Statement of Directors' Responsibility

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

Under company law, the Directors are required to prepare the financial statements in accordance with recognised accounting standards.

The Directors have chosen to adopt International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, which is consistent with the accounting treatment adopted by the British Business Bank plc Group, of which the Company is a wholly owned subsidiary.

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:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern. 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.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces
- the Annual Report and Accounts and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance.

Approved by the Board of Directors

Louis Taylor
Chair of the British Business Investments Board

Louis Taylor

1 November 2023

Independent Auditor's report

To the members of British Business Investments Limited

Opinion on financial statements

I have audited the financial statements of British Business Investments Limited for the year ended 31 March 2023 which comprise British Business Investments Limited's:

- Statements of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Income, Cash Flows Statement and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of British Business Investments Limited's affairs as at 31 March 2023 and its profit for the year then ended; and
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also applied the ethical standards relevant to listed. I am independent of British Business Investments Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that British Business Investments Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of the letter of comfort from British Business Bank plc to continue to provide sufficient funding for British Business Investments Limited. The basis for the going concern assessment is supported by the evidence provided.

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

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

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of British Business Investments Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of the directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within British Business Investments Limited from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act; and
- assessing British Business Investments Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of British Business Investments Limited's accounting policies.
- inquired of management, British Business Bank plc's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to British Business Investments Limited's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including British Business Investments Limited's controls relating to British Business Investments Limited's compliance with the Companies Act 2006;
- inquired of management, British Business Bank plc's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;

– discussed with the engagement team and the relevant internal specialists, including financial instrument specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within British Business Investments Limited for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of British Business Investments Limited's framework of authority and other legal and regulatory frameworks in which British Business Investments Limited operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of British Business Investments Limited. The key laws and regulations I considered in this context included Companies Act 2006 and tax legislation.

Audit response to identified risk

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

– I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;

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

– I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and

– in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

Susan Clark
Senior Statutory Auditor

1 November 2023

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Financial statements

Statement of comprehensive net income

For the year ended 31 March 2023

	Note	2023 £000	2022 £000 Restated
Income			
Interest income	10.1	18,680	17,865
Arrangement and other fees		146	431
Gross operating income		**18,826**	**18,296**
Net gains on investment assets			
– Expected credit loss on amortised cost assets	10.1	(5,140)	12,937
– Derecognition on amortised cost assets	10.1	(319)	(6,835)
– Realised gains on assets held at fair value through profit or loss	4	8,058	11,977
– Unrealised gains on assets held at fair value through profit or loss	4	31,623	166,981
– Recoveries on amortised cost assets		25	41
Net operating income		**53,073**	**203,397**
Expenditure			
Staff costs	5.1	(2,235)	(1,782)
Other operating expenditure	6.1	(2,307)	(1,678)
Management fee	6.2	(10,454)	(10,518)
Operating expenditure		**(14,996)**	**(13,978)**
Profit before tax		**38,077**	**189,419**
Tax	7.1	(9,395)	(48,246)
Profit for the year after tax		**28,682**	**141,173**
Other comprehensive income		-	-
Total comprehensive income for the year		**28,682**	**141,173**

All operations are continuing.

The Company has no other recognised gains and losses, therefore no separate statement of other comprehensive income has been presented.

The notes on pages 47 to 68 form an integral part of the financial statements.

In the prior year, Unrealised gains on assets held at fair value through profit and loss £166,981k and Realised gains on assets held at fair value through profit and loss £11,977k were shown as a combined line item, Fair value gains on assets held at fair value through profit or loss £178,958k.

Statement of financial position

As at 31 March 2023

	Note	2023 £000	2022 £000
Assets			
Cash and cash equivalents	8	31,144	29,065
Trade and other receivables	9	11,316	75,334
Amortised cost investments	10.1	280,556	307,204
Investments held at fair value through profit or loss	10.2	1,289,716	1,164,654
Total assets		**1,612,732**	**1,576,257**
Liabilities			
Trade and other payables	11	(17,748)	(5,120)
Deferred tax liability	7.3	(50,601)	(54,986)
Corporation Tax	7.2	(14,786)	(15,236)
Total liabilities		**(83,135)**	**(75,342)**
Net assets		**1,529,597**	**1,500,915**
Equity			
Issued share capital	13	1,061,286	1,061,286
Retained earnings		468,311	439,629
Total equity		**1,529,597**	**1,500,915**

The financial statements of the Company (company number 09091930) were approved by the Board of Directors on 1 November 2023 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chair

The notes on pages 47 to 68 form an integral part of the financial statements.

Statement of changes in equity

As at 31 March 2023

	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2021	**1,061,286**	**298,456**	**1,359,742**
Net income after tax	-	141,173	141,173
Total comprehensive income	**-**	**141,173**	**141,173**
Balance as at 31 March 2022	**1,061,286**	**439,629**	**1,500,915**
Balance as at 1 April 2022	**1,061,286**	**439,629**	**1,500,915**
Net income after tax	-	28,682	28,682
Total comprehensive income	**-**	**28,682**	**28,682**
Balance as at 31 March 2023	**1,061,286**	**468,311**	**1,529,597**

The notes on pages 47 to 68 form an integral part of the financial statements.

Cash flow statement

For the year ended 31 March 2023

	Notes	2023 £000	2022 £000 Restated
Profit before tax		**38,077**	**189,419**
Cash flows from operating activities			
Changes in operating assets and liabilities:			
Net cash decrease/(increase) in amortised cost investments	10.1	39,869	(13,814)
Adjustment for non-cash (gains) on amortised cost investments	10.1	(13,221)	(23,967)
Net cash (increase) on investments at fair value through profit or loss	10.2	(85,381)	(14,171)
Adjustments for non-cash (gains) on investments held at fair value through profit or loss	10.2	(39,681)	(178,958)
Decrease in trade and other receivables	9	18	2
Decrease/(increase) in amounts due from Group companies	9/11	12,428	(3,549)
Increase in trade and other payables	11	200	357
Intercompany tax settlement	7	(14,230)	6,311
Net cash used in operating activities		**(61,921)**	**(38,370)**
Cash flows from financing activities			
Net increase/(decrease) in shareholder funding	17	64,000	(17,000)
Net cash from financing activities		**64,000**	**(17,000)**
Net increase/(decrease) in cash and cash equivalents		**2,079**	**(55,370)**
Cash and cash equivalents at beginning of the year		29,065	84,435
Cash and cash equivalents at end of the year		**31,144**	**29,065**

Interest received was £51.9m (2022: £51.5m).

