Annual Report and Accounts 2024

British Business Bank

Supporting UK growth and innovation

10 years of impact

british-business-bank.co.uk

Our mission is to drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by supporting access to finance for smaller businesses.

Celebrating 10 years of impact across the UK

10 years of impact

Supporting growth across the UK

> We can look back at just how far we've come as an organisation, while importantly looking forward to the big changes and opportunities that are coming.

Stephen Welton
Chair

I joined the British Business Bank as Chair in October 2023. Although I was new to the role, the Bank was not new to me – in 2012 I sat on the original Advisory Board which led to its establishment and was also involved with the 2017 HM Treasury Patient Capital Review, which led to the creation of the Bank's British Patient Capital subsidiary.

In this Annual Report and Accounts, we reflect on the Bank as it reaches a decade of operation. During that time, I have seen it grow from the kernel of an idea to become an important contributor to the success of UK smaller businesses and the economy more generally, as the UK's economic development bank. We have created a national investment platform that now has the scale and potential to have real impact, supporting growth on a nationwide basis and driving innovation across the country. This is an especially exciting time in the Bank's development, with more being asked of us at a time when driving longer-term investment to support the growth economy is so critical. This is testament to what we have built over the last ten years.

We can look back at just how far we've come as an organisation, while importantly looking forward to the big changes and opportunities that are coming. This is a pivotal moment for the Bank, as we look to build on our strong foundations, finding more effective ways of underpinning economic growth, in particular how investment is delivered through smaller companies in all regions, through innovation, and through the entrepreneurial economy.

It is a privilege to have become directly involved with the Bank, together with new colleagues who have joined the organisation. This financial year we appointed several new Executive Committee members, bringing fresh energy, diversity and expertise to the Bank's senior management.

In particular, I would like to thank my predecessor, Lord Smith of Kelvin. As well as steering the organisation through the pandemic, when the British Business Bank was at the forefront of delivering vital emergency support to almost a third of all UK businesses, he leaves behind an important legacy in terms of the foundations for the future direction of the Bank.

> There is a palpable feeling of pride in the programmes we are delivering and a keen awareness of their positive impact nationwide.

A sense of mission

Even though I was familiar with the British Business Bank, having joined as Chair I have been surprised and impressed by the sheer extent of what it now does, its reach and the wide range of skills and capabilities it can bring to bear.

Above all, I am struck by the strong sense of mission that underpins what our colleagues do. There is a palpable feeling of pride in the programmes we are delivering and a keen awareness of their positive impact nationwide. That is a major asset for any organisation. That sense of purpose and confidence is now combining powerfully with our growing mandate, and the capabilities and networks that we have built up over the last ten years. It is doing so at a point when driving growth in the economy is especially relevant and where the Bank is capable of doing more.

A new direction

This year – our tenth – is likely to see an enhanced direction for the Bank. We are actively exploring the creation of a new regulated investment vehicle that could attract third-party capital such as from pension funds, making use of our expertise, market position and access to a range of promising high-growth companies. This would be a powerful public-private partnership, enabling private investors to work alongside the Bank. It builds on the successful Long-term Investment for Technology and Science (LIFTS) programme which saw the Bank coming together with a major DC pension scheme and two new investment managers to substantially increase long-term UK pension fund investment in life sciences and technology, sectors critical to the future of the economy.

The proposal looks to address a long-standing structural challenge and market failure facing the UK economy, to which the Bank has drawn attention consistently for a number of years – compared to similar economies we simply do not have enough institutional investment in the UK. That has been well documented over the last thirty years. If the UK is to increase its growth and innovation to be a scale up as opposed to incubator economy, a key enabler is to increase the liquidity in both our private and public markets.

£2.3bn

of funded commitments during the past year

The objective is to unlock institutional investment from UK pension funds and the savings industry – specifically defined contribution and local government schemes. This would involve a combination of regulatory changes, policy directives, cultural awareness, and the creation of investment vehicles that match the risk appetite and investment criteria of pension funds and, most crucially, that result in long-term benefit to savers.

We have already played an important role in contributing to this debate and delivered tangible results. We have been asked to actively explore how the Bank could do more to crowd in private investment. I am confident of the benefits this work may potentially bring to the economy and growth companies across the country.

It is a privilege to be the Chair of the British Business Bank plc as it prepares to celebrate its ten-year anniversary. I look forward to working with the Board and the executive leadership team, and other key stakeholders, as we look to increase the scale, effectiveness and impact of the Bank, crowding in private investment to help boost economic growth across all the Nations and regions of the UK.

> **“If the UK is to increase its growth and innovation, a key enabler is to increase the liquidity in both our private and public markets.”**

Delivering for smaller UK businesses

Louis Taylor
Chief Executive Officer

> "We have remained committed to investing in the market through the cycle, without compromising our underwriting standards."

2023/24, which was my first full year as Chief Executive of the British Business Bank, was a year in which we performed above expectations overall in what were very difficult market conditions.

The commitments we have made through the cycle underpin our role as the UK's economic development bank. We have remained committed to investing in the market through the cycle, without compromising our underwriting standards.

Our commitment numbers are therefore good for 2023/24, with £2.3bn of new commitments delivered during the year.

The activities we carried out in 2023 are expected to create 39,400 additional jobs and £8.4bn of gross value added (GVA) over the life of the finance. From both a purely commercial and a national economic development point of view, the Bank is fulfilling its mission.

59%

of lending to small businesses in 2023 came from challenger and specialist banks

A difficult market for investments

As suggested last year, the continuing difficulty of the market has resulted in a statutory loss of £122m for 2023/24. It is important to note, however, that this is largely an unrealised loss, reflecting short-term falls in the book valuation of long-term investments, rather than actual cash losses. This is discussed in greater length in the Chief Financial Officer's report p10–17.

Significantly, the valuation of these investments remain 1.35 times our original costs and, notwithstanding any continued short-term fluctuations, we would expect them to rise further over their investment period – typically around ten years – as we enter a period of recovery and economic growth.

Elsewhere, there has been some great progress across the Bank's activities this year, including its subsidiaries.

British Business Investments, for example, has fully committed the whole of its Managed Funds pool of £550m, continues to put money into Debt Funds and Asset Finance providers, and continues to deliver vital early-stage equity through its successful Regional Angels Programme.

We have also had a good year in supporting challenger banks, most notably through our ENABLE Guarantee programme, an increasingly important part of the market supporting lending to smaller businesses.

Having passed the £1bn funding mark in Start Up Loans this year, we also now have our first Start Up Loan recipient that is a 'unicorn' – a privately owned start-up business with a value of over $1bn.

Backing talent across the UK

We have successfully rolled out the next generation of six new Nations and Regions Investment Funds – covering all four Nations of the UK for the first time – which will bring £1.6bn of dedicated funds once fully deployed. We have good reason to be confident that they will have impact, based on our three historical Regional Funds which, having been operating successfully since 2017, have provided strong proof of concept.

With the new funds, the outcomes that we are aiming for are two-fold. We will be supporting businesses with the money we invest and also building up investment capability across the Nations and regions.

We expect these funds not only to put in place support for local business talent, but also to generate attractive returns at in the coming year.

> **"We are redesigning our operating model to be more flexible, scaleable, efficient and effective."**

A more mature organisation

Inevitably, as any organisation grows and takes on new responsibilities, it will face challenges.

Having reached a scale and level of capability and maturity, we are redesigning our operating model to be more flexible, scaleable, efficient and effective, with a focus on providing our customers with outcomes they need.

Our tenth anniversary year finds us moving from a suite of segregated programmes to become a more strategically-driven investment and banking business, and our customers are already beginning to see the benefits.

83%

of businesses we support are outside of London

A welcome challenge

One issue that we have long identified as holding back UK economic growth is a lack of UK institutional money being invested in our growing businesses. We welcome the opportunity to assist in addressing this through a number of initiatives. These include:

– work to explore the setting up of a new investment vehicle to catalyse pension fund investment

– increasing the focus of British Patient Capital on science and tech-led companies

– launching the Long-term Investment for Technology and Science (LIFTS) programme

– bolstering Future Fund: Breakthrough.

Taking forward this work means some necessary changes to the funding of the British Business Bank. An important aspect is how the new investment vehicle will draw upon our permanent capital base. Historically, much of our capital was immediately returnable to the Treasury once we had invested it and it came back to us. It wasn't permanent capital, nor was it recyclable or fungible, being allocated for use only through specific programmes. We will work with colleagues in Government on the required reforms to ensure the Bank can mobilise the UK's deep pools of institutional capital, including through the use of our permanent capital, and to provide us with more versatility in the way we can support smaller businesses.

All of these changes will take some time to effect, and will require some cultural change within the Bank. We look forward to enhancing greater collaboration between teams, streamlining where necessary, and building more on the commonalities across our various products and programmes.

Changes within our senior management

As ever, our strong performance over the year owes much to our team. I would like to thank in particular some colleagues who left during the year, but who were instrumental in getting the Bank to where it is now – Catherine Lewis La Torre, British Patient Capital's outgoing Chief Executive Officer, Judith Hartley, British Business Investments' outgoing Chief Executive Officer, Shanika Amarasekara, our Chief Impact Officer, Elizabeth O'Neill, our General Counsel and, of course, Lord Smith, our outgoing Chair whose leadership was key to creating the range of opportunities we are now pursuing.

In our recruitment this year, we have been successful in our commitment to maintaining the diversity of our Senior Leadership Team.

Looking ahead

Now ten years old, the Bank has developed into a mature, commercial, capable investor, whose reach and influence we can use to positive effect. In a market that will never be perfect, and where there will always be challenges, we are resilient enough to manage those while fulfilling our mission.

We have already started working with the new Government on its growth agenda, including the setting up of a new National Wealth Fund. This initiative will enable greater investment in industries of the future, supporting the Government's new Industrial Strategy, and we look forward to playing our part in its development.

Finally, no matter what challenges and opportunities we face, we can achieve nothing without our excellent teams. I thank them for all they have done in the last year, and look forward to all we will achieve in future.

Chief Financial Officer's report

Our financial performance

David Hourican
Chief Financial Officer

> The Bank's statutory result for the year is a loss after tax of £122m (2023: loss of £135m)

This report summarises and highlights the British Business Bank's financial performance for the year ended 31 March 2024.

This report should be read alongside both the 'Our performance against key 2023/24 KPI targets' and '2023/24 Financial performance and calculation of adjusted return' sections of this Annual Report, and the consolidated financial statements.

The Bank's statutory result for the year is a loss after tax of £122m (2023: loss of £135m). The change in financial performance is primarily due to the change in valuation of our investments as we have seen further unwind of the significant unrealised valuation gains experienced during the Covid-19 period. This overall result is in line with our expectations given the level of commitments and our position within the investment cycle. We signposted this in our prior year Annual Report and Accounts.

As the UK's economic development bank, we have a number of objectives, some of which may have a negative impact on any individual year's financial performance with further detail provided throughout this Report.

The Bank is largely reliant on valuations provided to us by our third-party delivery partners, as set out in the contractual terms of our engagement with them.

Whilst we ensure that these valuations are compliant with the requisite International Financial Reporting Standards (IFRS), there is very limited scope for the Bank to make adjustments given our delivery partners are best placed and have greater information to be able to undertake these valuations.

Although the Bank expects to make a return on investments made by its Enterprise Capital Funds (ECF), the terms on which investments are entered into, receiving a prioritised return but less of any potential upside compared to private investors, are considered sub-par by accounting standards.

The Bank is therefore required to show a provision at the point of commitment for each new ECF.

Whilst there is an unwind of these amounts over the life of the investments, the provision impacts on the in-year financial performance. The financial impact of new ECF commitments made during the year is an expense of £58m (2023: £55m).

Key messages*

Record commitments

This financial year has seen the Bank complete a record number of new commitments across its debt (£0.8bn) and equity programmes (£1.5bn) totalling £2.3bn as we continue to deliver on our mandate as a through-the-cycle investor supporting smaller businesses.

Equity weighted portfolio is largely within the investment period

Our investment portfolio continues to be weighted towards equity investments (66%). A large proportion of the portfolio is still within its investment period.

In-year fair value movements are largely unrealised

The in-year results included within the Consolidated Statement of Comprehensive Net Income reflect the younger mix of the investment portfolio coupled with a continued unwind of accelerated unrealised investment gains that accrued during the Covid-19 period with net unrealised fair value reductions of £77m (2023: £69m). This was flagged in our previous Annual Report and Accounts. Included within the fair value movement in the year is a loss on foreign exchange for our non-sterling denominated investments of £19m (2023: gain of £31m).

As the portfolio matures, we expect to see a higher proportion of investments migrate from the investment phase to the harvest phase, which will generate a greater balance between unrealised and realised returns.

Higher interest income driven by floating nature of debt investments

The increase in interest income of £17m received during the year reflects the part floating nature of the debt investment portfolio which has been largely resilient to recent macroeconomic headwinds.

Mandated programmes continue to deliver impactful investment

The Bank's more policy-led programmes continue to make specific market impacts as well as deliver returns. The Start Up Loans programme delivered 9,776 new loans to entrepreneurs during the year, taking the total lending since its inception past the £1bn mark. The ECF programme added three new funds during the year and now supports 37 emerging fund managers.

Efficient use of taxpayers' resources

The Bank's operating costs as a proportion of Assets Under Management (AUM) have continued to reduce (down to 1.26% from 1.46% at March 2023) during the year as the Bank makes further efficient use of its resources.

* The Key messages and detailed financial performance commentary is presented on a statutory basis and refers only to items included in the Bank's financial statements, therefore, excluding items such as the ENABLE programmes and the third iteration of the Recovery Loan Scheme.

2023/24 highlights

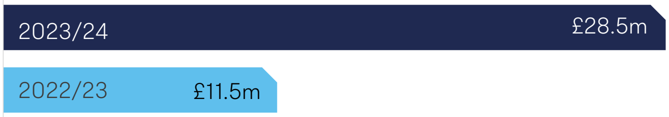
Our numbers

In-year funded commitments

£2,304m ↑177%

Realised gains in year

£28.5m ↑148%



Investments

£3,924m ↑8%

Loss after tax

£(122m) ↓10%

Costs/AUM

1.26% ↓20bps

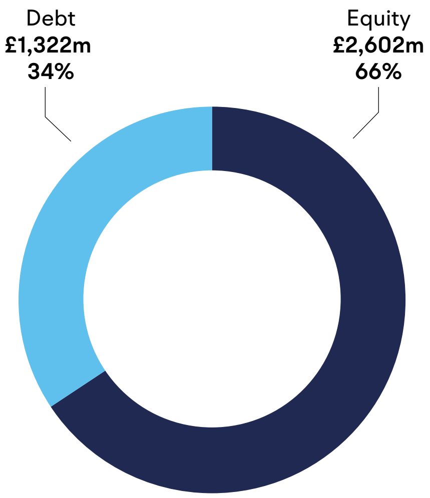
Leverage*

2023/24 **2.7x**

2022/23 **2.6x**

*Ratio of Bank investment vs private investment.

Investment portfolio (£m)



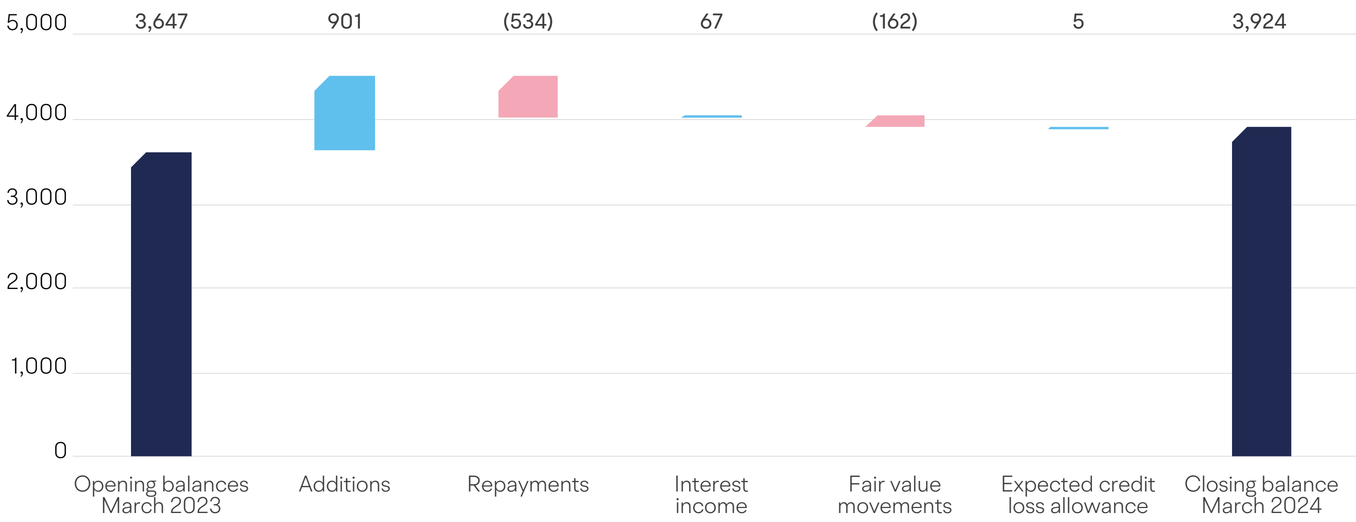
Investment portfolio

The mixture of the investment portfolio between debt and equity is largely consistent year-on-year and in line with the Bank's programme requirements over the longer term moving to a higher proportion of equity investments.

The Bank has invested an additional £901m during the year into a mixture of new and existing investments. As a through-the-cycle investor, the Bank expects to deliver an appropriate return over a multi-year investment period that can be subject to in-year fluctuations. This year, fair value reductions (including expected credit losses) were £157m (2023: £146m). This was comprised of: fair value reductions in British Patient Capital of £(59.9m); reductions in the British Business Investments portfolio of £18.1m; and negative amounts related to adjustments on initial recognition of the Start Up Loans £(49.1m) and Enterprise Capital Funds £(38.4m) investments.

Repayments received from investments during the year totalled £534m (2023: £544m). Eighty-two per cent of these repayments came from the debt portfolio which has a significantly shorter investor period and allows for these to fund deployments made during the year.

Movement in investments held at amortised cost and fair value (£m)



Commitments and capital deployed

Despite challenging economic conditions and in line with our role as a through-the-cycle investor, the Bank has delivered record new commitments during the year of £2,304m (2023: £831m), in part driven by the launch of the new Nations and Regions Investment Funds which included commitments of £1,126m (total fund of £1,600m including investor reserve).

Once commitments to third-party delivery partners are made, it takes time for these to be drawn and ultimately deployed for the purpose of supporting smaller businesses. The time taken to deploy varies depending on the debt or equity nature of the underlying investment as well as external factors such as the macroeconomic environment.

During the year, the Bank deployed £901m (2023: £858m) from a combination of commitments made in previous years as well as new commitments in the year. At 31 March 2024, the Bank had total undrawn commitments of £3,602m (2023: £2,216m).

Our leverage, being the ratio of monies invested by the Bank vs investment from private investors, has increased from 2.6x at March 2023 to 2.7x at March 2024.

Equity

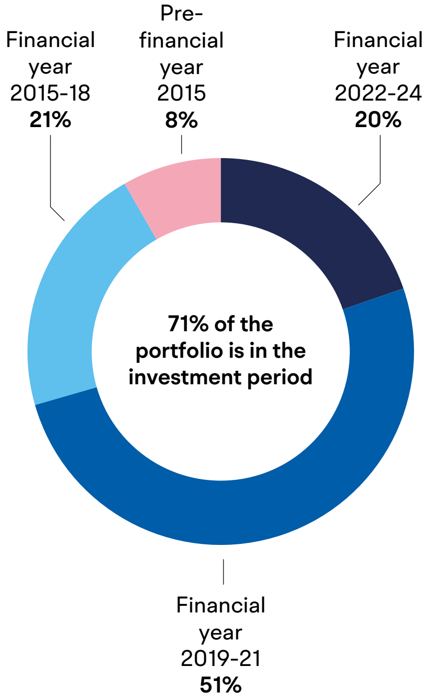
The equity portfolio is made up of a combination of investments made through funds within British Business Investments, British Patient Capital and Nations and Regions; direct investments made by British Patient Capital through Future Fund: Breakthrough and Co-Investment programmes and the Enterprise Capital Funds.

Seventy-one per cent of the equity portfolio is still within the investment period, having been committed since 2019. Given the maturity of the equity investment portfolio we would not be expecting to receive significant realised returns at this stage. The vintage of our equity portfolio is shown on the right.

With all of our finance programmes, it is important to bear in mind the difference between realised and unrealised returns. In our equity finance programmes, for example, the value of some of our investments may go up or down over a financial year owing to changes in valuation, but these are not realised profits or losses.

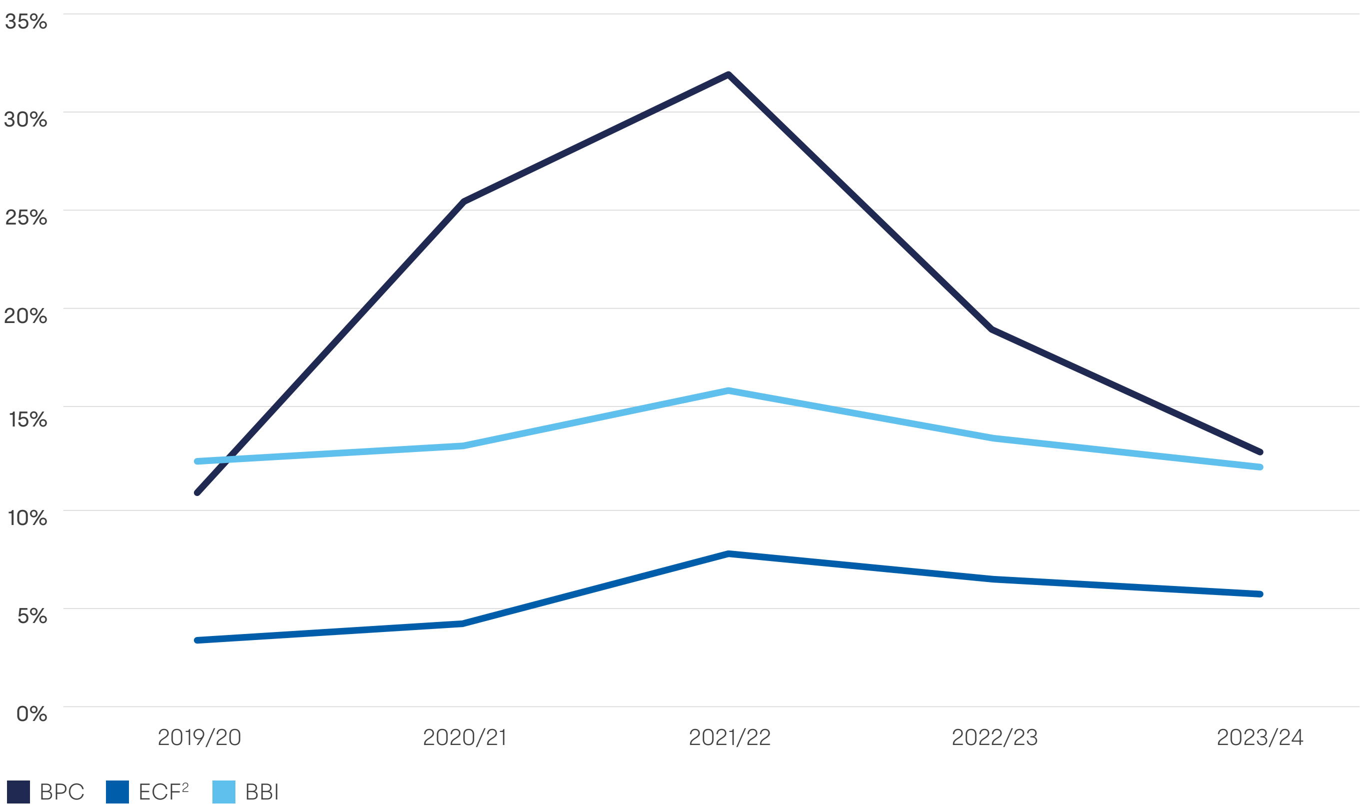
These investments are the biggest driver of our statutory loss for the year, but as a through-the-cycle investor, the Bank is focused on delivering longer-term cash realised returns.

Equity vintage*



* Excludes UKIIF.

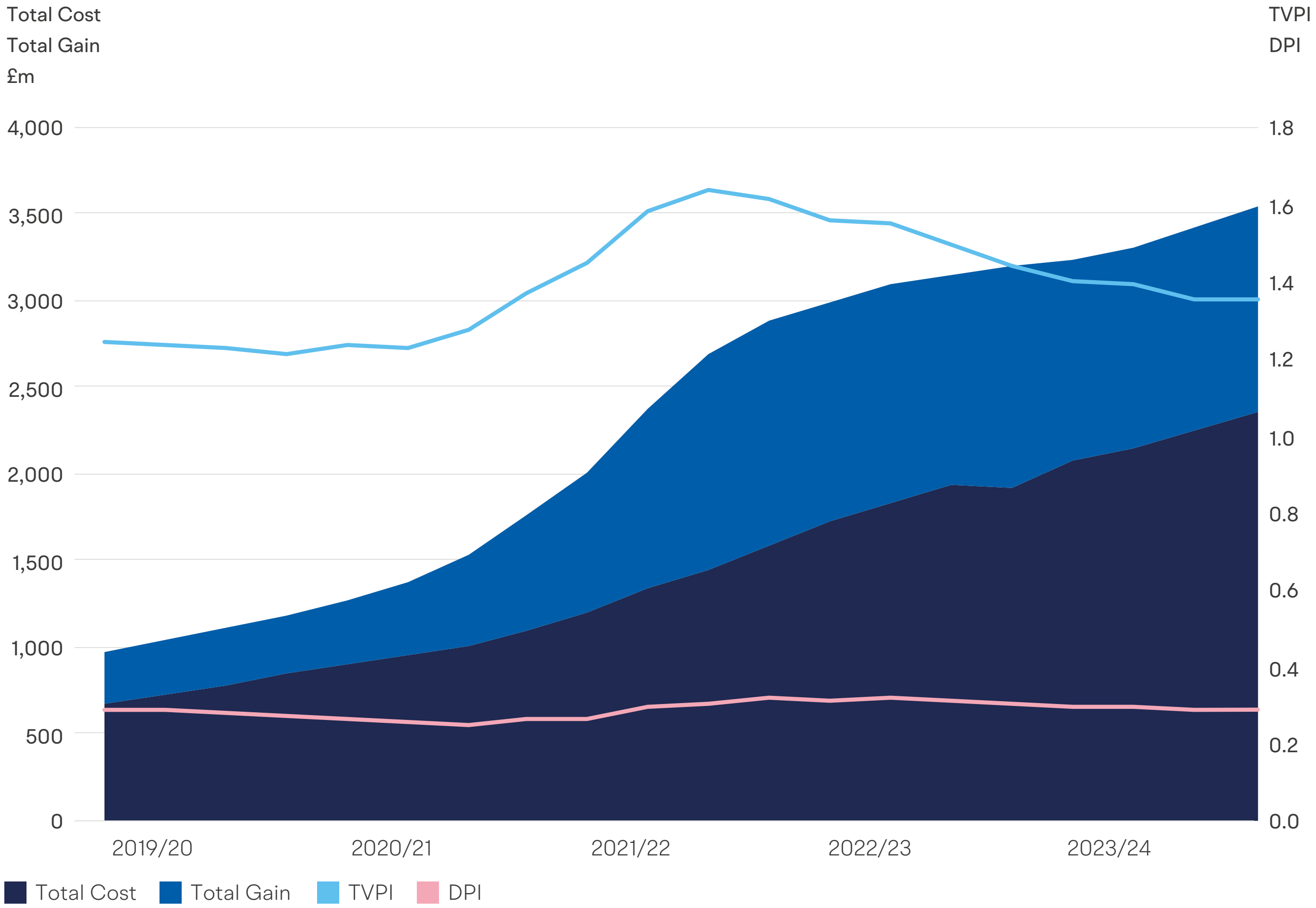
Equity portfolio IRR[1]



1. Equity IRR since inception

2. The ECF IRR reflects the accounting return to the Bank of 5.5% with a total portfolio IRR of 11.3% (including amounts to third-party investors).

Equity portfolio gains and costs over the last five years



The British Patient Capital portfolio IRR of 13% reflects the expected return from our investments given the underlying strategy and stage of investment. The reduction from the high point seen during 2021/22 is due to updates to valuations post-Covid-19. Further details about British Patient Capital strategy and investment activity can be found in the British Patient Capital section of the Strategic Report.

The British Business Investments equity portfolio IRR of 12% has remained consistent year-on-year and is reflective of the nature of the investments that British Business Investments undertakes. Further details about British Business Investments can be found in the British Business Investments section of the Strategic Report.

The ECF IRR reflects the accounting return to the Bank of 5.5% with a total portfolio IRR of 11.3% (including amounts to third-party investors).

As our equity portfolio has continued to deploy during the year, we have demonstrated that with a TVPI (Total Value to Paid-In Capital) of 1.3 as at 31 March 2024 the portfolio is holding up strongly despite the fair value reductions seen during the past two years.

"Given the maturity of the equity investment portfolio, we do not expect to receive significant realised returns at this stage."

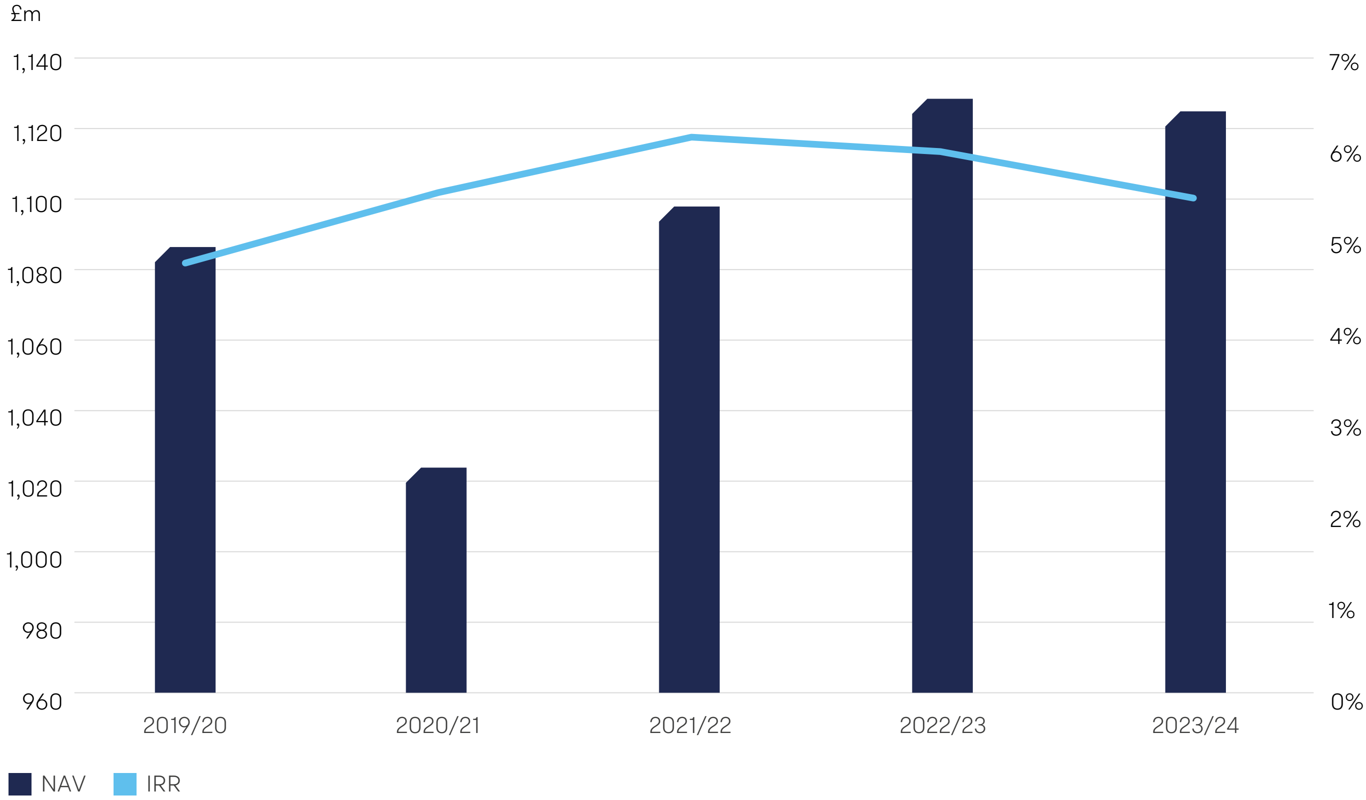
Debt

Debt investments are delivered by British Business Investments through the Mid Cap and Investment Programmes, NRIL through the debt and microfinance funds and by Start Up Loans. The Bank has seen an increase in interest income received during the year, driven by the higher interest rate environment.

Of the underlying debt portfolio, 48% are on variable rates and have been directly impacted by the increase in the Bank of England base rate. The portfolio has been largely resilient to the recent macroeconomic headwinds with in-year fair value reductions of £11m (2023: fair value gains of £43m).

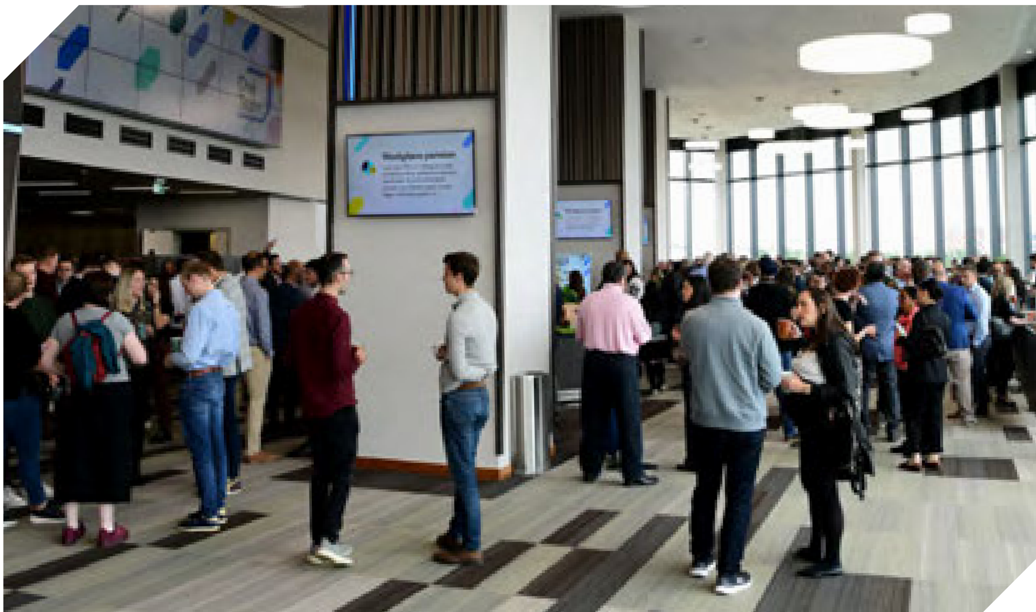
As can be seen below, the Bank has continued to make positive returns on its debt investments (excluding Start Up Loans) for each of the last five years which is a positive contributor to the Bank's overall financial performance.

Debt investments: NAV (£m) and IRR (%)[1]



1 Debt portfolio excluding Start Up Loans. IRR is from inception.

"Of the underlying debt portfolio, 48% are on variable rates and have been directly impacted by the increase in the Bank of England base rate."



Start Up Loans

Start Up Loans makes debt investments at a fixed interest rate of 6% and has delivered 9,776 new loans to entrepreneurs during the year, hitting over £1bn worth of loans made since inception. This has supported over 105,000 business ideas and continues to allow entrepreneurs access to finance which they are unable to unlock elsewhere.

Statutory result for the year

The statutory result for the year is a loss after tax of £(122m) (2023: loss of £135m). The change in financial performance is primarily due to the change in valuation of our investments, as set out in the sections above, which has led to net operating income of £18.6m for the year, compared to a net operating loss of £1.6m in 2022/23.

Management fee income

Included in the net operating income is management fee income of £51m (2022/23: £57m) which was received from our Shareholder, the Department for Business and Trade. £36m of this income (2022/23: £43m) was received to cover the costs we incur to administer the Covid-19 loan guarantee schemes and Future Fund on behalf of DBT. The remainder covers all staff and operating costs that are not directly attributable to the investing companies.

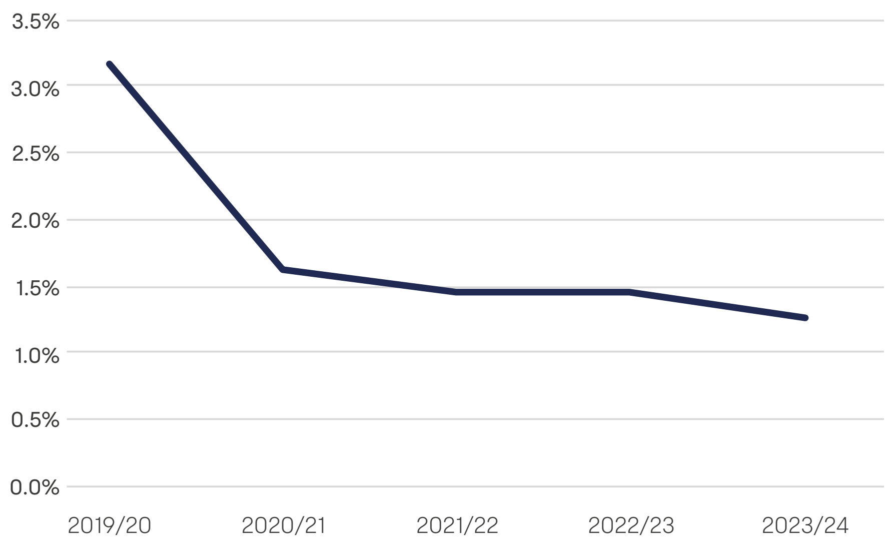
Staff costs

Staff costs have increased by 8% year-on-year. This increase is driven by salary increases and a growth in staff numbers (on-payroll staff numbers have increased from 562 at March 2023 to 588 at March 2024). The average salary increment during the year was 5.2%.

Other operating expenditure

Other operating expenditure has reduced from £66m in the year ended 31 March 2023 to £64m for the year ended 31 March 2024. There has been a continued reduction in relation to the administration of the Covid-19 loan schemes, driven by the fact these schemes are closed and amortising. These costs are fully covered by the management fee income from DBT.

Costs/AUM



Forward outlook

As noted above, the overall annual financial performance of the Bank is driven by movements in the valuation of the investment portfolio. On the whole, the Bank has seen a softening in unrealised valuation reductions during the year. Whilst we expect continued in-year valuation movements, the Bank is well placed as a through-the cycle investor, subject to changes in macroeconomic conditions, to see further realised returns as the portfolio matures through the investment period.

On that front it is pleasing to be able to report the post balance sheet date sale of an underlying portfolio company held in funds the Bank invests in. EyeBio, an eye focussed drug developer, incubated in the UK with operations in the UK and US was sold to MSD an international biopharmaceutical company for up to $3 billion. The Bank will receive significant proceeds from this transaction which demonstrates the Bank's commitment to delivering realised returns.

One of the keys to building a resilient investment portfolio is ensuring the Bank has a scalable business with the appropriate infrastructure and capabilities in place both now and in the future. The Bank is committed to ensuring it does this whilst making an efficient use of taxpayers' money.

Our impact in 2023

Inputs[1]

We deployed

£3.5bn

of public funding into smaller businesses

with an additional

£2.5bn

of sector private capital leveraged alongside our own funding

Outputs[1]

Funded

23,100

smaller businesses

84%

of businesses supported were outside London with £2.9bn of finance

18%

supporting deals which accounted for 18% of all 2023 UK smaller business equity investment

40%

of our Start Up Loans have gone to female founders

21%

Start Up Loans have gone to founders from Black, Asian or other Ethnic Minority backgrounds

53

Net promoter score of 53 from our delivery partners

1 Excludes Investment Programme Fintech and Structured Capital and the ENABLE Build programme.

The British Business Bank's role is to stimulate growth in UK smaller businesses whilst making returns for the taxpayer.

Over the last five years we have made a 4.5% adjusted rate of return on taxpayer investment through a combination of commercial and sub commercial (mandated) activity. Our commitments made in 2023 are expected to generate £19.8bn of additional business turnover over the life of the finance – equivalent to £8.4bn of additional economic activity (Gross Added Value, or GVA) created.

Outcomes[1]

35%[2]

of finance drawdown being used to reduce environmental impact in some way or support business models focused on environmental objectives

60%

of additional jobs created by our funding are linked to our support for innovation, although this accounts for only 25% of our total funding

4.5%

Our 5-year combined commercial and mandated adjusted rate of return

Activities (2023/24)

£777m

of new commitments through our debt programmes

£1.73bn

of new commitments through our guarantee programmes

£1.53bn

of new equity commitments under BPC, BBI, ECF and Enable Funding

£721m

of new commitments under ENABLE Guarantee/Build transactions

£1.1bn

committed by our regional funds

Expected long-term impacts

Creation of

39,400

additional jobs

£19.8bn

of additional business turnover

£8.4bn

Equivalent to an extra £8.4bn of Gross Value Added (GVA)

2 In many cases this may be a small part of the overall funding.

The figures on this page refer to the latest available figures, for calendar year 2023.

Our performance against key 2023/24 KPI targets

Performance assessment summary

The British Business Bank's objectives were updated for 2023/24 to focus on the long-term impact the Bank seeks and to align with the public policy priorities of the Government. As such, the Bank has adopted four new strategic objectives: driving sustainable growth, backing innovation, unlocking potential and building the modern, green economy. These strategic objectives are underpinned by six organisational enablers to ensure the Bank has the capabilities to deliver on its mission and the strategic objectives.

The Board assessed the Bank's progress against its corporate objectives by considering delivery against its key performance indicators (KPIs), with KPI outturns against targets outlined below.

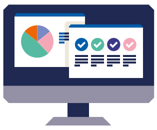
Strategic objectives

Driving sustainable growth: ensuring smaller businesses can access the right type of finance they need to start, survive and grow

	Target	Outturn
KPI: In-year debt commitments	£713m	£777m
KPI: In-year guarantee commitments	£1,150m-£2,110m	£1,725m

Commentary: Changeable economic conditions have led to higher levels of demand for the Bank's debt and guarantee products.

Backing innovation: ensuring innovative businesses can access the right capital to start and scale



	Target	Outturn
KPI: In-year equity commitments	£1,331m	£1,527m

Commentary: Despite the challenging fund-raising environment, the Bank was able to achieve its target for in-year equity commitments.

Unlocking potential: unlocking growth by ensuring entrepreneurs can access the finance they need regardless of where and who they are

	Target	Outturn
KPI: In-year gross deployment outside of London	£1,080m	£1,782m

Commentary: The Bank was on target for deployment of finance across the UK's nations and regions.

Building the modern, green economy: financing ground-breaking solutions to climate change and helping smaller businesses transition to net zero so they thrive in a green future

KPI: To deliver required sustainability reporting

Commentary: The Bank published its first Task Force on Climate-related Financial Disclosures (TCFD) as part of the 2022/23 Annual Report and Accounts and undertook first submissions under both the Principles of Responsible Investment (PRI) and the UN Global Compact (UNGC) within the 2023/24 financial year.

Organisational enablers

Customer centricity: meeting the needs of different customers and placing customer satisfaction at the heart of what we do

KPI: Delivery partners' net promoter score (source: delivery partner survey)

Commentary: The annual delivery partner survey reported for the first time in November 2023 with an inaugural delivery partners' net promoter score (NPS) of 53, which is well above the financial services norm, and provides a benchmark from which to judge progress over future years.

People and culture: empowering and supporting diverse talent as we deliver the challenging, impactful work of the Bank

KPI: Staff engagement score compared to financial services and public sector norms

Commentary: Our people and culture make the Bank and without an engaged team we cannot deliver on our objectives. The most recent engagement survey had a response rate of 88% and the engagement score was 76% (+3 percentage points on 2022/23).

Financial performance: managing public money properly and delivering value for money

	Target	Outturn
KPI: 5-year average adjusted return on capital employed	0.9%	4.5%

Commentary: The Bank's 5-year average adjusted return on capital employed of 4.5% remains well above the Government's medium-term cost of capital ('DMO rate') of 0.9%.

Risk management: understanding, managing and mitigating our risk in line with risk appetite

KPI: Board Risk Committee assessment based on a report provided by the Chief Risk Officer

Commentary: The Board Risk Committee assessed the effectiveness of the Bank's Risk Management Framework in managing our activities within our risk appetite towards our objectives.

Stakeholder relationships: to be the centre of expertise on smaller business finance in the UK, providing advice and support to the Government

KPI: Key stakeholders rating the Bank's engagement at least 'very good' (source: YouGov survey)

Commentary: The Bank is deploying its expertise to the Government effectively, based on the wider stakeholders' rating of the Bank's engagement.

Operational capability: for the Bank's operating model to be efficient, adaptable, and deliver cost-effective value

KPI: Balanced scorecard of operational metrics

Commentary: All teams across the Bank contribute to its operational effectiveness on a day-to-day basis to ensure it is effective, resilient, and represents value for money.

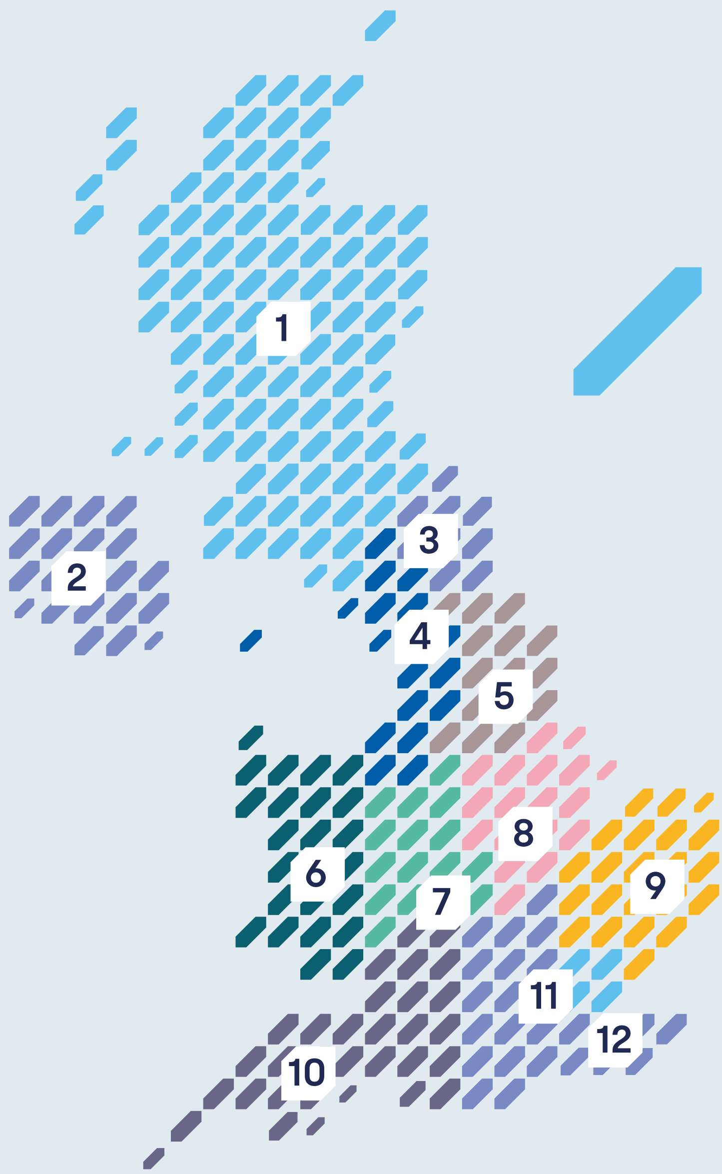
How we support smaller businesses across the UK

Smaller businesses are vitally important to the UK economy, accounting for over 60% of employment and around half of turnover in the private sector. They are both a key source of the new ideas and innovations that power the rest of the UK economy, and central to the UK's objective of reaching net zero by 2050.

Given their importance to the economy, as the UK's economic development bank we help them to start up and grow sustainably by improving their access to finance.

A continuous programme of research provides us with strong evidence to define the work we do. By researching and analysing markets for smaller business finance, we are able to inform the design of programmes and policy to meet the needs of the smaller businesses that are our ultimate customers.

Stock of finance by region



Region	Number of businesses	Funding
1 Scotland	3,850	£646m
2 Northern Ireland	1,440	£242m
3 North East	1,741	£461m
4 North West	7,314	£1,643m
5 Yorkshire and the Humber	5,048	£1,000m
6 Wales	3,246	£389m
7 West Midlands	5,777	£781m
8 East Midlands	4,680	£875m
9 East of England	6,078	£1,376m
10 South West	5,591	£932m
11 London	10,914	£7,172m
12 South East	8,291	£1,877m

We seek to achieve this by building their awareness of the best finance options available to them, gathering information on their current priorities and helping them in finding the finance they need.