The notes on pages 47 to 68 form an integral part of the financial statements.

In the prior year, Shareholder funding of (£17,000k) was included within Increase in amounts due from Group companies, this is now included as a separate line item under Cash flows from financing activities.

Notes to the financial statements

For the year ended 31 March 2023

1. General information

British Business Investments Ltd (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield S1 2GQ. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 12 to 33.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and non-financial assets that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

These financial statements are presented in pounds sterling because that is the currency of the primary economic zone in which the Company operates.

On 7 February 2023, the Prime Minister announced a major machinery of Government change which redistributed the activities of several existing government departments, including BEIS, and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. British Business Investments Ltd has been designated to the Department for Business and Trade with accounting officer responsibilities formally transferred from 1 April 2023. Any reference to DBT in the financial statements also infers reference to BEIS.

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 has received a letter of support from the British Business Bank plc stating it will provide sufficient funding to enable the Company to meet its liabilities as and when they fall due for a period of not less than 12 months from the date of approval of these financial statements. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of new and revised standards

There were no new or amended standards applied for the first time and therefore no restatements of the previous financial statements are required.

At the date of authorisation of these financial statements, the Directors do not expect that the adoption of Standards and Interpretations in issue but not yet effective (IFRS 17 Insurance Contracts) will have a material impact on the financial statements of the Company in future years. The Company is carrying out an impact assessment with regard to the issuance of IFRS S1 and S2 Sustainability Standards.

Income recognition

Income is measured as the change in fair value of the investments plus any gain or loss arising on disposal and consideration received or receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales-related taxes. Income is reduced for estimated rebates and other similar allowances. Arrangement and other fees income is recognised when a recipient obtains control of the service.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future contractual cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of the financial liability. The calculation does not consider expected credit losses and includes transaction costs, and premiums or discounts that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate.

Any changes are recognised in the Statement of Comprehensive Net Income.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the Statement of Comprehensive Net Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future years against which deductible temporary differences can be utilised.

Current and deferred tax is recognised in the Statement of Comprehensive Net Income.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, less directly attributable transaction costs, except for the transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss which are recognised immediately in the Statement of Comprehensive Net Income.

Classification of financial instruments

Financial assets are classified under IFRS 9 as amortised cost or fair value through profit and loss (FVTPL), depending on the business model and the contractual cashflow characteristics of the instruments.

The Company has undertaken an assessment of the business model in respect of each group of its financial assets and has determined that in all cases the business model is one of 'Hold to Collect' as none of its business models has an objective of sale.

The Company's financial assets comprise debt and equity instruments, classified as such under IAS 32. Debt instruments are classified both at initial recognition and subsequently, as amortised cost instruments, where the contractual cashflows represent solely payments of principal and interest ('SPPI'). If the cashflows do not represent SPPI, the instrument is measured at FVTPL.

All of the Company's equity instruments are measured at FVTPL both on initial recognition and subsequently.

Impairment of financial assets

The Company assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instrument assets carried at amortised cost.

At initial recognition, financial assets are categorised as 'stage 1' and an impairment provision is made for ECLs resulting from default events projected within the next 12 months (12-month ECL).

Subsequently, financial assets are considered to be in 'stage 2' when their credit risk has increased significantly since initial recognition, at which pointit is considered appropriate to recognise lifetime ECL. The Company assesses assets to be in 'stage 2' using a combination of non-statistical, qualitative information, such as changes to the borrower's intrinsic credit worthiness, as well as quantitative, statistical information. It applies a presumption that when accounts are more than 30 days past due, there has been a significant increase in credit risk and such assets are assessed as being in 'stage 2'.

Financial assets are included in 'stage 3' when there is objective evidence that the asset is credit impaired, with expected credit losses still calculated on a lifetime basis. Assets which are more than 90 days past due are considered to be in default and credit impaired.

Once an account is recognised as being in 'stage 3', interest income is recognised by applying the effective interest rate to the amortised cost carrying amount.

Financial assets are written off, from an accounting perspective, when there is no realistic prospect of receiving further returns.

ECLs are calculated using three main components, probability of default (PD), loss given default (LGD) and exposure at default (EAD). The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default. Discounting of the expected cashflows is performed using the effective interest rate.

The calculation of probability of default (PD)

The PD of each underlying loan or credit facility provided by the Company is a key assumption for the IFRS 9 ECL calculation and this is reliant on rating assessments undertaken by external and internal PD models. Where account level ratings are not available, the average PD derived from the same cohort of lending is applied.

The calculation of loss given default (LGD)

LGD assesses the loss potential in case of a default and is reliant on the collateral residual value acting as security reported against each loan or the reported seniority ranking of the Company's facility compared to other investors. LGD is estimated using internal models which consider observed loss data or using external benchmarks where appropriate.

The calculation of exposure at default (EAD)

EAD is estimated for each month for the contractual lifetime of each financial instrument. This is either the contractual maturity profile of the investment or an internal estimate of the exposure value based on expected repayment profiles based on historical information. A credit conversion factor is applied to undrawn irrevocable commitments based on external benchmarks or internally observed data for similar portfolios or types of assets.