To this end, in 2023/24 we further increased the supply and diversity of finance options that are available to the UK's smaller businesses, including through the launch of six new Nations and Regions Investment Funds. We also continued to raise awareness of the support that is available to smaller businesses, including through campaigns on digital and social media channels.

Total

63,970
Number of businesses

£17.4bn

The importance of access to finance

Finance is important for businesses at every stage of their development.

For a business to grow sustainably it needs access to the appropriate financial support at the right time – from initial seed funding through to multiple rounds of equity to achieve rapid growth, or debt finance for working capital and investment.

Debt options play an essential role in the operation of most businesses. They can be used both for working capital or to fund longer-term investment through products such as hire purchase, loans or leasing facilities.

Equity finance often provides the long-term capital that enables a business to scale rapidly, and such high-growth businesses are key to the UK's economic success. Equity investors can also bring experience, skills and contacts that a business might not otherwise have.

Our role

The British Business Bank works with and through the market to provide smaller businesses with access to finance and information. This can be especially important in difficult economic times, when many smaller businesses find it harder to access the funding that they need. The Bank invests through the cycle so that finance remains available where it might not otherwise be.

Our mission is to drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by supporting access to finance for smaller businesses.

The Bank is wholly owned by the Government, but independently managed. It brings expertise and Government money to finance markets serving smaller businesses.

For this reason, it is important to ensure that our objectives, services and products are consistent with Government policy and strategy, and that the role of the Bank and its programmes are understood by our stakeholders in Government and Parliament.

Generally, we do not lend or invest directly. For the most part we work through our delivery partners, which include banks, leasing companies, venture capital funds and marketplace lenders. It remains an important priority that our delivery partners understand how our products can help them serve our smaller business customers.

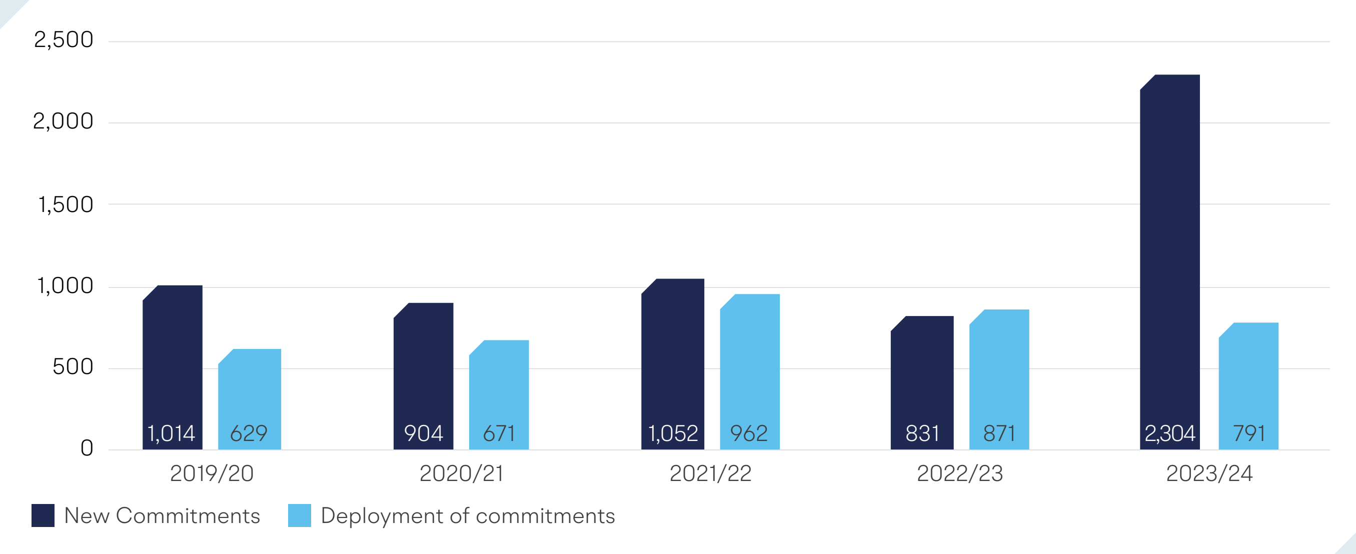
We also need to ensure we have the right balance and mix of delivery partners operating at a local level, with each of our delivery partners being fit-for-purpose and having the right mix of capabilities and capacities to be an effective and trusted partner to businesses.

The Bank acts in a commercially minded way to address market gaps and seeks to leverage-in private sector capital alongside Government money, to increase the impact we can deliver for smaller businesses. Businesses apply for finance through our partners who, with our support, can lend and invest more, especially to younger and faster-growing companies.

Our programmes are designed to bring benefits to smaller businesses whether they are start-ups, high-growth, or simply viable but underfunded. We have two main commercial subsidiaries, British Business Investments and British Patient Capital, which make commercial investments into providers of finance to smaller businesses in the UK.

In everything we do, we take seriously our role as stewards of UK taxpayers' money.

New Commitments and Deployment (£m)



Our key stakeholders

The Bank's activities are underpinned by an awareness that we have a number of different, important stakeholder groups:

Smaller businesses – our ultimate customers. By supporting smaller businesses in gaining access to finance and information about finance options, we help to drive innovation, sustainable growth and prosperity across the UK.

Our Bank colleagues – essential to delivering our vision, mission and strategy. Without their knowledge and expertise, we would not be effective in what we do.

Delivery partners – vital intermediaries between the Bank and those smaller businesses. We aim to catalyse our delivery partners to help us in driving sustainable growth, backing innovation and unlocking potential for smaller businesses across the UK.

The UK Government and Parliament – we are the UK's economic development bank, operating independently of, but wholly owned by the Government and accountable to Parliament through our sponsor department, the Department for Business and Trade. We work to ensure that the Bank is involved in key policy discussions, in line with our strategic objectives. Our policy and product teams also continue to work with Government officials to agree how we will deliver ongoing support to smaller businesses.

Our suppliers – helping us to deliver our services on time and to good quality. This helps to provide value for money and can bring innovative solutions that create additional value. It is important that our suppliers are aligned to our policies and priorities, including ESG. In 2023/24, our Supplier Relationship Management Team continued to develop deeper and more effective relationships with our suppliers, driving innovation and identifying opportunities to collaborate.

Business intermediaries and business support partners – such as accountants, lawyers, trade bodies and business/finance representative organisations – provide opportunities for valuable information exchange, supporting the Bank's role as a centre of expertise. It is important that a wide range of these organisations understand the role and value of the Bank, that there is a regular cascade of relevant information about Bank programmes and publications, and that we build long-term relationships with national and regional intermediaries, to help us reach smaller businesses.

> **"Our delivery partners are vital intermediaries between us and those smaller businesses."**

How we work

The British Business Bank works with and through the market to provide finance and information to smaller businesses.

Government

Funds

Returns

British Business Bank

Investment, lending, information

Funding and expertise

Since its inception, the Bank has committed billions of pounds of funding under its finance programmes. It also stimulates demand by providing information to both the market and smaller businesses.

Taxpayer value

As investments and loans we support grow and mature, revenue is returned to the Bank.

Return on investment, lending repayments

In addition to our core finance schemes and customer-facing information programmes, we seek to inform and influence policy on access to finance so that markets better serve smaller businesses.

We carry out research and analysis on finance markets, and evaluations of our own programmes, so policy can be better informed. We are also administrators for the Government's Covid-19 loan schemes and the Future Fund, providing supervision and analysis of their portfolios.

Finance market

A diverse landscape

We work with a wide variety of finance providers, bringing greater choice to the market.

Business angels

Venture capital funds

Non-bank finance providers

Banks

Start Up Loans programme

Institutional investors

Pension funds

Unlocking finance

By working with and through delivery partners, we unlock additional finance from them and from third parties. This multiplies the benefit to smaller businesses from the public money we commit.

Smaller businesses

Grows

Supporting growth

Through our programmes, smaller businesses can access more finance, and choice of finance type and provider, enabling them to start, thrive and grow.

Putting the customer at the heart of everything we do

Our mission...	...informs our objectives.	Stemming from those objectives, our actions...
British Business Bank **Our mission is to drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by improving access to finance for smaller businesses**	**Driving sustainable growth** Read more on p32–37	Invest in or provide funding or guarantees to debt providers
	Unlocking potential Read more on p40–43	Supports access to finance across all geographies, and regardless of background
	Backing innovation Read more on p38–39	Invest in or alongside equity providers
	Building the modern, green economy Read more on p44–45	Provide expertise and information, coordinate with other parts of Government

...through our programmes...	...help meet our customers' needs, leading to better...	...customer outcomes
Recovery Loan Scheme, ENABLE Guarantee, ENABLE Build, ENABLE Funding, British Business Investments Start Up Loans programme Nations and Regions Investment Funds – debt	Debt finance for working capital and growth	Knowledge to help with the transition to net zero Capital for high growth Working capital to thrive Greater knowledge and expertise to succeed Increased productivity More high-quality jobs created Greater investment in R&D
	Finance in their locality	
Regional Angels Programme Nations and Regions Investment Funds – equity Enterprise Capital Funds, British Patient Capital, Life Sciences Investment Programme, Future Fund: Breakthrough, Long-term Investment for Technology and Science	Equity finance for high growth	
All our finance programmes are available to finance green activity, supported by events and business guides	Help with transition to net zero	

Our objectives

Prioritising delivery to our customers

We are focused on four key areas to put outcomes for our customers at the heart of everything we do: driving sustainable growth, backing innovation, unlocking potential and building the modern, green economy.

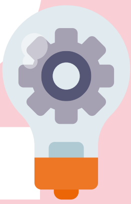
1

Driving sustainable growth

Ensuring that smaller businesses can access the right type of finance that they need to start, grow and thrive.

Read more on p32–37

2



Backing innovation

Ensuring that innovative businesses can access the right capital to start and scale.

Read more on p38–39

3

Unlocking potential

Unlocking growth by ensuring that entrepreneurs can access the finance they need, regardless of where in the UK they are based, or who they are.

Read more on p40–43

4

Building the modern, green economy

Financing ground-breaking solutions to climate change and helping smaller businesses transition to net zero, so that they thrive in a green future.

Read more on p44–45

Our objectives

Driving sustainable growth

Demonstrated by

£2.5bn	£5.7bn	£247m	98.7%
Our debt and guarantee commitments	Amount of debt finance supported	In-year gross debt drawdowns	% stock of finance outside the big five banks

Support at every stage

The British Business Bank delivers programmes both nationally and regionally, and across different finance types, to support smaller businesses at all stages of their growth and development.

Helping new businesses to start and grow

High Street lenders can view start-up businesses as being risky, meaning that early-stage businesses can find it difficult to access the finance they need. The British Business Bank helps to fill this kind of gap.

The **Start Up Loans** programme addresses a significant market failure around early-stage finance by providing loans, as well as offering free post-loan support, mentoring and guidance to successful applicants.

It is one of the areas of the Bank's activities where we engage directly with smaller businesses in large numbers.

In the 2023/24 financial year, we implemented a change in the post-loan support that we provide. Previously, each of our delivery partners offered pre-loan and post-loan support, but we now have one national post-loan support partner providing a consistent approach. As well as finance, the programme provides one-to-one mentoring and an extensive range of online support.

Meanwhile, our new business support partner network includes national, specialist and regional partners that provide on-the-ground support, utilising their knowledge of the specific challenges faced by their customers.

Finally, 2023/24 saw further development of the successful partnership between Start Up Loans and the Open University, with the Start Up Loans community being able to access a wider range of online training modules on a range of topics in which entrepreneurs are often lacking expertise, such as finance and marketing.

$1bn

The Start Up Loans programme now has its first 'unicorn': Castore was a £40k loan recipient that is now valued at more than US$1bn.

Helping smaller businesses to grow

The **Recovery Loan Scheme** was introduced in April 2021, following the closure of the Covid-19 loan schemes. The scheme, aimed at businesses with a turnover of up to £45m, allows funds to be made available for a range of purposes including managing cash flow, growth and investment.

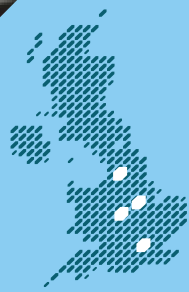
The first two phases of the Recovery Loan Scheme, bridging the gap between the Covid-19 loan schemes and a more 'business-as-usual' programme, enabled over £4.3bn of finance to smaller UK businesses. The ***Recovery Loan Scheme 1.0 Early Evaluation Report,*** published in March 2024, found that many of these businesses would have gone under without this support.

The third iteration of the Recovery Loan Scheme, launched in August 2022, addresses the long-term structural gap in financing that smaller businesses face, aiming to ensure that businesses can access the finance they need to invest and grow.

In 2023/24, the third iteration passed the milestone of £1bn in offers made to smaller businesses.

A new asset-based lending variant of the Recovery Loan Scheme was launched in December 2023. This is a good example of the Bank acting on what our delivery partners say they need to serve their customers. The aim of this new variant is to ensure that lenders have even more flexibility in terms of the products they can offer – especially for working capital, which is vital for many smaller businesses.

An extension to the Recovery Loan Scheme, and a change of name to the Growth Guarantee Scheme, was announced in the 2024 Spring Budget, with effect from 1 July 2024.



Business stories
ThinCats

Programme: ENABLE Guarantee

Funding type: Debt

Location: London/Manchester/Birmingham/Leicestershire

Region: London/East Midlands/West Midlands/North West

ThinCats is a leading alternative finance provider. It supports mid-sized UK businesses from all sectors with funding for growth, acquisitions, refinancing and restructuring.

In September 2023, ThinCats agreed a c.£700m funding facility using the British Business Bank's ENABLE Guarantee programme, making it one of the largest dedicated funding lines with a non-bank lender.

How an innovative 'capped' structure is supporting £700m of business lending.

In September, the Bank provided a guarantee to joint senior funders Barclays and Citi for a transaction with ThinCats that is expected to support £700m of finance to businesses. This was the first transaction under the ENABLE Guarantee programme that involved a direct guarantee on a portion of the liabilities in the funding structure. The guarantee will benefit mid-sized businesses across the UK by increasing available funding, supporting wider economic growth.

Providing choice in debt finance for smaller businesses

The **ENABLE** programmes are a crucial part of the Bank's toolkit in supporting a variety of challenger and specialist banks and non-bank financial institutions – lenders who are vital in ensuring that the provision of finance to smaller businesses is not reliant solely on the main High Street banks. These lenders often have a different risk appetite from High Street banks, meaning that they can be a source of finance for smaller businesses that might not otherwise have one. They can also have specialist regional or sectoral knowledge which can help them address the particular needs of individual businesses.

Supporting the growth of such lenders, and ensuring diversity in the market, is a key aspect of the Bank's role. Some of these lenders are also supported through British Business Investments. In 2023, almost 60% of gross bank lending was provided by challenger and specialist banks – a record level.

> **"In 2023/24, the third iteration of the Recovery Loan Scheme passed the milestone of £1bn in offers made to smaller businesses."**

Business stories

Barclay & Daughters

Programme: ENABLE Funding

Funding Partner: Simply Asset Finance

Funding type: Debt

Location: Inverness

Region: Scotland

Barclay & Daughters is a family-run, nationally competitive haulier with over 25 years of industry experience. Based in Inverness, it delivers a wide range of specialised services all across the UK.

Barclay & Daughters took out a £189,000 loan, secured under the ENABLE Funding programme via Simply Asset Finance, which it used to purchase three Scania trucks and to fuel further growth and expansion for the business.

The **ENABLE Guarantee** and **ENABLE Build** schemes provide capital efficiency for banks and funding efficiency for non-bank financial institutions, which can find it difficult and expensive to obtain funding. Over the last 18 months we have worked with the Department for Business and Trade, the Department for Levelling Up, Housing and Communities and HM Treasury to make amendments to the schemes, ensuring that they remain relevant to the lenders we support.

ENABLE Guarantee and ENABLE Build

£2.95bn

committed (cumulative)

£771m

committed in 2023/24

New commitments of £771m during 2023/24 demonstrate that demand for these products remains high, across all variants of the scheme and from both bank and non-bank financial institutions. The year also saw the first use of a new, 'capped' guarantee structure under ENABLE Guarantee (for non-banks).

The **ENABLE Funding** programme provides cost-effective access to funding for smaller lenders through capital markets transactions so they can grow and provide more finance to smaller businesses.

In 2023/24, the programme made further commitments of £46.2m and since 2014 it has supported 86,600 smaller businesses across the UK.

ENABLE Funding

£1.08bn

committed (cumulative)

86,600

smaller businesses supported (cumulative)

2023/24 saw new ENABLE Guarantee commitments of

£671m

Administering the pandemic-era finance schemes

The British Business Bank was instructed by the government at the start of the Covid-19 pandemic to work at speed to launch the Covid-19 emergency response schemes, which closed on 31 March 2021.

Covid-19 loan schemes

The Bank has an ongoing programme of monitoring and assurance for the schemes, which are reported in the accounts of the Department for Business and Trade.

Our role as administrators is to protect the interests of UK taxpayers by ensuring that delivery partners are complying with their commitments and adhering to the terms of legal agreements, including guarantee agreements where relevant.

Bounce Back Loans

Activity carried out by Bounce Back Loan Scheme lenders in collaboration with the Bank has meant that levels of recovery on fraud remain higher than was initially anticipated. While 9.7% of the total BBLS lending is estimated to be fraudulent, it is estimated that around 30% of that will not give rise to any loss to the Government.

The Bank also encourages lenders to go beyond their contractual obligations to do more to recover debts, and many have run successful pilot schemes which resulted in increased rates of recovery.

We have also worked with lenders to identify loans that had not complied with the rules of the scheme, leading to those loans being removed from the Government's guarantee obligations.

Coronavirus Business Interruption Loan Guarantee Scheme/Coronavirus Large Business Interruption Loan Guarantee Scheme

The portfolios for CBILS and CLBILS continue to amortise in line with expectations. Potential losses on these schemes continue to track below initial estimates.

c.£43bn

Value of the £77bn of loans under the Covid-19 Loan Schemes that is now repaid

£21.4bn

Outstanding balance of payments being made on schedule

£9.8bn

Amount paid out to lenders under the schemes' guarantees

£1.04bn

Value of Covid-19 loans for which the guarantee has been removed

Covid-19 loan scheme evaluation

The ***Year 2 Evaluation of the Covid-19 Loan Schemes,*** published in November 2023, found a self-reported high impact on businesses saved, and positive impact on turnover and employment elsewhere.

Self-reported year two survey data suggests that between 175,000 and 618,000 BBLS borrowers could have permanently closed between April 2020 and December 2021 in the absence of the scheme.

The survey data also suggests that between 4,000 and 25,000 CBILS/CLBILS borrowers could have permanently closed between April 2020 and December 2021 in the absence of the schemes.

Loan scheme operations

We have continued to make improvements to our systems which monitor our direct guarantee schemes, improving our understanding of our portfolio of loans and helping to future-proof the Bank against any unforeseen requirements.

We have made upgrades to our supplier portal, providing additional options for engagement with the Bank. The number of Application Programming Interfaces (APIs) we support is now 70, compared to 14 at the start of the pandemic. Not only is this number continuing to increase, but we have opened up this option for the first time to much smaller alternative lenders.

We also continue to enhance the richness of data we hold about the loans in our portfolio. Recent upgrades have included additional data points on arrears and outstanding balances, which did not exist on systems prior to the pandemic.

By building out and automating our operations and tech capabilities in this way, we have made our operations more efficient, reducing our staffing requirement for scheme administration.

Future Fund

The **Future Fund** was also launched at speed in 2010 following an instruction from the Government. It provided convertible loans ranging from £125,000 to £5m to UK companies, subject to at least equal match funding from private investors, with loans converting to equity once a further equity funding round or sale or IPO took place. The British Business Bank continues to oversee the administration of the portfolio, and the Future Fund now holds an equity interest in more than 700 companies.

The Future Fund is now entering the maturity phase, and we are working with smaller businesses that originally took out Future Fund convertible loans that have yet to convert. At the end of the original term of three years, the loans become repayable with a two-times redemption premium. Companies are contacted with the options available to them, and in some cases, subject to solvency and other conditions, can extend the loans by up to two years.

Insolvencies encountered to date are less than anticipated at the outset of the Future Fund. The British Business Bank through its administration of the scheme is cautiously optimistic that the portfolio will return a positive return to the taxpayer from what is a largely uncurated venture capital portfolio.

Business stories

Magnitude Biosciences

Programme: Future Fund

Funding type: Equity

Location: Sedgefield

Region: North East

North East based contract research organisation (CRO) Magnitude Biosciences helps its clients in the health and nutrition, biotech and pharmaceutical industries progress their research projects. Using its patented technology, it reduces the need for animal testing, de-risks clinical trials, and helps prioritise successful clinical candidates.

The company sought finance after it had secured its first major client. This was a pivotal project for the business, and failure to deliver it would impact the company's ability to grow further.

When the pandemic first started, the company was leasing a laboratory within a university, which then became impracticable to use. The funding from the Future Fund allowed the company to sign a lease on a new industrial-grade facility, and build vital equipment. Before obtaining finance, the company was limited to equipment at the university, but is now able to develop additional hardware to improve the data and services it provides.

Since receiving funding, the company has grown significantly, growing from a team of five to 20, and plans to continue to scale up to a team of 50 in the next few years. The finance also supported the growth of the company to self-sufficiency, and it is now talking to some of the most exciting companies within pharma, health and nutrition.

Our objectives

Backing innovation

2

Demonstrated by

£1.5bn
Our equity commitments

£10.6bn
Amount of equity finance supported

£543m
In-year gross equity drawdowns

4.8x
Stock leverage factor on Bank money

The British Business Bank forms a crucial part of the innovation funding landscape. We continue to back innovative, R&D-intensive companies, helping to ensure that they have access to the finance they need.

£200m

The Life Sciences Investment Programme is a £200m programme that is designed to fill the growth-stage funding gap faced by many innovative UK life sciences companies.

We support many innovative companies through programmes run by our British Patient Capital subsidiary:

– The **Core Funds programme** makes cornerstone commitments to a fund to enable a first close, or by boosting a fund to achieve optimal size. This enables managers to execute their planned strategy more effectively, and often to greater scale. The programme also seeks to attract other private sector investors into these funds.

– The **Co-Investment programme** increases the size of later-stage UK funding rounds, with the aim of enabling more home-grown and fully funded high-growth businesses to achieve their full potential.

– The **Life Sciences Investment Programme** is a £200m programme that is designed to fill the growth-stage funding gap faced by many innovative UK life sciences companies.

– **Future Fund: Breakthrough** is continuing to drive investment into the UK's most high-growth, innovative and R&D-intensive firms (see p57).

We explore the performance of these British Patient Capital programmes on p53–59.

Why back innovation?

Boosting business innovation is essential to the UK's future prosperity and key to the delivery of new jobs, better living standards and long-term economic growth. It is also vital to support the transition to a net zero economy. Business innovation usually requires financing, and a business's ability to access the right type of finance at each stage of development is therefore critical both to the development of ideas and to business growth.

The Bank's 2023 Nations and Regions Tracker highlighted the significance of university spin-outs in contributing to local economies, looking in particular at the role of venture capital in launching these businesses, which seek to commercialise university-based research.

Finally, the Bank works to back innovation within finance markets. The **Enterprise Capital Funds** programme plays a key role in developing new and emerging fund managers, building capacity to invest in one of the more difficult parts of the venture market – equity funding up to £5m. The programme is especially effective in circumstances in which it is more difficult for businesses to raise private money. The programme also invests in funds that, without our support, would not come into being. We target two types of funds – those that invest in areas that are not high-profile within the market, and fund managers at an early stage. Our backing is often the catalyst to them receiving further backing elsewhere.

Not only does the Enterprise Capital Funds programme continue to outperform the market, but also it is continuing to deliver the policy aims of developing capacity and backing emerging fund managers. Fund managers who have been backed in the past are now among British Patient Capital's best fund managers. The success of the Enterprise Capital Funds programme has now enabled us to remove the 'prioritised return', a risk mitigation measure for the Government, and by doing so we have made the programme more attractive to private investors and better suited to longer-term investment. In 2023/24, the Enterprise Capital Funds programme made new commitments of £158m.

Business stories

Light Rave Studios

Programme:
Start Up Loans

Funding type: Debt

Location: Wolverhampton

Region: West Midlands

Light Rave Studios is a production company of photographers and videographers with over 30 years of combined experience.

They capture content at all types of events including weddings, corporate functions and gatherings for family and friends.

Light Rave Studio's Founder, Aitanna, set up her business in 2022 and took out a Start Up Loan that year to fund expansion. Aitanna received two Start Up Loans, totalling £14,500.

Our objectives

Unlocking potential

3

Demonstrated by

83%
of smaller businesses supported are outside London

35%
of our Delivery Partners are investing in Women Code signatories

40%
Proportion of Start Up Loans going to women

21%
Proportion of Start Up Loans going to ethnic minority groups

Extending opportunity

One of the Bank's key aims is to reduce regional disparities in access to finance across the UK, ensuring that smaller businesses have the same opportunities to thrive and grow, regardless of where they are in the country. One of the ways in which we have done this historically is through our Regional Funds.

Building on the proven success of the existing Regional Funds – the Northern Powerhouse, the Midlands Engine and the Cornwall & Isles of Scilly Investment Funds – 2023/24 saw the launch of a new generation of six **Nations and Regions Investment Funds,** supported by £1.6bn of new Government funding. By March 2024, £1.1bn was committed with £0.5bn of follow on capital.

During the year the Bank ran competitions to select high-quality managers of the new funds, and ran a series of local launch events which had excellent levels of engagement and support from key regional stakeholders. We also selected new Business Support Partners, who will help to deliver support for smaller businesses across the UK.

The first generation of Regional Funds also continued to remain well ahead of their European Investment Bank repayment schedule, being fully repaid two years ahead of target. A large part of the reason why the Bank received an expanded remit around the Nations and Regions Investment Funds was because the original Regional Funds were performing so well.

£1.6bn

2023/24 saw the launch of a new generation of six Nations and Regions Investment Funds, supported by £1.6bn of new Government funding.

Another of the Bank's programmes that is designed to reduce regional imbalances in access to finance is the **Regional Angels Programme**, locally focused on seed and early-stage equity finance for smaller businesses across the UK. The programme is run by the Bank's British Business Investments subsidiary (see p52).

The importance of access to regional equity finance, in particular, was highlighted by our ***2023 Nations and Regions Tracker.*** The report also found that, while debt finance at the regional level might appear to be reasonably well spread, there continue to be hard-to-reach businesses in hard-to-reach places.

Finally, the UK Network team has also been active in promoting the **angel ecosystem** around the country. This follows the ***2022 Small Business Equity Tracker*** report which found that equity investors tend to travel no more than two hours from London. To help address this issue, in 2023 the Bank ran a series of pilots to help support angel ecosystems in the Devolved Nations, involving around 66 events and 98 angel investors. Seven deals were completed, with an overall investment of £4.6m. There is a deal flow pipeline of £19.1m spanning 46 companies.

Business stories
Hand-I-Craft

Programme: Start Up Loans

Funding type: Debt

Location: Formby

Region: North West

Leo Winstanley founded Hand-I-Craft, based in Formby, after losing the ability to use his dominant hand and arm in a car accident. Now, it is a successful woodworking shop, stocking handmade items, finishes and accessories that are sold online.

Leo's car accident caused severe nerve damage, but woodworking has been a form of physical and mental therapy. He combined his drive with innovation and created a successful woodworking shop. His YouTube channel 'Hand-I-Craft' has garnered over 14,000 subscribers, and he has become a prominent figure in the online woodworking sector.

Diversity, equity and inclusion

Another key component of unlocking potential involves our work around diversity, equity and inclusion – ensuring that smaller businesses can have access to finance, regardless of the personal characteristics of the people who are running them.

The Start Up Loans programme continues to be hugely impactful in helping to break down barriers to finance faced by entrepreneurs because of their ethnicity or gender. The purpose of Start Up Loans is as much to give people confidence to apply for funding as it is to deliver that funding.

The **Start Up Loans Ambassadors** programme helps to encourage potential applicants by showcasing some of the diverse entrepreneurs across the country who have used a Start Up Loan and accompanying support to start their own businesses. Every year a new Ambassador is chosen from each of the Devolved Nations and English regions, to represent the programme in their area. They can provide inspiration to others by relating their experience of the programme and what it has meant for their business.

To help encourage a better **gender balance** in smaller business finance, in the past year the Bank has published a robust research report, ***Finding What Works,*** looking at why the venture capital industry has performed poorly in investing in women-owned businesses, and what can be done to change the mindsets and behaviours of investment committees.

The Bank continues to provide the secretariat for the **Investing in Women Code,** which represents a commitment by financial services firms to improve female entrepreneurs' access to financial tools and resources.

As well as working externally to drive diversity, equity and inclusion in the market, over the past year the Bank has made further progress in what we do internally. We continue to take seriously our commitments under the **Women in Finance Charter,** a pledge for gender balance across the financial services sector. The Charter commits firms to supporting the progression of women into senior roles by focusing on the executive pipeline and the mid-tier level.

Over 400 firms, with more than a million employees between them, have now voluntarily signed the Charter and share its aspiration to tackle gender inequality in financial services. Through signing the Charter in 2018, we are committed to being one of the leading businesses in the financial services sector in terms of gender equality.

Finally, the Bank has continued to work to ensure that all of its services are fully accessible to people with **disabilities.** During the year, for example, the application system for Start Up Loans was updated to include questions around accessibility – customers can self-identify any needs they may have, and those needs are then flagged to our business support partner. Our continued partnership with the Royal National Institute of Blind People helps to ensure that our content is in an accessible format for people with visual impairments. Start Up Loans customers who are hard of hearing now have access to signing.

400

Over 400 firms, with more than a million employees between them, have now voluntarily signed the Women in Finance Charter and share its aspiration to tackle gender inequality in financial services.

Business stories

Lemon Tree Softplay Café

Programme: Start Up Loans

Funding type: Debt

Location: Newcastle upon Tyne

Region: North East

Lemon Tree Softplay Café is a growing business founded by three mothers and entrepreneurs, creating a haven for children and families in Newcastle upon Tyne.

The founders hail from Malaysia and Hong Kong and seized the chance to feed their entrepreneurial spirit and long-standing dream by founding Lemon Tree Softplay café, as an expansion of the company Little Bees Soft Play, a mobile rental softplay company.

Each of the trio took out a £25,000 Start Up Loan to help grow the business, which has been integral in providing the funds to purchase vital equipment, such as the soft play structure. The team also has ambitious plans to expand the business to other locations in the future.

Our objectives

4

Building the modern, green economy

Demonstrated by

25%

of our on-balance sheet delivery partners undertaking some measurement or reporting of GHG emissions

3.3%

% of on-balance sheet net adjusted assets in high-emitting sectors

The financial year 2023/24 saw the Bank continuing to focus on **environmental, social and governance issues** (ESG). We are working hard to take account of our environmental impacts, and thinking through what sustainability means for our role supporting our customers. As an economic development bank, our emphasis is not just on helping smaller businesses to transition to net zero – and to do so ourselves – but to reach this goal while also working to tackle regional imbalances in access to finance, and to support diversity and inclusion. As stakeholders and regulators' expectations for climate risk management and disclosures rise, and demand increases for more energy efficient and sustainable products and services, the Bank has a key role to play in ensuring sufficient volume and choice of funding for UK businesses to thrive in a net zero economy, and to help businesses to access finance solutions.

We are taking steps to ensure that our ESG goals are aligned with broader Government priorities around sustainability. We are also working closely with our delivery partners, to ensure that the move towards sustainability goes hand-in-hand with fairness and economic opportunity across the UK.

Internally, the Bank continues to thread net zero throughout our programme of work, and to integrate good ESG practices throughout our business – as reflected in our commitment to Task Force on Climate-related Financial Disclosures (TCFD) reporting.

We are now taking ESG into account in our **decision-making,** from investment through to choosing suppliers – all of our Investment Committee decisions, for example, have regard for a range of ESG factors.

We are also improving further our understanding of the environmental effects of our own activities – both our direct environmental 'footprint' and the effect that we have through our diverse investment portfolio. To help achieve this, we train our colleagues so they can take account of ESG when making investment decisions.

We are continuing our climate change **stress testing** as part of our stress testing framework. In 2023/24, we undertook a high-level climate risk stress test for our core portfolios based upon the Bank of England's Climate

Biennial Exploratory Scenario, spanning 30 years. The Sustainability team is also exploring the potential use of some alternative shorter-term scenarios, through collaboration with the University of Exeter.

There will be positive opportunities to fund both innovative UK companies that are developing solutions to climate change, and the wider transition to more sustainable business models for the whole smaller business community, and we are working to identify these. Although the Bank does not have specific funds that are earmarked for use only for the transition to net zero, or for environmental investments, all of our programmes can accommodate these purposes. We continue to **assess our current portfolio** to analyse how much of it is already deployed towards environmental objectives.

Between the Bank's inception in 2014 and December 2023, the Bank's equity programmes have invested £1.1bn into 153 Cleantech companies, of which £518.5m was invested into 98 UK companies. Across our programmes, we are working to improve our data and also to measure the risk within our portfolio in terms of emissions by programme, business unit, sector and delivery partner.

Given that we predominantly invest through third parties, the approach of our delivery partners is a key factor in managing the climate/broader sustainability risks within our portfolio. We are, for example, monitoring which of our delivery partners are themselves preparing to meas
and report their greenhous
emissions, recognising t
preparedness varies
portfolio. Therefor
to introduce a s
scoring mec
exposure
factors

partners' commitments, policies, teams, investment approach and history. More tools are being developed in the market to generate ESG ratings, and we are investigating their possible use for the Bank.

Work is also underway to identify where we think **new or varied products** are needed in the economy to fill a gap where we have a role in financing more green and transition finance.

Where we are able to, our aim is to work actively to **promote sustainability and support our delivery partners,** so that collectively we can improve our ability to deliver sustainable outcomes for our customers.

We are also involved in cross-industry collaborations to put useful **tools and guidance** in the hands of smaller businesses. One example is Project Perseus, a technology-driven project making it easier for smaller businesses to calculate and report on their Scope 2 carbon emissions, in real time. We co-chair this project.

Finally, the UK Network team also plays an important stakeholder engagement role working with local partners to reach more businesses on the topic of sustainability.

£518.5m

Since 2014, the Bank's equity programmes have participated in £518.5m of combined public and private investment into 98 UK companies.

Business stories
Floks

Programme: Northern Powerhouse Investment Fund

Funding partner: NPIF – Mercia Debt Finance

Funding type: Debt

Location: York

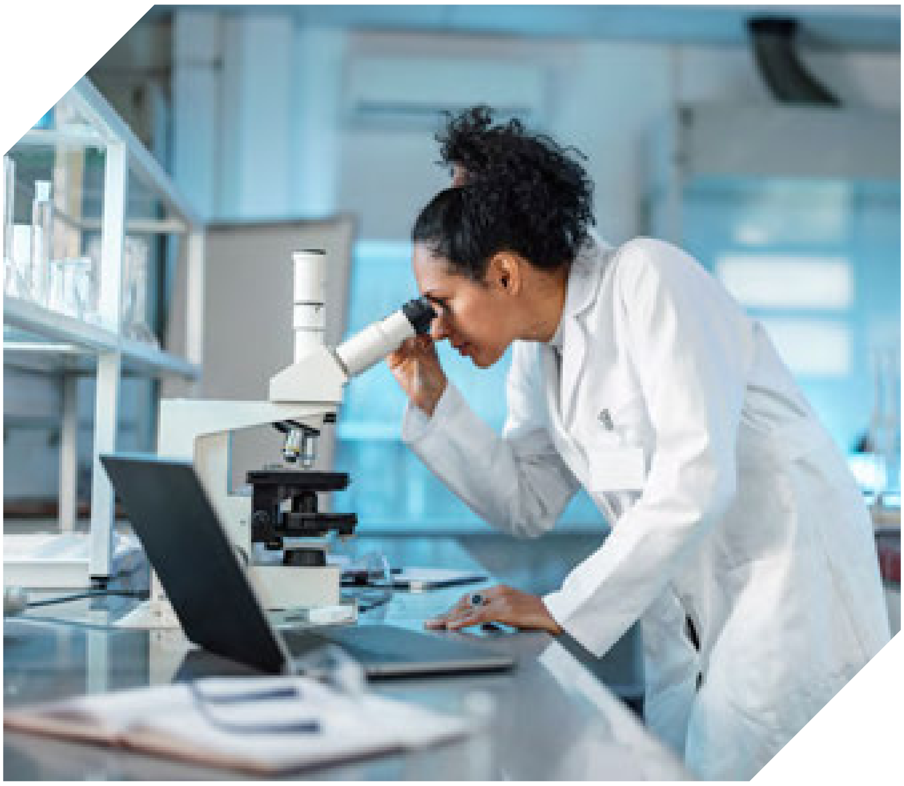
Region: Yorkshire and the Humber

Founded by Sophie Platts, Floks specialises in sustainable bedding including duvets, pillows and mattress toppers, all made from British wool and organic cotton and manufactured in Yorkshire.

Floks received a £100,000 loan from NPIF – Mercia Debt Finance, which is part of the Northern Powerhouse Investment Fund (NPIF). The funding will enable the business to step up its marketing campaign and develop new products to expand its range.

Our commercial arm

Since 2014, the commercial arm of the Bank has continued to grow and is now a significant and integral part of the group's activities. This year, to reflect this we are, for the first time, including detailed reporting of our commercial arm's activities in our group's Annual Report and Accounts.



The Bank's commercial arm, which includes British Business Investments and British Patient Capital, makes investments on behalf of the UK taxpayer and commercial returns.

In addition to targeting commercial returns, our commercial arm has influence within the market, increasing scale and impact in areas that are important for the UK economy, identifying and developing fund managers, and crowding-in funding from other private sector investors.

The commercial arm sits alongside two other divisions of the Bank:

- The mandated arm, which manages British Business Bank programmes that have an element of subsidy. It invests on a non-commercial basis and is not expected to make returns in line with those the private sector would expect.
- The service arm, which carries out services on behalf of the UK Government. This includes programmes which, for legal or commercial reasons, are on the Department for Business and Trade's balance sheet. We administer the assets and liabilities included on the department's balance sheet relating to these programmes.

British Business Investments

Investing for UK growth

British Business Investments

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

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 delivery partners, who then provide funding to smaller businesses. These 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. By working with our delivery partners, we increase the volume and the diversity of finance that is available for smaller businesses throughout the UK.

During the year, we had three active programmes, with two supporting equity capital and the other supporting debt finance.

2023/24 for British Business Investments

2023/24 was a very positive year for British Business Investments. We completed the highest **value of transactions** with £591m in new commitments. Since our inception, we have now made cumulative commitments exceeding £4.4bn. We saw strong demand for our debt and equity programmes through the year, especially in relation to our debt funds, managed funds, and asset finance.

There have been some valuation declines in our equity investments as expected given the volatility of the current economic climate. There has also been a small number of debt funds that have experienced an increased level of credit loss. However, the resilience and diverse nature of our portfolio has enabled us to continue to meet our 5-year commercial return KPI and deliver an overall performance in line with expectations.

In the **challenger bank** space, we had a strong year, with three new Tier 2 capital investments – Cynergy Bank, Cambridge & Counties Bank and DF Capital, each with £20m commitments. British Business Investments remains unique in providing these facilities to newly licensed challenger banks, which are fundamental to allowing those banks to increase their lending capacity.

Asset finance also had a positive year, and we are continuing to see strong demand. This continues to be an area of growth in the UK economy, seeing a record level of new deals in 2023/24, with many borrowers having delayed the renewal of assets because of the Covid-19 pandemic or looking for more efficient types of asset.

On the **equity** side, having successfully committed its remaining capital in 2023/24, the Managed Funds programme will no longer be actively committing to new funds but the Regional Angels Programme continues to make new commitments across the UK.

We have updated our **strategic objectives,** to bring them in line with the British Business Bank's overall objectives. This includes an increasing focus on ESG-related investment decisions, contributing to building the green economy, which now forms part of our mission statement. As with the Bank as a whole, when we consider any investment, we always look through an ESG lens, considering how it might contribute towards net zero.

We commissioned a delivery partner satisfaction survey during the year. This had an excellent response rate, with a high net positive sentiment score for British Business Investments, especially when compared with others in the finance sector. We are continuing to make our customer journey more efficient, streamlining due diligence processes and bringing our delivery partners together so that they can learn from one another.

Looking ahead, we are excited by the new **Long-term Investment for Technology and Science (LIFTS)** initiative (see p61), which will see £250m of new capital for technology and science led businesses being at least matched by UK defined contribution pension fund money. We are also looking forward to the role that we might be asked to play in a new investment vehicle. This may give us the opportunity to bring in third-party capital, providing greater firepower to make investments. We will work closely to help shape any new fund offering and understand how we might contribute to it.

Business stories
Artisan Travel

Programme:
British Business Investments

Funding partner:
Panoramic Growth Equity

Funding type: Equity

Location: Newcastle upon Tyne

Region: North East

The Artisan Travel Company has three brands which offer high-end, tailored holiday experiences around the world, using its network of local partners' insider knowledge to make them extra special.

Artisan Travel accessed equity investment through British Business Investments via Panoramic Growth Equity. The investment has enabled Artisan to focus on growing the business across several different channels, as well as creating new products and working with new markets.

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 improve access to alternative 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.

Debt finance

Debt Funds

Our debt funds continue to represent the largest part of British Business Investments' balance sheet and continue to provide an important source of capital into a challenging market.

Despite the current economic environment, our portfolio has generally been resilient, but we have had a small number of funds that have experienced an increased level of credit loss which is reflected in the weaker return in this financial year.

Fund-raising has continued to be very challenging for all fund managers and this highlights the importance of the new commitments made by BBI over the year.

419
businesses supported

57
portfolio investments

30
delivery partners

£2.44bn
committed (cumulative)

£244m
committed in 2023/24

Debt finance

FinTech

Innovative lenders continue to diversify the products and services that are available to many smaller businesses, improving access and choice.

Supporting these lenders aligns well with British Business Investments' strategic objectives, especially around improving choice and diversity for small businesses and improving access across the whole of the UK.

2,933
businesses supported

14
portfolio investments

5
delivery partners

£280m
committed (cumulative)

Debt finance

Structured Capital Solutions

British Business Investments helps specialist lenders, such as asset and invoice finance providers and challenger banks, to increase the supply of available lending capacity for UK smaller businesses.

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

9,758
businesses supported

33
portfolio investments

18
delivery partners

£678m
committed (cumulative)

£105m
committed in 2023/24

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 that were investing in 2023/24.

Equity capital programmes

The Managed Funds Programme

In 2023/24, the Managed Funds Programme became fully invested. In the year, it continued to make cornerstone investments in large-scale, private sector fund of funds managers, providing later-stage venture capital.

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 programme, 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.

2,570
businesses supported

12
portfolio investments

6
delivery partners

£639m
committed (cumulative)*

£208m
committed in 2023/24

* This includes the recycling of released commitments.

Equity capital programmes

The Regional Angels Programme

The Regional Angels Programme invests alongside business angels and other early-stage equity investors. The programme is designed to address regional imbalances in the availability of early-stage equity finance and has a specific regional remit.

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 and capability available for the most promising start-ups and early-stage businesses in all of the Devolved Nations and English regions.

593
businesses supported

22
portfolio investments

16
delivery partners

£219m
committed (cumulative)

£34m
committed in 2023/24

British Patient Capital

Driving long-term growth

British Patient Capital drives the development of high-growth UK companies via commitments to venture and venture growth funds and co-investments alongside fund managers into UK companies looking to scale up.

We manage three separate investment programmes, each seeking to target a specific area of the innovation market, but with a common focus on supporting UK companies looking to scale up.

Across all our programmes, we invest on a commercial basis to deliver competitive returns for the UK taxpayer. By demonstrating that a patient capital approach can produce commercially attractive returns, we aim to encourage other UK institutional investors to invest in the asset class, to capture the value created by innovative, high-growth companies in new and dynamic sectors.

2023/24 for British Patient Capital

During the year, British Patient Capital continued to deploy capital at scale in what has been a challenging fundraising market, by providing capital to ten new fund investments and five direct and co-investments.

As well as making financial commitments into the growth space, which is our mandate, we also supported early-stage managers. British Patient Capital has continued to invest in existing portfolio fund managers and added three new relationships across UK areas of strength. These new fund managers include an early-stage deep-tech investor, which had initially been involved with the Bank through the Enterprise Capital Fund programme. Another is a specialist investor in life sciences, and the third is an early-stage FinTech specialist and an emerging manager.

In 2023/24, British Patient Capital invested in its first fund that meets the definition of sustainable investment under **Article 9 of the Sustainable Finance Disclosure Regulation** (SFDR).

Article 9 covers funds that have sustainable investment as their objective. With their strong commitment to sustainability, more is required of these funds when it comes to disclosure, making clear the sustainable effects that investments are having. Supporting such funds, which are ambitious in terms of sustainability, fits well with the broader environmental objectives of both British Patient Capital and the British Business Bank as a whole to build a modern, green economy.

British Patient Capital

Business stories

ETF Partners (Fund)

Programme:
British Patient Capital

Funding type: Equity

Location: London

Region: London

ETF Partners (The Environmental Technologies Fund) is Europe's original sustainable venture capital firm. Founded in 2006, it is dedicated to sustainability and impact investing, with a mantra of "the challenge is the opportunity".

British Patient Capital committed €28m to ETF's Fourth Fund, which contributed to its expansion and capacity to invest in more sustainable businesses.

Open Cosmos

Programme:
British Patient Capital

Funding type: Equity

Location: Didcot

Region: South East

Open Cosmos design, build and operate space missions, providing straightforward access to high quality satellite data and insights on a global scale.

Founded in 2015, Open Cosmos use small satellites to simplify access to space, ensuring that a greater number of organisations all over the world can benefit from satellite data to address their individual challenges.

From monitoring agriculture to navigation solutions, Open Cosmos is dedicated to solving customer problems effectively and sustainably through space-derived insights. Open Cosmos received equity investment from ETF Partners, which British Patient Capital have provided direct investment into. This capital will be used to accelerate the business's vital operations in using detailed satellite data from space to enhance their mapping and understanding of global issues such as climate change.

During the year, the Bank commissioned Ipsos UK to undertake an early assessment of the Future Fund: Breakthrough programme. The assessment confirmed it is regarded as a high-quality investor with its involvement widely seen as having a positive influence on firms and sponsor investors, and it is addressing the late-stage equity funding gap constraining R&D-intensive companies.

Looking ahead, we continue to analyse the implications of the new work we are being asked to do in connection with encouraging more institutional investment into venture capital. British Patient Capital is the part of the Bank that already deploys at scale into venture capital, so the Bank as a whole can draw on our investment expertise and experience as the UK's largest domestic investor in UK venture and venture growth opportunities in ensuring that pension funds can invest in innovative, high-growth UK companies.

In the year ahead we expect that fundraising for capital will continue to be challenging, with geopolitical risk a factor continuing to affect appetite. British Patient Capital will continue to deploy capital into the market throughout the cycle, catalysing other investors to invest alongside us. In particular, we will continue to provide support in the important areas of sustainability, life sciences and deep tech. These are areas in which there is a wealth of talent in the UK.

> **"British Patient Capital will continue to deploy capital into the market throughout the cycle, catalysing other investors to invest alongside us."**

Core programme

Through our Core £2.5bn investment programme, British Patient Capital is the largest domestic investor in UK venture capital funds, with an emerging co-investment business, all focused on supporting innovative UK companies.

On the funds side, our Core programme invests in venture and venture growth funds that have the UK as an integral part of their strategy and have the capability to select and support portfolio companies as they scale. Our primary focus is on supporting later-stage/venture growth funds, but the programme also makes selected commitments to early-stage funds to build a pipeline of growth companies.

In making these commitments, we seek to build long-term relationships with best-in-class managers, enabling the growth of the UK patient capital investment chain.

These fund commitments are supplemented by co-investments, alongside portfolio managers, in the most promising UK companies as they raise later-stage funding.

This consolidates our support for the scale-up phase by helping companies to expand their funding rounds, as well as increasing our exposure to potential winners in a capital-efficient manner.

Investment activity during FY 2023/24

10

Number of new fund commitments in the year

5

Number of new co-investments in the year

New commitments in the year

£296m

Value of all commitments and co-investments in the year

Investments since inception

£1.8bn

Value of all commitments and co-investments (cumulative)

Core programme portfolio performance

1.38

Total value to paid in (TVPI) at 31 March 2024

12.5%

Internal rate of return (IRR) at 31 March 2024

0.16

Distributed to paid in (DPI) at 31 March 2024

Life Sciences Investment Programme

The Life Sciences Investment Programme (LSIP) is a £200m fund investment programme that addresses the growth equity finance gap faced by innovative, high-potential UK life sciences companies.

The life sciences industry is a key area of economic activity and importance for the UK. The UK's heritage and excellence in fields such as drug discovery, vaccine development and cell and gene therapies have placed it at the frontier of responses to key global challenges including the Covid-19 pandemic, ageing populations and the sustainability of healthcare provision.

The availability of long-term funding is a key element to facilitate the growth of life sciences companies which are at the cutting edge of scientific and technological innovation. Local later stage financing is particularly important in helping companies achieve the critical mass in their operations that will anchor them in the UK over the longer term, thereby contributing to the general economic growth and prosperity of the UK.