Changes in the carrying amount of assets arising as a result of impairment are recognised in the Statement of Comprehensive Net Income. If a loan has no realistic prospect of recovery, any loss incurred by the Company on extinguishing the debt is written off against the provision for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Statement of Comprehensive Net Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Foreign exchange

The Company applies IAS 21, The Effects of Changes in Foreign Exchange Rates, and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are recognised in the Statement of Comprehensive Net Income.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, industry standard practice and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects current and future years.

Judgements

Debt and equity fund net asset values used in the assessment of FVTPL investment valuations

The future returns from FVTPL fund investments are inherently uncertain and will depend on a range of factors including the manager's success in originating lending and investment opportunities, costs and fees, how the manager exercises discretion in trading off equity against debt components in loan structures, credit and warrant/equity performance, and prevailing market conditions.

The values of the Company's investments in FVTPL debt and equity funds are based on the fund net asset values (NAVs). In general, the fund's investments in underlying portfolio companies do not have observable market inputs which can be used for the purposes of measuring fair value and are therefore valued using Level 3 inputs as defined by IFRS 13. The managers of the funds apply valuation methodologies in compliance with IFRS or other recognised accounting standards such as UKGAAP. Most of the Company's investment funds apply IFRS valuation methodologies or apply the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.

The ongoing economic uncertainty has given rise to significant additional uncertainty as to investment valuations and the Company has taken account of this in its assessment of the March 2023 valuations by giving particular scrutiny to the valuation methodologies adopted by its fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant guidelines.

Estimates

The assessment of ECL impairment allowances against amortised cost financial assets

The calculation of impairment provisions is inherently uncertain and requires the Company to make a number of assumptions and estimates.

The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Where there has been a significant relative increase in the probability of default (PD) compared to initial recognition, based on the customer's credit quality, the account is assessed as being in 'stage 2'.

Where current PD is measurable, a significant relative increase in the PD is judged to have occurred where there has been an increase in PD from origination to the reporting date equivalent to a 3-notch downgrade on a granular external credit rating scale. In addition, assets with a PD equivalent to external credit rating grade A (Standard & Poor's/Fitch) or A2 (Moody's) are considered to be low risk and are always classed as stage 1 under the IFRS 9 low credit risk exemption.

For assets which are not re-rated and where on-going behavioural modelling is not available, a fixed percentage of the performing portfolio is assumed to be in stage 2 based on historical grade transitions where available. Where historical grade transitions are not available, the percentage is defined in line with European Banking Authority (EBA) guidance. In the ECL calculations, a scalar based on the observed performance of each respective cohort is applied to the fixed percentage.

The impact of the Covid-19 pandemic has raised further matters for consideration in assessing the Company's amortised cost financial assets.

Economic scenarios and associated probability weightings

IFRS 9 requires the calculation of ECLs to account for multiple forward-looking macroeconomic scenarios that are plausible. The ECL model adopted by the Company uses a range of forward-looking projections of UK liquidation rates generated by a macroeconomic regression model based on third-party base case forecasts of Consumer Price Index growth rates, interest rates, and unemployment rates, and then under two better and two worse scenarios. The selection of variables was reviewed in 2022/23 to ensure their continued suitability as independent variables within the regression model.

To account for the volatile nature of the UK economic environment, the Company has continued to engage with our third-party forecaster throughout the year to provide independent economic forecasts for use within the IFRS 9 ECL models. They provide five economic scenarios of varying severity as input to the macroeconomic regression model, and the weightings associated with each are reviewed, challenged and adjusted on a quarterly basis. As at 31 March 2023, adjustments to the scenario weightings have been applied to increase the probability of a downside scenario.

Post-model overlays

The Company has applied post- model overlays to reflect the increase in credit risk that is not accounted for due to the rigidity of model assumptions.

The loss given default (LGD) overlay is based on an upward adjustment of the average LGD rates for a portion of the peer-to-peer lending portfolio to 90% LGD.

The overlays have resulted in an overall increase in the ECL provision of £5.0m which is 1.7% of total exposure.

The most significant post-model overlay that British Business Investments makes is in relation to the management overlay applied to a Tier II bank investment to account for the increased difficulty associated with the potential liquidation of the underlying assets, leading to lower recoveries.

4. Net gains on investment assets

	Notes	2023 £000	2022 £000
Realised fair value gains on assets held at fair value through profit and loss	10.2	8,058	11,977
Unrealised fair value gains on assets held at fair value through profit or loss	10.2	31,623	166,982
Total net gains on investment assets		**39,681**	**178,959**

5. Staff numbers, staff costs and Directors' remuneration

5.1 Staff numbers and staff costs

The average monthly number of employees (including Executive Directors) was:

	2023	2022
Permanent staff	20	18
Non-executive Directors	2	3
Total	**22**	**21**

Aggregate remuneration comprised:	2023 £000	2022 £000
Wages and salaries		
Permanent staff	1,419	1,114
Non-executive Directors' fees	46	46
Short- and Long-Term Incentive Plans and bonus scheme	343	293
Social security costs	229	169
Pension costs	198	160
Total	**2,235**	**1,782**

The Company's two incentive plans (Long-Term Incentive Plan and the annual bonus scheme) are managed on a Group-wide basis by the British Business Bank plc. Further details are set out in the British Business Bank plc's Annual Report and Accounts within the Directors' Remuneration Report.

5. Staff numbers, staff costs and Directors' remuneration (continued)

5.2 Directors' remuneration

Directors' remuneration during the year was £198,955 (2022: £153,887). Remuneration for the highest paid Director during the year is covered under Executive Directors' remuneration below.

Executive Directors' remuneration

For the period 1 April 2022 to 30 September 2022 Judith Hartley was Chief Executive Officer Commercial with responsibility for both British Business Investments Limited and British Patient Capital Limited.

On 1 October 2022 Judith became Chief Executive Officer solely for British Business Investments Limited.

Judith's remuneration is split based on these two roles during the year 2022-23. The disclosure of Judith's remuneration in the British Patient Capital Limited role is dealt with in the Directors' remuneration note of British Patient Capital Limited.

The table below sets out Judith's BBI remuneration for the period ending 31 March 2023:

	2023 £	2022 £
Salary	129,054	85,000
LTIP	-	15,770
Performance Bonus	49,808	39,950
Company Pension	19,358	12,750
Taxable Benefits	736	417
Total Remuneration	**198,956**	**153,887**

Judith did not participate in any new long-term incentive arrangement for the year 2022-23.

Non-executive Directors' remuneration

Non-executive Directors' remuneration for 2023 and 2022 is made up as follows:

	2023		2022	
	Total fees £000	Annual equivalent £000	Total fees £000	Annual equivalent £000
Caroline Bault	20	20	3	20
Sara Halbard	-	-	10	20
Sue Douthwaite	20	20	3	20
Francis Small	6	30	30	30
Total	**46**	**70**	**46**	**90**

Fees for services as Non-executive Director of the Company are £20,000 per annum, or £25,000 for a Chair. In addition, a fee of £4,995 per annum is paid to the Company's audit and risk champion.

Francis Small resigned as Non-executive Director and Chair on 15 June 2022, and Sara Halbard resigned on 15 September 2021.

Catherine Lewis La Torre was appointed the role of Chair of British Business Investments Limited on 16 June 2022 and is paid directly by British Patient Capital Limited (BPC).

No post-employment benefits, termination benefits or share-based payments were made to Directors in the year (2022: none).

6. Operating costs

6.1 Other operating expenditure

	2023 £000	2022 £000
Audit fee	117	105
Investment costs	1,468	1,448
Other operating expenditure	722	125
Total	**2,307**	**1,678**

A fee of £117,000 (2022: £105,000) plus VAT was charged for the audit of the Company's financial statements. The Company's auditors did not provide any non-audit services.

6.2 Management fee expense

	2023 £000	2022 £000
Allocated staff costs	4,188	3,666
Allocated other operating expenditure	6,266	6,852
Total	**10,454**	**10,518**

Allocated staff costs and allocated other operating expenditure relate to recharges paid by the Company to the British Business Bank plc for the shared services provided. Allocated staff costs include an allocation of British Business Bank plc's legal, financial, IT, risk management, corporate services, communications, and senior management costs.

7. Tax

7.1 Tax on profit on continuing activities

	2023 £000	2022 £000
Current tax		
Current year	313	1,006
Adjustment in respect of prior year	13,467	15,182
Total current tax	**13,780**	**16,188**
Deferred tax		
Current year	(4,385)	32,016
Adjustment in respect of prior year	-	42
Total deferred tax	**(4,385)**	**32,058**
Total tax expense	**9,395**	**48,246**

7. Tax (continued)

Factors affecting the tax expense for the year

The tax expense for the year is different from the standard rate of Corporation Tax in the UK, as explained in the table below. The Corporation Tax rate used is based on the enacted Corporation Tax rate for the year commencing 1 April 2022.

Deferred tax primarily relates to the Company's investments. It is calculated at 25% (2022: 25%) of the estimated unrealised gains within the funds. This is a temporary timing difference, and the tax will become payable once the gains are realised in the underlying funds, for example through investment exits.

The Company's investments mainly comprise interests in Limited Partnerships, with some investments being in Limited Companies. Temporary accounting movements in relation to these investments are either added back or deducted from the taxable profit and loss. The Company is subject to tax on estimated realised gains or losses arising in the individual Limited Partnerships.

The table below reconciles the tax charge for the year:

	2023 £000	2022 £000
Profit before tax	38,077	189,419
Tax on profit at standard UK tax rate 19% (2022: 19%)	7,235	35,990
Adjustment in respect of prior year	13,467	15,224
Tax effects of FV movements	(10,255)	(16,165)
Tax rate changes	(1,052)	13,197
Total tax charge	**9,395**	**48,246**

Deferred Corporation Tax

	Unrealised losses/(gains)		Deferred tax	
	2023 £000	2022 £000	2023 £000	2022 £000
Change in tax rate	-	-	1,052	(7,254)
Other timing differences*	13,332	(99,216)	3,333	(24,804)
Other timing differences subject to deferred tax	**13,332**	**(99,216)**	**4,385**	**(32,058)**

* Other timing differences arise principally in relation to fair value adjustments to the carrying value of investments recorded in the Statement of Comprehensive Net Income for which chargeable gains/allowable losses will arise on a subsequent disposal of the underlying investments.

7.2 Corporation Tax payable/(receivable)

	2023 £000	2022 £000
Corporation Tax payable/(receivable) at 1 April	15,236	(7,263)
Tax expense for the year	313	16,188
Adjustment in respect of prior year	13,467	-
Intercompany tax settlement	(14,230)	6,311
Corporation Tax payable at 31 March	**14,786**	**15,236**

7.3 Deferred tax liability

	2023 £000	2022 £000
Deferred tax liability at 1 April	(54,986)	(22,928)
Movement in the year	4,385	(32,058)
Deferred tax liability at 31 March	**(50,601)**	**(54,986)**

8. Cash and cash equivalents

	2023 £000	2022 £000
Government Banking Service	13,325	5,412
Commercial bank accounts	17,819	23,653
Total	**31,144**	**29,065**

As the majority of cash is held in the Government Banking Service there is minimal cost to the Exchequer.

9. Trade and other receivables

	2023 £000	2022 £000
Amounts receivable within one year		
Trade receivables	5	23
Amounts due from Group companies	11,311	75,311
Total	**11,316**	**75,334**

Trade receivables disclosed above are measured at amortised cost. The amounts due from Group Companies are repayable on demand with the individual balances being shown in note 17.

The Directors consider that the carrying amount of trade and other receivables is approximate to their fair value as they are short-term in nature.