The programme makes material commitments to specialist later-stage venture growth funds that are focused upon the UK's life sciences sector, thereby increasing the supply of finance to UK life sciences companies as they begin to scale. Responding to market feedback, during the year we adjusted the programme criteria to broaden the range of potential LSIP applicants. This has positively impacted the pipeline of future opportunities for the programme.

Business stories

OMass Therapeutics

Programme:
British Patient Capital/ Future Fund: Breakthrough

Funding type: Equity

Location: Oxford

Region: South East

OMass Therapeutics is an Oxford-based biotechnology company that discovers and develops novel small molecule medicines in areas of immunology and rare diseases where there is high, unmet clinical need.

Originally spun out of Oxford University, OMass has commercialised Professor Dame Carol Robinson's breakthrough research in native mass spectrometry and developed its proprietary drug discovery platform, OdyssION™.

Unlike other drug discovery methods, OMass's platform allows for highly validated but inadequately drugged targets to be viewed in their natural state.

British Patient Capital has invested £10m in the business as part of OMass's Series B extension, bringing the total raise to £85.5m.

This financing will support OMass's advance towards clinical development while also enabling the expansion of its pipeline.

Future Fund: Breakthrough

Through this programme, British Patient Capital co-invests directly in later-stage companies alongside established venture capital investors, helping the UK to fulfil its potential as an innovation-driven economy.

This is a UK-wide programme that directly co-invests alongside private investors in the later funding rounds of high-growth, R&D-intensive firms.

“This is a UK-wide programme that directly co-invests alongside private investors in the later funding rounds of high-growth, R&D-intensive firms.”

Business stories

Phagenesis

Programme: British Patient Capital/Future Fund: Breakthrough

Funding type: Equity

Location: Manchester

Region: North West

Phagenesis is a Manchester-based medical device company which has developed a neurostimulation system to treat swallowing dysfunction.

Its product, Phagenyx®, targets and restores the neurological components of swallowing coordination and control that are disrupted due to brain injury (including stroke) or because of prolonged mechanical ventilation.

Patients with swallowing dysfunction (dysphagia) are unable to safely or effectively eat, drink, or manage their own saliva. Dysphagia can often lead to life-threatening complications such as pneumonia and is also associated with substantially higher healthcare costs.

British Patient Capital has invested £5.5m into the business through its Future Fund: Breakthrough programme and Co-Investment programme.

The investment is part of Phagenesis's Series D financing round and will see British Patient Capital join other investors including EQT Life Sciences, Sectoral, Northern Gritstone and Aphelion.

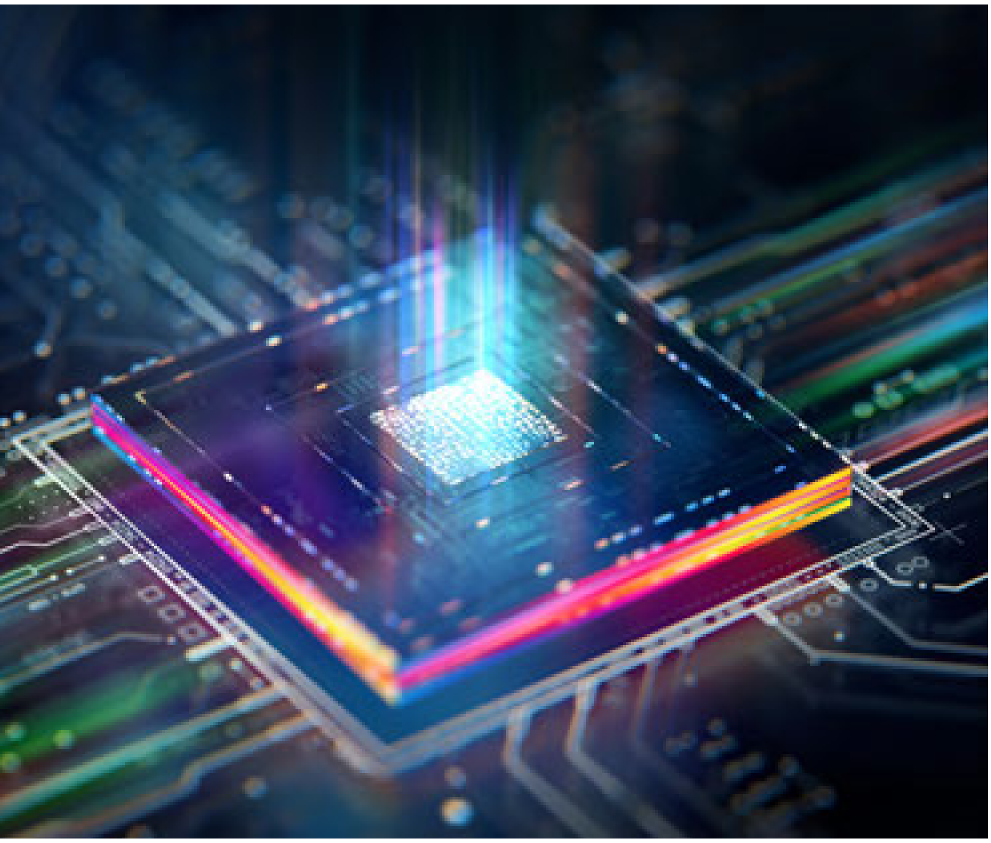
The investment is primarily intended to support commercialisation. It will also support clinical trials, regulatory activities, as well as research and development of pipeline products.

As a result of the Ipsos UK assessment, minimum round sizes have been lowered from £30m to £20m and sponsor investors can now include vehicles such as corporate venture capital funds. These companies, which have a high R&D intensity, are capable of creating the breakthrough technologies that will be critical to our long-term prosperity.

Future Fund: Breakthrough makes direct investments in companies. That enables us to work directly with the companies and be more actively involved in their development – for example, by sitting on their boards, offering guidance on growth as well as in areas such as ESG factors, and helping them to deliver their growth strategy.

It was announced in November 2023 that the Future Fund: Breakthrough programme was being extended, with an additional £50m to invest in high-growth, innovative firms.

Through Future Fund: Breakthrough, the Bank is now the most active investor in later-stage life sciences and deep tech businesses in the UK.



> **The Bank is now the most active investor in later-stage life sciences and deep tech businesses in the UK.**

Assets under management

£425m

Value of investments since inception

£136m

Investment activity during the year

£36m

Number of investments since inception

18

Business stories

Pragmatic Semiconductor

Programme: British Patient Capital, Future Fund: Breakthrough

Funding type: Equity

Location: Cambridge/Durham

Region: South East and North East of England

Pragmatic Semiconductor is headquartered in Cambridge with manufacturing facilities in the North East of England at Pragmatic Park, site of the UK's first 300mm semiconductor fabrication line, delivering capacity to produce billions of flexible integrated circuits per year.

The company produces low-cost, sustainable alternatives to silicon chips, ultra-thin, with a flexible form factor. They enable connect, sense and compute capabilities, fuelling the Internet of Things across multiple sectors including consumer, industrial, healthcare and beyond.

The company's mission is to provide item level intelligence to trillions of smart objects over the next decade across a wide range of applications, for instance there are significant opportunities in smart packaging that will significantly improve levels of reuse and recycling, transforming waste management and enabling a circular economy.

British Patient Capital has directly invested £15.5m in Pragmatic as part of its $125m Series C and £182m Series D funding rounds.

The investment has been made via Future Fund: Breakthrough, British Patient Capital's £425m programme where it co-invests with private sector investors in innovative, R&D-intensive UK companies.

British Patient Capital

Unlocking institutional investment into UK growth

We believe the Bank has an enhanced role to play in unlocking UK pension fund capital into productive domestic investment.

£1bn

The Long-term Investment for Technology and Science (LIFTS) initiative is expected to unlock £1bn of total private capital.

A new investment vehicle

The Bank was asked in 2023 to explore the creation of a vehicle that could invest third-party capital (such as pension fund investment), making use of the Bank's track record, its market access to a range of promising high-growth companies and its position as the largest domestic investor in UK venture capital.

To support this, a proposed new investment vehicle will be seeded with a permanent capital base. The Bank is working closely with industry on the design of this investment vehicle.

The Long-term Investment for Technology and Science (LIFTS) initiative

The aim of this new initiative is to create an investment vehicle that is accessible to pension funds, unlocking over £1bn of total private capital (including substantial direct contribution pension scheme capital), to support innovative companies in the UK.

Following a highly competitive bidding process, the British Business Bank intends to award a total of £250m under the LIFTS initiative[1]:

- Schroders Capital, Schroders' specialist private markets investment division, has been awarded £150m to invest into UK science and tech companies. This investment will be matched by Phoenix Group, the UK's largest long-term savings and retirement business.
- ICG plc, the global alternative asset manager's European life sciences strategy, has been awarded £100m to invest into the UK's most innovative life sciences companies, which will also be matched by Phoenix Group.

Taken together, the new investment vehicle and LIFTS have the potential to unlock billions of pounds of additional investment for the UK's fastest growing and most innovative companies, thereby boosting the economy while also driving returns for pension savers.

They also have major implications for the way that the Bank will operate. We look forward to playing our part in taking forward this important agenda.

> **"The new investment vehicle and LIFTS have the potential to unlock billions of pounds of additional investment."**

1 The awards are subject to completing commercial negotiations and the internal governance processes of all parties.

Building our capability

As we continue to improve our organisation, we have further developed our operational capabilities, which support our work across all four of our strategic objectives.

> **"The UK Network continues to play an important role in gathering intelligence regarding the challenges affecting smaller businesses, across the UK."**

Growing our capacity in insight and expertise

As a dedicated economic development bank, we support smaller businesses not only through the finance that we provide access to, but also through our work in developing a detailed understanding of smaller business finance markets, of business needs and market gaps, and of the effectiveness of our own activities in working for our ultimate customer – UK smaller businesses.

We gain this understanding through our regular market reports, which build on the work of our in-house research team and of our field-based UK Network. We disseminate the insight that this provides, and make our expertise available to our delivery partners and to the Government to help inform its decisions around smaller business finance.

In 2023/24, we engaged closely with business/finance representative organisations to help inform their own agendas for improving the UK business environment.

The most recent iteration of our ***Small Business Finance Markets Report*** showed that use of external finance by smaller businesses increased in 2023, but this was largely driven by credit cards and overdrafts. As these are expensive forms of finance, this could be a sign of businesses struggling. This may, however, also be a consequence of banks' reduced lending appetite. At the same time, success rates for those applying for less expensive forms of finance have gone down.

The Bank's ability to be a credible voice in offering guidance to smaller businesses relies on it being seen as a trusted source of information. In April 2024, the Bank carried out a **survey of small businesses,** looking particularly at their perceptions of the Bank and the services it provides. The results were positive:

- 57% agreed that 'the Bank encourages smaller businesses to seek the finance that is best suited to their needs'
- 55% agreed that 'the Bank is an impartial source of information around business finance in the UK'
- 57% agreed that 'the Bank supports the needs of SMEs in my region'.

Of those businesses that had had some form of contact with the Bank, 55% agreed that 'the Bank's communication was useful to me'.

Our **UK Network,** with a local expert based in every English Region and Devolved Nation, continues to play a key role in strengthening stakeholder relationships and gathering intelligence regarding the challenges affecting smaller businesses across the UK.

Across all product teams, our aim is to better understand what it is like to be a customer of the Bank. Surveys for this year have shown statistically significant increases in scores for the Bank's overall reputation, openness and transparency and our influence on society.

The Bank continues to make a wide range of **toolkits and guides** available for smaller businesses, helping them to set up and grow. New publications in 2023/24 included:

- 'The Start Up Loans Guide to Business Resilience'
- 'Making business finance work for you'
- 'The Start Up Loans Social Media Toolkit'.

We also made more webinars available online, talking businesses through subjects such as different kinds of finance, how to be investor-ready and how to pitch. UK Network ran 10 'Funding Readiness' webinars, over 1,300 small businesses registered and all received information, with 700 small businesses attending the sessions.

Our aim is to create a library of reusable content and to make it accessible to all businesses online.

Colleagues continued to attend and speak at **awareness-raising events** organised by business/finance representative organisations, to highlight our work in supporting smaller businesses.

The Bank's **Business Finance Week** provides a combination of online and in-person activities, focusing each day on a different finance-related theme, including debt, angel investment and how smaller businesses can operate more sustainably. Business Finance Week 2023 saw almost 1,200 people at 27 events, and produced over 53,000 impressions on social media, with 11,500 video content views. We also launched our new 'Making business finance work for you' guide during the week, which has had over 1,800 website views.

TechInvest continues to be an important engagement event for the Bank, connecting the founders of promising tech businesses with potential investors. This year's event, focused on AI, FinTech, HealthTech, and CleanTech, was delivered with the UK Business Angels Association. Building on last year's TechInvest, across the two series, eight competitions and pitching events took place. 444 applications were received, 80 businesses pitched to investors and £15m has been raised to date.

> **"The Bank continues to make a wide range of toolkits and guides available for smaller businesses, helping them to set up and grow."**

Operations and controls

We have continued to consolidate shared service functions that support both our commercial and our development sides.

We have taken great strides during the year in terms of moving the Bank to a shared services platform, with an overarching operating model, taking the opportunity to drive efficiency and scale through a shared operating platform.

2023/24 was the middle year of the Bank's 3-year Business Plan. There has continued to be some focus on Covid-19 operations from the interventions of previous years, and we have been balancing this with more future-focused business-as-usual operations. Thinking ahead, with a potential new investment vehicle on the horizon, we have been considering what this means for the Bank and the changes to the operating model that we would need to make going into the next business planning period.

We have continued to make changes to our **Middle Office** from an operational perspective – for example, centralising many of the onboarding procedures through which we bring on new customers.

The benefits of these changes to Middle Office, as we develop central business support services, include freeing-up our product teams to focus on product design, implementation and deal-making. We have launched a new Middle Office platform to help with this process.

We successfully in-sourced a number of our **Covid-19 loan operations.** Established rapidly in response to the pandemic, many of these operations had been outsourced. Through automating manual activities, as we have transitioned to a more business-as-usual state, we have made considerable savings.

In addition, we have embedded a new strategic solution for collecting **data** from our delivery partners, launched as part of the Nations and Regions Investment Funds. Again, this has reduced the manual activity needed to collect data from delivery partners, saving time in reporting, correcting and re-reporting data.

As well as building out our **information governance** team, which helps us to manage Freedom of Information requests and increases our transparency, we have also built our capability around **operational control.**

We have supported the business in mapping our critical and high-importance processes, and as part of that identifying key controls, with two things in mind – first, to help validate and evidence the control environment within the organisation for effectiveness, and then to identify areas of inefficiency, to improve the way we operate. Moving ahead, this work will feed through into continuous improvement activities within our portfolio.

This year we have introduced new technology to provide a new source system for our funds and investments business. This is a significant step forward in speeding up some of our processes. Additionally, we have implemented a new application-tracking system, which improves the process of hiring and bringing new colleagues into the Bank.

We continue to make improvements in our **IT infrastructure** across the Bank, and as a result we have had just four hours of downtime across our critical services throughout the year. We are in a much more resilient space from a technology perspective as we move into our next phase of growth.

An evaluation of our two-year **DIOR** programme – the four elements of DIOR being Data Management, IT Infrastructure, Outsourcing & Supplier Management and Risk Management – which concluded in March 2023, has demonstrated how the programme has helped us to fill capability gaps in our operations and control systems.

DIOR has led to some concrete changes. These include new data management capabilities for governance, quality and data management which provides the Bank with expertise that colleagues can refer to for guidance on how to optimise their data. In terms of IT infrastructure, we have built the Bank's Cloud platform, enabling us to deliver solutions to the business more rapidly, minimise downtime, improve IT/cyber security and optimise cost.

Regarding outsourcing, we have a sourcing strategy that empowers the Bank to select the best sourcing option and provides tools to support that decision process.

We now have an enhanced range of risk management policies and standards. This gives us improved capability and capacity to manage risk in line with current and future Bank size, scale and complexity, as well as improved ownership and accountability for the management of risk and control in the business.

We established new **fraud and financial crime** framework policies and standards. Over the past 18 months we have carried out a thorough, Bank-wide review of our fraud and financial crime control arrangements, including internal and external audit reviews. This has led to increased resources being given to the teams that make up our first line of defence against fraud and financial crime.

Finally, we have created a dedicated centre of excellence that supports our product teams in the efficient detection and management of fraud and financial crime, and continue to make clear what we require of our delivery partners in relation to fraud and financial crime risk management. The Bank is also strengthening its second line of defence through additional dedicated resources to bolster our expertise and advisory capacity.

Business stories

Capri Healthcare

Programme: Midlands Engine Investment Fund

Funding Partner: Midven

Funding type: Equity

Location: Birmingham

Region: West Midlands

Capri Healthcare is a software development company specialising in digital patient referral and automated triage solutions.

Its flagship product, TriVice™, revolutionises the patient referral and triaging process. Its AI-driven algorithm allows clinicians from various healthcare disciplines to easily raise referrals to any provider, including secondary, tertiary and community services. As a web and mobile app, it ensures that clinicians always have access to the platform regardless of their location.

Capri secured £320,000 equity investment from the Midlands Engine Investment Fund (MEIF) via Midven, which is part of the Future Planet Capital Group. The investment enabled the company to expand its service to more hospitals and to build more speciality pathways.

Supporting colleagues

The Bank's success depends upon its people. Without our talented and hard-working colleagues, we would be unable to play our vital role within the UK economy.

We ensure that talented individuals want to come and work for us and support them in fully utilising their skills and experience within the organisation.

We are taking active steps – in everything from our work to clarify our Employee Value Proposition, to our renewed focus on colleague training and to our family-friendly policies – to make the British Business Bank a great place to work.

It remains an important priority of the Bank to foster an inclusive culture in which all colleagues know they are valued and helped to succeed, to support their work-life balance, well-being and individual needs and to retain and develop the skills and expertise we need to deliver our business activities.

As part of our focus on talent, diversity, equity and inclusion (DEI) is a key theme. This gives us access to a diverse talent pool, ensuring that we take account of a range of perspectives within our organisation, so that our colleagues feel that they can thrive within the Bank.

Last year we updated our new, more ambitious **DEI strategy and policy,** following collaboration and input from both the Bank's Executive Committee and its Colleague Forum. The policy sets clear expectations around the approach that the Bank takes when promoting diversity, equity and inclusion, and preventing unlawful discrimination in the workplace. The three-year strategy is designed to ensure that we have equitable access to opportunities and resources, promote a culture of inclusion, and unlock the potential of diverse talent.

Central to our strategy is our Employee Resource Group, **Stronger Together.**

The group is sponsored by our Executive Committee and is a diverse group of colleagues from across the organisation. Stronger Together is an open forum run by colleagues, for colleagues, to provide a safe and supportive environment in which to discuss issues specifically relating to inclusion and diversity in the Bank.

As part of our DEI efforts, over the past year we have increased the use of diverse job boards, introduced an Inclusion Index into our staff engagement survey, and facilitated sessions on inclusive leadership and allyship for our senior leaders. We will review our progress and expand our range of initiatives to address gaps and respond to colleague feedback.

Gender representation at 31 March 2024

	Female	Male
Overall	46.2% (270)	53.8% (315)
Executive Committee	57.1% (4)	42.9% (3)
Senior Leadership Team (SLT) (Bands 1-3)	37.9% (11)	62.1% (18)
Senior management (Bands 3-5)	39.7% (122)	60.3% (185)

Ethnic diversity at 31 March 2024

11.6% (68)
Asian or Asian British

4.8% (28)
Black or Black British

4.3% (25)
Mixed or multiple ethnicities

67.6% (397)
White

11.7% (69)
Not known, not provided or prefer not to say

Our ***Gender Pay Gap*** report, which we publish annually, allows us to track an important measure of DEI at the Bank, showing where we need to focus our attention to increase equity.

The most recent report shows that our median gender pay gap is 16.2%. This is 4.4 percentage points lower than in 2022/23. Our median bonus gap is 43.9%. This is 18.9 percentage points higher than in 2022/23.

A significant part of our gender pay gap stems from the Bank having more men than women in more senior (and therefore higher-paid) roles. Our gender representation in these more senior roles, as at 31 March 2024, is set out in the table above.

As of 31 March 2024, 57% of our Executive Committee members were women. Our wider senior leadership team and feeder pipelines are also 41% female.

The UK workforce is becoming increasingly diverse but there is still more to be done to remove barriers to entering the workplace and to ensure pay and progression is fair for all ethnic groups. Analysing ethnicity pay information is one way we can identify and investigate whether there are any disparities in the average pay between ethnic groups and provides us with an evidence base from which to develop action planning.

This is the first year in which we have published our ethnicity pay gap which shows a median pay gap of 13.7% and a median bonus gap of 28%. On analysis, our pay disparity is largely driven by structure due to fewer employees from ethnic groups undertaking more senior roles within the organisation. Our actions to increase representation in senior roles will seek to identify barriers preventing ethnic minority employees from advancing to senior roles and develop action plans to remove these barriers.

The Bank has spent much of the past year refining its **Employee Value Proposition (EVP),** which has been endorsed by the People and Remuneration Committee and the Board. Our EVP represents the unique set of benefits and other attributes that we offer our current and potential employees, which helps to define what the Bank is.

> "Given the ambitions that the Bank now has, we are putting greater emphasis on the importance of leadership management training."

We continue to focus on our wellbeing provision for colleagues.

Work-life balance is crucial for our colleagues' well-being, enhancing employee engagement, loyalty, retention, and promoting a positive workplace culture. This balance contributes to individual happiness and organizational success. To support this, the Bank offers initiatives like Wellbeing Wednesday, an annual Wellbeing Week, and various ad-hoc events. Additionally, we provide up to three days of annual volunteering for causes that colleagues are passionate about.

Our colleagues continue to benefit from pension holidays, group life assurance, and a holiday buy-and-sell scheme. Other family-friendly policies that we have enhanced during the year include those around family leave.

The last year has seen the Bank moving to a hybrid working model, with staff coming in at least 40% of the time. By encouraging colleagues back to the office, we help to increase collaboration across the business, and break down silos.

Our Colleague Forum is the internal body that represents colleagues to the Bank's senior leadership, in a spirit of collaboration. Made up of elected representatives from across the organisation, the Colleague Forum maintains an important dialogue between colleagues, including consulting on the move to a hybrid working model.

We continued to expand our learning and development provision during the year, with new programmes for employees at leadership level and for line managers, and new qualifications being offered for employees.

For the first time since the Bank was created, growth in staff numbers was low, and we have also seen a significant drop in our voluntary turnover rates over the past year.

Given the ambitions that the Bank now has, we are putting greater emphasis on the importance of leadership management training. As part of this, we have looked again at our performance management within the Bank, incorporating a new approach to training and 360° feedback.

We continually review our recruitment policies to ensure that we are operating in line with best practice. This includes using unbiased language in our job descriptions and removing barriers to entry for talent from underrepresented backgrounds.

Risk Management

We work to understand, manage and mitigate the risks that we face, in line with our risk appetite.

Our risk appetite – which is approved by our Board – is different to that of other finance providers. This is because our role is to step in to help provide access to finance where other lenders do not.

Ten years on from its inception, the Bank continues to evolve its approach to risk, adapting to ongoing growth in the organisation, to our increased mandate, as well as to changes in our external environment (such as the growth of cyber-crime, and the potential risks and opportunities around artificial intelligence).

Despite the continuing economic and geopolitical uncertainty driving up interest rates and inflation, the Bank's financial risk appetite has remained relatively stable, recognising we invest through-the-cycle.

As the Bank's product range and supporting infrastructure continue to grow, we have reviewed our Risk Management Framework and supporting risk taxonomy.

Over the year the Bank has continued to assess the appropriateness of the tools we have in place to manage risk across the organisation, and we have taken a number of steps to improve these with refreshed risk and control libraries, updated risk metrics and enhanced corporate-level risk reporting.

We are designing enhanced methodologies to enable us to measure our risk appetite more effectively against our target appetite. This includes improved risk and control assessments of our Level 2 risks and the data for our quarterly portfolio reviews. These allow us to identify emerging risk trends and controls requiring enhancement, and respond with management actions to monitor and manage these.

We are working to understand how we can improve policies and processes to fill gaps and also to leverage our investment spend to help bring risks within our appetite range.

We have re-engineered our Executive Risk Committee, helping it to meet its obligations regarding management oversight of risk and ensuring our control framework is updated to reflect any lessons learnt. The Committee works as a partner to the business, helping to deliver new products, new organisational structures and new ways of working.

This year we have taken the opportunity to review how we manage Fraud and Financial Crime, creating a centre of excellence for this activity within our Middle Office team and strengthening the second line team with a new Deputy Money Laundering Reporting Officer (MLRO) role.

From an organisational perspective, there are risks involved in managing any potential transition from the outcome of the UK General Election. The Bank is standing ready to respond to any new requests from Government.

Finally, the development of a new investment vehicle would likely result in the Bank delivering investment advisory services through a new legal entity that would need to be authorised and regulated by the Financial Conduct Authority. Operating in a regulated environment will be new for the Bank. In order to obtain FCA approval to perform regulated financial services activity, the Bank will need to demonstrate it has established policies and control frameworks that meet regulatory requirements. This transition will also involve a significant cultural change for our organisation.

Risk Management Framework

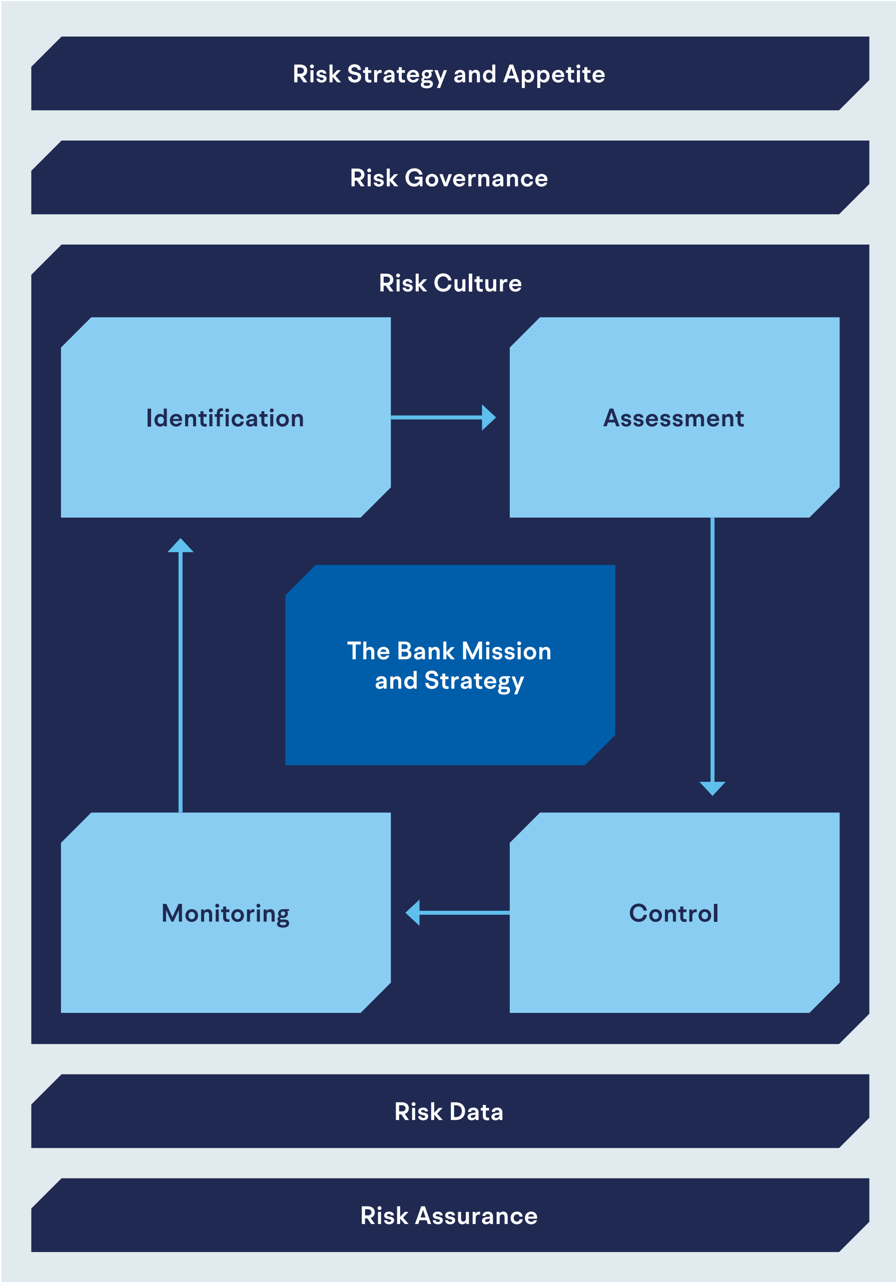
Our Risk Management Framework (RMF) describes how we identify and manage the risks we encounter in the delivery of our mission and objectives. It sets out the overall governance, structure and approach to risk management and is underpinned by policies, tools and processes, consistently applied to provide a robust control environment in which to operate.

At its core, the aim of the RMF is to assist the Bank in making risk-based decisions and foster a risk-aware culture. A discussion of how the Bank manages its risks in relation to financial instruments is set out in note 23 of the financial statements.

The RMF is subject to regular review to assess its effectiveness within the Bank. An internal review was carried out by the Risk and Compliance function during the financial year.

As part of the annual review, we validated the principal risks faced by the Bank and considered emerging risks in relation to the proposed establishment of a new investment vehicle, adjusting our risk taxonomy for this.

The findings of this review were presented to the Risk Committee and the Principal Risks table on p74 reflects the updated risk taxonomy.



Risk management overview

Our Risk Strategy is designed to support the business in meeting its objectives in a risk-based manner, to ensure it understands and manages the key risks it faces and has a view of emerging risks which need to be considered in the future.

Our risk appetite outlines how much risk we are prepared to accept to deliver our strategic goals and is reviewed and approved by the Board on at least an annual basis. The appetite is set against each of our principal risks and underpinning risk types.

Our approach to risk governance is based upon the industry standard three lines of defence model, with further detail in the following sections.

Our horizon scanning process identifies emerging risks and opportunities that may, over the longer term, impact on the Bank. This can include changes in legislation or regulation and opportunities and challenges through innovation, e.g. the widespread use of artificial intelligence. Senior management assists in identifying these emerging risks which are then consolidated into a horizon scanning report and reviewed by the Executive Risk Committee on a regular basis. The Board Risk Committee receives a summary of the horizon scanning landscape through the Enterprise-Wide Risk Report and has had updates on how we are managing our evolving risks such as cyber security and sustainability.

Stress testing plays an important role both in how we manage our portfolios and provides transparency to our shareholder on potential future losses and on understanding of how economic cycles will have an impact on our risk exposures.

Through our business planning process, the Board reviewed an assessment of the quantification of the monetary value of potential downside risks of downturn scenarios against our base-case business plan.

The Board-approved Business Plan also identifies key risks that threaten the Bank being able to meet its objectives, along with key mitigations or actions to manage those risks.

The Bank's risk culture is championed by a strong tone from the top and supported by clear roles and responsibilities embedded throughout the business and formalised through colleagues' performance objectives.

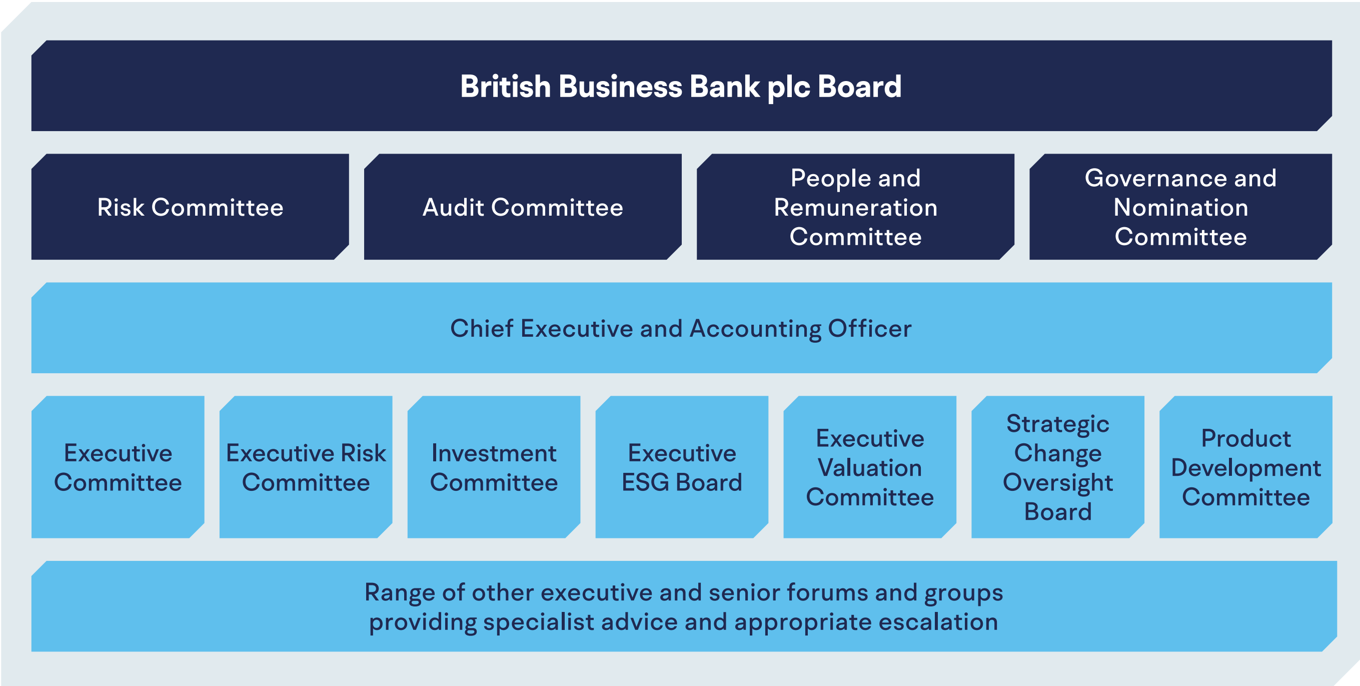
Risk Governance

The British Business Bank is committed to ensuring high standards of corporate governance and is supported in this by the Board of Directors and Board Committees.

We also have a hierarchy of committees and forums that review and challenge a range of management information, reporting and subject matter expert opinions, and provide a clear route for escalation of risk-related matters.

The key principles of this model, as illustrated by the diagram overleaf, are:

- the Board has overall accountability and responsibility for the management of risk within the Bank. It sets the principles and standards for the management of risk through review and approval of our Risk Management Framework and Risk Appetite Statements
- The Board delegates specific risk management roles and responsibilities to the CEO and requires the Board Risk Committee and the Board Audit Committee to oversee the management of these risks
- the CEO (as the designated Accounting Officer) is also accountable to Parliament for specific matters in relation to the Bank which include, amongst others, the ability to demonstrate that an effective assurance framework is in place
- the CEO is supported in delivery of their responsibilities through direct reports from the Executive Committee and the Executive Risk Committee



- the Chief Risk Officer (CRO) partners with the CEO and Executive Team in creating a culture and environment of strong and appropriate risk management and control. The CRO is a member of the Executive Committee and Executive Risk Committee and is supported by the Risk and Compliance function in the delivery of their responsibilities
- the Risk and Compliance function works collaboratively with the product teams and other central control functions to oversee that risks are being managed in line with risk appetite
- the Internal Audit function operates independently of both the business and the Risk and Compliance function, reporting directly to the Board Audit Committee, highlighting key areas of weakness relating to governance, risk management or internal control.

The Bank operates a three lines of defence model that determines roles and responsibilities for the management of risk and control whilst also ensuring conflicts of interest and segregation of duties are managed and understood:

- the first line of defence has direct accountability for the identification, escalation, assessment and management of risks. Function heads are also responsible for the provision and maintenance of an effective control environment and compliance with risk-related policies and appetite limits
- the Risk and Compliance team, as the second line of defence, provides the risk frameworks and policies in which the business operates to meet its objectives. The team delivers objective independent oversight, monitoring and appropriate challenge of the operation of the first line of defence, including the effectiveness of functions in managing risk and the controls in place in line with the RMF
- the third line of defence consists of the Bank's Internal Audit function, which is independent of both the business areas and the Risk and Compliance team. The Internal Audit function provides independent assurance through a programme of risk- based audits covering all aspects of both first and second lines of defence risk management and control activities.

The Bank operates a performance management process that seeks to measure both individual and collective performance and discourage incentive mechanisms which could lead to undue risk-taking. We have in place communications, training and performance management, and reward structures which support effective risk management.

Policies form an integral part of managing risk within the Bank. They generally apply Group-wide and define the Bank's minimum controls necessary for it to operate within the Board's agreed risk appetite. This includes outlining the key controls necessary for the Bank to operate in compliance with applicable UK laws and regulations, and Government Functional Standards. Policies are approved by the appropriate committees and communicated to staff. Colleagues are also subject to the Bank's Standards of Conduct and annual compliance declarations.

Business stories

Tribe Tech

Programme:
British Business Investments

Delivery partner:
Beach Point

Funding type: Equity

Location: Belfast

Region: Northern Ireland

Tribe Tech is a disruptive developer and manufacturer of autonomous mining equipment. The Group was founded in late 2019 in Western Australia and has since established a headquarters and manufacturing facility in Northern Ireland.

Its first products were an autonomous reverse circulation drilling rig and autonomous sampling system.

The business raised equity finance through British Business Investments via delivery partner Beach Point. This facilitated the growth of the business, allowing Tribe Tech to increase inventory levels, strengthen R&D and invest in growing a team of high-quality engineering, sales and support staff at a pivotal time.

Principal risks

Strategic and business risk

Definition

The risk of failing to meet our core mission as an economic development bank. We fail to identify market gaps, do not provide suitable products for smaller businesses and/or fund appropriate areas in the market. Consequently, failing to meet our strategy, as proposed in the Business Plan.

Level 2 risks

Strategic: The risk of failing to meet Strategic Objectives arising from adverse business decisions, improper prioritisation or implementation of strategic initiatives, or inadequate responses to the external operating environment.

Governance: The risk that the Bank's governance structure fails to provide effective decision-making or does not align the interests of internal and external stakeholders, which may impact on the organisation's ability to deliver its objectives.

Sustainability: The risk that the Bank fails to deliver its internal and external commitments on the sustainability agenda, including its modern, green economy objective.

Strategic Change Management: The risk that the business takes on too much change or inadequately prioritises, initiates or manages its strategic change programme.

Reputational: The risk that negative publicity or perception impacts the Bank's credibility with stakeholders, customers, delivery partners, or ability to meet its objectives.

Managing our risks

Our strategy is developed and approved through the annual Business Plan which aligns with our overarching purpose and ensures sufficient operational capability is in place to deliver the plan.

We undertake an annual review of our governance committee structure, with recommendations considered and approved by the Board to ensure that our governance model is robust and fit for purpose.

A sub-committee of the Executive Committee meets bi-monthly to oversee the management of sustainability/climate change issues.

Our Portfolio Management Office assesses and triages all new demand across the Bank, providing both roadmap and capacity planning across our change portfolio.

Our stakeholder engagement plan is reviewed and approved annually and updated as needed. This outlines our engagement strategy with key stakeholders.

Financial risk

Definition

The risk of financial losses or returns arising from credit, investment and/or market risk, exacerbated by potential concentrations by delivery partner, company, sector, geography, vintage or investment strategy/stage.

Level 2 risks

Credit: The risk of financial losses due to delivery partners or underlying borrowers not meeting contractual obligations when due.

Investment: The risk of financial losses or returns below expectations arising from investments in equity and debt funds, as well as direct equity stakes in companies resulting from macroeconomic conditions, geopolitical events, fund raising and exit environment, or other factors.

Market: The risk of financial losses arising from fluctuations in values of, or income from, assets, resulting from movements in interest or exchange rates.

Managing our risks

Our Investment Committee process assesses whether a transaction is in line with risk appetite and programme parameters. Investments are then actively monitored through their life, with increased delivery partner management as required.

We have an established quarterly portfolio review process to consider portfolio data, events, returns, performance and risk metrics.

We invest across a mix of fixed and floating rate assets and prefer GBP as a base currency. We also conduct scenario testing of exposures, including market risk.

Operational and resilience risk

Definition

The risk of direct or indirect losses, or lack of business resilience, resulting from inadequate or failed internal processes, technology infrastructure, supplier management or from external events.

Level 2 risks

Key Process: Failure to manage and execute the Bank's 'Critical' or 'High' processes.

Technology: The risk that the Bank's IT and communication systems, including outsourced services, do not meet business requirements, do not operate as expected or are not resilient.

Health, Safety & Security: The risk that the Bank does not maintain a safe, resilient and secure workplace to protect its employees, visitors or physical assets.

Model: The risk of adverse consequences arising from decisions principally based on the output of internal or external models, due to errors in the development or use of such models or spreadsheet outputs.

Third Party: The risk of failing to procure and manage third-party relationships and risks appropriately.

Information Management: The risk of failing to treat information as a strategic asset, and appropriately manage and maintain the organisation's information across its lifecycle to support its necessary use, resilience, integrity and availability.

Information Security (including cyber): The risk that the Bank fails to protect, or keep confidential, its information assets, including loss, tampering, theft or threat thereof; this includes the failure to implement appropriate information security resilience.

Managing our risks

Our Strategic Recovery & Incident Management Plan is updated annually and approved by the Business Resilience Steering Group. It is validated via a Strategic Incident Response Exercise.

Our System Delivery Lifecycle details the process that we follow to implement technology changes, taking a business opportunity or problem from the requirements stage through to implementation.

Our Health and Safety policy is reviewed and approved annually to ensure it remains relevant, fit for purpose and complies with all relevant laws and regulations.

We undertake regular reviews of our model inventory to ensure that it is up to date and that model reviews take place in line with criticality requirements.

Oversight and governance of applicable sourcing arrangements are performed by the Commercial Review Committee.

Issue management processes are in place between data owners within the business and our Data Management Office to ensure remediation of detected data quality issues.

Our IT team and third-party suppliers implement and maintain the Bank's firewalls, cyber security, anti-virus defences, and email and web filtering to identify and eliminate malicious attacks.

Principal risks (continued)

People risk

Definition

The risk that the Bank does not attract, develop and retain the right mix of talent, skills and capabilities to meet its objectives and/or does not create a working environment and culture to motivate and engage an effective workforce.

Level 2 risks

Resource Management: The risk that the Bank does not effectively attract, develop and retain the right mix of talent, skills and capability (people) necessary to deliver its objectives and support organisational resilience.

Conduct and Culture: The risk that the Bank's employees fail to act in accordance with end customers' best interests, fair market practices, or the Bank's Standards of Conduct, or that our culture does not support and drive appropriate colleague behaviours and decision-making.

Managing our risks

We identify areas where additional resource is required to meet the Bank's strategic objectives through our annual Business Plan process.

We undertake an annual colleague engagement survey to measure employee engagement and satisfaction across the Bank and develop action plans where necessary to improve the working environment.

We have a mandatory e-learning progamme for all colleagues, which includes modules on whistleblowing, and anti-harassment and bullying.

Fraud and financial crime risk

Definition

The risk that the Bank does not have effective systems and internal controls to meet its obligations to prevent, detect and deter internal or external fraud and/or financial crime.

Level 2 risks

Fraud: The risk that the Bank does not have effective systems and internal controls to prevent, detect and deter internal or external fraud.

Financial Crime: The risk that the Bank does not have effective systems and internal controls to meet its legal obligations to prevent, detect and deter financial crime.

Managing our risks

We have processes in place to collect and review all relevant fraud threat intelligence received by the Bank.

The Customer Due Diligence process is designed to ensure the appropriate level of checks is performed to entities at onboarding and on an ongoing basis, including sanctions screening, adverse media, Politically Exposed Person status etc.

Legal and external obligations risk

Definition

The risk of breaching applicable UK law (or other relevant law), regulation, external standards, guidelines, or legal obligations, which exposes the Bank to fines, penalties or claims as well as other associated financial losses and non-financial consequences.

Level 2 risks

Legal: The risk of non-compliance with legal procedures and processes or the failure to adequately manage disputes with delivery partners or other third parties.

Regulatory: Failure to comply with any existing or emerging legal or regulatory obligations that are not captured through other Level 1 or Level 2 risks.

Statutory Reporting and Tax: The risk of failing to meet statutory reporting or tax payment deadlines, or inappropriate governance over tax risk.

Managing our risks

Governance, roles and responsibilities, and processes are in place to identify, assess and track emerging risks related to changes in the external environment.

The Bank's Compliance Monitoring Plan provides oversight and assurance regarding our compliance with internal policies and external legal and regulatory obligations – this includes thematic reviews.

Valuation and provision models are subject to review to validate their integrity and ensure that the outputs are compliant with current accounting standards. This forms an Accounting Judgement and is approved annually by the CFO.

Financial reporting risk management systems and internal controls

The Bank maintains risk management systems and internal controls relating to the financial reporting process which are designed to:

- ensure that accounting policies are appropriately and consistently applied, transactions are recorded accurately and undertaken in accordance with delegated authorities and that assets are safeguarded and liabilities are properly stated
- enable certifications by the Senior Accounting Officer relating to maintenance of appropriate tax accounting and in accordance with the 2009 Finance Act
- ensure ongoing monitoring to assess the impact of emerging regulation and legislation on financial, regulatory and tax reporting
- ensure an accurate view of the Bank's performance to allow the Board and senior management to appropriately manage the affairs and strategy of the Bank as a whole and each of its sub-groups.

Climate-related Financial Disclosures

The British Business Bank has reported on climate-related financial disclosures consistent with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

With sustainable growth and net zero integral to our mission, this, our second disclosure, sets out our progress in embedding consideration of climate change within our business. The imperative to do so is ever more manifest and the expectations of our stakeholders are similarly increasing.

Across the global economy, the environmental reporting requirements for businesses and the financial sector are becoming more comprehensive. In June 2023, the International Sustainability Standards Board (ISSB), a standard-setting board of the IFRS, published two new standards: S1, general requirements for sustainability-related financial information and S2, the climate-related disclosures.

Our climate ambition and strategy

The guiding principles of the Task Force on Climate-related Financial Disclosures (TCFD) and ISSB are to support the consistent and comparable disclosure of how companies report climate and, in time, wider sustainability risk and opportunities to support efficient allocation of capital.

As we are an economic development bank, this extends beyond our own portfolio to include working with our diverse range of delivery partners who are integral to our mission.

Although the Transition Plan Taskforce (TPT) sectoral guidance for financial institutions was not published within 2023/24, we undertook an initial mapping against the TPT framework which illustrated that some components are in place. A transition plan will draw together how the Bank's strategy, implementation, engagement activity and emissions targets collectively enable us to meet our net zero commitment. The Science-Based Target Initiative deadline has been deferred until new guidelines for financial institutions are published. Final guidance was not published within 2023/24.

While we await specific guidance and scope of coverage of changes, including the UK Sustainability Reporting Standards, Transition Plan Taskforce and UK Green Taxonomy, we continue to develop our processes, in collaboration with our delivery partners, to integrate sustainability considerations into our portfolio lifecycle management.

Governance

Our governance around climate-related risks and opportunities

Board oversight of climate-related risks and opportunities

The Board considers climate-related risks and opportunities as they relate to the Business Plan and strategic objectives through the management information report which includes key performance indicators (KPIs).

The Board received six-monthly updates from the Managing Director of Sustainability, with additional climate and sustainability agenda items included in intermediate Board meetings as and when required.

During 2023/24, the Board received monthly updates on our building the modern, green economy key performance indicator and underlying performance indicators including progress on: the development of our own roadmap for our own emissions; estimating the proportion of our portfolio in emissions-intensive sectors; and evaluating the proportion of our delivery partners who are reporting emissions.

During 2023/24, the Terms of Reference for the Board Audit Committee and Board Risk Committee were updated to reflect their climate-related responsibilities. These will be reviewed during the 2024/25 annual review cycle and to reflect evolving good practice in relation to climate governance.

To ensure the Board and its committees continue to provide effective oversight and challenge, the Bank maintains a Board skills matrix of relevant expertise which now includes climate change.

Management's climate roles and responsibilities

The ESG Executive Board (ESGXB) is a sub-committee of the Executive Committee (Exco) with responsibility for the development of the Bank's environmental, social and governance (ESG) strategies and policies and responsibility for ensuring integration of sustainability considerations across all aspects of the Bank's business, including strategy, risk management, reporting and operational processes. Where appropriate, sustainability issues are referred up to Exco for discussion and decision.

At year-end 2024, we undertook a review of the ESGXB and will be acting on the outcome of that review during 2024/25.

The British Business Bank Governance structure on p72 shows how the ESGXB integrates into the Bank's wider governance.

The Managing Director of Sustainability is a member of our Senior Leadership Team and attends meetings of the Executive Risk Committee, Investment Committees and Product Development Committee. The Director of Sustainability is a member of our Policy Review Group.

We have formalised the matrix of accountabilities and responsibilities for our climate governance, strategy, risk management and metrics.