10. Investments

10.1 Amortised cost investments

As at 31 March 2023

	Opening balance £000	Additions £000	Repayments £000	Accrued Interest £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	131,081	6,936	(18,998)	6,434	-	(244)	125,209
Investment Programme	176,123	152,759	(180,566)	12,246	(319)	(4,896)	155,347
Total	**307,204**	**159,695**	**(199,564)**	**18,680**	**(319)**	**(5,140)**	**280,556**

As at 31 March 2022

	Opening balance £000	Additions £000	Repayments £000	Accrued Interest £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	92,609	56,959	(24,159)	5,161	-	511	131,081
Investment Programme	176,814	106,948	(125,934)	12,704	(6,835)	12,426	176,123
Total	**269,423**	**163,907**	**(150,093)**	**17,865**	**(6,835)**	**12,937**	**307,204**

[1] Derecognition relates to closures and write-offs.

10. Investments (continued)

10.2 Investments held at fair value through profit or loss

As at 31 March 2023

	Opening balance £000	Additions £000	Repayments £000	Fair value movement £000	Closing balance £000
BFP Mid Cap	247,735	2,000	(35,882)	10,420	224,273
Investment Programme	542,243	143,692	(94,282)	31,600	623,253
UKIIF	153,328	3,163	(8,237)	(15,308)	132,946
Managed Funds Programme	164,129	40,334	(4,683)	7,570	207,350
Regional Angels Programme	57,219	39,471	(195)	5,399	101,894
Total	**1,164,654**	**228,660**	**(143,279)**	**39,681**	**1,289,716**

As at 31 March 2022

	Opening balance £000	Additions £000	Repayments £000	Fair value movement £000	Closing balance £000
BFP Mid Cap	312,190	5,008	(94,063)	24,600	247,735
Investment Programme	441,904	139,976	(99,618)	59,981	542,243
UKIIF	141,731	3,084	(37,238)	45,751	153,328
Managed Funds Programme	59,639	66,457	(2,407)	40,440	164,129
Regional Angels Programme	16,061	34,882	(1,910)	8,186	57,219
Total	**971,525**	**249,407**	**(235,236)**	**178,958**	**1,164,654**

Business Finance Partnership

The Company manages the Business Finance Partnership programme.

The Business Finance Partnership has one strand: BFP Mid Cap, which invested in funds who lend to medium-sized businesses with turnover of up to £500m. Under IFRS 9 the BFP Mid Cap portfolio was classified as FVTPL except for one fund.

Investment Programme

The Company manages the Investment Programme. It makes commercial investments that stimulate at least the same amount of investment from the private sector, encouraging new lenders into the market and the growth of smaller lenders. The Company's investments in Limited Partnerships through the Investment Programme are classified as FVTPL.

This programme has participated in peer-to-peer lending and has provided invoice discount finance, asset finance and other credit facilities. This lending is classified as amortised cost under IFRS 9.

Through the Investment Programme, British Business Investments is a participant in Tier 2 fixed rate reset callable subordinated loan notes by Shawbrook Bank plc with an initial semi-annual coupon of 9%, Atom Bank with a fixed coupon of 10% p.a., PCF Bank Ltd with a fixed coupon of 8% p.a., Secure Trust Bank II with a fixed coupon of 13% p.a., and Oxbury Bank with an initial semi-annual fixed coupon of 11.5%.

These investments are classified as an amortised cost financial asset under IFRS 9.

UK Innovation Investment Fund

The UK Innovation Investment Fund (UKIIF) supports the creation of viable investment funds targeting UK high-growth technology-based businesses. It has invested through two underlying funds of funds, the UK Future Technology Fund, which has now ceased making new investments, and the Hermes Environmental Impact Fund.

The UKIIF investments are accounted for and measured at FVTPL under IFRS 9.

10. Investments (continued)

Managed Funds Programme

The Company's Managed Funds Programme's mandate is to channel institutional capital to innovative, high-growth companies so they might meet their full growth potential. Through this programme, the Company expects to become a significant, cornerstone investor in funds of funds with a patient capital mandate. The £500m initial allocation which has been made to the programme represents a significant commitment in the years ahead.

The Managed Funds Programme investments are accounted for and measured at FVTPL under IFRS 9.

Regional Angels Programme

The Regional Angels Programme, managed by the Company, is designed to address regional imbalances in the availability of angel finance, and to increase the amount of capital available to smaller businesses with high growth potential through angel networks, particularly in areas where this type of finance is less readily available.

The Regional Angels Programme investments are accounted for and measured at FVTPL under IFRS 9.

Ongoing impact of market conditions on investment valuations

We reported in the prior year that we have seen further recovery in economic activity as we recover from the impact of Covid-19. However, market conditions during 2022/23 have been demanding and extraordinary. Inflation is at a 40-year high, and we have seen the first UK interest rate hike cycle in 15 years.

This ongoing economic uncertainty has given rise to additional uncertainty around investment valuations. The nature of the lending within the larger portfolios within the Amortised Cost portfolio, in particular the peer-to-peer platform lending (which is lending to start-ups and micro-businesses often without collateral), makes these investments more vulnerable to any impact of an economic downturn.

Management's estimate of the component of the 2022/23 ECL provision, which is market conditions-related, is around £1.4m out of a total ECL provision of £14.5m.

The impact on investments will vary depending on individual business models and the success of any mitigating market interventions. Valuation methodologies include market multiples, industry benchmarks and discounted cashflows, all of which are inherently more uncertain as marketplaces change and so forecasts and historical reference points become less reliable.

11. Trade and other payables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade payables	9	57
VAT & social security	4	-
Accrued expenditure	753	493
Amounts due to Group companies	16,244	3,816
Other payables	738	754
Total	**17,748**	**5,120**

The Directors consider that the carrying amount of trade payables approximates to their fair value.

12. Capital commitments

The Company had the following undrawn commitments at the balance sheet date in relation to its existing investment portfolio:

	2023 £000	2022 £000 Restated
BFP Mid Cap	120,268	150,303
UKIIF	-	9,938
Investment Programme	647,862	497,216
Regional Angels Programme	95,360	79,692
Managed Funds Programme	246,475	290,521
Total	**1,109,965**	**1,027,670**

During the year it was discovered that the 2022 BFP Mid Cap, Investment Programme and Managed Funds Programme capital commitments were incorrect. These capital commitments have been restated as at March 2022, increasing by £35.5m BFP Mid Cap, £18m Investment Programme and £8.8m Managed Funds Programme.