Executive remuneration includes a performance-related component that is dependent on the Bank meeting the KPIs for its four strategic objectives, one of which – Building the modern, green economy – includes climate-related actions and objectives.

We continue to invest in skills and capabilities for our staff, and in 2023/24 the Board received regular updates on this performance indicator. Colleagues have access to a range of professional qualifications and continuing development related to climate risk and wider sustainability issues.

Strategy

The actual and potential impacts of climate-related risks and opportunities on our business, strategy, and financial planning

Amidst a rapidly evolving reporting landscape, we have focused on developing our strategy for our building the modern, green economy objective and building our organisational capacity for assessing risks and opportunities across all four strategic objectives. The building the modern, green economy strategy has three thematic pillars, discussed in further detail below: greening finance, financing green and active industry collaborations to help our smaller business customers successfully manage the transition to a net zero economy.

Climate-related scenario analysis will help us test the potential impact on our business of a range of possible future climate pathways and inform potential actions to reduce climate-related risks. We are working on developing short- to medium-term scenarios relevant to UK smaller businesses to inform our strategy and risk management.

Our own operations

The Bank's 2023/24 emissions are set out from p90.

Our most significant area of operational emissions, and focus for reductions, is our purchased goods and services. In our supply chain, we work with around 200 active suppliers, of whom more than half are themselves smaller businesses.

In 2023/24, we undertook a supplier survey to understand their approach to net zero and maturity and availability of data reporting. These activities will help us identify and mitigate climate-related risks of disruption to our business.

They will also inform our approach to an orderly reduction in emissions over time, working in partnership with our suppliers, particularly the smaller businesses that support our operations. The next step will be to establish a more detailed roadmap for our own operations' emissions reductions to 2030.

Greening finance

Given our largely wholesale business model and role as an economic development bank, we follow an integrated approach to ESG in our funding programmes, allowing us to consider climate alongside social and other environmental factors.

In 2023/24, we continued to embed ESG integration into our investment process. For example, the product teams assess environmental, social and governance considerations during due diligence. This assessment is included in Investment Committee papers, augmented by additional commentary by the MD or Director of Sustainability.

Given that our model is primarily financing provided through intermediary financial institutions, a focus of our considerations is, therefore, the set of processes, management systems, capacity and governance mechanisms that our delivery partners have in place. Given the variety and number of our delivery partners, we aim to manage our risk in an efficient and effective manner with a proportionate approach that considers delivery partner capacity, the level of our commitment and the risks specific to their business model and asset class.

Our initial investment approach and portfolio alignment strategy to 2027/28 set out a five-year programme to align our products, delivery partners and reporting with a net zero future, and in doing so support a diverse financial ecosystem that is equipped to deliver green and transition funding to customers. To describe the resilience of our existing strategy and portfolio, we have undertaken analysis of the run-off profile to gain insight into our carbon emissions baseline.

We are developing our responsible investment approach and have begun to formalise our stewardship approach. We recognise that our approach to stewardship is a key lever of influence that we have to support our delivery partners as they, in turn, mature their own practices, and recognise our role as a UK economic development bank.

In 2024/25, we will review our ESG integration and stewardship approach following our initial estimates of financed emissions with a focus on material delivery partners and sectors.

Financing green

The UK has set a legally binding commitment to reach net zero emissions by 2050 – the first country in the world to legislate for net zero. The pace and scale of change required to achieve this is huge. An estimated additional £50-60bn of annual capital investment is required through the 2020s and 2030s.

Building a green economy will require entire industries to transform and new technologies to be developed, scaled and diffused. High-emitting sectors such as agriculture, manufacturing, transport and real estate need to decarbonise. Much of this transition will require access to finance.

Smaller businesses have a critical role to play in the transformation. Depending on their industry sector, business model and the location of their operations and supply chains, smaller businesses in our portfolio and economy-wide face different physical and transitional risks. The net zero transition also creates business opportunities, including in the innovation of climate solutions, adoption of low-carbon practices and technologies, and from enabling the decarbonisation efforts of customers.

We have identified the role of smaller businesses as innovators, enablers and adopters of new technologies and processes that improve efficiency, reduce dependency on fossil fuels and support sustainable growth.

In enabling the transition to net zero, our goal must be to support an orderly and 'just' transition for smaller businesses in the real economy, rather than merely 'cleaning up' our own portfolio. Accordingly, we do not currently exclude any sectors or industries because of their emissions. Instead, we aim to ensure access to transition finance and continued support from the private sector in the medium term.

We will, however, phase in the expectation that delivery partners have credible and sufficiently ambitious transition plans particularly where there are exposures in emissions-intensive or hard to abate sectors. We have engaged with the Transition Plan Taskforce SME Advisory Group to support the development of proportionate approach for smaller businesses.

We are assessing our existing products and programmes against these needs and opportunities and will set out the potential for our products to enable the transition and crowd in private finance in our transition plan in due course.

In 2023/24, the Bank demonstrated its commitment to financing green by agreeing specific terms with certain delivery partners under the ENABLE Funding and ENABLE Guarantee programmes. These terms support these delivery partners' ambitions to provide more green finance in line with the requirement to transition to a net zero economy, highlighting the opportunity the Bank has to support such finance even within the parameters of existing products. To help stimulate innovation in climate finance we supported the Climate Safe Lending Network's Climate Finance Catalyst Contest. The global contest had three categories to support accelerated transition within banking institutions and their clients, enable finance for new and innovative solutions, and develop approaches that ensure a socially just transition.[1]

1 www.climatesafelending.org/catalyst-contest

Industry collaboration and engagement

Everyone in the financial value chain needs the right information and data to flow from smaller businesses in the real economy along the chain so they can integrate information into their decision-making. This enables the ultimate asset owners to better assess the climate impact of projects. It enables financial firms to invest, lend or borrow money based on a timely and accurate assessment of climate and nature risks and more accurate pricing, and it empowers companies themselves to better plan to reach their climate objectives and future-proof their business.

Given that only 5%[1] of small businesses currently measure their emissions, this presents considerable challenges for lenders and investors. We need to be confident that there is a workable solution for smaller financial institutions and their SME customers, to measure, collect and report greenhouse gas emissions.

We are working with the wider industry to seek appropriate solutions to the data challenge. A key priority in 2023/24 has been our active support of Project Perseus, initiated by Bankers for Net Zero, as co-chair and through advisory groups, in developing a simpler shared carbon data measurement and reporting framework for smaller businesses as they move towards net zero greenhouse gas emissions.[2]

We also supported Icebreaker One to conduct a market landscape review of carbon accounting tools and platforms. The report covered market trends, costs, and the challenges smaller businesses face in carbon reporting. It aims to help businesses navigate carbon reporting and support their transition to net zero.[3]

As a centre of expertise, the Bank has a distinct role in informing and advising the Government on priorities for smaller business finance and in engaging with business and finance representative organisations to discuss policy issues.

We continue to support the Broadway Initiative and the development of the UK Business Climate Hub, a collaboration between the UK Government, businesses and business groups across the UK to empower smaller businesses to take climate action.[4]

We recognise that existing reporting frameworks have been developed with a focus on large, listed entities and assets. During the year we became signatories to the PCAF and are actively involved in the Partnership for Carbon Accounting Financials (PCAF) Working Group on making business loans and unlisted equity methodologies more applicable to smaller businesses. We have engaged with the Transition Plan Taskforce SME Advisory Group to support the development of proportionate approach for smaller businesses.

In 2023/24, we continued to engage with colleagues through the joint UK Public Financial Institutions Green Finance and Sustainability Forum to drive forward collaboration in unlocking investment to meet net zero.

1 Page 34, ipsos-sme-finance-survey-2023.pdf (british-business-bank.co.uk)

2 Perseus – Bankers for Net Zero.

3 www.icebreakerone.org/ecosystem/2024-carbon-reporting-solutions-report/

4 UK Business Climate Hub – find advice on energy saving and net zero for smaller businesses.

Risk management

The processes we use to identify, assess and manage climate-related risks

The global and national response to climate and sustainability challenges is bringing about new regulatory requirements, changing consumer demands. This is spurring technological and business model innovation as we seek to transition to the modern green economy.

As we are an economic development bank largely operating through a wide range of intermediaries and overwhelmingly investing and lending in smaller, private businesses, our portfolio and business model has some distinct characteristics compared to other financial institutions.

Integrating climate-related risks into our Risk Management Framework

Climate risk is incorporated in the Bank's Risk Taxonomy through the Risk Management Framework (RMF) as a subset of Sustainability Risk and through integration within existing risk types.

We identify Sustainability Risk within our taxonomy as falling within our Strategic and Business risks, and is defined as:

'The risk that the Bank fails to deliver its internal and external commitments on the Sustainability agenda, including its building the modern, green economy objective.'

Climate also cuts across many other risk types. We are considering how best to integrate it into these within our risk library. In 2023/24, there has been a structured review of our Risk and Control libraries across the organisation, including that of the Sustainability team, and we continue to consider how climate risk may impact other risk categories within our taxonomy.

For example:

- in our investment process, the Bank's Sustainability team supporting product teams in integrating ESG risk into investment papers
- in our delivery partner relationship management, we are developing our stewardship approach to ensure that delivery partners and direct recipients of finance are sufficiently managed. For our existing portfolio, we have undertaken ESG screening for delivery partners and portfolio companies with the greatest financial exposures using a third-party tool
- in our own operations, continuing work to consider the impact of climate risk on other risk categories, for example 'Third Party' which covers the Bank's supply chain.

Processes for identifying and assessing climate-related risks

Climate change is a systemic risk that will likely impact multiple economic sectors, geographical areas and financial and real assets simultaneously or within a short time horizon. As an economic development bank, we are concerned with interdependent systemic risks that may impact long-term stability and value creation, with potential concentrations of risk in sectors or regions of the UK economy.

In 2023/24, we continued to develop our understanding of climate-related risks, their impact on our business, actions we can take to mitigate their impact, and evolving market practice.

A key programme has been to develop our understanding of our financial portfolio exposures in absolute and relative terms by sector, geography, asset type, intermediary and by programme. We are, for the first time, disclosing our estimated financed emissions. We will continue to focus on improving our understanding of our exposure to carbon-intensive sectors.

We held a workshop to identify transmission channels of physical and transition risk from smaller businesses, the ultimate recipients of finance, through our intermediaries to our own balance sheet.

Processes for managing climate-related risks

Risk appetite is the type and level of risk the Bank's Board is willing to take to deliver its strategy and public policy objectives.

In March 2024, our risk appetite statements were updated to outline key expectations in how we manage our Sustainability Risk, these include:

– progress in developing the Bank's transition plan, and ESG data quality for delivery partners and ourselves

– measured consideration of ESG factors in investment and procurement decisions, including potential for additional sustainability requirements to be a condition of approval

– improving understanding of the climate risks within our portfolio and own operations

– potential for increased financial/reputational risk profile through being, currently, largely sector agnostic in supporting the transition to net zero, without applying sectoral exclusions or revising investment strategies and portfolio allocations to align with net zero transition.

We have identified climate-related risks and opportunities over the short, medium and long term. Currently, the Bank has the following working time horizons:

– short term – within the next year

– medium term – within the next five years (also our Business Planning horizon)

– long term – five years and beyond, which broadly aligns with the 5–20-year investment horizon in our venture capital equity portfolios in British Patient Capital (BPC) and British Business Investments (BBI).

These time horizons are likely to be reviewed periodically as: (a) we seek more data on the life of assets in our portfolio and related emissions profiles, (b) we continue to engage our delivery partners, and (c) we continue to review guidance from TCFD, the Climate Financial Risk Forum (CFRF) and other relevant bodies.

Climate-related scenario analysis and impact on the resilience of the Bank's strategy

Climate-related scenario analysis will help us test the potential impact on our business of a range of possible future climate pathways and inform potential actions to reduce climate-related risks. How and when climate-related risks will crystallise is highly uncertain, but they could have a significant impact on the value of our assets.

Our Risk and Compliance team carried out a stress test in March 2024, basing its approach on the Bank of England's Climate Biennial Exploratory Scenario.

Climate stress testing is still in an exploratory phase across the UK banking and investment sector. Our Risk and Compliance team aims to improve its climate stress testing methodology in phases and will incorporate methods and techniques used in the sector as further methodologies develop.

Business stories

Oxi-Tech

Programme: Cornwall & Isles of Scilly Investment Fund (CIOSIF)

Funding partner: The FSE Group

Funding type: Equity

Location: Tremough

Region: South West

Oxi-Tech is a clean-tech company which has developed disinfectant technology using water and electricity.

Oxi-Tech uses activated oxygen, removing the need for aggressive chemical-based disinfection solutions, such as chlorine, and eliminates the high recurring costs and safety risks of traditional chemical disinfectant processes.

A £250,000 investment through the Cornwall & Isles of Scilly Investment Fund (COISIF), which formed part of a £1m funding round, has helped to accelerate the company's commercialisation and its next phase of growth.

Climate-related metrics

Greenhouse gas emissions

Scope of disclosures and methodology

Since 2015/16, the Bank has followed the Streamlined Energy and Carbon Reporting (SECR) regulations in disclosing our greenhouse gas emissions relating to our operations.

The Bank has developed a recalculation policy as required under the Greenhouse Gas Protocol.

Own operations

As set out in our 2022/23 Annual Report and Accounts, we do not categorise any emissions within Scope 1.

Our Sheffield office does not have any fuel consumed on site. The only Scope 1 fuel consumed on British Business Bank premises (gas in our London office, where we are a shared tenant) is centrally controlled by our landlord.

Scope 2 and 3 emissions related to the Bank's office space, from electricity, gas, water and waste, are based on apportioning the total metered usage from the landlord by floor space.

We have written to our landlord and building manager to notify them of our approach.

We continue to disclose business travel under Scope 3, reflecting journeys undertaken by colleagues using car, rail and air travel that have been booked through our corporate travel agent.

Where available, we use activity-based data. In 2023/24, the only estimated data was for waste from our Sheffield office, emissions related to employee commuting and home-working and purchased goods and services.

Emissions related to home-working and employee commuting were estimated based on 60% employee time spent working from home and 40% in the office, in line with the Bank's hybrid working policy.

Emissions related to purchased goods and services are estimated using spend-based data and corporate supply chain emission factors. In 2023/24, we started to engage with our suppliers to request carbon emissions, where available, and will look to substitute this for spend-based emissions factors in future reporting.

This means that we continue to report on the whole of what we term 'own operations' emissions of the Bank. The 2023/24 footprint related to our own operations is directly comparable to the 2022/23 footprint.

The Bank's employees spent a larger proportion of their time working in the office in 2023/24 relative to last year and we were joined by an additional 20 full-time employees. As a result, emissions in categories related to office use increased: office usage of gas and electricity rose by 7%, water use and waste rose by more than 50%, business travel increased by 36%, and employee commuting and home working increased by 31%.

There was a change in how we calculate vehicle mileage reimbursements, so this year's footprint assumed an average car of unknown fuel type for all business travel undertaken in employees' own vehicles. This change does not materially impact (+/- 5%) on the total scope 3 category 1-14 emissions in the base year, so base year emissions were not recalculated, as per the Bank's recalculation policy.

We continue to monitor the emissions related trade-offs between working from home and commuting to, and working within, the office and engage with our landlords. Emissions related to purchased goods and services fell, by 3%. As purchased goods and services make up more than 90% of the Bank's total own operations emissions (which excludes portfolio emissions) fell by 1% in 2023/24 relative to 2022/23.

An employee-based intensity ratio is an appropriate reference point for emissions related to our own operations. It allows us to monitor and manage emissions while allowing for an increase in economic activity.

Our investment portfolio – approach/methodology

As is the case for financial institutions in general, our 'financed emissions', are significantly greater than other scopes and categories. However, disclosing the emissions associated with our portfolio is key to the Bank's commitment to reaching overall net zero greenhouse gas (GHG) emissions by 2050.

Given our wholesale business model, estimating our financed emissions is a complex undertaking which requires close collaboration with a range of stakeholders, including our delivery partners. The nature of our portfolio, which is overwhelmingly private, smaller businesses further compounds the challenge of data availability.

This year we became a signatory of the Partnership for Carbon Accounting Financials (PCAF) and follow their approach to estimate the GHG emissions attributable to the finance we provide. The PCAF approach is widely used in the financial services sector and is based on the principle that financed emissions are a function of the supported entity's emissions and an attribution factor based on the relationship between the outstanding amount loaned and the entity's total value.

PCAF provides accounting standards for financed emissions by 'asset class' and as the Bank's portfolio consists largely of private equity and business loans to smaller businesses, the main methodology used was the Business Loans and Unlisted Equity methodology. A small proportion of financed emissions was calculated using the Listed Equity and Corporate Bonds methodology.

The PCAF approach ranks the quality of emissions estimates according to the source of data and method of calculation. There are five levels, ranging from 1 to 5 with 1 being the highest quality estimate. Score 1 is when business calculates and reports audited data, 2 is unaudited emissions or energy usage data which can be easily converted to company specific emissions data. Finance providers can achieve scores between 3 and 4 by combining sector-based emissions factors with company-specific data, such as turnover and the amount of external finance relative to total assets.

Where no financial or operational data is available from a portfolio company, PCAF methodology allows for finance providers to estimate emissions by combining outstanding finance with industry specific emission factors. This approach is the lowest data quality score, 5.

It is difficult for us to collect GHG emissions data on the smaller businesses we ultimately finance due to the size and nature of our on-balance sheet portfolio, comprising nearly 64,000 underlying smaller businesses accessing a range of forms of finance through 142 different on-balance sheet delivery partners. Given that our model is primarily indirect financing through intermediaries, we are dependent on our delivery partners' ability to collect emissions data from their customers and investees. Currently, around a quarter of our on-balance sheet delivery partners, representing a third of our net adjusted assets, are undertaking some external reporting of their carbon footprint.

Our initial financed emissions estimates are provided for our on-balance sheet programmes as an indication of the financial impact of climate-related risk on our organisation. On-balance sheet programmes are our British Patient Capital, British Business Investments and some of Venture Solutions (for example only 10% of NPIF and MEIF that are on our balance sheet) programmes. Our Start-Up Loans programmes are excluded as these are considered to be part of the 'consumer finance' asset class by PCAF, for which there is no methodology yet to calculate financed emissions.

Greenhouse gas emission assessment parameters

Baseline year for total operational GHG emissions	2022/23
Consolidation approach	Operational control
Boundary summary	All facilities under operational control
Emission factor data source	BEIS (2019–2022)
Assessment methodology	Greenhouse Gas Protocol revised edition (2004)
Intensity ratio for own operations emissions	Emissions per full-time employee

Interpreting financed emissions estimates

Carbon accounting is at an early stage of maturity in the financial services industry relative to more traditional financial metrics. We are working towards collecting and calculating higher quality emissions estimates but, given the constraints we operate within, our initial estimate of our financed emissions is entirely based on the sector-based approach – PCAF data quality 5.

We have disclosed on p91 an analysis of our attributable share of smaller businesses GHG emissions for our on-balance sheet finance broken down by industrial sector, and scope 1, 2 and 3 emissions.

They can be seen as an illustrative map of how carbon emissions and intensity might vary across our portfolio but should not be seen as an accurate representation of the Bank's financed emissions either in total or in how they are composed.

Sector-based emissions estimates treat all companies, large and small, within that sector as equally carbon-intensive which will not be the case in practice. It is possible that for any individual company this approach produces an estimate that is orders of magnitude greater than a detailed, company-specific carbon footprint analysis.

Furthermore, the sample of companies on which PCAF sector emissions are based is weighted heavily towards larger, global corporates for which more extensive data is available. These samples are not representative of the Bank's smaller business portfolio, which compromises mostly small and micro enterprises and sole traders in the UK.

Obtaining GHG emissions data of sufficient quality on which to base targets, transition plans, investment strategies and financial product design is a common challenge across the financial services industry and is particularly acute for providers of finance to smaller businesses, who have less capacity to measure and report their own emissions.

For this reason, we emphasise that these estimates must be treated with caution and come with a material caveat that we do not yet collect company specific emissions data from our delivery partners. While this approach allows an institution to estimate, in broad terms, the financed emissions that arise from support provided to a given economic activity within a given geography, it is limited in its accuracy because it is based on abstractions which may not hold true for any given transaction.

Care should be taken to distinguish between changes over time that are driven by improved data and accuracy of calculations, and changes that are driven by actual emissions reductions by the companies being financed. We anticipate that the estimate of financed emissions will change materially over time and need to be updated in line with advances in climate-related data, modelling and methodologies and as more company-specific emissions data is collected, in particular, as higher quality data on company-specific emissions is able to be collected. Our recalculation policy governs when prior year figures should be restated to take account of this effect.

Key commentary on disclosures

For on-balance sheet programmes at group level, for the 90% of net adjusted assets for which we have sectoral information:

1. The portfolio is concentrated in information and communications (45% of net adjusted assts) associated with 28% of estimated financed emissions, specifically in the software development sub-sector, which is 27% of total net adjusted assets (excluding where the sector is unknown) and 17% of estimated financed emissions.
2. The life sciences/biotech subsector (which is within the professional, technical and scientific sector) is 9% of net adjusted assets excluding where the sector is unknown and 14% of estimated financed emissions.
3. For information and communications, it is worth noting that for this sector, a substantial share, 31%, of estimated financed emissions are scope 3.
4. Of the most emissions intensive sectors mining and quarrying; electricity, gas, steam and air-conditioning; and agriculture, forestry and fishing, we have limited exposure.
5. Agriculture is not a sector where the Bank has previously operated, however it is a very greenhouse gas intensive sector, illustrated by 7% estimated emissions relative to net adjusted assets of 0.6%. It is also the sector with the highest proportion of estimated financed scope 1 and scope 2 emissions.
6. Overall, more than 90% of our total estimated financed emissions are associated with six sectors.

We have further analysed our exposure by 637 sub-industry sectors (using 5-digit SIC codes). We mapped these to the EXIOBASE sectors provided in the PCAF database to utilise the PCAF emission factors to estimate financed emissions. Where a SIC code was unavailable, we used Pitchbook to match the equity data to a sector so we could then map to EXIOBASE. We have excluded companies with unknown sector (10%).

While these initial estimates of the Bank's on-balance sheet portfolio emissions are highly illustrative, and backward looking, they represent a significant development in understanding the climate-related risks and opportunities facing the business. We consider this to be a transparent approach that can potentially provide insights to users of the annual report and accounts, for example, helping to understand how intensity varies across sectors and the broad profile of potential exposures in our existing portfolio.

In addition to financed emissions, as part of the Bank's MGE performance indicators for 23/24 and in support of our Risk metric to understand the on-balance sheet exposure to emissions intensive sectors, we need to define a sectoral mapping to carbon-intensive sectors.

In advance of the publication of the UK Taxonomy, organisations have flexibility to define their own segmentation. PCAF defines the following as high emission sectors: Forestry, Land and Agriculture (FLAG), Industrials, Transport, Fossil fuels, Metals and mining. These high-level sectors include a blend of high and low emissions sub-sectors.

As such, we have sought to segment our portfolio to more granular high-emitting sub-sectors and to do so we have utilised those within the PRI's annual disclosure framework.[1]

In summary, 3.3% of the on-balance sheet portfolio, with known sector, at Group level is currently within high-emitting sectors. The low proportion of the portfolio in sectors categorised as high-emitting, does not necessarily indicate that emissions reductions overall will be easier because lower emitting sectors may still be hard to abate, particularly for smaller businesses.

Our response to the challenge of emissions data for smaller companies is threefold:

First, we are improving our own processes for requesting, processing, analysing and reporting higher quality GHG emissions estimates from our delivery partners and smaller businesses that we finance.

Second, we are actively engaged with other financial institutions within PCAF's working groups to continuously improve and expand GHG accounting methodologies across more types of assets, different scales of businesses and financial products. In particular, there are challenges around use of SIC codes and lack of standardised taxonomy for investments in climate solutions.

Third, as described on p45, we co-chair the steering group of Project Perseus and collaborate with other industry initiatives that aim to make it easier and less expensive for smaller businesses to calculate and manage their own GHG emissions.

Next steps in 2024/25

Our activities over the next year are structured around developing our own policies, processes and activities: greening finance, financing green and industry collaborations.

We will continue to support our colleagues to develop the knowledge, skills and capabilities to understand their role in realising our climate and sustainability goals. For example, we have commissioned a seminar from the University of Exeter, a leading climate science university, designed to brief all staff on the latest research on the social, environmental and economic impacts of climate change. The University of Exeter is to deliver a workshop for senior leaders from departments across the Bank on the implications of climate impacts under different scenarios, key concepts such as tipping point and contemporary approaches to economic policy and climate.

1 As set out in PGS 42 of the Policy, Governance Strategy module of the reporting framework which can be accessed here: https://dwtyzx6upklss.cloudfront.net/Uploads/q/b/t/02_pgs_april2024_288639.pdf

Scope 1, 2 and 3 greenhouse gas emissions and the related risks

	2021/22 tCO_2e	2022/23 tCO_2e	2023/24 tCO_2e	Trend comparison 2022/23 to 2022/24 (updated methodology) %
Electricity (Scope 2)	65.7	70.6	76.5	8%
Electricity (Scope 3)	24.4	24.9	25.3	2%
Natural Gas (Scope 3 in revised and latest disclosures)	31.7	29.7	31.9	7%
Water (Scope 3)	0.2	0.3	0.4	56%
Waste (Scope 3)	0.1	0.2	0.3	60%
Business Travel (Scope 3)	75	132.6	180.8	36%
Employee Commuting and Working From Home (Scope 3)	Not reported	236.8	309.6	31%
Purchased Goods and Services (Scope 3)	Not reported	8,037.5	7,824.20	-3%
Total (updated methodology only)	**155.4**	**8,532.6**	**8,449.01**	**-1%**
Intensity ratio – average number of emissions per Full Time Employee (updated methodology only)	0.4	15.89	14.47	-9%

We are continually improving our approach to disclosure and reporting around climate risk and greenhouse gas emissions. Specifically, we will continue to:

- develop our own metrics and targets in line with our business model and strategic performance indicators
- work with our delivery partners to build capacity, where needed, and collect data, where data is available, about the underlying recipients of finance to enable both us and our delivery partners to improve the accuracy of our finance emissions measurement and reporting
- further develop our approach to financing green in line with our strategic objective
- continue industry collaborations, notably Perseus, the PCAF working group and the Broadway Initiative, described more fully in p45.

Business stories
Airsym

Programme: Recovery Loan Scheme

Lender: Simply Asset Finance

Funding type: Debt

Location: London

Region: London

Airsym is an established, Heathrow-based transport company that provides services for airlines, crew transfers, terminal transfers, and shuttles.

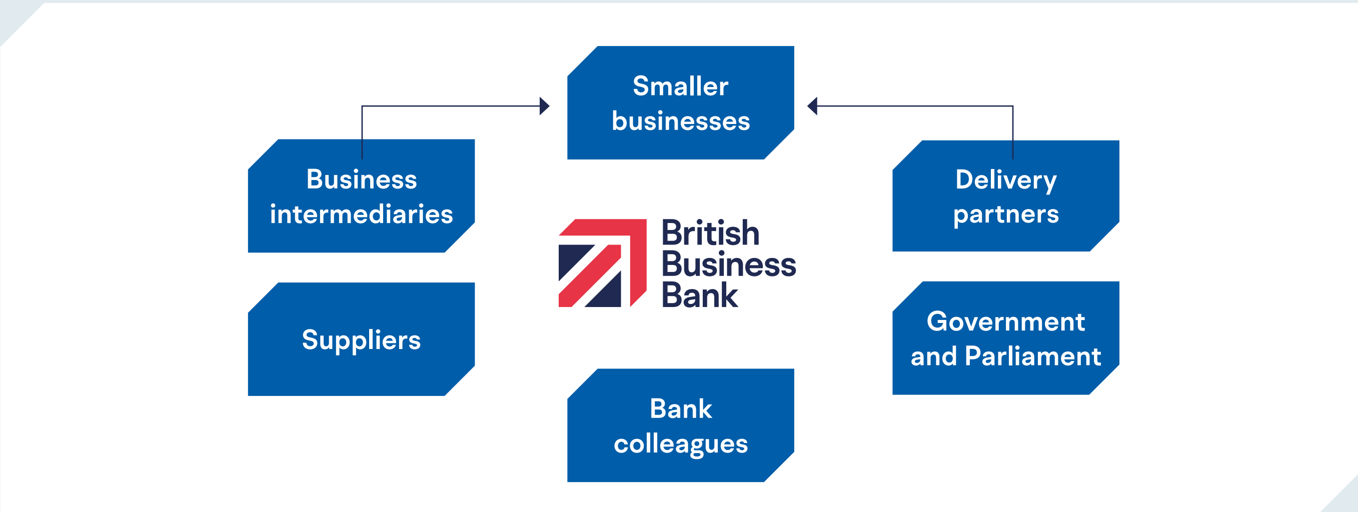
The business accessed a £344,000 Recovery Loan Scheme facility through Simply Asset Finance which it used to expand and support the electrification of its current fleet of vehicles.

Estimated financed emissions by sector for on-balance sheet portfolio

Sector	Net adjusted assets at FYE excluding unknown £m	Share of net adjusted assets at FYE excluding unknown %	Financed emissions – scope 1 + 2 (tCO_2e) 000s	Share of financed emissions Scope 1 and 2 %	Financed emissions – scope 3 (tCO_2e) 000s	Share of financed emissions scope 3 %	Financed emissions – Total Scope 1-3 (tCO_2e) 000s	Financed emissions – Total Scope 1-3 (tCO_2e)3 %
Information and Comms	1488.0	45%	29.0	20%	133.6	31%	162.7	28%
Professional, scientific and technical	435.2	13%	17.6	12%	82.1	19%	99.7	17%
Manufacturing	303.2	9%	19.8	14%	81.4	19%	101.2	17%
Financial and insurance services	270.1	8%	0.1	0%	0.6	0%	0.7	0%
Admin and business support services	245.1	7%	11.2	8%	33.4	8%	44.5	8%
Wholesale and retail trade; motor vehicle trade and repair	170.7	5%	22.7	16%	60.6	14%	83.3	14%
Real Estate	78.5	2%	0.2	0%	0.6	0%	0.9	0%
Human Health and Social Work	60.4	2%	0.8	1%	3.5	1%	4.3	1%
Other service activities	52.5	2%	1.7	1%	4.8	1%	6.5	1%
Construction	50.7	2%	1.7	1%	11.4	3%	13.1	2%
Transportation and storage	49.4	1%	1.5	1%	4.0	1%	5.4	1%
Arts, entertainment and recreation	30.8	1%	0.8	1%	1.9	0%	2.7	0%
Accommodation and food service	28.0	1%	0.3	0%	1.3	0%	1.6	0%
Education	25.9	1%	0.3	0%	0.9	0%	1.2	0%
Agriculture, forestry and fishing	19.7	1%	30.7	21%	11.4	3%	42.1	7%
Water supply, waste management and remediation	8.9	0%	0.4	0%	0.6	0%	0.9	0%
Activities of households as employers	7.2	0%	0.3	0%	0.4	0%	0.6	0%
Electricity, gas, steam and A/C	3.0	0%	5.6	4%	0.6	0%	6.2	1%
Public admin and defence; compulsory social security	1.9	0%	-	0%	0.1	0%	0.1	0%
Extraterretorial organisations and activities	0.2	0%	-	0%	-	0%	-	0%
Mining and quarrying	0.1	0%	1.4	1%	-	0%	1.5	0%
Total excluding unknown sector	**3,329.5**	**100%**	**146.1**	**100%**	**433.1**	**100%**	**579.2**	**100%**
Missing sector information	389.2		N/A	N/A	N/A	N/A	N/A	N/A
Total*	**3,718.7**							

* The total on-balance sheet assets under management differs from the amount stated as on-balance sheet net adjusted assets in the adjusted return statement of financial position on p99 by £148.7m due to (i) there not being a methodology developed to calculate financed emissions for Start-Up Loans and guarantee products (£120.2m) and (ii) a proportion of funds which have been drawn down by fund managers but have yet to be invested (£28.5m).

Our key stakeholders



Section 172 of the Companies Act 2006 requires that the Directors promote the success of the Company for the benefit of its members as a whole, having regard to the interests of stakeholders in their decision-making.

In performing their duties during 2023/24, the Directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006. Details about how the Board has had regard to the matters set out under s.172 of the Companies Act 2006 and their compliance with the UK Corporate Governance Code can be found on p112-123. Further information on each of the s.172 matters can be found as follows:

The likely consequences of any decision in the long term

How we work – p26–27

Our objectives – p30–45

Principal risks – p74–77

The interests of the Company's employees

Supporting colleagues – p66–68

The need to foster the Company's business relationships with suppliers, customers and others

Putting the customer at the heart of everything we do – p28–29

Our objectives – p30–45

How we support smaller businesses across the UK – p22–25

The impact of the Company's operations on the community and the environment

Climate-related Financial Disclosures – p78–91

Building the modern, green economy – p44–45

The desirability of the Company maintaining a reputation for high standards of business conduct

Whistleblowing – p119

Internal controls – p64–65 and p69–77

Suppliers

Why we engage

Suppliers help us deliver our services on time and to good quality. This helps to maintain value for money and can bring innovative solutions that create additional value.

Priorities

– Develop relationships with suppliers that enable us to effectively support new programmes and increased volumes.

– Ensure our suppliers are aligned to our policies, including on modern slavery and ESG priorities.

Actions

– Our Supplier Relationship Management Team and supplier ecosystem help maintain deeper and more effective relationships, drive innovation and identify collaboration opportunities.

– Rolled out Supplier Treatment Standards to ensure suppliers are managed and monitored effectively. The standards are designed proportionately with reference to the supplier category and represent the minimum expectations.

– Our Supplier Management Policy was updated to reflect the requirement for sustainable procurement in achieving the Bank's net zero ambitions and IT outsourcing standards.

Business stories

Episode 1

Programme: British Patient Capital

Funding type: Equity

Location: London

Region: London

Episode 1 is a UK-based venture capital fund manager which focuses on pre-seed and seed stage enterprise software companies, with a bias towards deeper technology companies.

The company was previously supported through the Bank's Enterprise Capital Fund programme British Patient Capital's commitment to its third fund has helped Episode 1 to transition to a fully commercial fund structure, surpass its target fund size and allow it to continue to scale up its own operations.

At £76m, Fund III is Episode 1's largest fund to date, supporting the growth of the firm and allowing it to continue to support innovative UK-based software companies.

2023/24 Financial performance and calculation of adjusted return

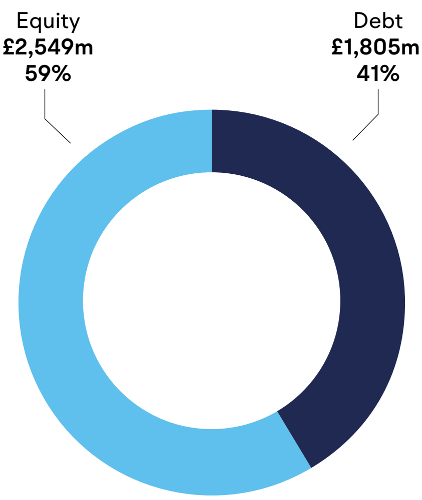
The principle of the adjusted return is to provide a measure of financial performance that includes the programmes on both British Business Bank's balance sheet and those that the Bank administers on behalf of the Department for Business and Trade (DBT). We show the comparison of the in-year adjusted return compared to the audited balance sheet, and a five-year rolling average adjusted return figure which demonstrates long-term performance.

4.5%

5-year adjusted return on capital

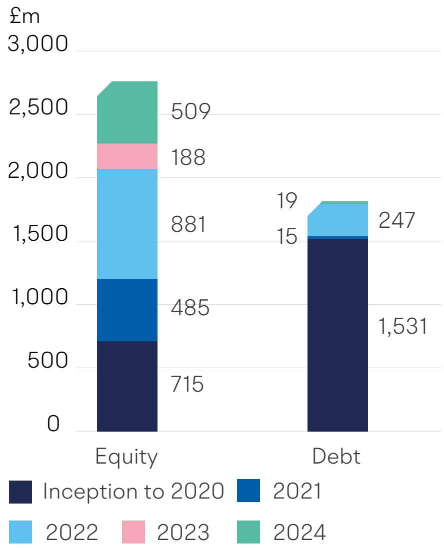
The net investment assets that the Bank is responsible for have continued to grow during the year, with assets totalling £4,354m as at 31 March 2024 compared to £4,061m at 31 March 2023. As at 31 March 2024, 59% of net investment assets are considered Equity with 41% considered Debt, with the split remaining consistent year-on-year.

Split of net investments by debt and equity (£m)

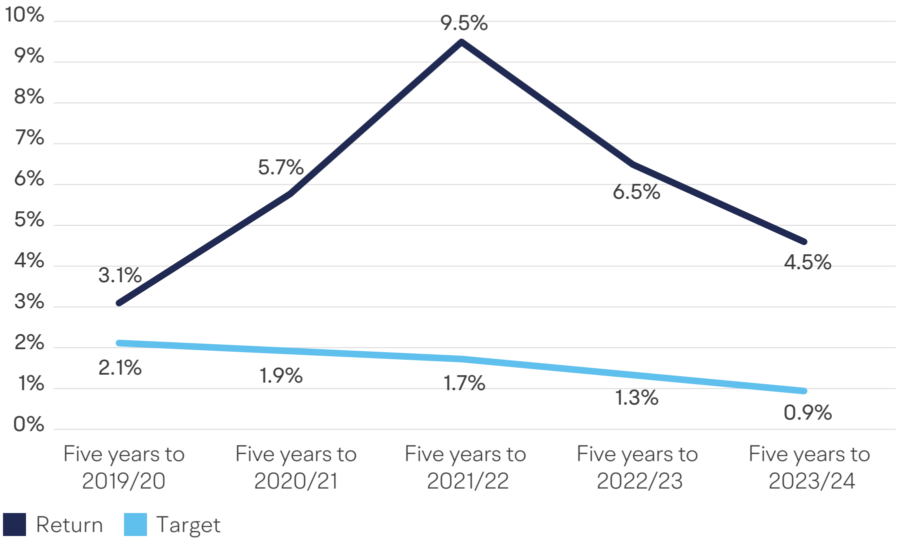


The Bank, as a through-the-cycle investor, expects to deliver a multi-year return that can be subject to in-year fluctuations. The charts on the page opposite detail the movement in net assets for both Debt and Equity investments over the last five years as well as the year-on-year contribution to the overall adjusted return.

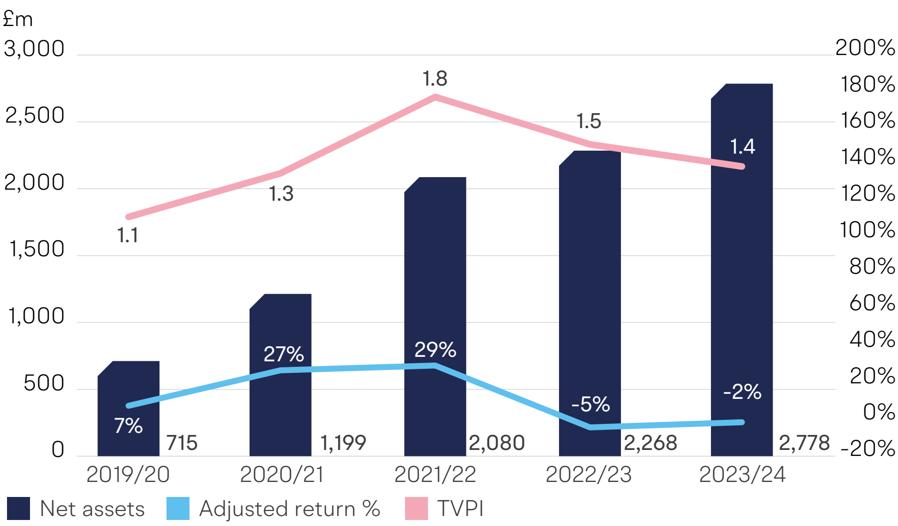
Annual growth of equity and debt investments (£m)



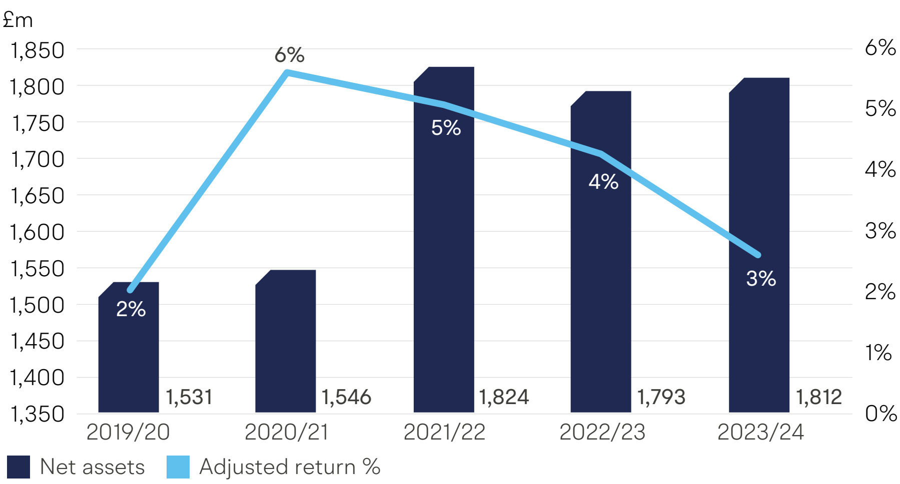
Five-year adjusted return on average capital employed



Equity investments (£m)



Debt investments (£m)



Both Debt and Equity net investment assets have grown in the five years to 31 March 2024 with positive returns on the Debt investments each year. Following the significant fair value increases seen on the Equity investments during 2020 to 2022, we have seen another year of in-year fair value reductions leading to a negative return for the year ended 31 March 2024. Over the last five years the Bank has made overall positive returns on both Debt and Equity investment assets.

The adjusted return calculation takes the Bank's audited profit before tax, finance costs and the movements on the Enterprise Capital Funds loan commitment provision and includes the net profit from the programmes that are managed by the Bank on behalf of DBT, with the exception of the three Coronavirus emergency response loan guarantee schemes, Recovery Loan Scheme and Future Fund. The return is then adjusted to eliminate the volatility of Enterprise Capital Funds valuation movements, which can significantly distort the performance from year to year, and to exclude the performance of the Start Up Loans programme.

Programmes we administer on behalf of DBT

In agreement with our Shareholder, the performance of the three Covid-19 emergency response loan guarantee schemes, Recovery Loan Scheme, Future Fund and ENABLE Build, that are administered by the Bank has not been included in the 2023/24 adjusted return calculation.

We have and will continue to work with our Shareholder to determine what measures of performance for these programmes should or should not be incorporated into the adjusted return calculation for future reporting periods.

The Bank has a number of objectives set out on p30-45, some of which are related to areas other than purely delivering a financial return.

The Bank is required to balance meeting its objectives with providing value for money and delivering additionality.

The table below lays out our active programmes in 2023/24. It shows whether they are held on the Bank's balance sheet and if they contribute to the Bank's financial performance measurement.

British Business Bank's active finance programmes in 2023/24[1]

	Commercial activity: programmes required to make a commercial rate of return on capital employed	**Mandated activity:** programmes funded by HM Government on a subsidised basis	**Service activity:** programmes conducted on behalf of HM Government which remain on the balance sheet of HM Government
Contributes to our financial performance measurement	– Investment Programme – Managed Funds – Regional Angels Programme – British Patient Capital[3] – Future Fund: Breakthrough – Life Sciences Investment Programme – Nations and Regions[4]	– Enterprise Capital Funds[2]	– Angel Co-fund – Regional funds: Midlands Engine, Northern Powerhouse, Cornwall & Isles of Scilly Investment Funds[4] – ENABLE Guarantee – ENABLE Funding
Does not contribute to our financial performance		– Start Up Loans	– Recovery Loan Scheme – ENABLE Build

Notes

Programmes within the blue shape are on balance sheet. Items in purple are debt items. Items in green are equity items.

1 Active finance programmes are those where the Bank has committed or supported finance in 2023/24, and/or (as at end March 2024) have the potential to undertake further activity in the future. This table does not include the Bank's legacy programmes or the Coronavirus emergency response loan guarantee schemes or Future Fund, which were closed to new activity prior to the outset of the 2023/24 financial year. Where they are on the Bank's balance sheet, details of these legacy programmes can be found in the financial statements, beginning on p162.

2 In calculating the financial performance measurement, appropriate adjustments are made to Enterprise Capital Funds' financial performance figures (see p185 for further information).

3 In the financial statements in this Annual Report, British Patient Capital is referred to via its constituent parts, called 'Venture', 'Venture Growth' and 'Co-Investment' – see p192 for these details.

4 Nations and Regions and Regional Investment Funds include debt investments and equity investments.

Key drivers of financial performance

Overview

As an investment business focusing on generating appropriate risk-adjusted returns on our capital investment, our financial performance is dependent on a number of significant items, including:

– the amount of capital we have committed and the time period over which funding is deployed

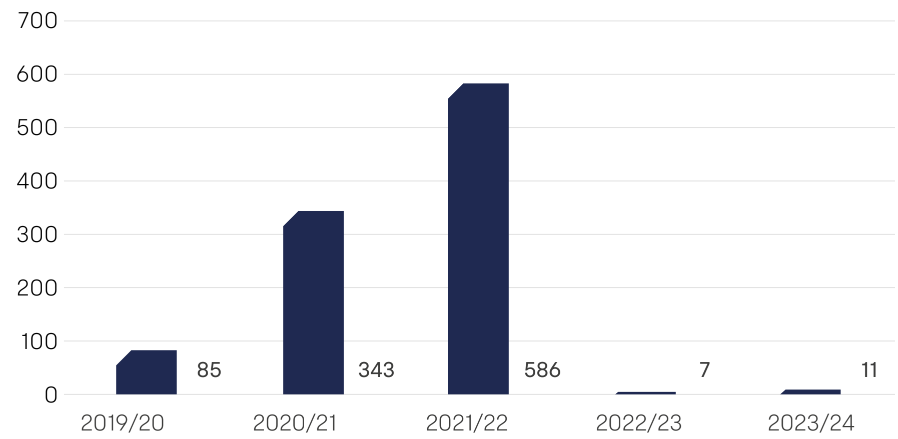
– the underlying performance of our investments and their ability to make interest and debt repayments over time, and the ability to exit investments successfully and make a capital profit

– events impacting on the macroeconomy. As has been observed in 2023/24 and in line with prior years, our performance can be impacted by external economic factors

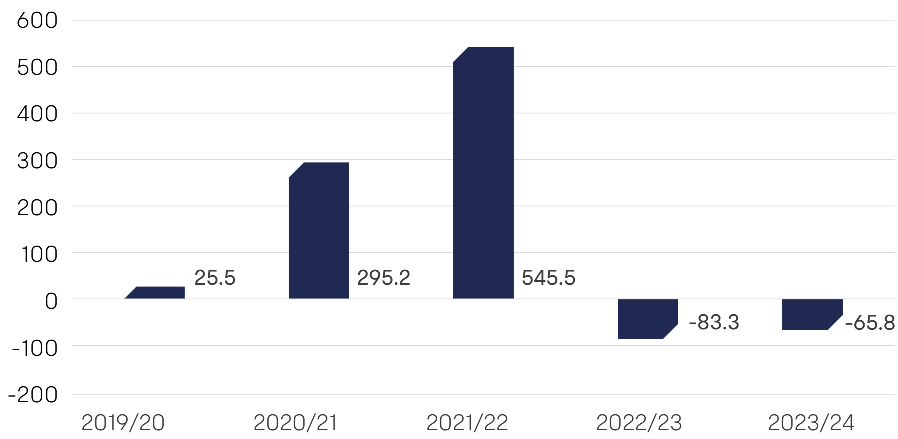
– accounting driven variations in value due to requirements under accounting standards relating to valuation assumptions.

The investment portfolio comprises a mix of investments which contribute towards meeting the Bank's overall strategic objectives. Some investments earn a commercial return whilst others generate a return which is below the market rate. It is the performance of the commercial investments managed by British Business Investments, British Patient Capital and Nations and Regions Investment Funds that makes the greatest contributions to the Bank's overall returns.

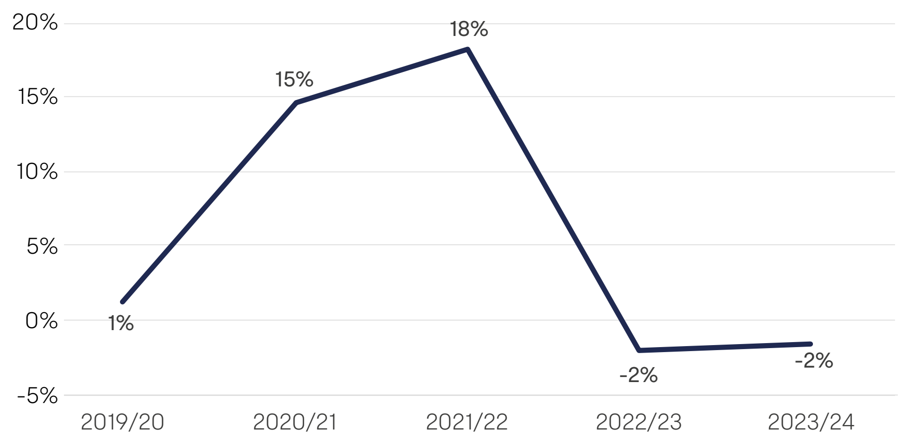
Adjusted net operating income (£m)



Adjusted return (£m)



Adjusted return on average capital employed



2023/24 Markets, portfolio composition and valuation impacts

In our previous year's Annual Report and Accounts we signposted that despite the encouraging net fair value increases across the fair value through profit and loss (FVTPL) investment portfolio experienced between 2020 and 2022, there was a potential for future downward pressures on these valuations. Public markets have continued to be volatile during the year with a period of high inflation putting pressure on the economy.

The Bank's investment portfolios continue to be diverse in their size, sector and exposure to risk. The total net fair value decreases in the year were £48.8m compared to the prior year when net fair value decreases were £57.7m. The Bank's unrealised losses on investments in the year to 31 March 2024 are £77.3m.

As at the date of this Annual Report and Accounts the macroeconomic environment remains uncertain, with a continued likelihood of short-term fluctuations in the value of the Bank's investments. The Bank is ultimately focused on delivering realised returns at the end of multi-year investment cycles, therefore, year-on-year fluctuations are to be expected. Our overall portfolio TVPI multiple continues to be positive in line with our expectations of achieving long-term returns.

Performance of operating segments

BBI

BBI invests in a combination of debt (BFP Mid Cap and Investment Programme) and equity (UKIIF, Regional Angels Programme and Managed Funds) investments. BFP Mid Cap and the Investment Programme, totalling £1,124.9m, are weighted more towards traditional sectors of the economy, leading to net fair value increases (including interest income and expected credit loss) of £14.7m.

UKIIF, Regional Angels Programme and Managed Funds investments, totalling £521.2m, support investments in innovative high-growth companies. These programmes have been resilient to market conditions during the year as further investments of £92.1m have been made with a small net fair value increase of £3.0m.

There has been an increase in the undrawn commitments of £218m, giving an undrawn commitment of £1,370m at 31 March 2024.

BPC

BPC through its Venture, Venture Growth and Life Sciences Investment Programme has significant investments in early-stage start-ups and technology-led businesses. The total of these portfolios has continued to increase during the year to £1,384.6m at 31 March 2024, but as expected we have seen a continued partial reversal of the unrealised fair value increases from previous years with a fair value decrease in the year of £50.3m.

Direct investments made through Future Fund: Breakthrough and the Co-Investment programmes have led to a further 16 companies receiving investment, totalling £40.8m. There have been limited fair value movements during the year. Many of these investments continue to be held at last round prices despite in-year market movements. Where there has been limited fundraising activity in the year, we have ensured these valuations are in line with applicable valuation guidance and will continue to review in future years to ensure they remain compliant.

There has been an increase in the undrawn commitments of £43.0m, giving an undrawn commitment of £659.4m at 31 March 2024.

BBFL

BBFL has continued to make investments through its flagship Enterprise Capital Funds programme during the year with additional investment of £74.9m being made into its funds which total £461.8m at 31 March 2024. In line with accounting standards, these investments are considered to be below par even though the Bank expects to make a positive return on its investments over the life of each fund. Net fair value increases in the year were £20.7m which is a significant reduction compared to the previous year but in keeping with other portfolios across the Bank.

BBFL holds two listed investment assets within the ECF programme which have seen fair value increases in the year of £3.6m.

There has been an increase in the undrawn commitments of £28.1m, giving an undrawn commitment of £433.7m at 31 March 2024.

SUL

During the year, Start Up Loans made 9,776 new loans totalling £125.3m, with the portfolio totalling £168.9m at 31 March 2024. The nature of the lending undertaken by Start Up Loans (lending to start-ups without collateral) leads to investments being more vulnerable to any macroeconomic changes. Owing to Start Up Loans being at a fixed interest rate of 6%, losses on these loans are expected to be between 30% and 40% of the total loans advanced.

There has been no significant movement in the fair value of Expected Credit Loss provision on Start Up Loans during the year.

BBFSL

Activity undertaken during the year by the Group's service arm sits on HM Government's balance sheet. The Angel Co-Fund, ENABLE Funding, ENABLE Guarantee and Enterprise Finance Guarantee (EFG) programmes impact the Bank's adjusted return for the year. The ENABLE programmes are structured so as to be low risk while delivering their objectives, and were again profitable in the year.

Investments made by the Angel Co-Fund and ENABLE Funding programmes are included in the investment assets and liabilities table, as are Expected Credit Losses under EFG.

British Business Bank's adjusted return statement of financial position

As at 31 March 2024 (£m)	Audited Accounts	Adjustments for SUL*	Adjusted British Business Bank plc*	Programmes administered on behalf of DBT*	Adjusted Net Assets
Investment assets					
BBI – Investment Programme	826.7	-	826.7	-	826.7
BBI – Other programmes	819.3	-	819.3	-	819.3
BPC – Venture/Growth/ Co-Investment/FF:B/LSIP	1,569.7	-	1,569.7	-	1,569.7
NRIL	24.5	-	24.5	-	24.5
ECF	478.5	-	478.5	-	478.5
Other Venture Capital	36.3	-	36.3	147.7	184.0
Guarantee and Wholesale	-	-	-	574.3	574.3
Start Up Loans	169.0	(56.4)	112.6	-	112.6
	3,923.9	**(56.4)**	**3,867.6**	**722.0**	**4,589.6**
Investment liabilities					
Guarantee and Wholesale	-	-	-	(6.5)	(6.5)
ECF	(229.1)	-	(229.1)	-	(229.1)
	(229.1)	**-**	**(229.1)**	**(6.5)**	**(235.6)**
Net investment assets	**3,694.8**	**(56.4)**	**3,638.4**	**715.5**	**4,353.9**
Other assets/liabilities					
Cash	157.6	(9.1)	148.5	-	148.5
Tangible and intangible assets	5.5	-	5.5	-	5.5
Loans and borrowings	(156.0)	56.4	(99.6)	-	(99.6)
Net other payables	(155.3)	9.1	(146.2)	-	(146.2)
	(148.2)	**56.4**	**(91.8)**	**-**	**(91.8)**
Total net assets	**3,546.7**	**-**	**3,546.7**	**715.5**	**4,262.2**

* Unaudited.

British Business Bank's adjusted return statement of comprehensive net income

Year ended 31 March 2024 (£m)	Audited Accounts	Adjustments for SUL and ECFs*	Adjusted British Business Bank plc*	Programmes managed on behalf of DBT*	Adjusted Return*
Investment income					
BBI - Investment Programme	16.2	-	16.2	-	16.2
BBI - Other programmes	12.0	-	12.0	-	12.0
ECF	-	15.2	15.2	-	15.2
Other Venture Capital	3.3	-	3.3	-	3.3
Guarantee and Wholesale	-	-	-	27.5	27.5
Start Up Loans	36.0	(36.0)	-	-	-
Investment income	**67.4**	**(20.7)**	**46.6**	**27.5**	**74.1**
Management fee & other income	53.7	-	53.7	(44.9)	8.8
Grant income	4.3	(4.3)	-	-	-
SUL inter-co interest	-	1.3	1.3	-	1.3
Total operating income	**125.4**	**(23.8)**	**101.6**	**(17.4)**	**84.2**
Net investment costs					
BBI - Investment Programme	(21.5)	-	(21.5)	-	(21.5)
BBI - Other programmes	11.0	-	11.0	-	11.0
BPC - Venture/Venture Growth/ Co-Investment/FF:B/LSIP	(59.9)	-	(59.9)	-	(59.9)
NRIL	(4.3)	-	(4.3)	-	(4.3)
ECF	(14.1)	14.1	-	-	-
Other Venture Capital	1.9	-	1.9	-	1.9
Start Up Loans	(70.2)	70.2	-	-	-
Net investment costs	**(157.1)**	**84.3**	**(72.8)**	**0.0**	**(72.8)**
Net gain on write down of repayable capital grant	**50.4**	**(50.4)**	**-**	**-**	**-**
Net operating income	**18.6**	**10.1**	**28.8**	**(17.4)**	**11.3**
Other operating costs					
Staff Costs	(64.6)	3.9	(60.7)	12.0	(48.7)
Other Costs	(65.4)	15.3	(50.2)	23.5	(26.6)
Total operating expenditure	**(130.0)**	**19.2**	**(110.8)**	**35.5**	**(75.3)**
Net operating loss before ECF provisions & interest	**(111.4)**	**29.3**	**(82.1)**	**18.1**	**(64.0)**
ECF derivative gain (cash)	-	5.8	5.8	-	5.8
ECF permanent diminution in value	-	(7.7)	(7.7)	-	(7.7)
Adjusted return	(111.4)	27.5	(83.9)	18.1	(65.8)
Average capital employed					**4,495.0**
Adjusted return on average capital employed					**(1.5%)**

* Unaudited.

Funding

We require funding to make investments and run our operations. Depending on our requirements, these can be met from our investment earnings or our Shareholder.

To fund our capital investments, we generally issue shares to our Shareholder and utilise available cash from our operations, including investment repayments. At 31 March 2024, the UK Government held shares totalling £3,066.2m in British Business Bank plc, comprising the entire share capital of the Company. During the year, British Business Bank plc issued £485.9m of additional share capital to the Company's sole Shareholder.

Our operating costs are funded through investment income, further funding from our Shareholder plus a management fee charged to DBT for managing assets on its behalf. Income received from this charging mechanism was £44.9m in 2023/24.

At 31 March 2024, British Business Bank plc held £157.6m of cash balances. The Bank maintains sufficient cash balances to fund short-term investments and operational expenditure requirements. Most of these funds, £135.5m, are held within the Government Banking Service to ensure that there is minimal cost to the Exchequer.

Adjusted return

As part of measuring the Bank's performance, the Shareholder uses the adjusted return for the five years ending 31 March 2024 which was 4.5%. This is significantly above the threshold return of 0.9%. Our adjusted net operating income for the year was £11.3m. However, the Bank returned a net operating loss before ECF provisions, mainly due to fair value decreases on the investment portfolio. Owing to the weakening of sterling against the US dollar and the euro, included within fair value decreases is a £19.1m foreign exchange loss in relation to our non-sterling investment assets. Total operating expenditure was £75.3m, resulting in a 1.5% loss on average capital employed.

The loss after tax shown in the Consolidated Statement of Comprehensive Net Income is £121.5m compared to a loss after tax of £135.3m in the previous year.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

Louis Taylor
Chief Executive Officer
25 July 2024

Introduction by the Chair

Governance report

> The Board plays a central role in setting the Group's strategy, business model and culture, and having appropriate oversight of executive management.

Stephen Welton
Chair

On behalf of the Board, I am pleased to present our Governance report for the year ended 31 March 2024, which sets out how the Board and its Committees operated effective decision-making and corporate governance during 2023/24.

The Board has a key role in ensuring the purpose and vision of the Company is clear, supported by the right strategy, with the right resources and overseen with the appropriate governance framework.

Stakeholder engagement

Owing to the nature of our ownership, we have a close relationship with the UK Government, overseen by UK Government Investments Limited (UKGI), and an associated governance framework substantively defined by our Shareholder Relationship Framework (SRF). I have engaged with our Shareholder, the Secretary of State for Business and Trade (SoS), and their department on a number of occasions to discuss DBT's economic development and other priorities. The SoS and a DBT Non-executive Director also attended our November 2023 Group Board Strategy Day where they expressed support for the Company's activities and continued collaboration. In addition, the Chairs of our Risk Committee and Audit Committee regularly engage with the DBT Audit and Risk Committee throughout the year.

We look forward to continuing the strong relationships we have with Government stakeholders as we continue to refine our strategic vision to support smaller business finance across the country through the launch of our new ventures, management of existing programmes, and overall increase in our impact across the economy.

Since October 2023, I have particularly enjoyed supporting the Nations and Regions Investment Fund launches around the country. At these events, I have had the opportunity to meet many smaller businesses that have been directly supported by the Bank, as well as our delivery partners and Bank colleagues, who clearly have a real passion and commitment to what they do.

You can find our formal statement on Stakeholder engagement (Section 172) on p92-93 and how, as a Board, we have regard for the interests of our stakeholders in our decision-making on p120–121.

Board evaluation and effectiveness

In accordance with the UK Corporate Governance Code, my predecessor oversaw an external Board Effectiveness Review (BER) to assess the effectiveness of the Board as a whole, its committees and its Directors. The findings provide an opportunity for the Company to learn and improve on what we already have in place. I have engaged with the author of the BER report to understand the broader context to ensure continuity as we plan ahead. A follow up Board Effectiveness Review in 2024 will report on our progress against the action plan and draw on the learnings of the BER as needed. Further details can be found in the Board Effectiveness Review section on p122–23.

The Board has also discussed the results of a Board skills survey to ensure we have the most suitable skills for the future. We will work through the Governance and Nomination Committee (GNC) and Board to ensure that future recruitment will attend to less well represented areas and also the future direction of travel of the Company in terms of continuing to broaden our experience and expertise. I also discuss opportunities for ongoing learning with Non-executive Directors as part of our regular performance management sessions, to keep our overall skills up to date. There is further information in the GNC report on p124-127.

Board strategy

The Board plays a central role in setting the Group's strategy, business model and culture, and having appropriate oversight of executive management. Good governance is about the right balance of executive accountability and guidance to allow the executive management to deliver operationally. With new senior executives in post, there is an opportunity to reflect on the best way the Board can support them in the role of successfully managing the risks involved in supporting new and growing companies, all during this period of change and growth for the Company.

The Board came together with the members of the Executive Committee in November 2023 for a dedicated Group Board Strategy Day to consider the key strategic questions facing the Company. The outcome of the strategy discussions is set out in 'Our objectives' on p30–45. They are informed by the Company's track record of a demonstrated capability to make a difference in the UK economy as it relates to the provision of finance to smaller businesses.

> **"We look forward to continuing the strong relationships we have with Government stakeholders as we continue to refine our strategic vision to support smaller business finance across the country."**

Diversity, inclusion and culture

In terms of Board composition and diversity, although the Company has rightly set the bar on a meritocratic basis and we have strong representation, we could do better and want to lead by clear example. I will work with our Shareholder and the GNC to ensure that diversity, equity and inclusion continue to be considered when recruiting future roles for the Board and senior management level roles. An overview is provided in the 'Board at a glance' section on the right, our GNC report on p124-127 and in the 'Supporting colleagues' section on p66–68.

During my induction period, I have appreciated meeting colleagues at the Company and finding out first-hand the breadth of our capabilities. Individual Board members have also participated in several internal and external engagement events through the year. These opportunities have allowed the Non-executive Directors to find out more about our customers and gain a sense of the organisational culture as well as the Company's broader position in the economy.

Another important part of the Board's role is to gain a sense of the company culture amongst colleagues at specific points and over time. My first Board meeting received the results of our employee engagement survey, and as part of that I am keen to encourage more direct Board member engagement with Bank colleagues where possible, for the Board to be more visible around the organisation and for the Company to utilise the extensive skill set of the Non-executive Director membership.

Sustainability

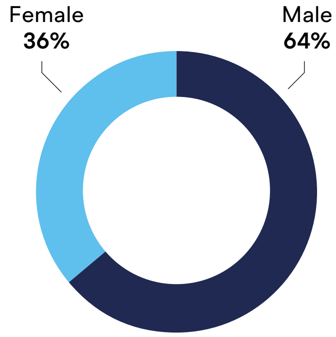
We are in a relatively early phase of our journey towards becoming net zero by 2050 and developing the Company's objective to help 'build the modern, green economy'. This is an area that the Board will be focussing on more. The Board regularly receives updates on sustainability and the integration of environmental, social and governance (ESG) across the Company. We are a committed participant in supporting smaller businesses to make the change and working with them on exploring what this can entail. Our second annual Task Force on Climate-related Financial Disclosures (TCFD) report can be found on p78-91.

Looking ahead

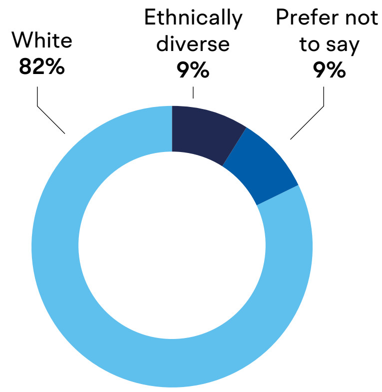
The Board and I acknowledge the important support of our stakeholders throughout the year in partnering with us as we explore the broad opportunities set out in our strategy to drive sustainable growth and prosperity across the UK, crowding in private investment and increasing the scale and impact of the Bank.

Board at a glance (as at 31 March 2024)

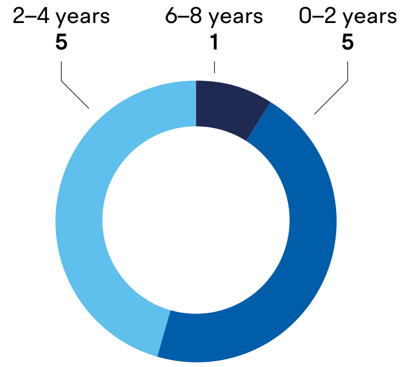
Gender diversity



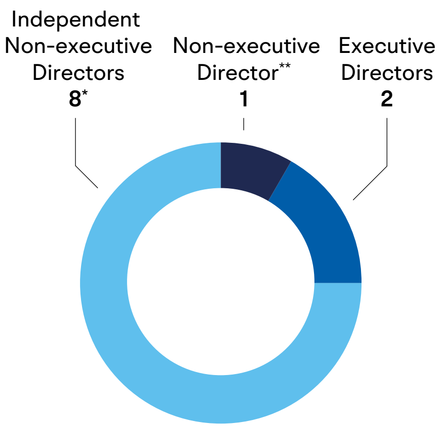
Ethnic diversity



Board tenure



Board composition



* Includes Chair ** Shareholder Representative

2023/24 Board highlights

- Orderly appointment of the new Board Chair in October 2023.
- Completed an external Board Effectiveness Review which concluded that the Board and its Committees continue to operate effectively.
- Concluded a programme of work to support the Company to become more customer centric.
- Approval and award of the Long-term Investment for Technology and Science (LIFTS) initiative via our Commercial arm through British Business Investments Ltd.
- Successful completion of the British Patient Capital Ltd Stocktake and ***Future Fund: Breakthrough programme evaluation.***
- Extensive engagement as part of the scoping of work to encourage greater long-term investment in the economy from our major pension funds.

Board members' skills/experience

Strategy development and oversight	11 out of 11
Corporate governance	11 out of 11
Strategic and business risk	10 out of 11
Financial and people risk	11 out of 11
Climate risk	7 out of 11
Green finance (net zero)	6 out of 11
Anti-fraud controls	7 out of 11
Culture and leadership	11 out of 11
Technology	8 out of 11
Stakeholder engagement and management	11 out of 11

Business stories
OrganOx

Programme:
Enterprise Capital Funds (ECF)

Funding partner: Longwall

Funding type: Equity

Location: Oxford

Region: South East

OrganOx is at the forefront of changing the way donor organs are preserved in the critical time between donation and transplantation.

Its leading product, the metra®, harnesses patented medical technology to preserve donor livers for up to 24 hours prior to transplant. This product has been used in around 4,000 liver transplants.

OrganOx accessed venture capital via the Enterprise Capital Funds (ECF) programme, which it used to fund the clinical studies to secure market approval for its product, a complex class III medical device.

Board of Directors

As of 31 March 2024

The Board is composed of the Chair, one Shareholder Representative Director, two Executive Directors, and seven Independent Non-executive Directors.

The General Counsel and Company Secretary also attends all meetings and supports the Board.

Stephen Welton CBE

Chair

Appointed: 5 October 2023

Board attendance: 4* of 5

Committee membership

GNC

Chair

Stephen has extensive experience as an investor in private capital markets around the world. He was the founder CEO of the Business Growth Fund plc (BGF) from 2011 to 2020, then Executive Chair between 2020 and 2022, and later Non-executive Chair until July 2023.

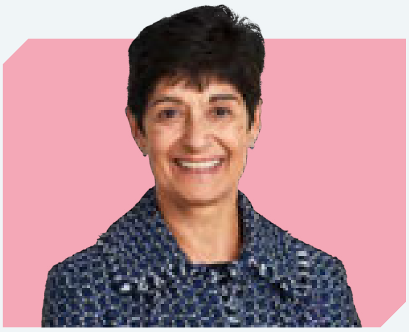
In 2013, Stephen was appointed as an advisor to the UK Government regarding the establishment of the British Business Bank and, in 2017, served as a member of the Industry Panel advising HM Treasury on the Patient Capital Review. He was also a member of the Prime Minister's 2021 Business Council and a member of the Innovate Council from 2018–2021.

Prior to BGF, he was one of the founding partners of global private equity firm CCMP Capital (formerly JP Morgan Partners) and before that, managing director of Barclays Private Equity and Henderson Ventures, which he also co-founded.

Stephen was awarded a CBE in June 2023 for Services to Small Businesses and Entrepreneurship.

External appointments

- Non-executive Director of Intermediate Capital Group plc
- Advisor to Singer Capital Markets, BGIS Global Integrated Solutions Limited, the Investment Delivery Forum of the ABI, and various start ups including Floe Oral Care Limited as Non-executive Chair



Neeta Atkar MBE

Senior Independent Director

Appointed: 1 July 2016

Board attendance: 12 of 12

Committee membership

AC RC GNC

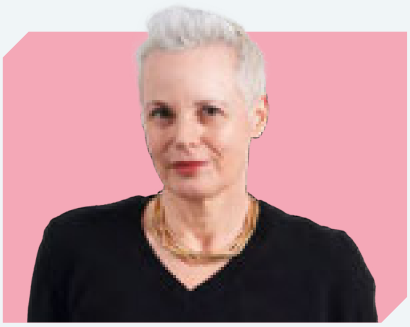
Chair

Neeta has over 35 years' experience in financial services, having held a series of positions at both banks and insurance companies in the private and public sectors, working across all aspects of risk.

Neeta started her career at the Bank of England, undertaking a variety of roles both in the Bank's own banking department and in its supervisory function. She moved to the FSA on its creation, leaving in 2000 to move into consulting where she worked with a range of financial service clients on risk and regulatory matters. Thereafter, she has held senior positions at both banks and insurance companies, in a range of roles covering operational, credit and regulatory risks.

External appointments

- Non-executive Director and Chair of the Risk Committee of Nomura Europe Holdings plc
- Non-executive Director and Chair of the Risk & Audit Committee and Chair of the Remuneration Committee, Nomura Financial Products Europe
- Non-executive Director of Nomura International plc and Nomura Bank International
- Non-executive Director and Chair of the Risk Committee of Quilter plc and relevant subsidiaries
- Justice of the Peace for over 25 years



Barbara Anderson

Non-executive Director

Appointed: 13 October 2021

Board attendance: 7 of 12

Committee membership

PRC

Chair

Barbara was the 2023 winner of the Sunday Times Non-executive Director awards for Private Equity/Private companies. She is an experienced Non-executive Director and Chair who has worked extensively with smaller businesses, third sector organisations and PLCs in regulated sectors, international private companies and venture capital specialists.

Barbara's expertise includes innovation for growth and sustainability, including ESG, strategic planning, start-up acceleration and business transformation.

External appointments

- Chair of the Energy Saving Trust
- Independent Board Member and Chair of Audit and Risk at SmartDCC Ltd
- Non-executive Director of BSC 2 VCT Ltd
- Chair of 28 Bolton Gardens Management Company Ltd

Key AC Audit Committee | RC Risk Committee | PRC People and Remuneration Committee | GNC Governance and Nomination Committee

Jamie Carter

Shareholder Representative Director

Appointed: 19 April 2021

Board attendance: 12 of 12

Committee membership

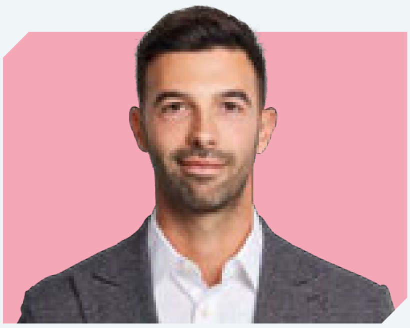
RC PRC GNC

Jamie is a Director at UK Government Investments (UKGI) in which he has worked since October 2016, where he also leads the Corporate Governance practice and management of the portfolio, and until July 2021 was a Non-executive Director on the Board of the Royal Mint.

Prior to joining UKGI, he spent 10 years at HM Treasury where he specialised in public spending, including being involved in several spending reviews and major infrastructure policy. During this period, Jamie took a two-year career break to work as a Governance Specialist at the World Bank based in Jakarta.

External appointments

– None



James Connelly

Non-executive Director

Appointed: 4 January 2022
Resigned: 31 March 2024

Board attendance: 9 of 12

Committee membership

RC

James is an entrepreneur and investor in the digital economy. Having built and sold a global digital agency, James has advised some of the world's most successful internet companies including Apple and Meta. James is now the founder of Charlie Oscar, a digital marketing company that transforms growth for brands. James is an advisor and board member for UK start-ups and is active in the SME community.

External appointments

– Non-executive Director of Different Dog Limited

Matthew Elderfield

Non-executive Director

Appointed: 22 November 2022

Board attendance: 12 of 12

Committee membership

RC

Matthew has worked as a senior banker and financial regulator in the UK, EU and Bermuda.

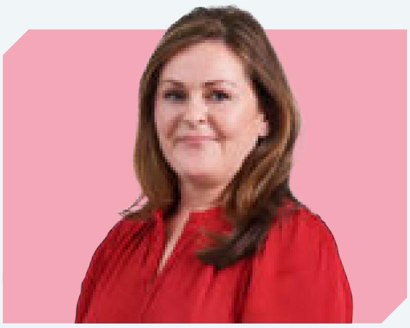
Matthew was a member of the Management Board of Nordea, most recently serving as Chief Risk Officer. Previously, he was at Lloyds Banking Group in the role of Group Director, Conduct, Compliance and Operational Risk.

Matthew was previously Deputy Governor and Member of the Commission (Board) of the Central Bank of Ireland. While undertaking these roles, he served as Deputy Chairman of the European Banking Authority (EBA).

External appointments

– Chairman of Fnality UK

– Member of Rabobank Supervisory Board



Eilish Jamieson

Non-executive Director

Appointed: 21 November 2022

Board attendance: 12 of 12

Committee membership

AC

Eilish is an experienced Finance Professional and former Audit Executive who combines over 25 years' working as an external and internal auditor, advisor and board member to a wide range of organisations across banking, financial services, public and private sectors.

She has held Non-executive Director roles at the Financial Reporting Council, Sport England, and within the charitable sector. She is the founder of a Board and Leadership Development practice specialising in purpose-led, social impact, and diverse businesses.

Eilish is a qualified chartered accountant and member of the Institute of Chartered Accountants in England and Wales (ICAEW).

External appointments

– Trustee, Plan International Ltd

– Senior Advisor, Independent Audit Ltd (Board Advisory Practice)

– Advisor and consultant to various boards and executive teams including Simply Business, Liberty Specialty Markets, Goldcrest Partners and ICAEW

Key AC Audit Committee RC Risk Committee PRC People and Remuneration Committee GNC Governance and Nomination Committee

Jenny has extensive Board experience having served on the Boards of global investment banks, corporates, and charitable organisations for over 25 years.

As an investment banker, Jenny has served as CEO, CFO and COO for UK and global investment banks. Jenny is a co-founder of FinTech Strategic Advisors, assisting clients with their FinTech investment and adoption strategies and supporting start-ups to achieve scale and commercial success.

Jenny Knott

Non-executive Director

Appointed: 14 December 2020

Board attendance: 11 of 12

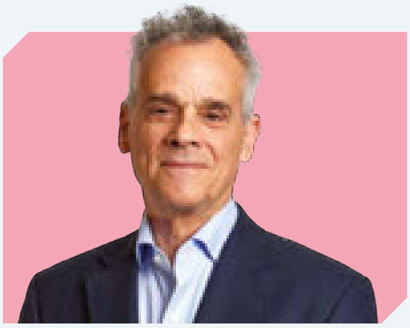
Committee membership

AC RC

Chair

External appointments

- Non-executive Director and Chair of the Risk and Capital Committee for Simply Health
- Non-executive Director and Chair of the Remuneration Committee of Gresham Technologies plc
- Trustee of DAVSS (a domestic violence support charity)
- Co-founder of BoardGame, FinTech Advisory and Annabel's Luxury English Gifts
- Advisor to the boards of various start/scale-ups including Camco, Cadro and Equiida



Nat worked in the private sector as an entrepreneur, consultant and venture capitalist. He remains an active investor in alternative assets.

Since 2002, Nat has been active in the social impact market. He co-founded Impetus Trust, the first UK venture philanthropy trust fund. He is a founding trustee of the Education Endowment Foundation. He was the founding Chair of Social and Sustainable Capital, one of the largest social impact investing funds in the UK. Nat chaired the National Lottery Community Fund in England.

Nathaniel (Nat) Sloane

Non-executive Director and Workforce Engagement Director

Appointed: 1 March 2020

Board attendance: 9 of 12

Committee membership

PRC

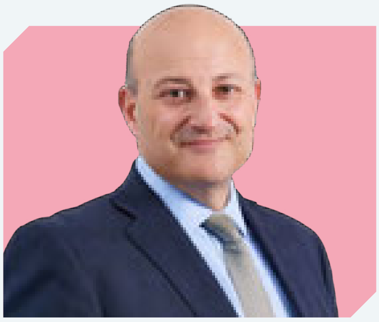
External appointments

- Chair of Social and Sustainable Capital

Attendance above refers to both British Business Bank plc Board and Group Board attendance in 2023/24.

* Owing to a declaration, the Chair was excused from the 1 November 2023 Board meeting and the Senior Independent Director chaired the session.

Note: Lord Smith of Kelvin served as Chair of the Board from 5 July 2017 to 4 October 2023 and attended 7 out of 7 Board meetings.



Louis Taylor

Chief Executive Officer, Executive Director and Accounting Officer

Appointed: 1 October 2022

Board attendance: 12 of 12

Louis Taylor is CEO of the British Business Bank. Louis has a breadth of experience working within public and private sectors in the UK and abroad.

He has held a range of senior roles in business and finance, including as Chief Executive of UK Export Finance (UKEF), and a private sector career in Standard Chartered Bank, JP Morgan and several industrial companies.

External appointments

- Trustee and Chair of the Audit Committee of the charity Sightsavers (which prevents sight loss and avoidable blindness, fights disease and promotes equal opportunity)
- Member of the ICAEW Corporate Finance Faculty Board

David Hourican

Chief Financial Officer and Executive Director

Appointed: 5 December 2022

Board attendance: 12 of 12

David is an experienced finance leader, having started his career as a Chartered Accountant with PriceWaterhouseCoopers (PwC). After spending his early career in business development for Home Retail Group plc, he moved into banking, holding senior leadership roles with Royal Bank of Scotland Group plc in Ireland and Singapore.

Before joining the Company, David was Chief Operating Officer of the Warburton Group, a private investment group based in Australia.

External appointments

- None

Esi Eshun OBE

General Counsel and Company Secretary

Appointed: 20 November 2023

Board attendance: 3 of 3

Esi joined the Company in November 2023 as General Counsel and Company Secretary and had been the Director of Legal and Compliance at UK Export Finance (UKEF), the UK's export credit agency. Also a member of UKEF's Executive Committee, Esi held multiple senior roles including that of Interim Director of Business, with oversight of the department's front office underwriting, origination, marketing and communications, and specialised in international project finance transactions.

External appointments

- None

Key AC Audit Committee | RC Risk Committee | PRC People and Remuneration Committee | GNC Governance and Nomination Committee

Corporate Governance Statement

In fulfilling our important role as the UK's economic development bank, the British Business Bank is committed to appropriately high standards of governance, clear accountabilities, efficient decision-making and sound financial management.

This section sets out our corporate governance framework, containing the above standards which are compliant with the regularity, propriety, feasibility and value for money principles described in 'Managing Public Money'.

This framework facilitates corporate good practice as well as ensuring we meet our Public Body responsibilities and accountabilities to Parliament and the Department for Business and Trade Permanent Secretary as Principal Accounting Officer.

Louis Taylor
Chief Executive Officer and Accounting Officer

> **"The British Business Bank plc and its subsidiaries has a good practice corporate governance framework appropriate for the organisation."**

Legal ownership and structure

British Business Bank plc was established by the UK Government with the overarching objective of changing the structure of the business finance markets for UK smaller businesses, so these markets work more effectively and dynamically.

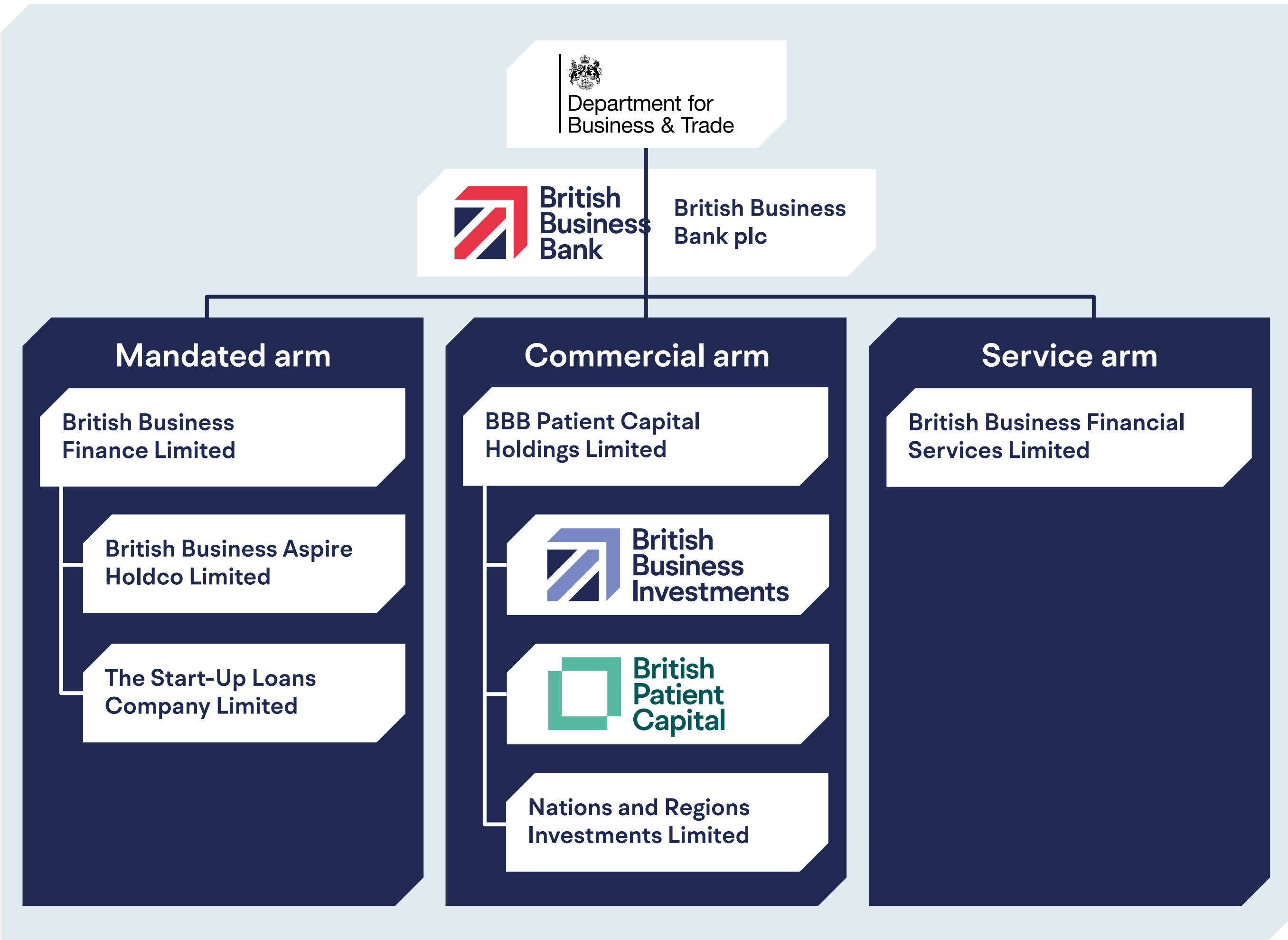
British Business Bank plc is the holding company of the Group, which comprises four principal subsidiaries. The Bank is organised into three 'arms', depending on the type of activity carried out, shown in the corporate structure chart below.

The Secretary of State for Business and Trade (SoS) is the Company's sole shareholder. The 'Mandated arm' manages the Company's programmes on its own balance sheet that have an element of state subsidy. The Subsidy Control Act 2022 came into force on 4 January 2023 and the Company has transitioned to the new regime.

The Company's key performance indicators relate to a wider set of assets and liabilities than those on the Company's balance sheet, as it also has responsibility for managing assets on the Department for Business and Trade's (DBT) balance sheet via the 'Service arm'.

Governance framework

The British Business Bank plc and its subsidiaries (the 'Company' or 'Group') has a good practice corporate governance framework appropriate for the organisation. The Company operates on a 'comply or explain' basis with the UK Corporate Governance Code, published by the Financial Reporting Council (FRC), and other provisions connected to its relationship with the Shareholder which are covered by the Shareholder Relationship Framework (SRF). Notably, this includes the Corporate Governance in Central Government Departments: Code of Good Practice, as far as appropriate, given that the Company is not a Government department. We also adhere to aspects of the Government Functional Standards.



The SRF sets out the Company's Strategic Objectives, Operating Principles and Financial Targets and Principles. The SRF was refreshed following engagement with DBT and approved at the end of 2022 by the Board (and the then Secretary of State for BEIS). The Company's Strategic Objectives are reviewed on an annual basis and are reported in the 'Our objectives' section of the Strategic Report on p30–45. The Company has also agreed a Financial Framework with HM Treasury that outlines how we can allocate our resources in aggregate over the medium term and how programmes aim to make a return across the Group in line with the Government's medium-term cost of capital. As an organisation funded by taxpayers' money, the Company complies, as far as practicable and relevant, with the principles set out in 'Managing Public Money'.

The Company's relationship with the Shareholder is managed through UK Government Investments Ltd (UKGI) with a Shareholder Representative Director from UKGI sitting on the Board; however, the Company is operationally independent in its delivery against the strategic objectives and has an independent Board. As a public limited company, the British Business Bank plc and its subsidiaries operates in accordance with the requirements of the Companies Act 2006.

The British Business Bank plc is led by its Board of Directors who are collectively responsible for the long-term sustainable success of the Company and its subsidiaries, delivery of sustainable value to its Shareholder and contributing to the development of the UK economy.

The Board is responsible for setting the overall strategy through the regular consideration and annual approval of the five-year Business Plan, ensuring that the necessary resources are in place to meet its obligations. The Board also oversees and challenges performance and provides leadership within a framework of effective controls that enables risk to be assessed and managed.

The Board has operational independence to identify, design and deliver specific interventions to fulfill the Group's Business Plan and to achieve its purpose and strategic objectives. The Company also has Shareholder support to ensure that the Commercial arm's activities and decision-making are conducted on a fully commercial basis. The Non-executive Directors have the character of independence, specified by the Code, and represent the majority of the Company's Board. The 'Company Independence Principles' and exceptions are outlined in the SRF.

Governance structure

Notes

1. Executive Valuation Committee: Future Fund, DBT and Group Investments.
2. Investment Committees: BBI, BPC, BPC Direct, NRIL, BBFL and BBFSL.

The Board has established four Board Committees to ensure robust and effective decision-making within the Group structure, including from strategic oversight to financial reporting and risk management to major projects and senior appointments and remuneration. In addition to Board meetings, the Group Board met three times in 2023/24 with Non-executive Directors from the two subsidiary boards (British Business Investments Ltd and British Patient Capital Ltd) to discuss strategy, the direction of the Group and its key commitments.

The Board Schedule of Matters Reserved sets out the key areas for Board decisions, was approved in September 2023 and can be found on our website.

All Directors have access to the advice and services of the Company Secretariat to support them in their duties on the Board and any Committee of which they are a member.

Chair

The Chair is responsible for leading the Board and its discussions and for encouraging open debate and challenge. The Chair receives an annual letter from DBT setting out the priorities for the Group for the year ahead.

The Chair is responsible for ensuring that policies and actions support the SoS's wider strategic policies and that the Company's affairs are conducted with probity.

Senior Independent Director

The Senior Independent Director's responsibilities are to: work closely with the Chair; act as an intermediary for other Directors and the Shareholder, as and when necessary; and meet with other Non-executive Directors to review the Chair's performance each year.

CEO and Accounting Officer

The CEO is an Executive Director of the Board, chairs the Executive Committee (Exco) and has fiduciary responsibilities for the day-to-day operational management of the Company, implementation of the Group's agreed strategy in accordance with the Business Plan and policies and the Group's performance. The CEO is accountable to the Board.

The CEO as Accounting Officer has delegated financial authority from the Principal Accounting Officer (PAO) of DBT to ensure that the Accounting Officer responsibilities are fulfilled, and is accountable to Parliament for specific matters in relation to the Company including the use of public money and the stewardship of the Company's assets.

Appointment of Directors

The SoS appoints the Board Chair in accordance with the requirements of the Cabinet Office Governance Code on Public Appointments. This appointment is regulated by the Commissioner for Public Appointments.

The Shareholder Representative Director is appointed by the SoS for Business and Trade.

All other Non-executive Directors are appointed by the Board in accordance with the Cabinet Office Governance Code on Public Appointments, and the SRF and subject to the prior written approval of the SoS, in line with the Principles of Public Appointments. On the recommendation of the GNC, the Board appoints the Senior Independent Director from one of the Non-executive Directors in consultation with the SoS.

"The Board has operational independence to identify, design and deliver specific interventions to fulfill the Group's Business Plan and to achieve its purpose and strategic objectives."

Statement of compliance

This statement, together with the Directors' Report on p145–148, explains how the Company has applied the principles and provisions of the FRC's 2018 UK Corporate Governance Code (the 'Code', and available at www.frc.org.uk). As an arms-length body (ALB), the Bank also follows the Corporate Governance in Central Government Departments: Code of Good Practice (2017) and Government Functional Standards.

The Company has complied in 2023/24 with the applicable sections of the Code. Owing to some specific requirements outlined in our Shareholder Relationship Framework (SRF) and being an ALB with a sole Shareholder, the Company is unable to adhere to certain aspects, specifically:

UK Corporate Governance Code

- **Provision 10 – related to independence of our Non-executive Directors.**

  As the representative of the Shareholder, Jamie Carter is not considered independent and the Chair, due to being selected by our Shareholder, is then deemed independent on appointment. The appointments of both roles by the Shareholder are defined by the Company's SRF. The rest of the Board of Directors are deemed to be independent. The oversight of the Board's independence and composition is undertaken by the GNC on p124-127.

- **Provision 18 – related to the annual re-election of Directors set out in papers to support the specific reasons for their re-election.**

  An Annual General Meeting is currently held in September with our Shareholder to reappoint all standing Directors on the Company's Board. The Chair regularly engages with Directors on the Board as part of our performance management approach. He also reports directly to the Shareholder on the contribution of each Director and therefore no supporting documentation is provided to accompany the re-election resolutions.

Board leadership and Company purpose	
Sustainability	p78–91
Our objectives (Strategy)	p30–45
Purpose, values and culture	p118
Our stakeholders (s.172 Statement)	p92
Board engagement and stakeholders	p118–119
Division of responsibilities	
Division of responsibilities	p113–115
Governance framework	p113–115
Audit, risk and internal control	
Audit Committee report	p127–128
Risk Committee Report	p129–130
Internal and external audit	p128
Fair, balanced and understandable assessment of our position and prospects (2023/24 Financial performance and calculation of adjusted return)	p94–101
Risk management and internal controls	p69–77
Remuneration	
Directors' remuneration report	p132–144

– **Provisions 25 and 26 – as related to the approach to the appointment and reappointment of the external Auditor.**

  The Company is required by our SRF to appoint the National Audit Office as our external auditor. Further details on how we ensure their continued independence can be found in the Audit Committee Report on p127–128.

The table on the left shows where additional information can be found on how the Company applied the principles of the Code.

Corporate Governance in Central Government Departments: Code of Good Practice

The Company is an ALB with a constitutional operational independence undertaking. Therefore, the principles related to Government policy are not applicable to the Company. The Company is compliant with all other areas.

Government Functional Standards

The relevant mandatory elements of the Government Functional Standards have been incorporated in a manner that is proportionate to the size and complexity of the organisation and are embedded into the Company's suite of policies and standards which themselves are subject to compliance monitoring by the Company's second line of defence Risk and Compliance Team.

Business stories

CubeLogic

Programme:
British Business Investments

Delivery partner:
Growth Capital Partners

Funding type: Debt

Location: London

Region: London

CubeLogic provides an enterprise-grade Software as a Service (SaaS) solution that manages complex credit, compliance, liquidity and market risks for customers in the Energy, Commodities and Financial Services sectors.

The company's unique 'RiskCubed' platform leverages business intelligence to consolidate complex and fragmented data sources and to provide best-in-class real-time analytics, insight and reporting capabilities to its customers.

In February 2024, CubeLogic took on new external investment from Bowmark Capital, a leading mid-market private equity firm. As part of the deal, Growth Capital Partners, a leading UK partnership investor, exited its minority investment, after just under four years.

2023/24 Board activity and Board Effectiveness Review

2023/24 Board activity

Culture and values

As a Government-owned organisation, we have both commercial and social responsibilities. The Bank's values underpin our culture, and guide us in how we behave, as well as inform our decisions and our approach.

Committed

Collaborative

Creative

The Board regularly receives updates and participates in Company events to better understand the culture of the Company and colleagues' priorities. In 2023/24, these have included:

- regular reports and feedback at Board meetings from the executive management team, in particular, the CEO and Chief People Officer
- attendance at the Company-wide 'One Team' event in London which included informal networking sessions
- feedback and discussion on the internal engagement survey reports on the Speak-Up policy, compliance and internal control framework, via the Audit and Risk Committees
- Since September 2023, there has been regular discussion on culture and emphasis on setting the tone from the top at Board meetings, supported by our Chief People Officer.

The Board, through its regular engagement with colleagues, is satisfied that the Company culture is aligned with the Company's purpose, values and strategy.

Colleague engagement

The Board takes seriously its responsibility to actively engage with colleagues in the Bank. The Board has appointed a Non-executive Workforce Engagement Director (Nat Sloane) who regularly engages with the Company's Colleague Forum, often attending its monthly meeting, and provides updates to the Board on the work of the Forum and the hot topics colleagues have raised. In 2023/24, Board members have been kept updated and have participated in a number of colleague engagement events:

- regular updates from the Non-executive Workforce Engagement Director
- 'Come and Meet the Board' lunches at both the Sheffield and London offices
- selected Board members participated in a number of 'Ask me anything sessions' at Town Halls throughout the year to present strategic updates and answer questions in a Q&A session
- selected focus sessions with groups, departments or entities, for example the Company's Analyst Network, Colleague Forum and British Business Investments.

These activities have kept staff informed on the Company's strategy but importantly allow Board members to hear viewpoints, questions and opinions directly from colleagues.

External stakeholder engagement and the Board

The Board recognises its responsibility to have regard for the interests of key stakeholders when making long-term decisions that are material to the financial, business and operational success of the Group. For details on the groups that comprise 'Our key stakeholders' (s.172 Statement), see p92–93 and the table on p120–121 on how the Board makes decisions for the benefit of members and stakeholders.

The Board appreciates that different stakeholders have different values and priorities and takes this into consideration when making decisions. Examples of Non-executive Director stakeholder engagement are shown in the table on the right.

Month	Engagement activity
October 2023	Attended a pilot programme supporting female-led angel syndicates in the Devolved Nations and participated in a best practice session.
November 2023	Participated in the British Business Bank Finance Week Campaign. The campaign had over 1,160 attendees from both smaller businesses and customers, joining 27 events held across 12 regions and nations of the United Kingdom.
November 2023	ICAEW Corporate Finance Faculty Annual Reception – our Chair attended and delivered a keynote speech alongside the Economic Secretary to the Treasury.
December 2023	The BPC Annual GP/LP Investment Forum for venture and venture growth fund managers and institutional investors to discuss investment opportunities and the future of the asset class.
January 2024	British Business Bank Roundtable with House of Lords Peers to enhance awareness of the Company's programmes and impact, as well as fostering discussions on pertinent issues related to SME finance.
February 2024	Investing in Future Wales – an annual campaign to showcase the best of the region, alongside attendees from the Government.

Board principal decisions

At the start of the new financial year, the Board approves on a rolling basis our five-year Business Plan. The document outlines the Company's operational plan for the delivery of Government-allocated resources and how the Company will meet objectives agreed by our Shareholder.

Over the course of 2023/24, the Board has been focused on how the Company could develop a more customer-centric business approach and a target operating model to help deliver its mission.

The Board has closely guided and had oversight on the work to unlock more institutional investment for venture capital, to ensure that it is congruent with the strategic role of the Company. In addition, there was focus on how to improve our IT and data landscape, and ongoing fraud and financial crime activity with partners in Government and our delivery partners. See the table on the following page for table of principal decisions made by the Board in 2023/24.