13. Share capital

	2023	2022
Issued and fully paid ordinary shares of £1 each:	1,061,285,731	1,061,285,731

	2023 £000	2022 £000
Brought forward	1,061,286	1,061,286
Carried forward	**1,061,286**	**1,061,286**

The Company has one class of ordinary shares which carry no right to fixed income.

14. Significant undertakings

British Business Investments Ltd (BBI) has the following significant holdings in undertakings, where the ownership percentage or partnership interest exceeds 20%. The Company does not exert significant influence over these undertakings. These investments are held at fair value through profit and loss in the consolidated statement of financial position.

Name	Country in which it is incorporated	Class of share held by BBI	Proportion held by BBI
BMS Finance S.A.R.L. Registered address: 55 Avenue Pasteur, L-2311, Luxembourg	Luxembourg	Not classified	49.8%
Industrial Lending 1 (Boost Fund) Registered address: 6 Rue Adolphe, L-1116, Luxembourg	Luxembourg	Class A shares	47.1%
Pricoa Sterling Corporate Bond Fund Registered address: 70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	Not classified	66.7%
Muzinich UK Private Debt Fund Registered address: 49 Avenue J.F.K, L-1855, Luxembourg	Luxembourg	Not classified	20.7%
Crown Growth Europe Expansion S.C.S. Registered address: 8 Rue Lou Hemmer, L-1748 Senningerberg	Luxembourg	Class A and Class O-P shares	33.3%

15. Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Company. Such interests include debt and equity investments and investment management agreements.

The nature and extent of the Company's interest in structured entities and its maximum exposure is summarised below:

Interest in Limited Partnerships	2023 £000	2022 £000
Assets at fair value through profit or loss	1,289,716	1,164,654
Total assets	**1,289,716**	**1,164,654**

16. Financial instruments

16.1 Categories of financial instruments

The following table analyses the Company's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Trade and other payables excludes VAT and Social Security of £4k (2022: £nil), as these are not classified as financial liabilities, therefore the value in the below table will differ to the Statement of financial position.

At 31 March 2023

	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Total £000
Assets					
Cash and cash equivalents	8	-	31,144	-	31,144
Trade and other receivables	9	-	11,316	-	11,316
Amortised cost investments	10.1	-	280,556	-	280,556
Investments held at FVTPL	10.2	1,289,716	-	-	1,289,716
Total assets		**1,289,716**	**323,016**	**-**	**1,612,732**
Liabilities					
Trade and other payables	11	-	-	(17,752)	(17,752)
Total liabilities		**-**	**-**	**(17,752)**	**(17,752)**
Net assets		**1,289,716**	**323,016**	**(17,752)**	**1,594,980**

At 31 March 2022

	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Total £000
Assets					
Cash and cash equivalents	8	-	29,065	-	29,065
Trade and other receivables	9	-	75,334	-	75,334
Amortised cost investments	10.1	-	307,204	-	307,204
Investments held at FVTPL	10.2	1,164,654	-	-	1,164,654
Total assets		**1,164,654**	**411,603**	**-**	**1,576,257**
Liabilities					
Trade and other payables	11	-	-	(5,120)	(5,120)
Total liabilities		**-**	**-**	**(5,120)**	**(5,120)**
Net assets		**1,164,654**	**411,603**	**(5,120)**	**1,571,137**

16. Financial instruments (continued)

16.2 Fair value measurements

The note set out below provides information about how the Company determines the fair values of various financial assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the year covered by these financial statements all other fair value through profit or loss financial investments are considered Level 3 assets. Financial instruments classified within Level 3 have significant unobservable inputs and include term loans and investments in private funds. As observable prices are not available for these financial instruments, the Company has applied the following valuation.

The investment portfolio consists of amortised cost assets and assets classified as fair value through profit or loss where fair value is measured on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For all FVTPL assets, except for Regional Angels, the investment valuation, a net asset valuation (NAV) which is determined on a fair value basis, is determined by investment managers on a regular basis (monthly or quarterly).

The Directors review the investment valuation reports periodically and are satisfied that they provide an appropriate measure of fair value at the reporting date.

The fair value of these investments is determined internally using valuation methods aligned to IPEV guidelines. Measuring the fair value of financial instruments that are not traded in active markets requires judgement, as there will often be a range of techniques or prices that could be applied. The majority of the underlying valuations are based at cost or last financing round price where there are no significant changes in the prospects for the investment either due to company specific factors or the wider market outlook.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Net Income. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Investments in third-party private debt funds and venture capital funds are valued based on the net asset value reported by the fund manager for the relevant date, provided the valuation approach is recognised as industry standard, for example International Private Equity and Venture Capital Association (IPEVCA) guidelines.

16.2 Fair value measurements (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Set out below is a comparison by class of carrying amounts and fair values of the Company's financial assets and financial liabilities measured at amortised cost.

	Carrying value 2023 £000	Fair value 2023 £000	Carrying value 2022 £000 Restated	Fair value 2022 £000 Restated
Financial assets at amortised cost				
BFP Mid Cap	125,209	125,209	131,081	131,081
Investment Programme	155,347	161,568	176,107	182,251
Total	**280,556**	**286,777**	**307,188**	**313,332**

In the prior year, the carrying and fair value of BFP Midcap was misstated as £131,097k and £131,197k respectively, and has therefore has been corrected to £131,081k.

BFP Mid Cap and Investment Programme

Loans at amortised cost provided through the BFP Mid Cap and the Investment Programme comprise both fixed rate and floating rate investments with an average duration of not more than five years. The Directors have assessed that the changes in interest rates and in credit spreads and the associated impact on the fair value of these assets since they were originated is not material to the Company's results. BFP Mid Cap and Investment Programme amortised cost assets are classed as Level 3 assets in the fair value hierarchy, except for two amortised cost investments which are classified as Level 1 assets.