Our policies and quality of data

On an annual basis, the Board approves the Policy Governance Framework (PGF) which provides the structure and governance arrangements for the Company's policies and standards. The Board approves key policy documents including the Speak-Up policy, Conflicts of Interest, Modern Slavery Statement, Standards of Conduct and Health and Safety.

Speak-Up policy

The Company is committed to maintaining a culture of openness and transparency with the highest standards of honesty and accountability. Speaking up is essential for us to maintain our reputation and success. Also known as whistleblowing, our Speak-Up policy seeks to ensure that all colleagues feel empowered to raise concerns about improper or unethical practices in the workplace, at the earliest opportunity and in confidence. There has been one disclosure under the policy which has been subject to investigation and disclosure to the Audit Committee in 2023/24.

2023/24 Board key activities and decisions

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

April 2023
- Approval of Business Plan

May 2023
- Board Effectiveness Review (BER) Report
- Sustainability update

June 2023
- Fraud & Financial Crime update
- Various policy approvals

July 2023
- Conflicts of interest policy approval
- Board learning and development framework
- Board committee terms of reference (Audit, Risk & GNC) approval

August 2023
- Approval of corporate performance

September 2023
- Sheffield: Board engagement activities
- Approval of Annual Report and Accounts
- Approval of Modern Slavery Statement
- Approval of 'Matters Reserved for the Board'
- BER Action plan
- Approval of various policies
- Annual General Meeting

October 2023
- New Board Chair

November 2023
- Group Board
- Approval of Long-term Investment for Technology and Science (LIFTS) proposal
- Group Board Strategy Day
- Engagement survey results 2023
- Sustainability and ESG reporting governance

January 2024
- Building a 'modern, green economy' update
- Approval of Transparency and Freedom of Information approach

March 2024
- Group Board
- London: Board engagement activities
- Risk Appetite and Risk Management Framework
- Share capitalisation

Principal decisions	Key stakeholders	More information
Customer centricity as a key business focus and enabler	A project operated during 2023/24 to create a more accessible Company to our customers and be more efficient in our operations. The project sought to drive improvements in our interactions with all our stakeholders – **smaller businesses, delivery partners, business intermediaries,** as well as internally with the **Company's colleagues** – through enhancing collaboration and streamlining processes.	The Board received updates throughout the year on the various workstreams that comprise the project to ensure oversight and timely delivery.

Principal decisions	Key stakeholders	More information
Nations and Regions Investment Funds (NRIF)	In collaboration with our **delivery partners** and **business intermediaries,** throughout 2023/24 the Company has been launching funds around the regions in the United Kingdom through which funding can be offered to **smaller businesses.**	The Board approved the setting up of a new entity – Nations and Regions Investments Limited – to support NRIF. NRIF's purpose is to drive sustainable economic growth by supporting innovation and creating local opportunities for new and growing businesses across the UK. NRIF is operated by the Company's Commercial arm. More details can be found on our website: https://www.british-business-bank.co.uk/nations-and-regions-investment-funds/
Long-term Investment for Technology and Science (LIFTS) initiative	The initiative was developed through **Government** engagement and leveraged the Company's investment capabilities and market access. LIFTS aims to unlock additional investment for **smaller businesses,** and in particular the UK's fastest growing and most innovative companies, while also enabling the UK's pension savers to benefit from the value created by UK innovation.	The initiative seeks to unlock UK institutional investment, act as a catalyst for investment into UK science and technology and stimulate the UK venture capital ecosystem. More details can be found on our website: https://www.british-business-bank.co.uk/ourpartners/long-term-investment-technology-science/
The Board took a number of key decisions in relation to the executive management team membership. This included being kept updated on the recruitment process and appointment of a Chief Risk Officer and General Counsel and Company Secretary	These decisions around senior level management and leadership impacted all our stakeholders including our relationships with the Government, colleagues, delivery partners, and the smaller businesses we support across the country.	The executive management recruitment processes were assisted and supported by executive search consultants Odgers Berndtson and selected members of the Board. The Company's new Chair was selected by the Advisory Assessment Panel following a campaign run in accordance with the requirements of the Cabinet Office Governance Code on Public Appointments and approved by Ministers in accordance with the SRF. During the year, Jenny Knott was appointed for a second term, on the Board and as Chair of the Board Audit Committee and this will help to consolidate corporate knowledge.

Modern Slavery Statement

Across the Group we are committed to the abolition of modern slavery and human trafficking. In accordance with section 54 (1) of the Modern Slavery Act 2015, the Board reviews and approves our Modern Slavery Statement on an annual basis.

The statement outlines steps taken to combat the risk of modern slavery in our organisation and supply chain, including procurement measures considered appropriate to the level of risk. All Company staff are required to complete modern slavery training on an annual basis.

The statement is published in the Transparency section of our website.

Conflicts of interest

Each Director has a duty under the Companies Act 2006 and the Company's Articles of Association to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. On appointment and on an ongoing basis, Directors must disclose all material and relevant personal or outside interests including any actual, potential or perceived conflict of interest to the Risk and Compliance team.

The Company will review and, where required, will appropriately manage conflicts of interest. At the start of each Board, Board Committee and Executive management meeting, Directors and attendees are reminded of their obligations and asked to declare any changes to their conflict of interest since the last meeting.

Should a conflict be advised, Directors or colleagues are required to recuse themselves from consideration of the relevant matter. The external appointments for the members of British Business Bank plc Board are published as part of their biographies on p106–111 and on their website biographies.

Quality of data used by the Board

At the Company, the quality of our data is critical to our day-to-day operations and to our stakeholders that use the information. Our Data Management strategy has refined a scalable data management framework which enables us to manage data lineage through the Company via core systems and delivers valuable business oversight through a centralised Data Management Office.

Every Board meeting receives a Management Information (MI) report presented by the CFO to provide oversight on progress against the annual Business Plan. The MI pack is drawn from several sources including Business Intelligence and tracks performance of KPIs, key business drivers and includes product analysis. The Chair and the CEO provide oversight of all reports provided to the Board to ensure that they are of sufficient quality and clarity. In addition, the Chairs of Board Committees meet regularly with Senior Executives to discuss the information and data being presented or published.

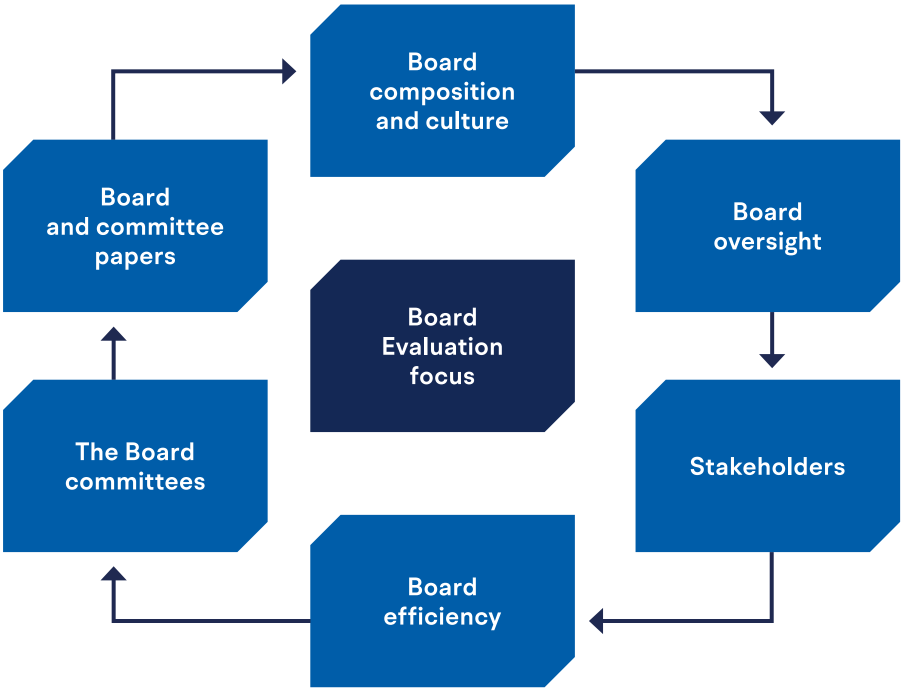
Board Effectiveness Review

Good governance practice considers there should be an annual evaluation of Board performance and recommends an independent evaluation of Board performance every three years.

As reported last year, the Board undertook an external Board Effectiveness Review (BER) in 2022/23 carried out by Clare Chalmers Limited, and agreed an action plan to address the BER recommendations during 2023/24. The areas of focus are shown in the diagram on the right.

In March 2024, we conducted an internal evaluation of the Board's performance under the same themes used in the 2022/23 BER. This approach was taken to easily track year-on-year progress on addressing the previous recommendations. The evaluation took the form of a questionnaire sent to all Board members and regular attendees. The internal evaluation process concluded that the Board and Committees were operating effectively but identified some recommendations to ensure continuous improvement. The results were presented to the Board in May 2024.

We also commissioned Clare Chalmers Limited in March 2024 to undertake a synthesis of last year's external Board evaluation, Board member appraisals, and skills audit with this year's internal Board evaluation and annual Board member reviews. The synthesis will produce an action plan and recommendations to guide the Chair and Secretariat over the next two years to further progress improvements to how the Board operates. Progress against the action plan will be reported on in next year's Annual Report.



Progress against the 2022/23 external Board effectiveness action plan

The majority of the actions have been delivered and the Board agreed on an implementation action plan to address the outstanding recommendations as outlined in the table below.

Theme	Feedback from the 2022/23 BER	Actions taken in 2023/24
Board Succession Planning, Training and Inductions	Implement a learning and development framework (L&D Framework) and update the Board Skills Matrix to identify strengths and weakness in relation to the Bank's mission and objectives.	The L&D Framework was agreed by the Board on 13 July 2023. The Skills Matrix was also updated in July 2023. The L&D Framework and Skills Matrix have led to current discussions on how to address technology and cyber risks, and other skills gaps on the Board.
People and executive succession	A People Risk Management Information Report should be brought to the Board to provide better governance around executive and senior management succession plans, training and development.	The Board will review regular executive succession planning updates and key performance indicators from the Chief People Officer via the CEO Report.
Stakeholders	The Colleague Forum should meet annually with both the People and Remuneration Committee (PRC) and Board.	In addition to engagement with the Workforce Engagement Director and opportunities for Non-executive Directors to meet various groups of colleagues, e.g. the Analysts Forum, the Colleague Forum meets annually with the PRC and plans are underway to review the Colleague Forum Terms of Reference to consider Colleague Forum attendance at Board meetings.
Government/ Shareholder	Get further clarity of the respective roles of the Shareholder Representative, Chair, Board and Executive in interfacing with wider Government to help stay synchronised and efficient, and to have the right impact.	There is now more regular engagement with UKGI and the Chair outside of Board meetings.

Board Committees

The Board is supported by the activities of its Board Committees which ensure specific matters receive the appropriate level of attention and consideration for effective decision-making. The Board has approved terms of reference for each committee that detail their relevant roles and responsibilities.

Governance and Nomination Committee	Audit Committee	Risk Committee	People and Remuneration Committee
Chair: Stephen Welton	**Chair: Jenny Knott**	**Chair: Neeta Atkar**	**Chair: Barbara Anderson**
Reviews the structure, size and composition, including skills, of the Board. It also has oversight of Board and senior management succession planning, and appointments and Group governance matters.	Provides oversight of the financial reporting process including investment valuations. It also oversees the effectiveness of the internal and external audit functions.	Provides oversight of the effectiveness of risk management arrangements (risk: appetite; strategy; management; exposure; and framework) and of the internal control framework.	Determines remuneration policy and packages for Executive Directors, and senior managers, and having regard to pay across the Group.

Governance and Nomination Committee

The Governance and Nomination Committee (GNC) Terms of Reference are published on our website.

Other regular attendees by invitation:

- Chief Executive Officer
- General Counsel and Company Secretary
- Chief People Officer.

Interaction with other Committees – the GNC interacts with the People and Remuneration Committee on senior appointments to the Company, ensuring governance and remuneration matters align.

Membership and attendance

Member	Committee membership since	Attendance 2023/24
Stephen Welton (Chair)*	October 2023	2 of 2
Neeta Atkar	June 2019	4 of 4
Jamie Carter	April 2021	4 of 4

* Lord Smith of Kelvin was Chair of GNC until the end of his term on 4 October 2023 and attended 2 of 2 meetings.

2023/24 highlights

The year saw an expanded remit for the Committee as a result of the external Board Effectiveness Review – see p122-123 for more information on how our Board evaluation was conducted. On people, the Committee supported the new Chair induction and the successful recruitment and appointment of a number of senior executive and managing directors including the Chief People Officer, Chief Risk Officer, General Counsel and Company Secretary, and Deputy Chief Investment Officer. In addition, governance highlights include consideration of the Board skills survey results and recommendations on the Learning and Development Framework for Non-executive Directors.

Focus for 2024/25

As well as implementing the actions from the 2024 internal Board Effectiveness Review, the Committee looks to focus on improving awareness of diversity, equity and inclusion, in addition to tailoring senior management and Board succession planning to meet the changing needs of the Company. We will also be considering simplifying the overall structure of the Group.

Time commitments

Non-executive Directors' letters of appointment indicate the expected time commitment for the proper performance of their duties as Directors of the Company, including an indication of the various meetings to attend, and that they might be required to attend additional meetings during periods of increased activity. All Directors make themselves available as required, to meet the needs of the business and to attend other stakeholder engagement events.

The Committee reviews annually the time required from Non-executive Directors. The Chair discusses with each Non-executive Director during their performance review whether they are spending enough time to fulfil the full remit of their duties. When assessing additional external appointments for an individual, the Chair and Board consider the number of roles already held and the time commitment expected in those roles.

Non-executive Director and Chair succession

The Committee is responsible for Board succession planning across the Group and monitors changes that will occur in the future as Directors reach the end of their terms. With the appointment of a new Chair due in 2023, the Senior Independent Director's tenure was extended for a third term in July 2022 to ensure continuity of knowledge and experience on the Board and Board Committees. Her extension as a Non-executive Director was subject to review by the then Chair and approved by the Shareholder (the Secretary of State for Business and Trade, formerly BEIS).

The results of the 2023 skills matrix are being used to inform future Board recruitment and appointments.

Director induction

On appointment, all Board members and senior executives undergo a tailored induction programme and have sessions arranged to orientate them to the organisation. The programme includes meetings with peers on the Board and members of the executive management team across the company. A library of background and reference materials is also shared via our Board Portal.

Training and professional development

In 2023, the Group's Board (Directors of British Business Bank plc, British Business Investments Ltd and British Patient Capital Ltd) completed a refreshed skills matrix assessment of their skills and experience. The results were reported to the Committee and the Board and used to inform the Board learning and development plan for 2023/24. All Non-executive Directors are able to complete online company prepared training modules and can request to attend additional external training events via the Company Secretariat.

The Chair holds annual performance reviews with each Non-executive Director to discuss their performance throughout the year, as well as individual development plans for the year ahead. During the year, all Non-executive Directors have been invited to observe other governance forums at Board sub-committee and subsidiary board level to familiarise themselves with the wider governance forums. Our approach ensures that Non-executive Directors undertake continuous learning about our organisation and are kept up to date on relevant legal, regulatory and financial developments or changes.

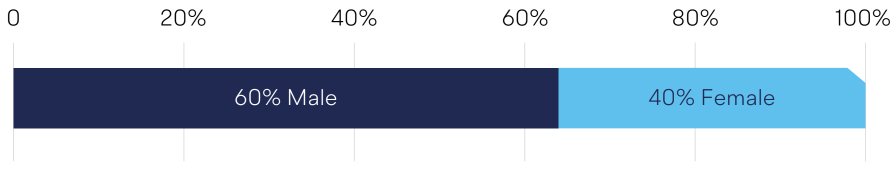
Date	Board training	Training type
March 2023	New Subsidiary Control Regime	Facilitated by DBT legal advisors from the Government Legal Department.
July 2023	Government Finance and Managing Public Money	Facilitated by subject matter experts from our Finance and Policy and Strategy Team.
January 2024	UK Network Engagement	Facilitated by our UK Network.
March 2024	Freedom of Information and Transparency	Facilitated by our Information Governance Team.

Diversity, equity and inclusion (DEI)

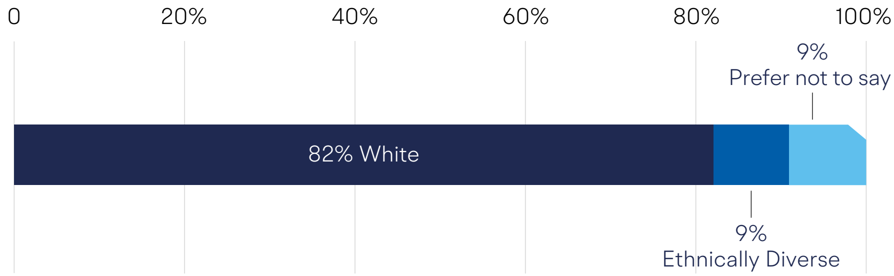
The Committee's duties include regularly reviewing the structure, size and composition of the Board and evaluating the balance of skills, knowledge, experience and diversity. This includes identifying any gaps. The Committee also considers wider best practice and what the relevant learnings and opportunities are for the Board and Group. We annually review the Board skills matrix and succession plans.

The Committee and the Board are committed to promoting DEI across the Company, and recognise that diversity of skills, experience and knowledge contributes towards an effective Board. Our DEI policy applies to both our workforce and our Board, as we want to make sure that the Board is representative of all sections of society.

Gender diversity (from 1 April 2024)



Ethnic diversity



The Company supports the FTSE Women Leaders Review (previously the Hampton-Alexander Review) guidance in relation to gender diversity and the Parker Review in relation to ethnic diversity. At financial year-end, the Company's Board was at 36% female representation, however, with Non-executive Director James Connelly stepping down, the Board diversity is now at 40% female representation. The Board does also have a female Senior Independent Director and a Board Director from an ethnic minority background.

Further details of our DEI policy on diversity and inclusion and the gender balance of our senior management and their direct reports can be found under 'Supporting colleagues' on p66–68.

Signed for and on behalf of the Governance and Nomination Committee

Stephen Welton
Chair of the Governance and Nomination Committee

Audit Committee

The Audit Committee's Terms of Reference are published on our website.

Membership and attendance

Member	Committee membership since	Attendance 2023/24
Jenny Knott (Chair)	December 2020	7 of 7
Neeta Atkar	July 2016	7 of 7
Eilish Jamieson	November 2022	7 of 7

All Committee members are independent Non-executive Directors and have significant, recent and relevant financial experience. Refer to p106-111 for their biographies which include their qualification and experience in finance, risk, governance and the financial services sector.

The Committee also meets privately with both Internal and External Audit representatives at the end of every meeting.

Other regular attendees by invitation:

- Chair of the Board
- Chief Executive Officer
- Chief Financial Officer
- Managing Director of Internal Audit
- Chief Risk Officer
- Managing Director, Core Finance
- Shareholder Representative observer
- Engagement Director, National Audit Office (NAO).

Interaction with other Committees – the Audit Committee works with the Risk Committee, through an overlap in membership. The Audit Committee Chair is a member of the Risk Committee to ensure that matters of relevance to both Committees related to the internal control and Risk Management Framework are cohesive and comprehensive.

2023/24 highlights

The year saw the Audit Committee perform its oversight and advice duties including review and approval of the 2023/24 Internal Audit plan, the 2023 Internal Audit strategy, mission, vision and objectives and updates to the Internal Audit Charter. In addition, the Audit Committee conducted deep-dive sessions on the valuation approaches taken for the Future Fund: Breakthrough, and Covid-19 Loan Guarantee Schemes Post-Model Adjustments.

Focus for 2024/25

The year will continue the focus on the accuracy of valuations, including deep dives in the valuation approaches for each subsidiary and for specialist areas of the Company by external providers, as well as updates to the Covid-19 Loan Guarantee Schemes Valuation Modelling and post-model adjustments. Acknowledging the importance of audit integrity, the Audit Committee focus will also be on the review and action plans in response to the upcoming External Quality Assessment of Internal Audit.

Monitoring the integrity of financial statements

The Audit Committee has oversight of the preparation of the Company's Annual Report and Accounts and reviews papers from management in support of the going concern and longer-term viability of the Group. This includes oversight of the preparation and approval of financial valuation of the British Business Bank plc Group investment portfolio. The Committee is responsible for and approves on an annual basis the Critical accounting judgements, which relate to fair value, and estimates, which are detailed in the notes of the Financial statements section on p172–176. On an annual basis, the Audit Committee discusses the Company's management response to the NAO Management letter on the Group's Financial Statements Audit to be satisfied that the appropriate approach has been taken to address the points raised by the NAO.

Internal financial controls, internal control and risk management systems

The Audit Committee works with the Risk Committee to be satisfied that the Group's internal financial control framework is effective and consistent with the Group's risk appetite. The Managing Director of Internal Audit attends all Audit Committee meetings and presents a regular report on the findings related to governance, risk management and control weakness and management actions.

For more details refer to the 'Risk Management' section on p69–77 and the Risk Committee report on p129–30.

Internal audit

The Company's Managing Director of Internal Audit reports to the Chief Executive Officer and Chair of the Audit Committee to ensure independence of the Company's Internal Audit function.

The Committee monitors and reviews the effectiveness of the Internal Audit function. On an annual basis, the Committee approves the Internal Audit Strategy on how the function supports the Bank, and maintains quality against performance measures and expertise to the necessary standards.

The Head of the Internal Audit Year End Opinion for 2023/24 reported a 'Moderate' assurance rating for the overall appropriateness and effectiveness of the Company's governance, risk management and internal controls.

The results from the Internal Audit programme of work during 2023/24 demonstrated that whilst there were no fundamental weaknesses in the control framework, there were some opportunities for improvement.

External audit

The Audit Committee has oversight of the External Auditors, and the Chair can engage with the NAO Engagement Director outside of formal meetings to discuss any concerns. The Company's Shareholder Relationship Framework requires the Company to engage the external audit services of the National Audit Office (NAO). Therefore, sections of provision 25 and 26 of the Code related to tendering of the external audit service do not apply. However, the Audit Committee provides time on every meeting agenda to allow for the NAO representative to share any concerns and progress on the annual audit of the financial statements. The NAO does not provide any other services to the Company. These arrangements ensure oversight and independence of NAO's service.

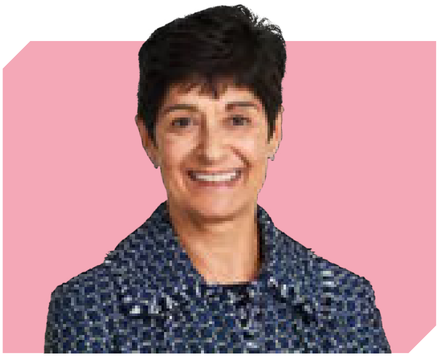
The Audit Committee in September 2023 was satisfied with the performance of the NAO to recommend to the Board its continued appointment as external auditor at the Annual General Meeting.

Signed for and on behalf of the Audit Committee

Jenny Knott
Chair of the Audit Committee

Risk Committee

The Risk Committee's Terms of Reference are published on our website.



Membership and attendance

Member	Committee membership since	Attendance 2023/24
Neeta Atkar (Chair)	July 2016	4 of 4
Jenny Knott	December 2020	4 of 4
Jamie Carter	April 2021	3* of 4
James Connelly	January 2022	4 of 4
Matthew Elderfield	November 2022	4 of 4

* The Shareholder Representative Director (Jamie Carter) was unable to attend a Committee meeting but in accordance with our Shareholder Relationship Framework, an Executive Director from UKGI attended the meeting as an observer.

Other regular attendees by invitation:

- Chair of the Board
- Chief Executive Officer
- Chief Financial Officer
- Chief Risk Officer
- General Counsel and Company Secretary
- Managing Director, Risk and Compliance
- Managing Director, Internal Audit
- Engagement Director, National Audit Office.

Interaction with other Committees – the Risk Committee works in conjunction with the Audit Committee and the People and Remuneration Committee to ensure matters of mutual interest are considered in a cohesive and comprehensive manner.

2023/24 highlights

The Bank appointed a new Chief Risk Officer (CRO) in September 2023 who has made a positive contribution to the evolution of the Risk and Compliance function and the Committee's discussions.

During the year there has been a focus on enhancements to the management of risks associated with Fraud and Financial Crime, including the delivery of a revised operating model in the first and second lines of defence, and on the increased risks posed by, for example, artificial intelligence, cyber crime, and managing an increasing number of third-party suppliers.

Given the challenges posed by the macroeconomic and geopolitical environment the Committee monitored and received regular updates on financial risk and key trends in our investment portfolios. During the year there has been an enhancement of the Financial Risk framework to improve transparency of the risks poised by our larger number of delivery partners.

The Committee continued its oversight of the Bank's assurance programme on the Covid-19 loan schemes, with this activity taking a risk-based approach as the products move through their lifecycles. This assures the Bank that its delivery partners are administering the schemes effectively and in line with their contractual obligations.

Given our ongoing customer focus, the Committee received an overview of the work undertaken by our Customer Relations Team. This included a review of complaints and feedback and assurance over the effectiveness of the Bank's process for handling complaints and escalations.

In addition the Committee considered the impact of an economic downturn and how the company could respond to ensure continued support for smaller businesses.

Focus for 2024/25

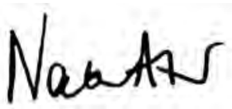
The Committee expects to continue to focus on credit and investment risks given the ongoing uncertainty of the macroeconomic environment. As the Company's mandate continues to evolve, the Committee will also focus on the broader changes to risk management required to support the launch of any new investment vehicle and associated regulatory requirements. The focus on developing enhanced Key Risk Indicators and on building out the Compliance function will continue along with the evolution of the Company's approach to the management, measurement and reporting of credit and investment risk.

Risk management and internal control systems

The Risk Committee recommends to the Board on an annual basis the appropriateness of the Risk Management Framework. This year, changes were recommended to risk appetite and risk taxonomy. The Risk Committee receives assurance that the Company's risk management and internal control systems are operating effectively across the Company.

During the year, the Company has also enhanced its risk governance, with the renamed Executive Risk Committee focusing more specifically on the risk and compliance remit and reporting up to the Board Risk Committee. For more details on how the Company considers emerging and principal risks, please refer to the 'Risk Management' section on p69–77.

Signed for and on behalf of the Risk Committee



Neeta Atkar MBE
Chair of the Risk Committee

> **"The committee considered the impact of an economic downturn and how the company could respond to ensure continued support for smaller businesses."**

People and Remuneration Committee

The People and Remuneration Committee (PRC) Terms of Reference are published on our website.

Membership and attendance

Member	Committee membership since	Attendance 2023/24
Barbara Anderson (Chair)	October 2021	5 of 5
Nathaniel Sloane	March 2020	5 of 5
Jamie Carter	April 2021	5 of 5

Other regular attendees by invitation:

- Chair of the Board
- Chief Executive Officer
- Chief Financial Officer
- Chief People Officer
- Reward Director
- Independent Remuneration Consultant (as required).

Interaction with other Committees – the PRC works with the Governance and Nomination Committee to manage the Senior pay threshold exemptions and the Board Risk Committee to ensure matters of mutual interest are considered in a cohesive and comprehensive manner.

2023/24 highlights

The ***2023 Gender and Ethnicity Pay Gap report*** was produced and published on our website alongside the Gender Pay Gap report that the Company has published for the last four years. To support career progression, much work was undertaken to agree a hierarchy and pay band review aimed at harmonising roles across the Company and a revised performance management process, both for implementation in 2024/25. The PRC also heard from the Colleague Forum update to report on key colleague matters.

Focus for 2024/25

Following a period of growth, it will be important to embed the new job hierarchies across the organisation to drive greater transparency of the Company's approach to reward management (see our Remuneration Policy on p135–139), and reviewing our overall employment value proposition will drive understanding of how employees can develop and grow their careers, ensuring a workforce fit for the evolving mandate of the Company.

For more information on the Company's approach to remuneration for the Group's employees and Directors for 2023/24, please refer to the Directors' Remuneration Report on p132–139 and Annual report on remuneration on p140–144.

Signed for and on behalf of the People and Remuneration Committee

Barbara Anderson
Chair of the People and Remuneration Committee

> **"The 2023 Gender and Ethnicity Pay Gap report was produced and published on our website alongside the Gender Pay Gap report that the Company has published for the last four years."**

Business stories

Lunia 3D

Programme: Start Up Loans

Funding type: Debt

Location: Cardiff

Region: Wales

Lunia 3D is a 3D printing company which went from a garden shed hobby to a large-scale business and recently to larger offices in Cardiff.

Lunia 3D was started by former secondary school friends Ken Pearce and Yousef Ahmed, both 26 and from Newport, who reunited after a decade to combine their skills and launch the business in 2020.

The business has attracted a range of commissions; from lifesaving military equipment for the Ministry of Defence; to a full-scale car prototype for self-driving testing, and a large bespoke shopfront display for a high-end jeweller in Mayfair, London.

The pair were helped initially by a £2,000 Start Up Loan to invest in their first commercial 3D printer.

Three years on, with 40 more printers and a further £12,000 recently received from the British Business Bank, Lunia 3D has cemented itself as a key player on the flourishing 3D printing stage.

Committee Chair's foreword

Directors' remuneration report

On behalf of the Board, I am pleased to present the Remuneration Report for the British Business Bank for the year ended 31 March 2024.

The People and Remuneration Committee's oversight ensures that the reward packages that the Bank offers are competitive and balanced. We need to be able to hire and retain talent effectively to deliver our mission while exercising the restraint expected of a publicly owned body. The People and Remuneration Committee considers this reward in its broadest sense in the context of our Employee Value Proposition (EVP).

Although the economic pressures of the previous year have started to lessen, they are still a concern, and we still need to ensure our EVP remains attractive to all generations within the workforce. Over the last 12 months the Bank has had a considerable focus on its DEI strategy and its performance management process, as well as the introduction of a new job hierarchy to enable more opportunity for career progression. These areas were all identified last year as key people deliverables to respond to a workforce increasingly focused on compensation and career progression but also reassessing work-life balance.

As has been mentioned previously the Bank is in the process of establishing a new investment vehicle, opening up its commercial capability and unlocking pension capital for UK investment. It is therefore critical that our reward packages continue to be competitive to ensure we can bring in the experienced talent needed to deliver the new fund.

In summary, we recognise our key challenge is to attract and retain talented and experienced individuals who might choose to work elsewhere. Looking ahead to 2024/25 we will continue to review our EVP, drive greater transparency in relation to reward policy and support career development to ensure a workforce fit for the evolving mandate of the Bank.

Key considerations and decisions taken by the Committee this year

Base pay

The Committee approved across the Board salary increases for all eligible colleagues in 2023/24 of at least 2.8% in line with the Bank's budget. The year 2023/24 was the second year of the Bank's current three-year Spending Review.

For reference, our median CEO pay ratio for 2023/24 is 5:1, very much at the lower end of the range of ratios reported by other organisations.

Long-Term Incentive Plan

In accordance with the rules of the Long-Term Incentive Plan (LTIP), awards were assessed for the corporate performance element of the scheme over the three-year cycle ending 31 March 2024. Based on the performance of the Bank against its key performance indicators (KPIs) and taking into account broader context, the Committee concluded an award of 82.5% of the maximum was appropriate. Further details of awards for the Senior Executives are set out later in this report.

> "The People and Remuneration Committee considers reward in its broadest sense in the context of our Employee Value Proposition (EVP)."

Other key decisions made by the Committee and recommended to the Board during the year were:

- progress on reviewing and updating the Bank's People and Reward Strategies in line with the broadened remit of the People and Remuneration Committee
- financial intervention payments to particularly recognise the performance and contribution of colleagues in lower bands (paid in December 2023)
- pay-out level determined for the Bank's Performance Bonus Plan (year ended 31 March 2024)
- awards under the personal element of the Bank's Long-Term Incentive Plan (LTIP) agreed for members of the Bank's Executive Committee (year ended 31 March 2024)
- corporate performance targets and participants agreed for the LTIP Cycle 10.

Barbara Anderson
Chair of the People and Remuneration Committee

Overview

The Remuneration Report is divided into two parts:

1. Policy on Executive Directors' and senior management's remuneration.
2. Annual report on remuneration. This section outlines how the policy has been applied and includes details of remuneration for the senior team.

Those sections of the report that have been audited by the National Audit Office have been identified as such.

The role of the People and Remuneration Committee

A key role of the People and Remuneration Committee is to provide robust, independent governance for executive remuneration, to ensure that reward for the Bank's Executive Team:

– supports the Bank's long-term business strategy and values

– enables the Bank to recruit, motivate and retain talented individuals with appropriate skills and experience

– links executive reward to the Bank's performance against its long-term Business Plan.

Membership of the People and Remuneration Committee

Barbara Anderson	Chair since October 2021
Jamie Carter	Member since April 2021
Nathaniel Sloane	Member since March 2020

The Committee members bring with them a range of expertise from diverse backgrounds, designed both to support the Bank in its governance framework and to facilitate the relationship with the Shareholder. Informal discussion between Committee members and the Executive has also added value to the Bank's remuneration policy and practice. Only members of the Committee and the Chair of the Board have the right to attend Committee meetings.

The Chief Executive, the Chief Financial Officer, the Chief People Officer and the Reward Director were invited to join meetings, but not where their own remuneration is the subject of discussion. Independent remuneration consultants were also invited to attend meetings as required.

A member of the Company Secretary Team acts as Secretary to the Committee.

“A key role of the Committee is to provide robust, independent governance for executive remuneration.”

Table 1: Remuneration policy

The table below sets out the Bank's remuneration policy for 2024/25:

Element	Operation, opportunity, and performance framework
Base salary	
Objective To provide a competitive level of pay sufficient to attract and retain talent, and reflecting the skills and experience required for the role	Base salaries are reviewed annually, considering the nature of the role and responsibilities. Roles are benchmarked against relevant comparator organisations in the public and private sectors. The People and Remuneration Committee also considers the external environment and views of the Shareholder. Any Executive Director salary increases in percentage terms will normally be in line with increases awarded to other colleagues but may be varied in certain circumstances, such as where: – there has been a change in the scope or responsibility of an Executive Director's role – a salary or overall reward is out of line with market positioning, given the size and scale of the Bank – a role is pivotal for delivery of the objectives of the Bank – retention of an individual is determined to be key, e.g. for reasons of business continuity or corporate knowledge.
Long-Term Incentive Plan (LTIP)	
Objective To reward colleagues in leadership roles for their personal performance against objectives and our values, as well as their shared accountability for the Bank's sustained performance against its strategic goals	Executive Directors and certain other senior executives are eligible to participate in a Long-Term Incentive Plan (LTIP). The LTIP operates as a series of three-year cycles. Awards are comprised of two elements: Group and Personal. The weighting between these elements may be varied over time, at the discretion of the Committee, considering the requirements of the business and any relevant external factors. Targets for the Group element are set separately for each of the three years of the LTIP cycle, aligned with the Business Plan targets agreed by the Board. At the end of each year, the Board determines the corporate performance factor (the percentage of the maximum Group award that will vest) for the year. The overall corporate performance factor is then determined as the average of the three individual years of the cycle. However, the Committee retains the discretion to recommend to the Board a corporate performance factor that is higher or lower than the calculated average, to reflect any circumstances that in its judgement have had a significant impact on the Bank's performance during the three-year performance period. Targets for the Personal element are set for the first year of each LTIP cycle, and are designed to consider the specific responsibilities of individual senior leaders in the Bank.

Table 1: Remuneration policy (continued)

Element	Operation, opportunity, and performance framework
Long-Term Incentive Plan (LTIP) (continued)	
	The current incentive is a maximum cash award of 50% of base salary. In the case of Executive Directors, awards are paid at the end of the relevant three-year cycle. In the case of other recipients of the LTIP, any awards in respect of the Personal element may be paid after two years and the Group element after three years. Recovery and withholding provisions apply for a period of seven years from the start of the performance period. The provisions apply in a range of adverse circumstances, at the Committee's discretion, including financial accounts misstatement, significant failure of risk management, regulatory censure or breach of policy and procedures. If a participant's employment within the Group ends before an award is paid, the award opportunity is normally forfeited and lapses in full, although there are exceptions that may be agreed by the Committee for participants categorised as 'good leavers'. The People and Remuneration Committee has ultimate discretion over the payment of any awards, taking into account factors it considers relevant including the overall performance of the Bank.
Annual bonus	
Objective To reward colleagues for their personal performance against objectives and our values, and to enable all colleagues to share in the Bank's success	All permanent colleagues who are not members of the LTIP participate in the British Business Bank Performance Bonus Plan. The plan provides an opportunity for eligible colleagues to be rewarded for their personal contribution during the bonus year, as well as to participate in the Bank's corporate success over the same period. Bonus payments are made up of a Personal and a Corporate element, and are calculated as follows: – the Personal element reflects personal contribution during the year and is determined by the performance rating agreed as part of the year-end performance review – the Corporate element is based on an assessment by the Board of the Bank's achievement against its strategic objectives during the bonus year. This element represents a recognition of the commitment and effort that colleagues collectively have put into delivering the Bank's objectives – individual award levels are calculated by reference to salary and vary according to seniority. Colleagues must have worked for at least three months of the bonus year.

Table 1: Remuneration policy (continued)

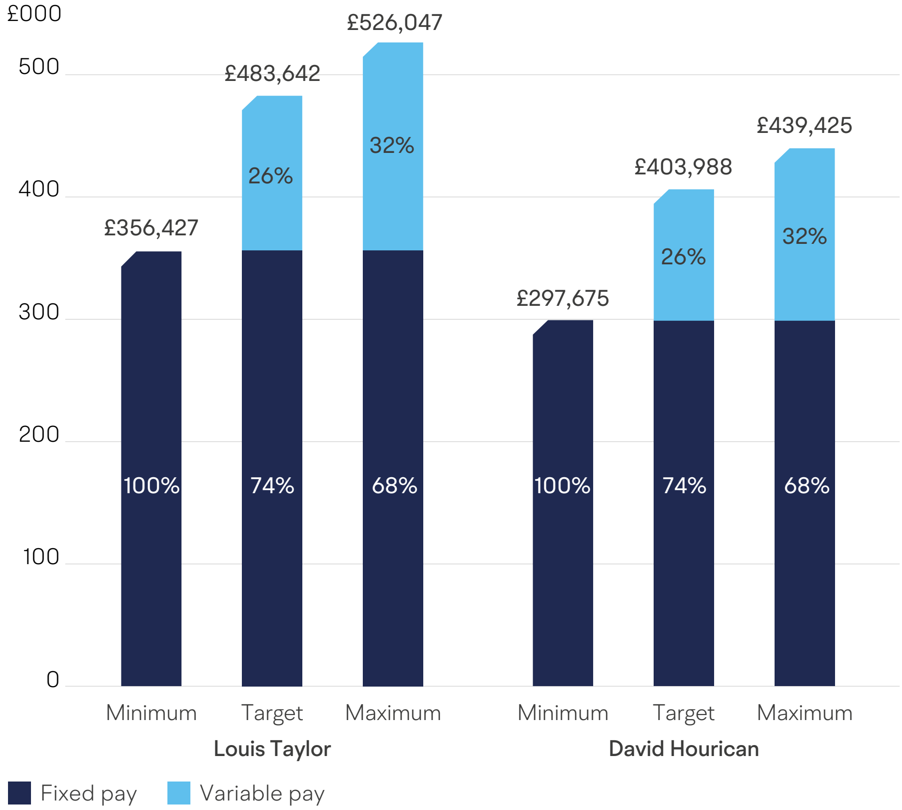
Element	Operation, opportunity, and performance framework
Pension and other benefits	
Objective To provide a range of flexible and market competitive benefits that are valued and support colleague wellbeing. To encourage planning for retirement and long-term savings	The Bank contributes up to a maximum 15% of base salary to its defined contribution scheme, subject to a minimum colleague contribution of 3%. Colleagues below Executive Director level who have reached their pension Lifetime Allowance may also receive a cash-in-lieu allowance of 10%. All colleagues benefit from health and wellbeing support through a healthcare cash plan, income protection and an employee assistance programme. Colleagues are able to buy or sell up to five days' holiday and can select from a range of benefits including childcare vouchers and 'cycle to work' through the Bank's 'mylifestyle' flexible benefits portal. Benefits are reviewed annually to ensure they remain appropriate in light of the Bank's public ownership and competitiveness in relation to the market.
Loss of office payments	
Objective To provide fair but not excessive contract features	The Bank does not offer any terms other than, where applicable, statutory redundancy for loss of office within service contracts. Executive Directors and the senior team are on six months' notice either side. Provision may be made for payment in lieu of notice, where this is deemed to be in the interest of the business. Any situation will be considered by the Committee on its merits. Should an individual be considered a 'good leaver' under the LTIP rules, an appropriate portion of their LTIPs may, at the discretion of the People and Remuneration Committee, be retained. All termination payments are subject to Cabinet Office Guidance.
New Executive Director remuneration	
Objective To attract and retain high-calibre senior leaders	Remuneration for any new appointments is determined in accordance with the policy set out in this table. The same approach will be taken with respect to any internal appointments. The Bank does not offer any sign-on payments.
Colleague recognition	
Objective To celebrate and reinforce actions and behaviours aligned to the Bank's values	MyRecognition is an online recognition platform that facilitates recognition between colleagues for actions and behaviours that typify the Bank's values: Collaborative, Committed, and Creative. A nominal financial recognition can be awarded in exceptional cases, delivered in the form of e-vouchers. All nominations are subject to line manager approval.

Table 2: Scenarios chart: Ranges for Executive Director remuneration

The following chart shows how Executive Directors' remuneration could vary according to performance and assumes that the Directors are employed by the Bank for a whole financial year. The variable pay element is measured over a three-year period and is paid out after the end of the third year, subject to continued employment or 'good leaver' status.

Notes

1. Minimum = Fixed pay only.
2. Target = Fixed pay plus 75% vesting of the LTIP.
3. Maximum = Fixed pay plus 100% vesting of the LTIP.
4. Fixed pay = Salary and cost of any taxable benefits and employer pension.



External appointments

Executive Directors may be invited to become Non-executive Directors in other companies. These appointments can enhance their knowledge and experience to the benefit of the Bank. It is the Bank's policy that Board approval is required before any external appointment may be accepted by an Executive Director and they are not permitted to be paid twice for the same time. During the year, Louis Taylor served on the Board of Trustees at Sightsavers International and was a member of its Audit Committee. Louis was not remunerated for the activity.

Non-executive Directors

The Chair and the Non-executive Directors do not have service agreements with the Bank. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. The appointment of a Non-executive Director can be terminated by either party, giving written notice. Any increases in fees are subject to Shareholder approval. There is no provision for compensation for loss of office.

The current dates of appointment for the Non-executive Directors are shown in the Corporate Governance Statement.

The terms and conditions of appointment of the Non-executive Directors are available for inspection at the Bank's registered office.

The fee levels paid to the Non-executive Directors reflect the time commitment and responsibilities and are approved by the Shareholder.

The Board reviews the amount of each component of the fees on a periodic basis to assess whether they remain competitive and appropriate considering changes in the roles, responsibilities or time commitment of the Non-executive Directors. In accordance with common practice, Non-executive Directors are reimbursed expenses incurred in performing their role.

Table 3 sets out the key elements of the Bank's remuneration policy for the Chair and other Non-executive Directors.

Table 3: Remuneration policy for Non-executive Directors

Element	Operation, opportunity, and performance framework
Basic fee – Chair	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	The Chair's fee will be reviewed from time to time by the People and Remuneration Committee.
Basic fee – Non-executive Directors	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	Non-executive Director remuneration is kept under review by the Chair and Executive Directors. Any recommendations are subject to Board approval, with Non-executive Directors not voting on their own remuneration. Additional fees are paid to the Senior Independent Director and Chairs of the Audit and Risk, and People and Remuneration Committees, in recognition of the additional time spent on their committee activities. This is in line with UK practice generally.

Further approval

The approval of, or material variation to, the remuneration, the terms and conditions on which such remuneration is to be paid, or the terms of employment or engagement of any Director of the Bank or any Non-executive Director of any other of the British Business Bank Group entities requires the prior written consent of the Secretary of State for the Department for Business and Trade.

Consideration of employment conditions elsewhere in the Bank

The People and Remuneration Committee has responsibility for the remuneration policy for all employees of the Bank. As a general rule, employment conditions for Directors are no more favourable than for other employees, although where appropriate to the scope and nature of their responsibilities, or to prevailing practice in the external market, elements of the reward package or other employment terms may be different: for example, the LTIP structure in place for Directors and other members of the Executive Committee, or the longer notice periods for Directors. With the exception of pension arrangements, the Bank does not formally consult with its employees on remuneration or employment conditions.

“The People and Remuneration Committee has responsibility for the remuneration policy for all employees of the Bank.”

Annual report on remuneration

This part of the report sets out how the Bank's remuneration policy has been implemented during 2023/24 and has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013.

Single total figure of remuneration

Details of the total remuneration paid to Executive Directors for each of the years 2022/23 and 2023/24 are shown in separate tables below.

Total pension entitlements

The pension payments shown in Table 4 are the total employer contributions made on behalf of each Director during the year.

All Directors are eligible for the Bank's defined contribution pension plan. The maximum employer contribution is set individually for each Director and is no higher than the maximum employer contribution available to employees below Board level.

On leaving the Bank's service for any reason, Directors are eligible to retain their accrued benefits within the scheme on the same basis as all other employees.

Table 4: Executive Director remuneration (audited)

	Year ended 31 March 2024					
	Salary £000	Taxable Benefits £000	Pension Payments (including cash supplements) £000	Total Fixed Pay £000	Long-Term incentive £000	Total £000
Louis Taylor	339.2	0.2	17.0	356.4	0.0	356.4
David Hourican	283.5	0.0	14.2	297.7	0.0	297.7
Catherine Lewis La Torre	0.0	0.0	0.0	0.0	123.0	123.0
Patrick Magee	0.0	0.0	0.0	0.0	58.5	58.5
Phil Piers	0.0	0.0	0.0	0.0	77.3	77.3
Total	**622.7**	**0.2**	**31.2**	**654.1**	**258.8**	**912.9**

Notes

1. For the year ended 31 March 2024, the salary, pension & taxable benefits values, as shown in the table, show pay received for the period for which they were an Executive Director was a member at the Bank. As it was not practical to apportion LTIP payments in the same way, the figures in the table reflect the total amounts that vested in the year.
2. Patrick Magee left the Bank on 30 June 2022. Phillip Piers left the Bank on 23 December 2022. Catherine Lewis La Torre left her role as Executive Director on 1 October 2022, reverting back to her previous role as Chief Executive Officer for British Patient Capital.
3. Louis Taylor and David Hourican are both members of the LTIP but no payments vested for them in 23/24.
4. Executive Directors are not eligible for annual incentive payments.
5. Executive Directors receive death-in-service and illness income protection benefits which are non-taxable.
6. A health cash plan benefit is included under taxable benefits for the relevant portion of the year.

Performance assessment for LTIP Cycle 8

LTIP Cycle 8 vested on 31 March 2024, covering the three-year period from 1 April 2021 to 31 March 2024. Awards under the scheme were based on both Corporate and Personal performance. In relation to the Corporate performance Award under the scheme the following summarises the Bank's outcomes against KPI's for each of the last three years:

Performance year 2021/22

- The Bank exceeded target on four of its five quantitative Key Performance Indicators (KPIs) in 2021/22. The Bank was below target on the Awareness and Behaviour quantitative KPI.
- The Bank provided qualitative performance reports on its four qualitative KPIs in 2021/22. No opinion was provided to the Board in relation to this assessment.
- The Corporate performance pay-out agreed by the Board for the Performance Bonus Plan for 2021/22 was 85%

Performance year 2022/23

- Of the four 2022/23 quantitative KPIs, the Bank exceeded target on three and met target on one. These KPI calculations have been independently validated by Internal Audit. Note that for 2022/23 the Awareness and Behaviour quantitative KPI was paused to reflect the decision to reprioritise spend elsewhere and scale back demand activity.
- The Bank provided relevant reports to inform the assessment of performance on its six qualitative KPIs in 2022/23. No opinion was provided to the Board in relation to this assessment.
- The Corporate performance pay-out agreed by the Board for the Performance Bonus Plan for 2022/23 was 80%.

Performance year 2023/24

- The Bank achieved or exceeded target against all four of its strategic objectives' Key Performance Indicators (KPIs) in 2023/24.
- Through the six organisational enablers, the Bank has demonstrated it has the capabilities to deliver on its mission and the strategic objectives.
- The Corporate performance pay-out agreed by the Board for the Performance Bonus Plan for 2023/24 was 82.5%

Considering performance against KPIs over the 3-year period, the Bank's Board determined that a Corporate performance pay-out of 82.5% of the maximum award is appropriate.

The table below provides a breakdown of the LTIP payments included in the single total figure of remuneration for the year ended 31 March 2024.