16.3 Financial risk management

The Company has exposure to a number of financial risks through the conduct of its operations. This note presents information about the nature and extent of risks arising from financial instruments.

Financial Risk covers the risk of direct or indirect financial losses in on and off-balance sheet positions as a result of the failure of an end borrower or counterparty to meet its obligations in accordance with agreed terms or that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates or credit spreads.

The Company has exposure to the following material risks from its use of financial instruments:

– Credit and Investment risk

– Market risk.

Credit and Investment risk

Credit Risk is the risk that our contractual counterparty could fail to meet their transactional obligations according to the contract or our expectations.

Investment risk is the risk of loss from lack of diversification, investing too heavily in one sector, geographic area or type of security, notwithstanding a desire to address market failures. There is a risk that the Return on Investment is lower than the predicted ROI.

The degree to which the Company is exposed to credit risk depends on the individual characteristics of the contract counterparty and the nature of the investment. The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time. The Company is exposed to investment risk through its Venture Capital and Angel investments. This risk is mitigated by holding a portfolio that is diverse by stage, sector and vintage.

16.3 Financial risk management (continued)

Maximum credit risk exposure

For some debt investments appropriate collateral is held. The nature of collateral may change over time depending on the investments which the Company holds in any given period.

	Maximum exposure to loss 2023 £000	Collateral 2023 £000	Net exposure 2023 £000	Maximum exposure to loss 2022 £000	Collateral 2022 £000	Net exposure 2022 £000
Cash and cash equivalents	31,144	-	31,144	29,065	-	29,065
Trade and other receivables	11,316	-	11,316	75,334	-	75,334
Amortised cost investments	295,017	(80,927)	214,090	316,523	(97,345)	219,178
Assets classified as FVTPL	1,289,716	-	1,289,716	1,164,654	-	1,164,654
Total	**1,627,193**	**(80,927)**	**1,546,266**	**1,585,576**	**(97,345)**	**1,488,231**

The Company, through its applicable delivery partners, has the ability to call on collateral in the event of a default of the counterparty by way of calling on the asset for which the finance has been provided. The collateral disclosed in the table above relates in full to loans provided in relation to asset-backed finance. The nature of the collateral held is mostly made up of plant, machinery, vehicles, and soft assets.

The concentration of credit risk is limited due to the investment base being large and spread across a number of asset classes. Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Company's portfolio management process.

Credit risk rating and loss allowance

The Company has the following assets subject to expected credit loss impairments:

– Trade and other receivables

– Assets held at amortised cost

– Cash and cash equivalents.

Trade and other receivables

Impairment on trade and other receivables has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. An expected credit loss has not been recognised in the accounts as it would be immaterial.

Assets held at amortised cost

The Company's investments are assessed by the Executive Valuation Committee. The Company produces credit risk ratings for its investments based upon the estimated Probability of Default and Loss Given Default of that investment.

16.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL Stage 1		Subject to lifetime ECL Stage 2		Subject to lifetime ECL Stage 3		Total	
	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000
As at 1 April 2022	**272,721**	**(1,861)**	**36,713**	**(1,411)**	**7,089**	**(6,047)**	**316,523**	**(9,319)**
Transfer to 12-month ECL	26,574	(312)	(26,574)	312	-	-	-	-
Transfer to lifetime ECL	-	-	-	-	-	-	-	-
Transfer to credit-impaired financial asset	(275)	21	(221)	206	496	(227)	-	-
New financial assets originated or purchased	159,695	(237)	-	-	-	-	159,695	(237)
Financial assets that have been derecognised during the period (including write-off)	(179,761)	221	(1,020)	114	(420)	395	(181,201)	730
Changes to risk parameters	-	(102)	-	(4,695)	-	(838)	-	(5,635)
As at 31 March 23	**278,954**	**(2,270)**	**8,898**	**(5,474)**	**7,165**	**(6,717)**	**295,017**	**(14,461)**
Carrying amount as at 31 March 2023		**276,684**		**3,424**		**448**		**280,556**

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL Stage 1		Subject to lifetime ECL Stage 2		Subject to lifetime ECL Stage 3		Total	
	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000
As at 1 April 2021	**254,123**	**(3,155)**	**23,192**	**(4,737)**	**14,364**	**(14,364)**	**291,679**	**(22,256)**
Transfer to 12-month ECL	4,003	(1,260)	(4,003)	1,260	-	-	-	-
Transfer to lifetime ECL	(25,777)	166	25,777	(166)	-	-	-	-
Transfer to credit-impaired financial asset	(272)	229	(873)	567	1,145	(796)	-	-
New financial assets originated or purchased	163,908	(263)	-	-	-	-	163,908	(263)
Financial assets that have been derecognised during the period (including write-off)	(123,264)	171	(7,380)	268	(8,420)	6,814	(139,064)	7,253
Changes to risk parameters	-	2,251	-	1,397	-	2,299	-	5,947
As at 31 March 2022	**272,721**	**(1,861)**	**36,713**	**(1,411)**	**7,089**	**(6,047)**	**316,523**	**(9,319)**
Carrying amount as at 31 March 2022		**270,860**		**35,302**		**1,042**		**307,204**

16.3 Financial risk management (continued)

The following table presents an analysis of the credit quality of assets held at amortised cost, which were previously designated as fair value through profit or loss. It indicates whether assets were subject to a 12-month ECL or lifetime ECL allowance, and whether they were credit-impaired.

As at 31 March 2023

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Medium risk	268,781	-	-	268,781
High risk	10,174	8,896	-	19,070
Defaulted financial assets	-	-	7,166	7,166
Total gross carrying amounts	**278,955**	**8,896**	**7,166**	**295,017**
Loss allowance	(2,270)	(5,474)	(6,717)	(14,461)
Carrying amount	**276,685**	**3,422**	**449**	**280,556**

As at 31 March 2022

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Medium risk	259,666	26,944	-	286,610
High risk	13,055	9,769	-	22,824
Defaulted financial assets	-	-	7,089	7,089
Total gross carrying amounts	**272,721**	**36,713**	**7,089**	**316,523**
Loss allowance	(1,861)	(1,411)	(6,047)	(9,319)
Carrying amount	**270,860**	**35,302**	**1,042**	**307,204**

Cash and cash equivalents

The Company held cash and cash equivalents of £31.1m as at 31 March 2023 (2022: £29.1m). The Company considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

Equity price risk

Equity price risk arises from the uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. As stated in Note 3, valuation of unquoted equity investments at fair value through profit or loss is a critical accounting estimate and actuals may differ from estimates.

The Company is exposed to equity price risk in respect of equity rights and investments held by the Company and classified on the balance sheet as financial assets at FVTPL. These equity rights are held mostly in unquoted high-growth technology companies and are valued by the managers of the funds who apply valuation methodologies in compliance with IFRS or other recognised accounting standards such as UKGAAP. Most of the Company's investment funds apply IFRS valuation methodologies or apply the IPEV Guidelines. These valuations are subject to market movements.

The Company seeks to manage this risk by routinely monitoring the reported performance of these investments, employing stringent investment appraisal processes on a quarterly basis.

The Company has considered the historical time series of the FTSE Small Cap Index movements and observed that the +/-7% sensitivities are within the 5th percentiles and 95th percentiles of all movements since 1993. Therefore, the Company consider this range to be within the bounds of reasonable changes in FTSE Small Cap index prices.

16.3 Financial risk management (continued)

Theoretical impact of a fluctuation in equity prices of +/-7% would be as follows:

	NAV of underlying fund	
	+7% £000	-7% £000
As at 31 March 2023	90,280	(90,280)
As at 31 March 2022	81,526	(81,526)

Market risk

Market risk is the risk of direct or indirect losses that arise from fluctuations in the values of, or income from, assets or in movements in interest or exchange rates.

The Company's investments include a combination of fixed and variable rate loans. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate. The Company does not use derivatives to hedge interest rate risk.

SONIA sensitivity of the investments is as follows:

– The impact of a 4 percentage point increase in the interest rate applicable to Company investments would be an approximate increase in income of £19m over a one-year period.

– The impact of a 0.25 percentage point decrease in the interest rate applicable to Company investments would be an approximate decrease in income of £1m over a one-year period.

The impact is calculated as the difference in the cumulative forecast returns between the investment's internal rate of return and the interest rate movement shown in the scenarios above. This is calculated for investments that accrue interest at a variable rate only.

The Company primarily invests in its functional currency, pounds sterling. However, the Company does have an exposure to currency risk as there are some investments in funds which have a Europe-wide investment mandate and are denominated in Euros. A condition of investment in these funds is that they invest into the UK at a fund level a larger amount than our financial investment. Approximately 16% of the Company's portfolio is in non-pounds sterling denominated investments. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2023 was £6.6m. There is currently no policy to hedge this currency risk.

Liquidity risk

Liquidity risk is the risk that an entity does not have sufficient financial resources in the short term to meet its obligations as they fall due, or its strategy is constrained by inadequate or inappropriate funding sources.

Liquidity risk is not deemed material to the Company as it is part of the British Business Bank plc Group which is 100% Government-funded, with all programmes pre-approved and committed to, and it does not have a leveraged balance sheet.

Capital

The Company's share capital comprises 1,061,285,731 of issued and fully paid ordinary shares of £1. The Company is not subject to external regulatory capital requirements. Where appropriate, the Company uses internal models for measuring economic capital in the assessment of new investment transactions. Gross return on capital employed is a key performance indicator that is set for the Company by its Shareholder and further details are given in the Chief Executive's statement on pages 6 to 7.

17. Related party transactions

The Company is a wholly owned subsidiary of British Patient Capital Holdings Ltd, which in turn is wholly owned by British Business Bank plc. The Secretary of State for DBT is the ultimate controlling party and sole shareholder of the British Business Bank plc. British Business Investments Ltd entered into transactions with DBT and the following British Business Bank plc Group companies:

	2023 £000	2022 £000
Expenditure		
British Business Bank plc	9,456	9,566
British Business Financial Services Limited	998	952
Total	**10,454**	**10,518**

Amounts outstanding at year-end

As at the balance sheet date, British Business Investments Limited had debts outstanding and receivable with the following Group companies:

	2023 £000	2022 £000
Receivable		
BBB Patient Capital Holdings Limited	5,000	69,000
British Business Bank plc	6,311	6,311
Total	**11,311**	**75,311**
Payable		
British Business Bank plc	16,102	3,667
British Business Financial Services Limited	142	149
Total	**16,244**	**3,816**

Compensation paid to key management personnel is disclosed in note 5.2.

18. Dividends

No dividend is proposed for the year ended 31 March 2023 (2022: £nil).

19. Events after the reporting date

Since the reporting date the Bank of England has continued to raise interest rates from 4.25% to 5.25% which impacts on the valuations of investment assets. There has been no material impact to the valuation of any individual investment asset.

As at the date of this Annual Report and Accounts, there have been no post-reporting date events that require disclosure.

20. Controlling party

The Company's parent company is BBB Patient Capital Holdings Limited, which in turn is a wholly owned subsidiary of the British Business Bank plc. In the opinion of the Directors, the Company's ultimate controlling party is the British Business Bank plc's Shareholder, the Department for Business and Trade (previously the Department for Business, Energy and Industrial Strategy). The consolidated financial statements of the Department for Business, Energy and Industrial Strategy are available from the Government departments' website at GOV.UK. Copies of the Group consolidated financial statements of the British Business Bank plc are available from Companies House, Crown Way, Cardiff CF14 3UZ.

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