Table 5: LTIP Cycle 8 awards made to Executive Directors

	Potential Award £000	Performance Award	Actual Award £000
Catherine Lewis La Torre			
Max amount: £000	**142.3**		
Personal Performance	74.3	90%	66.8
Corporate Performance	68.1	82.5%	56.2
Total Award	**142.3**		**123.0**
Patrick Magee			
Max amount: £000	**75.7**		
Personal Performance	53.4	75%	40.1
Corporate Performance	22.3	82.5%	18.4
Total Award	**75.7**		**58.5**
Phil Piers			
Max amount: £000	**99.4**		
Personal Performance	61.9	75%	46.4
Corporate Performance	37.5	82.5%	30.9
Total Award	**99.4**		**77.3**

Notes

1. The Personal and Corporate awards in the table relate to LTIP Cycle 8.
2. The Personal awards relate to 2021/22 performance.
3. The Corporate awards relate to the three-year period ending 31 March 2024.
4. Catherine Lewis La Torre, Patrick Magee and Phil Piers remain eligible for payments under LTIP Cycle 8 despite no longer working for the Bank.
5. Louis Taylor and David Hourican were ineligible for LTIP Cycle 8 as they were not members of the Bank.

Non-executive Directors' remuneration

Non-executive Directors receive remuneration in the form of a fee. Details for each of the years 2022/23 and 2023/24 are shown in Table 7.

The base fee for Non-executive Directors is £26,375 and the base fee for the Senior Independent Director is £42,200. Individuals receive an allowance of £5,270 for chairing a committee. There are no additional fees payable for individual committee membership.

However, Non-executive Directors are reimbursed expenses incurred in performing their role, and where applicable these amounts are included as fees in the table below.

Table 6: Non-executive Director remuneration (audited)

	Total Fees 2023/24 £000	Total Fees 2022/23 £000
Neeta Atkar	45.9	45.0
Barbara Anderson	30.6	30.1
Jamie Carter	NIL	NIL
James Connelly	25.5	25.3
Matthew Elderfield	25.5	9.0
Eilish Jamieson	25.5	9.1
Jenny Knott	30.6	30.4
Nathaniel Sloane	25.5	25.0
Lord Smith (Chair)	61.4	123.8
Stephen Welton (Chair)	58.8	NIL

Notes

1. James Connelly left on 31 March 2024.

2.Lord Smith (Chair) left on 4 October 2023.

3.Stephen Welton (Chair) was appointed on 5 October 2023.

Scheme interests awarded during the financial year

Executive Directors and other senior colleagues are invited to participate in the Bank's Long-Term Incentive Plan. There is no annual bonus plan for this group. The table on the following page shows interests awarded to Executive Directors during 2023/24. Awards are worth up to a maximum of 50% of salary. Any pay-outs are in the form of cash and are subject to performance and other conditions.

The Personal element of the award was assessed over the 2023/24 performance year, with payment deferred for 24 months. The Corporate element will be assessed over the three-year period ending 31 March 2026. For Executive Directors, the Personal and Corporate elements of this award will both normally be paid in August 2026, subject to vesting conditions being satisfied.

Table 7: LTIP Cycle 10 awards to Executive Directors

	Year ended 31 March 2024						
	Type of interest	Total face value of award (% of salary)	Total face value of Personal award £000	Total face value of Corporate award £000	Total face value of award £000	Percentage of Corporate award for reaching threshold targets	End of Corporate performance period
Louis Taylor	Cash LTIP	50%	84.8	84.8	169.6	50%	31 March 2026
David Hourican	Cash LTIP	50%	70.9	70.9	141.8	50%	31 March 2026

Group targets for LTIP Cycle 10 (April 2023 – March 2026)

To ensure that targets for the Group element of LTIP Cycle 10 remain relevant and challenging throughout the three-year Business Plan cycle, the Board's agreed Stretch targets for each of the Bank's KPIs from the 2023/24 Business Plan form the basis of the targets set for the first year of the three-year corporate performance period for this LTIP cycle. Targets for the second and third years of this LTIP cycle will be set at the beginning of each of these years. The Business Plan targets for 2023/24 can be found on p20–21 of the Annual Report and Accounts.

Payments to past Directors

There were no payments to past Directors.

Percentage changes in CEO/colleague pay

Louis Taylor received a salary increase of 2.8% in 2023/24 in line with the base salary increase applied to eligible colleagues under the annual salary review process.

Table 8: Pay ratio of the CEO's total remuneration compared to other colleagues

The table and accompanying notes below set out, for the year ended 31 March 2024, the ratio between the CEO's total single figure of remuneration and total remuneration for all colleagues at the lower quartile, median and upper quartile.

Year	Method	Lower quartile pay ratio	Median pay ratio	Upper quartile pay ratio
2024	Option A	7:1	5:1	4:1
2023	Option A	7:1	5:1	3:1
2022	Option A	9:1	6:1	4:1
2021	Option A	12:1	8:1	5:1
2020	Option A	10:1	6:1	4:1

Option A has been used to calculate the lower quartile, median and upper quartile total remuneration for all colleagues, excluding the CEO. The elements of remuneration used for this calculation were as follows:

– Full-time-equivalent (FTE) salary as at 1 January 2024

– Total bonus awarded or total LTIP awards payable in respect of the year ended 31 March 2024

– Total employer pension contribution (calculated as the % in payment as at 1 January 2024 and applied to FTE salary)

– Taxable value of the private medical insurance and health cash plan benefit for eligible colleagues.

CEO total remuneration has been calculated by reference to the combined single total figure of remuneration for the year ended 31 March 2024.

The median pay ratio of 5:1 is low compared to other organisations, consistent with the Bank's obligation to deliver value-for-money as a public sector body.

Table 9: Relative importance of spend on pay

No dividends have been paid by the Bank, so we have set out below the percentage of total net operating income represented by total remuneration compared to 2022/23, to illustrate the relative importance of spend on pay.

Year	Total revenue £000	Total remuneration £000	%
2023/24	18.626	64,565	29%
2022/23	-1,614	59,945	0%
2021/22	786,562	49,924	6%
2020/21	413,514	36,931	9%

Turnover represents net operating income which is largely driven by fair value movements on investments in the year. The year 2022/23 was negative, reflecting the reversal of previous unrealised gains, hence a figure of nil is used in the table above.

Implementation of the remuneration policy for 2023/24

For 2023/24, the Bank processed salary increases for all eligible colleagues in line with the salary budget outlined in the Bank's Business Plan.

In 2023/24, the Bank processed financial intervention payments to particularly recognise the performance and contribution of colleagues in lower bands (paid in December 2023).

The Bank's performance-related bonus and LTIP arrangements accrued in respect of the year 2023/24 have been paid as normal.

The Committee discussed reviewing and updating the Bank's People and Reward Strategies in line with the broadened remit of the People and Remuneration Committee.

External advisers

The People and Remuneration Committee uses advisers for the provision of remuneration advice. During the year, Mercer provided advice to the Committee on executive remuneration matters for a fee of £4,500, and Aon McLagan, Willis Towers Watson and MM&K provided benchmarking data for fees of £46,180, £26,200 and £2,800, respectively. None of these advisers has any connection with the Bank.

Directors' report

The Directors present their report for the audited financial statements of British Business Bank plc and its subsidiaries (the 'Company' or 'Group') for the year ended 31 March 2024.

The following additional information including the Governance report, required by regulation and in accordance with the Companies Act 2006, is incorporated by reference into this report:

- our Governance report including our Corporate Governance Statement and further information on our Board can be found on p102–131, and is incorporated by reference and should be read as part of this report
- a description of the principal activities of the Group during 2023/24 is included in the Strategic Report on p2–101
- details on sustainability and the Company's approach to ESG and greenhouse gas emission reporting is included in the Climate-related Financial Disclosures section on p78–91
- information on our gender pay gap, and our actions on colleague engagement can be found in the 'Supporting colleagues' section on p66–68. We have also included Board engagement with the Company's colleagues under 2023/24 Board activity on p118–119
- information about the use of financial instruments by the Company and its subsidiaries is given in note 2 on p166–172, how the Company manages its risks in relation to financial instruments is provided in note 23 on p201–215 and details of significant post-balance sheet events are contained in note 25 to the financial statements on p217
- the review of Executive Director performance is contained in the 'Annual report on remuneration' on p140–144.

Directors

Details of the Board of Directors in post as of 31 March 2024 have been provided in the Governance report on p106–111 and include details of other significant directorships.

Details of Directors' remuneration can be found in the Directors' remuneration report on p132–139.

Appointment and retirement of Directors

Stephen Welton was appointed as Chair to the Board with effect from 5 October 2023. Almost all Directors are appointed for fixed terms, which may be renewed, with the exception of the Shareholder Representative Director, who is an appointee of the Secretary of State for Business and Trade.

Each Director will offer themselves for election or re-election at the Company's AGM. The process for the appointment and replacement of Directors is determined by our Shareholder Relationship Framework and Articles of Association. See the Governance report for more details on p102–131.

Lord Smith of Kelvin retired as Chair of the Board following the conclusion of his term on 4 October 2023. James Connelly (effective 31 March 2024) has stepped down from the Board.

Articles of Association

The Company's Articles of Association may be amended by a special resolution at a General Meeting of the Shareholder.

Department for Business and Trade

In 2023, the Government announcement a departmental restructure affecting the Department for Business, Energy and Industrial Strategy ('BEIS'), our former Shareholder, and following the Transfer of Order Function in May 2023, the Company has now become an arm's length body of the newly formed Department for Business and Trade ('DBT').

Dividends

No dividends have been paid or proposed for the year ended 31 March 2024.

Directors' indemnities

The Company 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.

Donations

Political donations are not permitted and no political donations or any political expenditure was incurred in 2023/24.

Charity donations by the Company are not permitted; however, colleagues are able to make personal donations.

Going concern

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the course of the next 12 months from the date of signing the Annual Report and Accounts.

The Chief Executive Officer and Accounting Officer has received a letter of support from DBT, our Shareholder, stating that DBT will provide sufficient funding to enable the Group to continue to operate. This includes the provision of comfort by our CEO to subsidiaries in the Group. Thus, the Directors continue to adopt the going concern basis in preparing the financial statements, and the Company has adequate resources to continue in business for the foreseeable future. Further details can be found in the significant accounting policies notes in the financial statements.

> **"The Company's ability to bring innovation and successful products to the market is key to successfully fulfilling our mission."**

Viability statement

The Directors have assessed the viability of British Business Bank plc and its subsidiaries, in accordance with the Financial Reporting Council (FRC) UK Corporate Governance Code (available at www.frc.org.uk), and have selected a period of four years for the assessment, up to the year ending 31 March 2029. This is the period over which the Board considers that it can form a reasonable view of key drivers of the Company's performance and is in line with the financial forecast in the 2023/24 Business Plan. In making this assessment, the Directors have considered a wide range of information including:

- the Board's risk appetite and assessment of the risks which could impact the performance of the Group and how these are managed. Details can be found in the 'Risk Management' section on p69–77
- the Group's current financial position and prospects. For more details, please refer to the '2023/24 Financial performance and calculation of adjusted return' section on p94–101
- the Group's business model and strategy. More details can be found in the sections 'How we work' on p26–27 and 'Our impact in 2023' on p18–19.

The Company's continuation as an entity is ultimately at the discretion of its sole Shareholder, DBT. The Board has considered that the Group has and will continue to have Shareholder support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Company's 2023/24 Business Plan which is updated and approved annually by the Board and the Shareholder. The Board is confident the finance from DBT will continue and as of the date of approval of this Annual Report and Accounts they have no reason to believe otherwise.

Allotment of shares

The Company issued 485,900,000 shares during the year to 31 March 2024, bringing the total up to 3,066,211,268. Details of the Company's share capital can be found in note 23 in the financial statements.

Research and development

The Company's ability to bring innovation and successful products to the market is key to successfully fulfilling our mission. Through active engagement with stakeholders and supported by our market research we can both develop new products and continue to innovate our existing products. In 2023, the Company launched an updated Product Development Process to strengthen our approach to launching new products and ensure ongoing product evaluations are in place through our Product Development Committee.

The Company seeks to be a centre of excellence and thought leader in the venture capital and smaller business sectors. We regularly publish economic research and in-depth assessments, such as our annual ***Small Business Finance Markets Report.***

Further information on how the Company uses research to achieve our objectives can be found in the sections 'Unlocking potential' on p40–42 and 'Building our capability' on p62–63.

Engagement with suppliers, customers and others

The Company takes into consideration the views of suppliers, customers and other stakeholders. Details of Board engagement with our customers and our key stakeholders can be found in the Strategic Report on p92–93 and the effect on the principal decisions taken by the Company in the Governance report on p120–121.

Disability employment policies

The Company works closely with disabled colleagues to ensure barriers that may prevent them from performing their roles are reduced or removed. We discuss with individuals how we can best support them, and we engage with both our Occupational Health provider and Access to Work where appropriate. We encourage people to own their adjustment plans, keep them as a live document and discuss them regularly with their line manager and other colleagues, as they prefer. Managers receive training on disability, and we provide regular webinars, blogs, and inclusive sessions for all colleagues on a variety of disability-related matters.

As a Level 2: Disability Confident Employer, we ensure we have an inclusive and accessible recruitment process, supporting employees with disabilities and making any adjustments that they need to help them with the recruitment process and to do their jobs. We aim to create a safe environment in which employees and job applicants feel confident to disclose their condition with the knowledge that they will be fully supported.

As part of our onboarding process we explain the role of Stronger Together, our inclusion employee resource group which focuses on all aspects of the Disability Equality Index (DEI), and we encourage participation and the sharing of experiences.

2024 Annual General Meeting (AGM)

The 2024 AGM will be held in September 2024, with the notice of the meeting and related papers being sent to the Shareholder in advance.

Auditor

The External Auditor of the Company is the National Audit Office (NAO). The NAO has confirmed that it is willing to continue in office, and on the recommendation of the Audit Committee a resolution for the appointment of the NAO as auditor of the Company will be proposed to our Shareholder, DBT, at the 2024 AGM. Additional information can be found in the Governance report under the Audit Committee Report on p127-128.

Directors' disclosure to auditors

Each of the persons who are a Director at the date of approval of this Annual Report and Accounts 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 themself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Approved by the Board of Directors

Louis Taylor
Chief Executive Officer and Accounting Officer
25 July 2024

Statement of Directors' responsibilities

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

In accordance with company law, the Directors have elected to prepare both the Group financial statements and the Company financial statements under International Financial Reporting Standards (IFRS).

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 the Group and of the profit or loss of the Company and the Group 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 Company's and the Group's financial position and financial performance
- make an assessment of the Company's and the Group'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 and the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and the Group 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 the Group 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. 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 and the Group
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face
- the Annual Report 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 and the Group's position, performance, business model and strategy.

By order of the Board

Louis Taylor
Chief Executive Officer and Accounting Officer

David Hourican
Chief Financial Officer
25 July 2024

Independent auditor's report

to the members of British Business Bank plc

Opinion on financial statements

I have audited the financial statements of British Business Bank plc group (BBB) for the year ended 31 March 2024 which comprise the BBB Group's

- Consolidated Statement of Financial Position as at 31 March 2024;
- Consolidated Statement of Comprehensive Net Income, Consolidated Cash Flow Statement and Consolidated 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 group's financial statements is applicable law and the UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the British Business Bank plc group's affairs as at 31 March 2024 and of the loss for the year then ended;
- have been properly prepared in accordance with the 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 am independent of the British Business Bank plc group 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 the British Business Bank plc group’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:

- considering the British Business Bank plc group’s Business Plan for 2024-25 relevant to its operating expenditure;
- reviewing letters of comfort issued by the Department for Business and Trade to the British Business Bank plc group in support of the group’s activities and the provision of funding; and
- considering if any other events or conditions have occurred which may cast doubt on the British Business Bank plc group’s ability to continue as a going concern.

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 the British Business Bank plc group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the director’s considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls (other than to the extent where this was part of my work on the measurement of expected credit losses and fair value measurement of financial assets as set out below) where my work has not identified any matters to report.

The key audit matters were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 127–128.

Key audit matter: Fair value measurement of financial instruments

Description of risk

The most significant balance in the financial statements of the British Business Bank plc group is investments. The majority of these investments are held and measured at fair values which are subjective and based on methods which rely on a range of unobservable inputs and are held in the significant components British Business Finance Limited (BBF), British Business Investments Limited (BBI), and British Patient Capital Limited (BPC). The assumptions and judgements applied by management are disclosed in Note 3 to the financial statements (under the headings Judgements and Estimates).

Investments held at fair value had a total estimated fair value of £3.4bn at 31 March 2024 (£3.1bn at 31 March 2023). During the year the British Business Bank plc group: made new investments held at fair value totalling £600m; received £264m back from investments in funds; recognised realised gains of £29m; and recognised estimated unrealised fair value losses of £77m. Having previously invested solely through delivery partners, BPC is increasingly entering into direct investments - at 31 March 2024 BPC directly held private equity investments with a total fair value of £185m (£154m at 31 March 2023). There continues to be a high level of estimation uncertainty inherent in the fair value measurement of the British Business Bank plc group's investments due to ongoing economic uncertainty.

The financial statements have been produced earlier this year to allow for earlier publication. A direct consequence of this is that, at the date of my report, there are funds for which no audited financial statements are available. This increases the risk for the fair value measurement of these funds as, for some funds, this means that the most recent audited accounts available to support the valuation have a reporting date much earlier than British Business Bank plc's own reporting date.

Whilst loans issued by the Start-Up Loans Company (SUL) are held and measured at amortised cost, their fair value measurement is required for the purpose of initial recognition and disclosure. The assumptions and judgements applied by management are disclosed in Note 2 to the financial statements (under the heading *Fair value at initial recognition – SUL*).

The investments held in SUL are loans to entrepreneurs provided on non-commercial terms, where losses of 30% to 40% are expected across the scheme. Investments in Enterprise Capital Funds (ECFs), held in BBF, are also provided on non-commercial terms and valued using complex models and subjective inputs where a reasonable variation has a material impact on the valuation derived. The level of write down required to account for these non-commercial terms is highly material and is subject to a significant estimate based on management's judgement, which is derived from a number of non-observable inputs.

How the scope of my audit responded to the risk

In auditing the fair value measurement of financial assets, I have performed the following procedures:

- I have tested the design and implementation of the controls applied by the British Business Bank plc group over the valuation processes for financial assets. This included attendance at key internal meetings where I observed management's review and challenge of valuations provided by fund managers. Where valuations are produced through models, I have tested the design and implementation of controls over the fair value models used.
- Where management relies on valuations provided by fund managers to estimate the value of its investments, I have considered the governance arrangements in place and the process undertaken by management to review and challenge the valuations prior to their inclusion in the accounts. I have performed detailed procedures to enable me to gain assurance from the work of the fund managers. This has included comparison of the most recent audited accounts of the fund against the fund manager valuation report for the same period and consideration of additional evidence where the accounting period of the fund and BBB are not coterminous. I considered the overall competence, capability and objectivity of the fund managers, as well as the scope of their work and its relevance to the accounts and my opinion.

Key audit matter: Fair value measurement of financial instruments (continued)

- Where management uses models to estimate the value of its loans and investments, I considered the selection and application of methods applied, the design of the valuation models, the validity of the data inputs to those models, and the appropriateness of the key assumptions on which the estimates were based. For the ECF valuation model I sought confirmation that management had reassessed the assumptions made in the prior year which underpin the valuation model, to confirm that they remain appropriate at year end, and challenged management on how it has addressed estimation uncertainty. For the SUL model I engaged an economic expert to support my assessment of the key assumptions used and obtained assurance over the completeness and accuracy of the input data used in the model by testing a sample of loan balances.
- In respect of the unlisted equity investments held directly by BPC, I have reviewed the British Business Bank plc group's valuation methodology to ensure that it continues to be align with International Private Equity and Venture Capital Valuation (IPEV) guidelines. I completed a detailed risk assessment of BPC's equity investments and, on a sample basis, reviewed publicly available information about the performance the companies BPC has invested in. I compared this to the information used in valuing the investments to consider whether the best available information had been used in forming the fair value. I also engaged an auditor's expert to review a further sample of BPC's equity investments and to assess the valuation approach adopted by BPC against the requirements of IFRS13 and the latest IPEV guidelines.
  - For those investments where the last funding round is used as a proxy for fair value, we have reviewed the reasonableness of this in the context of the investee company's qualitative and quantitative information. We considered whether alternative valuation methods were more appropriate depending on review of company performance, using historical and forecasted management information, external information and general market movements.
  - For those investments valued using a revenue-multiple approach, I considered the reasonableness of the revenue multiples applied by management and the forecast revenues they were applied to. This included: assessing the reasonableness of management's selection of comparable companies; evaluating whether management had accurately determined the revenue multiple of comparable companies identified; and assessing the rationale for any discounts or premiums applied. I also evaluated the range of plausible valuations and verified revenue multiples to independent sources.
  - For those investments valued using scenario-based approach, we considered the reasonableness of the assumptions applied by management. This included the reasonableness of the discount factor applied to calculate the present value of the exit values, evaluating whether management have reasonably determined the exit value for each scenario and assessing the rationale for the likelihood probabilities for each scenario. We have also evaluated the range of plausible valuations based on alternative market data and research.
- I have assessed the accuracy and completeness of the review for potential impairments that management have performed in relation to their loans and investments.

I have undertaken a review of a sample of loans and investments and considered whether management's judgements on appropriate accounting treatments are consistent with the relevant accounting standards and the underlying substance and form of legal agreements.

Key audit matter: Fair value measurement of financial instruments (continued)

Key observations

Based on the evidence I obtained I found that the quarterly investment valuations provided by fund managers are a reliable basis for estimating the fair value of the British Business Bank plc groups' investments in funds.

My work over the direct investments held by BBB found that they were valued in line with the requirements of IFRS 13.

Where the fair values were outputs from models, I found that these outputs, and the underlying models' design, were in line with the requirements of IFRS 13.

The economic environment remains uncertain and there continues to be high levels of estimation uncertainty inherent in the fair value measurement of investments, especially for investments held in externally managed debt and equity funds. Note 12 to the financial statements (under the heading *Ongoing impact of market conditions on investment valuations*) adequately discloses the additional uncertainty in these fair values.

Key audit matter: Measurement of expected credit losses

Description of risk

For investments held at amortised cost, the determination of expected credit losses (ECL) continues to be an area of significant estimation. The assumptions and judgements applied by management are disclosed in Note 2 to the financial statements (under the heading *Impairment of financial assets*) and in Note 3 to the financial statements (under the headings *Economic scenarios and associated probability weightings and Post-model overlays*). This includes assumption and judgement in respect of: the application of IFRS 9 staging criteria; calculation of probability of default; and the use of forward looking macroeconomic forecasts.

BBB calculates ECLs using models developed by independent analytics and risk management experts. Additional overlays were made by management to reflect the underlying behaviours of the respective investment schemes.

The forward-looking macroeconomic scenarios are generated from key economic indicators provided by independent forecasters, comprising different economic outlooks. There is a high level of estimation uncertainty in the base case scenarios due to the inherent complexities in forecasting future economic outcomes, which are impacted by ongoing economic uncertainty. BBB run regression analysis on these variables to determine multipliers to apply to probabilities of default. These outlooks are weighted based on analysis and reviewed quarterly by management. Note 2 to the financial statements sets out the approach to calculating PD for each loan under the heading *The calculation of probability of default (PD).* This is broadly based on credit ratings determined on inception and estimation of behaviour of loans over their lives.

The allowance for ECL at 31 March 2024 is £43.6m (£48.2m at 31 March 2023). There have been decreases in the ECL allowance due to: reduced BBI exposures (as a result of interest repayments and amortisation of portfolios that are in their run-off); an improved economic outlook; and an increase in the discount rate used to calculate the present value of ECLs, which have been partially offset by increases associated with the slightly worsened performance of the Start Up Loans portfolio and portfolio specific overlays. Although the improved economic outlook has resulted in a reduced level of estimation uncertainty in the provision as compared to the prior year, a significant level of uncertainty continues to exist. Management have presented additional quantitative and qualitative disclosure (Note 23.3 – Financial Risk Management) regarding this estimation uncertainty in BBB's financial statements.

Key audit matter: Measurement of expected credit losses (continued)

How the scope of my audit responded to the risk

I have understood and evaluated the design and implementation of key controls, including the governance in place, in relation to the measurement of expected credit losses.

I also performed the following procedures:

- I assessed the design of the ECL models and assessed management's rationale for the assumptions and methods used to confirm that these would produce estimates which are appropriate to the underlying financial instruments and compliant with the requirements of IFRS 9.
- I obtained assurance over the completeness and accuracy of the input data used in the ECL models by testing a sample of loan balances and verifying investment data against underlying contractual documentation and other information.
- I assessed the methodology for determining the Significant Increase in Credit Risk (SICR) criteria and independently tested the staging allocation by reperforming this across BBB's amortised cost loan portfolios.
- I reviewed the reasonableness of key assumptions, including comparison of economic assumptions to relevant publicly available information and to the scenarios provided by BBB's independent risk specialists. I assessed the specialists as management's external information source under ISA 500.
- I reviewed the sensitivity analysis undertaken by management to identify the most sensitive assumptions used in the models to focus our testing, and to evaluate how management had addressed estimation uncertainty in producing the accounting estimate. I evaluated the reasonableness of those assumptions and performed additional sensitivity analysis as appropriate.
- I tested all post-model adjustments to confirm that management's judgements in determining the need for these was appropriate and that the adjustments had been calculated using appropriate and supportable assumptions.

Key observations

Based on the evidence I obtained I found that the methodology, input data and assumptions used to calculate the ECLs were supported by appropriate evidence and were in line with the requirements of IFRS 9.

There remains significant estimation uncertainty in the measurement of loss allowances due to continued uncertainty in the UK economy and downside pressures on UK businesses from the emerging impact of high inflation from higher energy and cost of living prices. The financial statements (Note 23.3 – Financial risk management) describe the uncertainty in the measurement of the ECL and its sensitivity to key assumptions, which I am content is adequately disclosed.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the British Business Bank plc group's financial statements as a whole as follows:

	Group
Materiality	£35,500,000
Basis for determining materiality	1% of net investment assets (2022-23: £33m, 1% of net investment assets)
Rationale for the benchmark applied	British Business Bank plc group develops and manages finance programmes that are intended to enhance the working of financial markets and improve access to finance for smaller businesses. These programmes involve the making of debt and equity investments, (through partner organisations and directly). I therefore chose net investment assets as the benchmark for determining materiality because I consider it to be the principal consideration for users in assessing the financial performance of the British Business Bank plc group. I determined that this was more appropriate than using revenue or net profit as a benchmark as these are not the main factors that would influence the decisions of users of the financial statements.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2023/24 audit (2022/23: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

If corrected, the unadjusted audit differences reported to the Audit Committee would increase reported net assets by £276k.

Audit scope

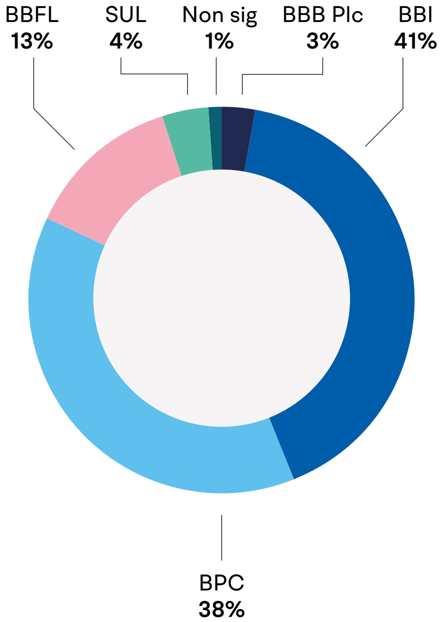
The scope of my British Business Bank plc group audit was determined by obtaining an understanding of the British Business Bank plc group and its environment, including the group wide controls, and assessing the risks of material misstatement at the group level.

The British Business Bank plc group comprises British Business Bank plc, BBB Patient Capital Holdings Limited, British Business Financial Services Limited, British Business Finance Limited and the subsidiaries of these companies: British Business Investments Limited, British Patient Capital Limited, Nations and Regions Investments Limited, The Start-Up Loans Company, and British Business Aspire Holdco Limited. The British Business Bank plc group financial statements are a consolidation of these companies.

I identified the following as significant components of the British Business Bank plc group: British Business Bank plc, British Business Investments Limited, British Patient Capital Limited, British Business Finance Limited and The Start-Up Loans Company (a subsidiary of British Business Finance Limited). British Business Investments Limited and British Patient Capital Limited require statutory audits and the work in this respect is carried out separately. The work on the other significant components is performed by the group audit engagement team.

This work, together with additional procedures performed on balances arising as a result of the British Business Bank plc group's consolidation process, gave me the evidence I needed for my opinion on the British Business Bank plc group financial statements as a whole. The significant components of the British Business Bank plc group account for over 99% of the group's assets. Together with the procedures performed at group level, this gave me the evidence I needed for my opinion on the British Business Bank plc group financial statements as a whole.

Gross assets of individual components of the British Business Bank plc Group (as at 31 March 2024)



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 the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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;

– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

– the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

– Information about the British Business Bank plc's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

I have reported separately on pages 218-221 on the Parent Company Financial Statements of British Business Bank plc for the year ended 31 March 2024 and on the information in the Directors' Remuneration Report that is described as having been audited.

Matters on which I report by exception

In the light of the knowledge and understanding of the British Business Bank plc group and its environment obtained in the course of the audit, I have not identified material misstatements:

– in the Strategic Report or the Directors' Report; or

– the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

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

– I have not received all of the information and explanations I require for my audit; or

– the financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of director's remuneration specified by law are not made; or

– a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the British Business Bank plc group's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on p146;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on p146;
- Directors' statement on fair, balanced and understandable set out on p149;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on p69–77;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems on p69–77; and
- The section describing the work of the Audit Committee set out on p127–128.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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 the British Business Bank plc group from whom the auditor determines it necessary to obtain audit evidence.
- preparing group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the British Business Bank plc group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or the group 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 the British Business Bank plc group's accounting policies.
- inquired of management, British Business Bank plc group's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the British Business Bank plc group'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 the British Business Bank plc group's controls relating to the British Business Bank plc group's compliance with the Companies Act 2006;
- inquired of management, the British Business Bank plc group'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 including significant component audit teams 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 the British Business Bank plc group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the British Business Bank plc group's framework of authority and other legal and regulatory frameworks in which the British Business Bank plc group's 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 the British Business Bank plc group. The key laws and regulations I considered in this context included Companies Act 2006, employment law and tax legislation.

I considered the significant estimates made by management in the production of the financial statements, in particular the measurement of expected credit losses and fair value measurement of financial instruments.

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
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating 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 significant component audit teams 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
25 July 2024

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

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

Consolidated financial statements

Consolidated statement of comprehensive net income

For the year ended 31 March 2024

Income	Note	2024 £000	2023 £000
Interest income	4.1	67,382	50,130
Grant income	4.2	4,306	3,443
Management fee income	4.3	51,161	57,037
Other income		2,515	1,613
Gross operating income		**125,364**	**112,223**
Expected credit loss on AC† assets	12.1	4,622	234
Net loss on investment assets			
– Fair value adjustment on initial recognition of AC assets	5	(49,101)	(29,341)
– Derecognition of AC assets	5	(25,431)	(21,809)
– Fair value adjustment on initial recognition of assets held at FVTPL*	5	(38,462)	(37,484)
– Realised fair value gains on assets held at FVTPL	5	28,541	11,519
– Unrealised fair value losses on assets held at FVTPL	5	(77,308)	(69,236)
Net gain on write down of repayable capital grant	6	50,401	32,280
Net operating income/(loss)		**18,626**	**(1,614)**
Expenditure			
Staff costs	7.1	(64,565)	(59,945)
Other operating expenditure	7.2	(63,766)	(65,941)
Depreciation and amortisation		(1,672)	(1,802)
Operating expenditure		**(130,003)**	**(127,688)**
Net operating loss before ECF loan commitment financial liability, interest payable and finance costs		**(111,377)**	**(129,302)**
ECF loan commitment financial liability			
Provided in the year on new commitments	15	(58,187)	(54,665)
Released in the year	15	38,556	37,580
Finance costs on lease liabilities		(198)	(237)
Interest payable		-	(635)
Loss before tax		**(131,206)**	**(147,259)**
Tax	8.1	9,698	12,000
Loss for the year after tax		**(121,508)**	**(135,259)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(121,508)**	**(135,259)**

All operations are continuing.

The notes on p166-217 form an integral part of the financial statements.

The results by operating segment are shown in note 9 to the financial statements.

* Fair value through profit or loss. † Amortised Cost.

Consolidated statement of financial position

As at 31 March 2024

	Note	2024 £000	2023 £000
Assets			
Cash and cash equivalents	10	157,618	116,927
Trade and other receivables	11	23,294	13,370
Amortised cost investments	12.1	530,461	503,092
Investments held at fair value through profit or loss	12.2	3,393,479	3,143,996
Property, plant and equipment		-	258
Right-of-use assets	13	5,493	6,908
Corporation tax receivable		15,325	-
Total assets		**4,125,670**	**3,784,551**
Liabilities			
Trade and other payables	14	(55,318)	(30,782)
Corporation tax payable		-	(9,232)
ECF loan commitment financial liability	15	(229,127)	(209,496)
Loans and other borrowings	16	(155,973)	(193,774)
Lease liabilities	17	(7,228)	(8,994)
Deferred tax liability	8.2	(131,371)	(150,012)
Total liabilities		**(579,017)**	**(602,290)**
Net assets		**3,546,653**	**3,182,261**
Equity			
Issued share capital	20.2	3,066,211	2,580,311
Retained earnings		480,442	601,950
Total equity		**3,546,653**	**3,182,261**

The financial statements of the Group (parent company number 08616013) were approved by the Board of Directors on 25 July 2024 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chief Executive Officer

The notes on p166-217 form an integral part of the financial statements.

The consolidated statement of financial position does not distinguish between current and non-current balances, as these classifications are detailed in the accompanying notes.

Consolidated statement of changes in equity

As at 31 March 2024

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2022		**2,156,311**	**737,209**	**2,893,520**
Net loss after tax		-	(135,259)	(135,259)
Total comprehensive income		**-**	**(135,259)**	**(135,259)**
Issue of ordinary shares	20.2	424,000	-	424,000
Balance at 31 March 2023		**2,580,311**	**601,950**	**3,182,261**
Balance as at 1 April 2023		**2,580,311**	**601,950**	**3,182,261**
Net loss after tax		-	(121,508)	(121,508)
Total comprehensive income		**-**	**(121,508)**	**(121,508)**
Issue of ordinary shares	20.2	485,900	-	485,900
Balance at 31 March 2024		**3,066,211**	**480,442**	**3,546,653**

Consolidated cash flow statement

As at 31 March 2024

	Note	2024 £000	2023 £000 Restated
Loss before tax		**(131,206)**	**(147,259)**
Cashflows from operating activities			
Adjustments for non-cash items:			
Net gain on write down of repayable capital grant	6	(50,401)	(32,280)
Depreciation and amortisation		1,674	1,802
Interest payable		-	635
ECF loan commitment financial liability	15	19,631	17,085
Changes in operating assets and liabilities:			
Net cash (decrease)/increase in AC investments	12.1	(29,896)	22,747
Adjustment for non-cash losses on AC investments	12.1	2,527	786
Net cash decrease in investments held at FVTPL	12.2	(312,712)	(336,687)
Adjustment for non-cash losses on investments held at FVTPL	12.2	63,229	95,201
(Increase)/decrease in trade and other receivables	11	(9,924)	4,299
Increase/(decrease) in trade and other payables	14	24,536	(4,626)
Payment of Corporation tax		(33,500)	(21,593)
Payment of interest payable		-	(635)
Net cash used in operating activities		**(456,042)**	**(400,525)**
Cashflows from financing activities			
Capital grants received	16	36,000	36,000
Payments of lease liabilities	17	(1,965)	(1,933)
Finance costs on lease liabilities	17	198	237
Net increase in Shareholder funding	16	462,500	470,000
Net decrease in loans from Nuclear Liabilities Fund	16	-	(88,405)
Net cash from financing activities		**496,733**	**415,899**
Net increase in cash and cash equivalents		**40,691**	**15,374**
Cash and cash equivalents at beginning of the year		116,927	101,553
Cash and cash equivalents at end of the year		**157,618**	**116,927**

Interest received was £91.6m (2023: £74.3m).

The notes on p166-217 form an integral part of the financial statements.

In the prior year, Net cash (decrease)/increase in AC investments, Net cash decrease in investments held at FVTPL, Adjustment for non-cash losses on AC investments, and Adjustment for non-cash losses on investments held at FVTPL were shown as combined line items, Net decrease/(increase) on AC investments, and Net increase in assets at FVTPL.

Notes to the consolidated financial statements

For the year ended 31 March 2024

1. General information

The British Business Bank plc (the 'Company' or 'Group') is 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 British Business Bank Group's operations and its principal activities are set out in the Strategic Report on p2-101.

2. Significant accounting policies

Basis of preparation

The Group 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 certain financial assets and liabilities that are measured at amortised cost and financial instruments that are measured at fair value or revalued amounts 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.

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

On 7 February 2023, the then Prime Minister announced a major machinery of Government change which redistributed the activities of several existing Government departments and created three new departments including the Department for Business and Trade. The British Business Bank was designated to the Department for Business and Trade with accounting officer responsibilities formally transferred from 1 April 2023.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2024.

Control is achieved when the Company:

– has the power over the investee

– is exposed, or has rights, to variable returns from its involvement with the investee

– has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Determining whether a Company has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over relevant activities. This judgement may involve assessing the purpose and design of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Net Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed in full to the owners of the Company in the absence of non-controlling interests. Total comprehensive income of the subsidiaries is also attributed in full to the owners of the Company in the absence of non-controlling interests.

Going concern

Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Company and the Group have undertaken an assessment up to the year ending 31 March 2029. The basis of this assessment takes into account the outcome of the three-year Spending Review for the period between 1 April 2022 to 31 March 2025 as announced in November 2021. Post the Spending Review period the Company and Group have used similar assumptions in its assessment for the period between 1 April 2025 and 31 March 2029. Additionally, for each individual programme that is established, a pre-agreed funding amount is determined by His Majesty's Government. The Group has also received a letter of support from the Secretary of State for DBT stating it will provide sufficient funding to enable the Group 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 were required with respect to new and revised accounting standards.

At the date of authorisation of these financial statements, the Directors expect that the adoption of Standards and Interpretations in issue but not yet effective (IFRS 18 Presentation and Disclosure in Financial Statements) will have a material impact on the presentation of the financial statements of the Group in future years. The Group is also carrying out an impact assessment with regard to the issuance of IFRS S1 and IFRS S2 Sustainability Standards. The Group does not expect the new IFRS 19 (announced 9 May 2024) will be applicable to the Group or its subsidiaries.

Income recognition – Management fee income and Other income

Under IFRS 15 'Revenue from contracts with customers', income is recognised when a recipient obtains control of goods or service and thus has the ability to direct the use and obtain benefits from the goods or service. Management fee income and Other income are recognised when a recipient obtains control of the service.

The Group provides services to DBT and other entities (as detailed in note 4.3). These services include managing the initial issuance and ongoing administration of assets held by those entities, along with performing certain central administrative functions where those entities do not have their own capabilities. The amount of income is typically based on the costs incurred by the Group in performing those services whether externally incurred or an allocation of internal costs; as such, these can be dependent on length of time or linked to specific activities.

The income related to these services is recognised when a recipient obtains control of the service and thus has the ability to direct the use and obtain benefits from the service. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales-related taxes.

Interest income

Interest income and expense on all amortised cost financial instruments is recognised on an effective interest rate (EIR) basis.

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 Group 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 Consolidated Statement of Comprehensive Net Income.

Grant income

Grant income is recognised under IAS 20 and relates to a Resource Grant and represents funding from the Company's Shareholder to cover the operating costs of The Start Up Loans Company (SUL).

Any grant income in excess of operating cost is treated as deferred resource grant income and has been included in Trade and other payables as a liability in the Consolidated Statement of Financial Position.

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 Consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Consolidated Statement of Financial Position 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 in future years will be available against which deductible temporary differences can be utilised.

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

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group 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 Consolidated Statement of Comprehensive Net Income.

Classification of financial instruments

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

The Group 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 Group's financial assets comprise debt and equity instruments. 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 Group's equity instruments are measured at FVTPL both on initial recognition and subsequently.

Individual investment programmes are detailed further in note 12.

Fair value at initial recognition – SUL

Loans originated through the Group's Start Up Loans (SUL) programme have been classified as amortised cost financial instruments. The Group charges a single rate of interest (6%) to SUL customers that is independent of the credit quality of the customer.

This interest rate is not sufficient to compensate for the expected losses for the SUL scheme which are forecast to be between 30% and 40%, reflecting the non-commercial nature of the scheme. Therefore, the transaction value of a Start Up Loan will not equal its fair value.

The future expected cashflows are risk adjusted and discounted using an appropriate discount rate, which has been calculated by taking the average five-year median corporate debt rate for Caa/C rated loans, in order to calculate the fair value.

In accordance with IFRS 9, the fair value adjustment at initial recognition, which is the difference between the transaction value of the loans and their fair value, would usually be deferred and either amortised or recognised when a gain or loss was crystallised.

However, the Directors have determined that it is appropriate in this circumstance to apply a true and fair override, and consequently, any fair value adjustment arising on the SUL loan book will be recognised immediately through the Consolidated Statement of Comprehensive Net Income because this reflects the commercial position more appropriately.

Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and with exposures arising from loan commitments and financial guarantee contracts.

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' if their credit risk has increased significantly since initial recognition, at which point it is considered appropriate to recognise lifetime ECL. The Group 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'.

For portfolios where there is no recent borrower specific credit information, the proportion of the performing book deemed to have suffered from a significant increase in credit risk is 10% based on industry analysis.

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. Accounts 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 EIR.

The calculation of probability of default (PD)

The PD of each underlying loan or credit facility provided by the Group 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 Group'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)

Exposure at default (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 Consolidated Statement of Comprehensive Net Income.

Loans remain on the Consolidated Statement of Financial Position, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally fully written off where the offering of any forbearance measures has proved unsuccessful in the borrower being able to meet the revised repayment schedule, there is a continued pattern of non-payment and it is assessed that there is no realistic prospect of any further recovery. Loans are partially written off from an accounting perspective where the borrower is unable to repay the loan in full and the loan has been subject to forbearance such that the original amounts due are no longer expected to be fully recovered. Any loss incurred by the Group 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 Consolidated Statement of Comprehensive Net Income.

Investments in Associates

IAS 28 Investments in Associates applies to all investments in which the Group has significant influence but not control. A holding of 20% or more of the voting power of an investment would normally indicate significant influence and require these investments to be accounted for as associates using the equity method of accounting.

Where the Group holds greater than 20% of the ordinary share capital of an entity but there is no significant influence, these entities are not accounted for as associates. Instead, these entities are classified and accounted for as a financial asset in accordance with IFRS 9 Financial Instruments. These investments are held at FVTPL and initially recorded at cost and subsequently re-valued based on fund net asset values (NAVs). Details of the Group's significant holdings are shown in note 21, none of which the Group has significant influence over as they are not involved in management decisions and do not have seats on the Board.

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.

Financial liabilities

In both the current and prior period, financial liabilities are classified at initial recognition and subsequently measured at amortised cost, except for:

– financial liabilities at fair value through profit or loss: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented in the Consolidated Statement of Comprehensive Net Income.

Loan commitments at below market rate

The Group accepts a lower than market rate of return from Enterprise Capital Funds (ECF) investments in order to encourage private sector investors to invest alongside. Although the Group expects to make a positive return from these investments, this return is less than that required by the private sector. The Group has loan commitments for each of these investments and at initial recognition elected to irrevocably designate the liability related to these loan commitments as measured at FVTPL.

This group of financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis in accordance with a documented investment strategy, and information about these assets and liabilities is provided internally on that basis to the Group's key management personnel.

When a commitment is drawn, the loan commitment is released and a separate fair value adjustment on the resulting investment is recognised in net losses on investments in the Consolidated Statement of Comprehensive Net Income, to reflect the difference between the fair value and the amount drawn.

Loans and other borrowings

The Group has a loan facility from the Secretary of State for DBT which is classified and measured as amortised cost financial liabilities.

In addition, it has received a capital grant in respect of the SUL scheme. The agreement does not have a maturity date and carries an interest rate of zero. The capital grant is repayable on demand, in whole or in part, if at the absolute discretion of DBT certain conditions arise that affect the scheme adversely.

The Group classifies and initially measures the capital grant as an amortised cost financial liability. Subsequently, the Group measures the liability as amortised cost but adjusts the carrying value by any amounts it believes will not be recoverable from the loans made to entrepreneurs under the scheme. Further details relating to the capital grant are shown in note 6.

Contingent liabilities

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable, or the amount cannot be measured reliably.

The Group has no contingent liabilities.

Foreign exchange

The Group 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. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are re-translated at the rates of exchange ruling at that date. Translation differences are recognised in the Consolidated Statement of Comprehensive Net Income.

Leases

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to borrow at over a similar term and with a similar security the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. A corresponding right-of-use asset is also recognised.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involved the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified

– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  – the Group has the right to operate the asset, or

  – the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the Consolidated Financial Statements, the Directors are required to make judgements and estimates. Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item. Estimates arise from using assumptions which result in a range of possible outcomes. The most important judgements and estimates used in preparing these Financial Statements are described below. 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 both 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 Group'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 Group's investment funds apply IFRS valuation methodologies or apply the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.

The Group is provided with NAVs on a quarterly basis from the managers of the funds. These NAVs are reviewed with particular scrutiny given to the valuation methodologies adopted by the fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant valuation guidelines, as well as taking into account known items in respect of the underlying portfolio companies. Furthermore, all funds with the exception of Regional Angels are audited on an annual basis by independent auditors, with the Group being provided with copies of these audited accounts.

The Group's investments in Co-Investment, Future Fund: Breakthrough, and Enterprise Capital Funds – Direct Investments are not considered fund investments and therefore not based on fund NAVs. Further details of the valuation of these investments are shown in notes 12 and 23.2.

The ongoing economic uncertainty has given rise to significant additional uncertainty as to investment valuations. 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.

Estimates

a. Inputs to the Enterprise Capital Funds valuation models

The Group has modelled the estimated future cashflows generated from its Enterprise Capital Funds (ECF) in order to derive the fair value of its investments, and financial liabilities relating to its loan commitments. The models use inputs, some of which rely on estimates and assumptions made by management that risk causing a material adjustment to the carrying amounts of the assets and liabilities.

Within the ECF investment calculation the Group uses multiple inputs and assumptions to determine the four components (Accrued Return, Loan, Option and Additional Upside) that comprise the fair value. The profile of expected cashflows generated by the ECFs is derived from the current NAV of the individual funds. The key assumptions which involve a significant degree of management estimate are:

- the risk-adjusted discount rate used in the valuation of expected future cashflows
- the volatility percentage, which is a benchmark for the volatility of the market price of comparable investments over time.

Risk adjusted discount rate and market return rate

The ECF discount rates used in the model are as follows:

- ECFs classified as low risk: 11%
- ECFs classified as medium risk: 13.5%
- ECFs classified as high risk: 17.5%.

The discount rates are reviewed annually and in practice have remained at constant levels in recent years. The weighted average discount rates applied to the investments and commitments as at year-end were 15.7% and 17.4%, respectively. This is due to a larger number of funds being classified as high risk compared to those classified as low risk.

As an indication of sensitivity on the drawn investments, if all the funds had a 2% increase in discount rate applied this would decrease the fair value of the investments by £17.8m. Alternatively, if all the funds had a 2% decrease in discount rate applied this would increase the fair value of the portfolio by £19.8m.

As an indication of sensitivity on the commitments, if all the funds had a 2% increase in discount rate applied this would increase the loan commitment provision by £19.2m. Alternatively, if all the funds had a 2% decrease in discount rate applied this would decrease the loan commitment provision by £21.5m.

As a further indication of sensitivity on the drawn investments and commitments, if all the funds were treated as high risk with a 17.5% discount rate applied this would decrease the fair value of the investments by £8.0m. Alternatively, if all the funds were treated as low risk with an 11% discount rate applied this would increase the fair value of the portfolio by £62.0m.

If all the funds were treated as high risk with a 17.5% discount rate applied this would increase the loan commitment provision by £1.4m. Alternatively, if all the funds were treated as low risk with an 11% discount rate applied this would decrease the loan commitment provision by £77.8m.

Volatility percentage

The volatility assumptions are based on equity indices that are considered most closely aligned to the ECF portfolio companies and consider the sector-specific focus and maturity of each fund. The volatility assumptions used in the model vary from 11.6% to 89.3%.

A 10% relative decrease in the volatility percentage used across the ECF portfolio would lead to a £3.9m decrease in the fair value of the investments. Likewise, a 10% relative increase in the volatility percentage used across the ECF portfolio would increase the value of the investments by £4.2m.

b. The assessment of fair value at initial recognition for SUL

There is uncertainty in both the expected cashflows and the discount rate used to calculate the fair value at initial recognition for SUL.

The EIR is subsequently used in the calculation of interest income recognised in the Consolidated Statement of Comprehensive Net Income as the fair value adjustment amortises.

The cashflows comprise four main components: principal, interest, expected loss on principal and expected loss on interest. For each individual account and for each period, the expected loss on principal and the expected loss on interest are assessed by taking the outstanding contractual amounts and adjusting for the marginal probability of default and loss given default.

EIR is calculated using the risk-adjusted cashflows discounted using a derived market rate which references to the five-year median yield for Caa/C rated corporate debt applicable at the year of origination.

The fair value of SUL is sensitive to changes in the discount rate and to changes in expected cashflows arising from the actual and future expected performance of the loans. A 3% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or SONIA would lead to an approximate £1.4m decrease in the fair value recognised at inception for the loans newly originated during the year.

The impact of high inflation has raised further matters for consideration in assessing the Group's amortised cost financial assets. This has been incorporated into the fair value adjustment calculations for SUL through the increase in the discount rate.

c. The assessment of ECL impairment allowances against amortised cost financial assets

The calculation of impairment provisions is inherently uncertain and requires the Group 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 ongoing 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 ongoing economic uncertainty has raised further matters for consideration in assessing the Group's amortised cost financial assets. This has been incorporated into the post-model overlay process.

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 Group 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 Inflation growth rates, interest rates, and unemployment rates, under two better and three worse scenarios. The selection of variables was reviewed in 2023/24 to ensure their continued suitability as independent variables within the regression model.

To account for the volatile nature of the UK economic environment, the Group 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 six 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 2024, adjustments to the scenario weightings have been applied to increase the probability of a downside scenarios compared to the upside scenarios.

Post-model overlays

The Group uses models in the calculation of its expected credit loss provisions and as in prior years has applied post model overlays to reflect the rigidity of model recovery assumptions.

Overlays are applied to the BBI and SUL portfolios, including the peer-to-peer lending portfolios. The overlays have resulted in an overall decrease in the ECL provision of £2.7m which is 0.4% of total exposure.

d. The assessment of fair value of direct investments

The Group invests in late-stage scale-up companies and growth-stage R&D intensive technology companies through unlisted securities. The fair value of these investments is assessed on a quarterly basis using valuation methodologies selected and applied in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

The price of a recent investment typically represents fair value as of the signing date of the transaction. At subsequent reporting dates, the price from the last financing round may be an appropriate starting point for estimating fair value. This is especially the case for investments that have less measurable performance indicators and more limited binary outcomes: success or failure. Consideration is given to the progression of key valuation drivers for each investee (e.g. revenue, rate of cash depletion, comparable companies, product roadmap, and other milestones) compared with expectations at the last round to determine if the value of the investment has increased, decreased or stayed the same.

The Group applies a price-revenue multiples approach where appropriate for companies with a meaningful level of sustainable revenue, and which requires management to make assumptions over the timing and nature of future revenues when calculating fair value. When using multiples, we consider public traded multiples as at the reporting date in similar lines of business and with similar growth potential.

When the equity values of our portfolio companies are assessed via the price-revenue multiples approach, the relevant capital waterfalls are applied to the equity values to determine the fair value of the specific class of shares held under the current value methodology.

For earlier stage companies that have yet to achieve a meaningful level of sustainable revenue, the Group typically applies a combination of milestone and scenario analysis. Where the Group can make sufficiently reliable estimates of outcomes and probabilities, a probability-weighted scenario approach is applied to re-measure the fair value based on the cashflows in each scenario outcome discounted back to the reporting date using an appropriate discount rate. For underperforming investments where the Group is unable to apply quantitative analysis with sufficient reliability, the fair value of the investment may be estimated based on a percentage provision to the last round price.

e. Inputs to the Direct Investment valuation models

£38.8m of the Direct Investment portfolio value is derived from model-based approaches, scenario models and revenue multiples. These models use multiple inputs, some of which rely on estimates and assumptions made by management that risk causing a significant adjustment to the carrying amounts of the assets.

Scenario-based Models

£17.3m of the direct investment portfolio as at year-end was valued using scenario-based models. The key inputs and judgements in these models are the probabilities and exit values assigned to each of the scenarios, along with the discount rate applied to determine the present value of the cashflows to be received in each scenario. The most significant estimate is considered to be the choice of discount rate which impacts each scenario in the model. A single discount rate has been applied to all direct investments using scenario-based models as at year-end, but we continue to review the rate and assess if more industry or investment specific discount rates can be reliably determined and would give rise to a better estimate of fair value. The discount rate applied is intended to represent the return that investors expect to receive from investments in VC stage companies and is derived using historical industry return data adjusted to ensure it represents a target level of return.

As an indication of sensitivity, if all the scenario-based models had a 2% increase in discount rate applied this would decrease the fair value of the investments by £0.7m. Alternatively, if a 2% decrease in discount rate was applied this would increase the fair value of the portfolio by £0.7m.

Revenue multiples

£21.5m of the direct investment portfolio as at year-end was valued using approaches based on revenue multiples. The key inputs and judgements in these models are the revenue figures and comparable company multiples.

As an indication of sensitivity, if all the revenue multiple models had a 10% revenue multiple increase, this would increase the fair value of the investments by £2.3m. Alternatively, a 10% revenue multiple decrease would decrease the fair value of the investments by £2.3m.

4. Income

4.1 Interest income

	Note	2024 £000	2023 £000
Accrued interest from amortised cost investments	12.1	45,419	34,032
Amortisation of fair value adjustment on initial recognition	12.1	21,963	16,098
Total interest income		**67,382**	**50,130**

The amortisation of the fair value adjustment on initial recognition represents the difference between the contractual interest rate and the effective interest rate applicable for the financial asset.

4.2 Grant income

	2024 £000	2023 £000
Grant received from Shareholder	4,306	3,443
Total grant income	**4,306**	**3,443**

Grant income relates to the resource grant received from DBT under the terms of the 'Grant Offer Letter' between DBT and SUL. The grant income funds some operating expenses of SUL and any amount in excess is recorded as deferred scheme income in the Consolidated Statement of Financial Position.

4.3 Management fee income

	2024 £000	2023 £000
Management fee income earned from:		
Department for Business and Trade	44,893	50,183
Northern Powerhouse Investments Limited	3,500	2,496
Midlands Engine Investments Limited	63	1,244
Cornwall and Isles of Scilly Investments Limited	117	3
Nuclear Liabilities Fund	1,498	1,821
East Midlands Early Growth Fund Limited	53	-
Other	1,037	1,290
Total management fee income	**51,161**	**57,037**

During the 2020/21 financial year, the Group began administering the Covid-19 emergency finance schemes on behalf of DBT. The management fee income relating to Covid-19 emergency finance schemes recharge is £35.5m (2023: £43.0m) and the costs are reflected in note 7.3.

Management fee income from the Regional Funds as detailed in the above table is, in some instances, capped to the available Resource Grant of the chargeable company.

5. Net losses on investment assets

	Note	2024 £000	2023 £000
Realised fair value gains on assets held at FVTPL		28,541	11,519
Unrealised fair value losses on assets held at FVTPL		(77,308)	(69,236)
Total fair value losses on assets held at FVTPL	**12.2**	**(48,767)**	**(57,717)**
Fair value adjustment on initial recognition of AC assets	12.1	(49,101)	(29,341)
Derecognition of AC assets	12.1	(25,431)	(21,809)
Fair value adjustment on initial recognition of assets held at FVTPL	12.2	(38,462)	(37,484)
Total net losses on investment assets		**(161,761)**	**(146,351)**

6. Net gain on write down of repayable capital grant

	2024 £000	2023 £000
Net gain on write down of repayable capital grant	50,401	32,280

The Group receives a capital grant from DBT under the terms of the 'Grant Offer Letter' between DBT and SUL for the purpose of extending loans to entrepreneurs at below market rate (see note 16). On expiry of the grant period (31 March 2027), SUL will repay to DBT the amount of cash held in its bank accounts representing capital and interest repayments from entrepreneurs. The repayable capital grant will be reduced by any unrecovered amounts from the beneficiaries of the loans. The gain on write-down of repayable capital grant represents the reduction in the capital grant liability for the write-offs and impairment losses incurred on the loans to entrepreneurs in the period as well as the reduction/increase in the capital grant liability for the fair value adjustment on initial recognition and the subsequent amortisation of this adjustment.

7. Operating expenditure

7.1 Staff numbers and staff costs

The average monthly number of employees including Directors was:

	2024	2023
On payroll	588	562
Secondees and agency staff	27	39
Non-executive Directors	9	8
Total staff numbers	**624**	**609**

Aggregate remuneration comprised:

	2024 £000	2023 £000
Wages and salaries:		
On payroll including Executive Directors	38,450	33,650
Secondees and agency staff	5,816	8,316
Non-executive Directors' fees	555	478
Short- and long-term incentive plans and bonus scheme	8,725	7,549
Social security costs	5,467	5,093
Pension costs	5,552	4,859
Total staff costs	**64,565**	**59,945**

The above staff costs include an amount of £12.0m (2023: £9.7m) that has been recharged to DBT in relation to the Covid-19 emergency finance schemes as detailed in note 7.3.

The details of the highest paid Director are included in the Directors' remuneration report on p132-139.

7.2 Other operating expenditure

	Note	2024 £000	2023 £000
Professional fees:			
Investment scheme design and transactions		5,967	5,347
Operational fees		6,876	6,062
Accommodation and office services		1,814	1,614
Information technology		6,930	6,118
Marketing		4,108	3,386
SUL delivery partner fees		8,002	7,318
Auditor's remuneration		628	507
Staff related costs, including training and travel		3,028	1,502
Other purchase of goods and services		2,887	805
Covid-19 emergency finance schemes direct operating expenditure	7.3	23,526	33,282
Total other operating expenditure		**63,766**	**65,941**

The above operating expenditure includes an amount of £23.5m (2023: £33.3m) that has been recharged to DBT in relation to the Covid-19 emergency finance schemes as detailed in note 7.3.

Auditor's remuneration is stated net of VAT and represents the total fee payable by the Group for all statutory audit services. A fee of £310,000 plus VAT was charged for the audit of the Group's Annual Report and Accounts.

7. Operating expenditure (continued)

7.3 Covid-19 scheme direct expenditure

	Note	2024 £000	2023 £000
Staff costs	7.1	12,004	9,684
Covid-19 emergency finance schemes direct operating expenditure	7.2	23,526	33,282
Total Covid-19 scheme expenditure		**35,530**	**42,966**

The Group administers the Covid-19 emergency finance schemes on behalf of DBT and as such incurred direct costs on its behalf as shown in note 7.2. In addition, there was a recharge of staff costs attributable to the Covid-19 emergency finance schemes of £12.0m (2023: £9.7m) included within note 7.1. The direct expenditure was fully recharged to DBT and staff costs were recharged on a proportional basis, with the total recharged being included in the management fee income note 4.3.

8. Tax

8.1 Tax on profit on continuing activities

	2024 £000	2023 £000
Current tax		
Current year	2,038	330
Adjustment in respect of prior years	6,904	22,538
Total current tax	**8,942**	**22,868**
Deferred tax		
Current year	(27,171)	(46,863)
Adjustment in respect of prior years	8,531	11,995
Total deferred tax	**(18,640)**	**(34,868)**
Total tax recognised through comprehensive income	**(9,698)**	**(12,000)**

Factors affecting the tax expense for the period

The tax expense for the period is different from the standard rate of Corporation Tax in the UK as explained in the table overleaf. The Corporation Tax rate used is based on the enacted Corporation Tax rate for the year commencing 1 April 2023.

Deferred tax primarily relates to the Group's investments. It is calculated at 25% (2023: 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 Group'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 or loss. The Group is subject to tax on estimated realised gains or losses arising in the individual Limited Partnerships.

The deferred tax adjustment in respect of prior years relates to the utilisation of brought forward losses.

8. Tax (continued)

The tables below reconcile the tax charge for the year:

	2024 £000	2023 £000
Loss before tax	(131,206)	(147,259)
Tax on loss at standard UK tax rate 25% (2023: 19%)	(32,802)	(27,979)
Effects of:		
Timing differences relating to:		
Tax effects of fair value movements	8,241	(7,273)
Adjustments in respect of prior periods	15,436	34,693
Effects of rate change	-	(11,247)
Movement in unrecognised deferred tax	-	(1)
Other timing differences	-	(193)
Losses (brought forward)	(573)	-
Total tax income	**(9,698)**	**(12,000)**

	Unrealised losses		Deferred tax	
	2024 £000	2023 £000	2024 £000	2023 £000
Unrealised losses	(24,324)	(36,072)	(6,081)	(9,018)
Other timing differences*	549,808	636,120	137,452	159,030
Other timing differences subject to deferred tax	**525,484**	**600,048**	**131,371**	**150,012**

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

8. Tax (continued)

8.2 Deferred tax liability

	2024 £000	2023 £000
Deferred tax liability at 1 April	150,012	184,881
Movement in the year	(27,173)	(34,869)
Adjustment in respect of prior periods	8,532	-
Deferred tax liability at 31 March	**131,371**	**150,012**

9. Operating segments

The Group's performance and results are managed internally as follows:

- British Business Bank entities: these are split into British Business Finance Limited (BBFL), British Patient Capital Limited (BPC), British Business Investments Ltd (BBI), The Start Up Loans Company (SUL), Nations and Regions Investment Ltd (NRIL), and the overall Group results
- programmes administered on behalf of DBT: In addition to its own operations, the British Business Bank, through its subsidiary British Business Financial Services Ltd (BBFSL), administers assets on behalf of DBT. These assets do not form part of the British Business Bank plc Group financial statements but are reported to management. The financial performance and position of these programmes is included within the Strategic Report. These figures are not part of the audited financial statements
- business units: The Group's business units span the different subsidiaries to pool expertise.

9. Operating segments (continued)

Consolidated statement of comprehensive net income for the year ending 31 March 2024

	BBFL £000	BBI £000	BPC £000	NRIL £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income								
Investment Programmes	-	28,130	-	-	-	-	-	28,130
Venture Solutions	4,546	-	-	-	-	-	(1,274)	3,272
Start Up Loans	-	-	-	-	35,980	-	-	35,980
Management fee and other income	1,368	1,147	1,498	-	-	102,734	(53,071)	53,676
Grant income	-	-	-	-	4,306	-	-	4,306
	5,914	**29,277**	**1,498**	**-**	**40,286**	**102,734**	**(54,345)**	**125,364**
Net losses on investment assets								
Investment Programmes	-	(10,473)	-	-	-	-	-	(10,473)
Venture Solutions	(12,227)	-	(59,879)	(4,328)	-	-	-	(76,434)
Start Up Loans	-	-	-	-	(70,232)	-	-	(70,232)
	(12,227)	**(10,473)**	**(59,879)**	**(4,328)**	**(70,232)**	**-**	**-**	**(157,139)**
Net gain on write down of repayable capital grant	**-**	**-**	**-**	**-**	**50,401**	**-**	**-**	**50,401**
Operational expenditure								
Staff costs	(2,015)	(2,453)	(4,144)	(1,280)	(3,895)	(50,778)	-	(64,565)
Professional services	(148)	(2,490)	(1,316)	(749)	(460)	(14,940)	-	(20,103)
General operations	(20,591)	(12,212)	(13,224)	(735)	(14,826)	(36,818)	53,071	(45,335)
	(22,754)	**(17,155)**	**(18,684)**	**(2,764)**	**(19,181)**	**(102,536)**	**53,071**	**(130,003)**
Net operating (loss)/profit before ECF loan commitment financial liability and interest payable	**(29,067)**	**1,649**	**(77,065)**	**(7,092)**	**1,274**	**198**	**(1,274)**	**(111,377)**
ECF fair value provision expense	38,556	-	-	-	-	-	-	38,556
ECF fair value provision on new commitments	(58,187)	-	-	-	-	-	-	(58,187)
Finance costs	-	-	-	-	-	(198)	-	(198)
Interest payable	-	-	-	-	(1,274)	-	1,274	-
(Loss)/profit before tax	**(48,698)**	**1,649**	**(77,065)**	**(7,092)**	**-**	**-**	**-**	**(131,206)**

All transactions between Group companies take place on an arm's length basis. There are no differences between the entities' reportable profit or loss and the results in the note above.

9. Operating segments (continued)

Consolidated statement of comprehensive net income for the year ending 31 March 2023

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income							
Investment Programmes	-	18,680	-	-	-	-	18,680
Venture Solutions	3,394	-	-	-	-	(1,270)	2,124
Start Up Loans	-	-	-	29,326	-	-	29,326
Management fee and other income	815	797	1,821	-	104,126	(48,909)	58,650
Grant income	-	-	-	3,443	-	-	3,443
	4,209	**19,477**	**1,821**	**32,769**	**104,126**	**(50,179)**	**112,223**
Net gains/(losses) on investment assets							
Investment Programmes	-	34,221	-	-	-	-	34,221
Venture Solutions	(44,889)	-	(89,958)	-	-	-	(134,847)
Start Up Loans	-	-	-	(45,491)	-	-	(45,491)
	(44,889)	**34,221**	**(89,958)**	**(45,491)**	**-**	**-**	**(146,117)**
Net gain on write down of repayable capital grant	**-**	**-**	**-**	**32,280**	**-**	**-**	**32,280**
Operational expenditure							
Staff costs	(2,695)	(2,234)	(3,447)	(3,311)	(48,258)	-	(59,945)
Professional services	(337)	(2,684)	(888)	(1,180)	(19,379)	-	(24,468)
General operations	(19,414)	(10,702)	(12,654)	(13,797)	(35,617)	48,909	(43,275)
	(22,446)	**(15,620)**	**(16,989)**	**(18,288)**	**(103,254)**	**48,909**	**(127,688)**
Net operating (loss)/profit before ECF loan commitment financial liability and interest payable	**(63,126)**	**38,078**	**(105,126)**	**1,270**	**872**	**(1,270)**	**(129,302)**
ECF fair value provision expense	37,580	-	-	-	-	-	37,580
ECF fair value provision on new commitments	(54,665)	-	-	-	-	-	(54,665)
Finance costs	-	-	-	-	(237)	-	(237)
Interest payable	-	-	-	(1,270)	(635)	1,270	(635)
(Loss)/profit before tax	**(80,211)**	**38,078**	**(105,126)**	**-**	**-**	**-**	**(147,259)**

All transactions between Group companies take place on an arm's length basis. There are no differences between the entities' reportable profit or loss and the results in the note above.

9. Operating segments (continued)

The ECF portfolio is classified as FVTPL. For the measurement of the Group's financial target, interest income, which is part of the fair value movement, is included, and all other accounting impacts as shown in the table below are excluded.

The table summarises the amounts relating to the ECFs that have been recognised in arriving at the Group profit before tax in the Consolidated Statement of Comprehensive Net Income.

	Note	2024 £000	2023 £000
Fair value adjustment on initial recognition	12.2	(38,462)	(37,484)
Fair valuation movements	12.2	20,749	19,770
Provision released in year	15	38,556	37,580
Net gain on Enterprise Capital Funds		**20,843**	**19,866**

Start Up Loans

The Group accepts a lower than market rate of return from Start Up Loans to entrepreneurs as explained in note 2 to the financial statements. Accounting standards require the Group to recognise a fair value adjustment on initial recognition when it makes a Start Up Loan.

	Note	2024 £000	2023 £000
Gross lending advanced in the year	12.1	125,270	120,067
Fair value adjustment on initial recognition	12.1	(49,101)	(29,341)
Fair value on initial recognition		**76,169**	**90,726**

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2024

	BBFL £000	BBI £000	BPC £000	NRIL £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets							
Amortised cost							
BFP Mid Cap	-	122,491	-	-	-	-	122,491
Investment Programme	-	210,963	-	-	-	-	210,963
Loan to Midlands Engine Investments	15,271	-	-	-	-	-	15,271
Start Up Loans	-	-	-	-	168,963	-	168,963
Loan to Northern Powerhouse Investments	12,773	-	-	-	-	-	12,773
Assets held at FVTPL							
BFP Mid Cap	-	175,745	-	-	-	-	175,745
Investment Programme	-	615,720	-	-	-	-	615,720
Enterprise Capital Funds	461,840	-	-	-	-	-	461,840
Enterprise Capital Funds – Direct Investments	16,689	-	-	-	-	-	16,689
Venture/Venture Growth	-	-	1,370,211	-	-	-	1,370,211
Co-Investment	-	-	77,095	-	-	-	77,095
UKIIF	-	127,570	-	-	-	-	127,570
Managed Funds	-	251,871	-	-	-	-	251,871
Future Fund: Breakthrough	-	-	107,952	-	-	-	107,952
Life Sciences Investment Programme	-	-	14,409	-	-	-	14,409
Nations and Regions Investment Funds	-	-	-	24,487	-	-	24,487
Regional Angels Programme	-	141,644	-	-	-	-	141,644
Other Venture Capital Investments	8,246	-	-	-	-	-	8,246
Total investment assets	**514,819**	**1,646,004**	**1,569,667**	**24,487**	**168,963**	**-**	**3,923,940**
ECF loan commitments financial liability	(229,127)	-	-	-	-	-	(229,127)
Net investment assets	**285,692**	**1,646,004**	**1,569,667**	**24,487**	**168,963**	**-**	**3,694,813**
Other assets/(liabilities)							
Other assets	14,452	47,218	13,076	9,324	9,308	110,196	203,574
Loans and other borrowings	-	-	-	-	(119,373)	(36,600)	(155,973)
Amounts owed from Group undertakings	57,219	(18,962)	(39,134)	(39,571)	(56,903)	97,351	-
Other liabilities	(4,633)	(59,951)	(105,468)	(642)	(1,831)	(23,236)	(195,761)
Total net assets	**352,730**	**1,614,309**	**1,438,141**	**(6,402)**	**164**	**147,711**	**3,546,653**

At 31 March 2024 the Company held investments in subsidiaries of £2,976.3m which are eliminated in full on consolidation.

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2023

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets						
Amortised cost						
BFP Mid Cap	-	125,209	-	-	-	125,209
Investment Programme	-	155,347	-	-	-	155,347
Loan to Midlands Engine Investments	14,973	-	-	-	-	14,973
Start Up Loans	-	-	-	181,910	-	181,910
Loan to Northern Powerhouse Investments	25,653	-	-	-	-	25,653
Assets held at FVTPL						
BFP Mid Cap	-	224,273	-	-	-	224,273
Investment Programme	-	623,253	-	-	-	623,253
Enterprise Capital Funds	439,573	-	-	-	-	439,573
Enterprise Capital Funds – Direct Investments	13,058	-	-	-	-	13,058
Venture/Venture Growth	-	-	1,230,107	-	-	1,230,107
Co-Investment	-	-	62,991	-	-	62,991
UKIIF	-	132,946	-	-	-	132,946
Managed Funds	-	207,350	-	-	-	207,350
Future Fund: Breakthrough	-	-	90,851	-	-	90,851
Life Sciences Investment Programme	-	-	11,314	-	-	11,314
Regional Angels Programme	-	101,896	-	-	-	101,896
Other Venture Capital Investments	6,384	-	-	-	-	6,384
Total investment assets	**499,641**	**1,570,274**	**1,395,263**	**181,910**	**-**	**3,647,088**
ECF loan commitments financial liability	(209,496)	-	-	-	-	(209,496)
Net investment assets	**290,145**	**1,570,274**	**1,395,263**	**181,910**	**-**	**3,437,592**
Other assets/(liabilities)						
Other assets	12,169	31,144	7,677	9,045	84,466	144,501
Loans and other borrowings	-	-	-	(133,774)	(60,000)	(193,774)
Amounts owed from Group undertakings	35,584	(4,934)	(31,252)	(55,636)	56,238	-
Other liabilities	(4,854)	(66,887)	(110,993)	(1,379)	(21,945)	(206,058)
Total net assets	**333,044**	**1,529,597**	**1,260,695**	**166**	**58,759**	**3,182,261**

At 31 March 2023 the Company held investments in subsidiaries of £2,583.9m which are eliminated in full on consolidation.

10. Cash and cash equivalents

	2024 £000	2023 £000
Government Banking Service	135,457	93,727
Commercial banks	22,161	23,200
Total cash and cash equivalents	**157,618**	**116,927**

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

11. Trade and other receivables

	2024 £000	2023 £000
Amounts receivable within one year		
Trade receivables	1,799	953
Accrued income	8,436	8,909
Prepayments and other receivables	13,059	3,508
Total trade and other receivables	**23,294**	**13,370**

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

12. Investments

12.1 Amortised cost investments

As at 31 March 2024

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Accrued Interest £000	Amortisation of fair value adjustment on initial recognition £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	125,209	4,288	-	(19,277)	11,950	-	-	321	122,491
Investment Programme	155,347	170,975	-	(131,525)	16,180	-	(7,335)	7,321	210,963
Start Up Loans	181,910	125,270	(49,101)	(103,964)	14,016	21,963	(18,096)	(3,035)	168,963
Loan to Northern Powerhouse Investments	25,653	-	-	(14,978)	2,074	-	-	24	12,773
Loan to Midlands Engine Investments	14,973	-	-	(892)	1,199	-	-	(9)	15,271
Total	503,092	300,533	(49,101)	(270,636)	45,419	21,963	(25,431)	4,622	530,461

As at 31 March 2023

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Accrued Interest £000	Amortisation of fair value adjustment on initial recognition £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	176,122	152,759	-	(180,568)	12,247	-	(318)	(4,895)	155,347
Start Up Loans	178,831	120,067	(29,341)	(100,819)	13,227	16,098	(21,491)	5,338	181,910
Loan to Northern Powerhouse Investments	25,633	-	-	(1,348)	1,348	-	-	20	25,653
Loan to Midlands Engine Investments	14,958	-	-	(776)	776	-	-	15	14,973
Total	526,625	279,762	(29,341)	(302,509)	34,032	16,098	(21,809)	234	503,092

The amortisation of the fair value adjustment on initial recognition represents the difference between the contractual interest rate and the effective interest rate applicable for the financial asset.

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

12. Investments (continued)

12.2 Investments held at fair value through profit or loss

As at 31 March 2024

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £000	Closing balance £000
BFP Mid Cap	224,273	-	-	(56,188)	7,660	175,745
Investment Programme	623,253	123,567	-	(109,660)	(21,440)	615,720
UKIIF	132,946	1,026	-	(12,873)	6,471	127,570
Managed Funds	207,350	58,670	-	(2,637)	(11,512)	251,871
Regional Angels Programme	101,896	32,425	-	(720)	8,043	141,644
Venture/Venture Growth	1,230,107	229,071	-	(40,535)	(48,432)	1,370,211
Co-Investment	62,991	17,740	-	-	(3,636)	77,095
Future Fund: Breakthrough	90,851	23,048	-	-	(5,947)	107,952
Life Sciences Investment Programme	11,314	7,737	-	(2,778)	(1,864)	14,409
Nations and Regions Investment Funds	-	28,858	-	(43)	(4,328)	24,487
Enterprise Capital Funds	439,573	74,871	(38,462)	(34,891)	20,749	461,840
Enterprise Capital Funds – Direct Investments	13,058	-	-	-	3,631	16,689
Legacy Venture Capital Investments	6,384	3,211	-	(3,187)	1,838	8,246
Total	**3,143,996**	**600,224**	**(38,462)**	**(263,512)**	**(48,767)**	**3,393,479**

As at 31 March 2023

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £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	164,129	40,334	-	(4,683)	7,570	207,350
Regional Angels Programme	57,219	39,473	-	(195)	5,399	101,896
Venture/Venture Growth	1,171,009	192,680	-	(32,059)	(101,523)	1,230,107
Co-Investment	55,159	7,000	-	-	832	62,991
Future Fund: Breakthrough	25,307	65,521	-	-	23	90,851
Life Sciences Investment Programme	1,913	9,135	-	(10,443)	10,709	11,314
Enterprise Capital Funds	435,826	74,118	(37,484)	(52,657)	19,770	439,573
Enterprise Capital Funds – Direct Investments	40,627	-	-	-	(27,569)	13,058
Legacy Venture Capital Investments	8,015	1,400	-	(3,391)	360	6,384
Total	**2,902,510**	**578,516**	**(37,484)**	**(241,829)**	**(57,717)**	**3,143,996**

Repayments are received when an investment has exited or partially exited an underlying investment and the Group receives its share of the proceeds due to the contractual obligations of the fund.

12. Investments (continued)

Business Finance Partnership (BFP Mid Cap)

British Business Investments Limited (BBI) manages the Business Finance Partnership programme.

The Business Finance Partnership (BFP) invested in funds which lend to medium-sized businesses with turnover of up to £500m. Under IFRS 9 the BFP portfolio was classified as FVTPL except for one fund that is classified as amortised cost. M&G manages a portfolio of loans which pass the SPPI test.

Investment Programme

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

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

Through the Investment Programme, BBI is a participant in Tier 2 fixed rate reset callable subordinated loan notes by Secure Trust Bank II with a fixed coupon of 13% p.a., and Oxbury Bank with a fixed coupon of 11.5% p.a.

There have been four new Tier 2 investments into: Allica Bank Limited with a fixed coupon of 11% p.a., Cambridge & Countries Bank with a fixed coupon of 11.5% p.a., Cynergy Bank with a fixed coupon of 12% p.a., and DF Capital Bank with a fixed coupon of 12.7% p.a.

These investments are classified as amortised cost under IFRS 9.

UK Innovation Investment Fund (UKIIF)

The UK Innovation Investment Fund (UKIIF) is funded by BBI and 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.

Managed Funds

The BBI 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 Group expects to become a significant, cornerstone investor in funds of funds with a patient capital mandate. The £500m allocation which has been made to the programme represents a significant commitment in the years ahead. The investments in Managed Funds are classified as FVTPL under IFRS 9.

Regional Angels Programme

The Regional Angels Programme, managed by BBI, 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. These investments are accounted for and measured at FVTPL under IFRS 9.

Venture/Venture Growth

Through the Venture/Venture Growth programme, BPC invests in commercially viable venture and venture growth capital funds, including evergreen structures, to support UK companies with high-growth potential to access the long-term financing they need to scale up.

Co-Investment

BPC will also invest in co-investment opportunities arising through its portfolio.

Through Co-Investment, BPC invests in late-stage UK scale-up companies. Currently, it co-invests alongside BPC fund General Partners into their existing portfolio companies. This allows BPC to increase its exposure to the best portfolio companies in its best funds.

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

Future Fund: Breakthrough

Through the Future Fund: Breakthrough programme, BPC directly invests alongside private sector investors in growth-stage R&D intensive UK companies operating in breakthrough technology sectors. These investments are accounted for and measured at FVTPL under IFRS 9.

Life Sciences Investment Programme

Through the LSIP programme, BPC invests in commercially viable later-stage life sciences venture growth funds, to support UK life sciences companies with high growth potential to access the long-term finance they need to scale up. These investments are accounted for and measured at FVTPL under IFRS 9.

Enterprise Capital Funds

British Business Finance Limited (BBFL) invests in Enterprise Capital Funds (ECFs). ECFs are commercially-focused funds that bring together private and public money to make equity investments in high-growth businesses.

BBFL invests into funds on terms that improve the outcome for private sector investors when those funds are successful. It does this by taking an agreed prioritised return of 3%–4.5%. In return, BBFL is entitled to less of any upside gain in excess of the agreed return.

BBFL intentionally makes a trade-off between the prioritised return and potential upside gains. Overall, the terms mean that BBFL expects the ECFs to provide a positive return to Government, but this return will be lower than that typically sought by a private sector investor. This is in line with the Group's strategic objectives.

The investments in ECFs are classified as FVTPL under IFRS 9.

Accounting standards require that financial assets are recognised at fair value, which is the amount that a private sector investor would pay for the investments.

This means that for every ECF investment, a fair value adjustment on initial recognition is recorded to reflect the fact that it will not provide the level of return sought by a private sector investor, even if it is providing a positive return. ECF investments are measured at fair value on an ongoing basis.

BBFL signs ECF agreements committing to the prioritised return and reduced upside gain in advance of drawdowns. At the point that BBFL enters into a new commitment to provide a loan at below market rate, it recognises a provision which it accounts for as an FVTPL financial liability. The provision is released when a commitment is drawn to recognise a reduction in the liability. The provision is measured as the NPV of the commitment using a combination of the expected market return, minus prioritised return and the weighted average life of the portfolio. See note 15 for further commitment details.

Enterprise Capital Funds – Direct Investments

Previously, one of the ECF investments was disposed for listed shares as part of the fund being listed. The two investments held are still considered to form part of the ECF programme but are distinctly different in their accounting treatment. These investments are Level 1 investments and measured at FVTPL under IFRS 9 based on the listed share price.

Legacy Venture Capital Investments

BBFL also has three other smaller schemes: Help to Grow funds, Aspire and Direct Investments.

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

Nations and Regions Investment Funds

Through the Nations and Regions Investment Funds (NRIF), Nations and Regions Investment Limited (NRIL) invests in early-stage, commercially viable smaller businesses through equity and debt funds deployed across nations and regions of the UK. The funds have been developed to increase the supply and diversity of early-stage finance for UK smaller businesses, providing funds to firms that might otherwise not receive investment and helping unlock potential and break down barriers in access to finance.

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

Start Up Loans

SUL lends to entrepreneurs via a number of delivery partners at an interest rate of 6%. Losses on these loans are expected to be between 30% and 40% of the total loans advanced, reflecting the non-commercial nature of the scheme. This lending is classified as amortised cost under IFRS 9.

Accounting standards require that these loans are measured at fair value on initial recognition and subsequently measured at amortised cost. The fair value adjustment on initial recognition represents the difference between the face value of loans written and the present value of future expected cashflows discounted using an appropriate discount rate.

Accrued interest income and amortisation of the fair value adjustment on initial recognition are calculated for each individual loan. For presentation purposes these are disclosed separately as the accrued interest income is the contractual interest that will be collected whilst the fair value adjustment on initial recognition will be amortised over the life of the loans.

Ongoing impact of market conditions on investment valuations

We reported in the prior year that market conditions were demanding and extraordinary. Inflation was at a 40-year high, peaking at 11.1% in October 2022 and we saw the first UK interest rate hike cycle in 15 years. Interest rates have risen further in FY 2023/24 from 4.25% to 5.25% and inflation has since fallen and stood at 3.2% in March 2024.

This ongoing economic uncertainty continues to give rise to additional uncertainty around investment valuations. The nature of the lending within the Amortised Cost portfolio, in particular Start Up Loans and 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.

However, all Start Up Loans have a fixed rate of interest of 6%, which remained unchanged during the year. 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.

Withdrawal from programmes*

As reported in the prior years, in this, and future Annual Reports, to maintain transparency on this topic, we commit to reporting on any material changes to the summary statements previously reported (such as withdrawal completing, or conversely, if programmes are refinanced). There is nothing of this nature to report in the year ending 31 March 2024.

* In this Withdrawal from programmes section, assets under management are defined as the combined total of the fair value of funded commitments, and the notional (stock of finance supported) value of guarantee commitments.

13. Right-of-use assets

	Right-of-use Property £000
Cost or valuation	
At 1 April 2023	13,695
At 31 March 2024	**13,695**
Accumulated depreciation and impairment	
At 1 April 2023	(6,787)
Charge for the year	(1,415)
At 31 March 2024	**(8,202)**
Carrying amount	
At 31 March 2024	**5,493**
At 31 March 2023	6,908

Right-of-use Property is the value of the leased property recognised upon implementation of IFRS 16. The corresponding lease liability is disclosed in note 17.

14. Trade and other payables

	2024 £000	2023 £000
Amounts falling due within one year		
Trade payables	2,031	3,190
VAT and social security	1,928	1,416
Accrued expenditure	23,419	18,471
Other payables	12,514	6,974
Deferred resource grant income	426	731
	40,318	**30,782**
Amount falling due after one year		
Other payables	15,000	-
	15,000	**-**
Total trade and other payables	**55,318**	**30,782**

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

15. ECF loan commitment financial liability

	2024 £000	2023 £000
Balance at 1 April	209,496	192,411
Provided in year	58,187	54,665
Released in year	(38,556)	(37,580)
Balance at 31 March	**229,127**	**209,496**
Of which:		
Current	60,810	57,777
Non-current	168,317	151,719
	229,127	**209,496**

Non-current amounts relate to undrawn loan commitments where, based on historical and forecast information, it is not anticipated the commitments will be utilised within the next 12 months. Given the uncertain nature of timings of the drawdowns from ECFs, the Directors believe this is the best estimate at the Consolidated Statement of Financial Position date.

As permitted under IFRS 9, an election has been made to measure the financial liability arising from the undrawn loan commitments at FVTPL.

16. Loans and other borrowings

	2024 £000	2023 £000
Repayable within one year		
Unsecured loans provided by DBT	36,600	60,000
Repayable capital grants	119,373	133,774
Total loans and other borrowings	**155,973**	**193,774**

The capital grants have been classified as a current liability as they are repayable on demand, in whole or in part, under certain conditions.

During the year the Group received capital grants of £36.0m (2023: £36.0m) and wrote down the value of capital grants by £50.4m (2023: £32.3m).

The Group has received further loans advances of £462.5m from DBT, of which £485.9m has been settled by share issue. The balance of £36.6m (2023: £60.0m) is repayable on demand and carries a zero-interest rate.

17. Lease liabilities

	2024 £000	2023 £000
Maturity analysis – contractual undiscounted cashflow		
Less than one year	1,965	1,965
One to five years	5,617	7,582
Total undiscounted lease liabilities at 31 March	**7,582**	**9,547**

Lease liabilities included in the Consolidated Statement of Financial Position at 31 March	**7,228**	**8,994**
Current	1,809	1,766
Non-current	5,419	7,228

During the year the Group made lease payments of £2.0m (2023: £1.9m) and recognised interest of £0.2m (2023: £0.2m) on the lease liability.

18. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Short-term borrowings £000	Lease liabilities £000	Total £000
Balance at 1 April 2023	193,774	8,994	202,768
Cashflows:			
Repayments	-	(1,965)	(1,965)
Proceeds	498,500	-	498,500
Non-cash:			
Shares issued	(485,900)	-	(485,900)
Interest	-	199	199
Write off	(50,401)	-	(50,401)
Balance at 31 March 2024	**155,973**	**7,228**	**163,201**

	Short-term borrowings £000	Lease liabilities £000	Total £000 Restated
Balance at 1 April 2022	232,459	10,371	242,830
Cashflows:			
Repayments	(89,040)	(1,932)	(90,972)
Proceeds	506,000	-	506,000
Non-cash:			
Shares issued	(424,000)	-	(424,000)
IFRS 16 Addition	-	318	318
Interest	635	237	872
Write off	(32,280)	-	(32,280)
Balance at 31 March 2023	**193,774**	**8,994**	**202,768**

19. Contingent liabilities and indemnities

The Bank has no contingent liabilities or indemnities.

20. Capital and other commitments

20.1 Capital commitments

The British Business Bank Group plc had the following undrawn commitments at the balance sheet date in relation to its existing investment portfolio:

	2024 £000	2023 £000 Restated
British Business Investments Limited		
BFP Mid Cap	115,951	120,268
Investment Programme	827,894	689,910
Regional Angels Programme	94,876	95,360
Managed Funds	331,384	246,475
British Patient Capital Limited		
Venture Growth	304,981	293,141
Venture	302,621	282,829
Life Sciences Investment Programme	37,443	30,769
Future Fund: Breakthrough	14,339	9,679
Venture Solutions		
Enterprise Capital Funds	433,705	405,541
Nations and Regions Investments Limited		
NRIF	1,097,142	-
Other		
Northern Powerhouse Investments Ltd	24,300	24,300
Midlands Engine Investments Ltd	17,500	17,500
Total	**3,602,136**	**2,215,772**

As at 31 March 2024 a commitment of £50m has been excluded from Enterprise Capital Funds on the basis that one fund has not yet secured its minimum funding amount from private investors.

The capital commitment for Investment Programme was restated as at March 2023, increasing by £42.0m, due to reclassification of recallable capital. Note 23.3 has also been updated to reflect this restatement.

20.2 Share capital

	2024	2023
Authorised, issued and fully paid ordinary shares of £1 each:	3,066,211,387	2,580,311,268

	£000	£000
Brought forward	2,580,311	2,156,311
Shares issued	485,900	424,000
Carried forward	**3,066,211**	**2,580,311**

The Company has one class of ordinary shares which carry no right to fixed income. During the year the company issued 485,900,000 ordinary £1 shares at par value (2023: 424,000,000).

21. Subsidiaries and other significant undertakings

The Group consists of a parent company, British Business Bank plc, incorporated in the UK, and a number of subsidiaries held directly by the British Business Bank plc, which operate and are incorporated in the UK.

The subsidiary undertakings of the parent company are shown below. The capital of each entity depends on its nature and consists of ordinary shares. All the subsidiary undertakings have the same registered address being, Steel City House, West Street, Sheffield S1 2GQ.

Subsidiary	Country of Incorporation	Nature of Business	Shares held by the Group
British Business Investments Limited*	UK	Makes commercial investments into providers of finance to smaller businesses plus venture capital fund investments	100%
BBB Patient Capital Holdings	UK	Holding company	100%
British Patient Capital Limited*	UK	Makes commercial investments into venture and venture growth capital	100%
British Business Finance Limited	UK	Manages and invests into schemes on behalf of the Group	100%
British Business Financial Services Limited	UK	Administers investment schemes on behalf of the Department for Business and Trade	100%
British Business Aspire Holdco Limited*	UK	Provides equity investments to female-led smaller businesses	100%
The Start Up Loans Company*	UK	Provides loans to entrepreneurs	100%
Nations and Regions Investment Limited*	UK	Makes commercial investments into new and growing businesses across the UK	100%

* Indicates investments are not directly held in these companies.

The Start Up Loans Company is a company limited by guarantee of which British Business Finance Limited is the sole member.

During the year Capital for Enterprise Limited was dissolved and no longer forms part of the Group.

On 3 April 2023, the Group incorporated a new entity, Nations and Regions Investment Limited.

Details of the subsidiaries' results either individually or as part of a consolidated group, including their net assets as at the balance sheet date and their profit or loss for the year ended 31 March 2024, are provided in the segmental reporting note 9. All Group subsidiaries have co-terminus year-ends.

As required by the Companies Act 2006, the British Business Bank plc:

– guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year to which the guarantee relates, and until they are satisfied in full

– asserts that the guarantee is enforceable against the British Business Bank plc by any person to whom the subsidiary companies are liable in respect of those liabilities.

21. Subsidiaries and other significant undertakings (continued)

The Group has taken advantage of the exemption available under section 479A Subsidiary companies: conditions for exemption from audit of the Companies Act 2006 which exempts qualifying companies from the audit of their individual accounts for a financial year. The exemption is in respect of the following subsidiaries:

Subsidiary name	Registered No.
British Business Finance Limited	09091928
British Business Financial Services Limited	09174621
British Business Aspire Holdco Limited	09263859
The Start Up Loans Company	08117656

The British Business Bank Group plc also has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20%. The Group does not exert significant influence over these undertakings. These are held at fair value through the profit or loss in the Consolidated Statement of Financial Position.

Significant undertakings	Country of Incorporation	Nature of Holding	Shares held by the Group
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	46.6%
Pricoa Sterling Corporate Bond Fund Registered address: 70 Sir John Rogerson's Quay, Dublin, Ireland	Ireland	Not classified	67.7%
Crown Growth Europe Expansion S.C.S. Registered address: 8 Rue Lou Hemmer, L-1748 Senningerberg, Luxembourg	Luxembourg	Class A and Class O-P shares	33.3%
Muzinich UK Private Debt Fund Registered address: 49 Avenue J.F.K, L-1855, Luxembourg	Luxembourg	Not classified	20.7%

22. 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 Group. Such interests include debt and equity investments and investment management agreements.

Depending on the Group's power over the activities of the entity and its exposure to, and ability to influence, its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it. As at 31 March 2024 and 31 March 2023 the Group does not consolidate any interests in structured entities as the Group is not considered to have control or significant influence over these entities due to the way these entities are structured.

The Group has £3,169m (2023: £2,953m) of interests in limited partnerships considered to be structured entities that are held as fair value through profit and loss and we consider this value also to be the maximum exposure to loss. These limited partnerships are managed by delivery partners on behalf of the Group and the Group does not exercise control.

The Group also co-invests with a number of limited partnerships. The Group does not exercise control over these investments and in the main does not exercise its right to hold a Board seat. Where a Board seat is held, it is for the purpose of observer rights and the Group does not exercise control.

23. Financial instruments

23.1 Categories of financial instruments

The following table analyses the Group's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Trade and other receivables excludes prepayments of £2.3m (2023: £2.8m), as these are not classified as financial assets, therefore the value in the below table will differ from that in the Consolidated Statement of Financial Position. Similarly, Trade and other payables will also differ as it excludes VAT and social security of £1.9m (2023: £1.4m).

At 31 March 2024	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Liabilities held at FVTPL £000	Total £000
Assets						
Amortised cost investment assets	12.1	-	530,461	-	-	530,461
Investment assets held at FVTPL	12.2	3,393,479	-	-	-	3,393,479
Trade and other receivables	11	-	20,986	-	-	20,986
Cash and cash equivalents	10	-	157,618	-	-	157,618
Total assets		**3,393,479**	**709,065**	**-**	**-**	**4,102,544**
Liabilities						
Trade and other payables	14	-	-	(53,390)	-	(53,390)
Loans and other borrowings	16	-	-	(119,373)	(36,600)	(155,973)
ECF loan commitments	15	-	-	-	(229,127)	(229,127)
Lease liabilities	17	-	-	(7,228)	-	(7,228)
Total liabilities		**-**	**-**	**(179,991)**	**(265,727)**	**(445,718)**
Net assets		**3,393,479**	**709,065**	**(179,991)**	**(265,727)**	**3,656,826**

At 31 March 2023	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Liabilities held at FVTPL £000	Total £000
Assets						
Amortised cost investment assets	12.1	-	503,092	-	-	503,092
Investment assets held at FVTPL	12.2	3,143,996	-	-	-	3,143,996
Trade and other receivables	11	-	10,565	-	-	10,565
Cash and cash equivalents	10	-	116,927	-	-	116,927
Total assets		**3,143,996**	**630,584**	**-**	**-**	**3,774,580**
Liabilities						
Trade and other payables	14	-	-	(29,365)	-	(29,365)
Loans and other borrowings	16	-	-	(133,774)	(60,000)	(193,774)
ECF loan commitments	15	-	-	-	(209,496)	(209,496)
Lease liabilities	17	-	-	(8,994)	-	(8,994)
Total liabilities		**-**	**-**	**(172,133)**	**(269,496)**	**(441,629)**
Net assets		**3,143,996**	**630,584**	**(172,133)**	**(269,496)**	**3,332,951**

23.2 Fair value measurements

The note set out below provides information about how the Group determines the fair values of various financial assets and financial liabilities. 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).

  Immediately following the completion of a financing round, the fair value is typically considered to be observable and classified as a Level 2 investment using the round price. After 3 months, the round price is generally considered to be an unobservable input the investment would then be classified under Level 3.

The following table presents the Group's financial assets and liabilities that are measured at fair value by balance sheet classification.

31 March 2024	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
BFP Mid Cap	12.2	-	-	175,745	175,745
Investment Programme	12.2	-	-	615,720	615,720
UKIIF	12.2	-	-	127,570	127,570
Managed Funds	12.2	-	-	251,871	251,871
Regional Angels Programme	12.2	-	-	141,644	141,644
Venture/Venture Growth	12.2	22,282	-	1,347,929	1,370,211
Co-Investment	12.2	-	14,070	63,025	77,095
Future Fund: Breakthrough	12.2	-	10,606	97,346	107,952
Life Sciences Investment Programme	12.2	-	-	14,409	14,409
Nations and Regions Investment Funds	12.2	-	-	24,487	24,487
Enterprise Capital Funds	12.2	-	-	461,840	461,840
Enterprise Capital Funds – Direct Investments	12.2	16,689	-	-	16,689
Legacy Venture Capital Investments	12.2	500	-	7,746	8,246
Total financial assets at FVTPL mandatory		**39,471**	**24,676**	**3,329,332**	**3,393,479**
Total financial assets measured at fair value		**39,471**	**24,676**	**3,329,332**	**3,393,479**
Financial liabilities					
FVTPL designated					
ECF loan commitment financial liability	15	-	-	(229,127)	(229,127)
Total liabilities at FVTPL designated		**-**	**-**	**(229,127)**	**(229,127)**
Total financial liabilities measured at fair value		**-**	**-**	**(229,127)**	**(229,127)**

31 March 2023

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
BFP Mid Cap	12.2	-	-	224,273	224,273
Investment Programme	12.2	-	-	623,253	623,253
UKIIF	12.2	-	-	132,946	132,946
Managed Funds	12.2	-	-	207,350	207,350
Regional Angels Programme	12.2	-	-	101,896	101,896
Venture/Venture Growth	12.2	15,634	-	1,214,253	1,229,887
Co-Investment	12.2	-	-	63,211	63,211
Future Fund: Breakthrough	12.2	-	11,700	79,151	90,851
Life Sciences Investment Programme	12.2	-	-	11,314	11,314
Enterprise Capital Funds	12.2	-	-	439,573	439,573
Enterprise Capital Funds – Direct Investments	12.2	13,058	-	-	13,058
Legacy Venture Capital Investments	12.2	777	-	5,607	6,384
Total financial assets at FVTPL mandatory		**29,469**	**11,700**	**3,102,828**	**3,143,996**
Total financial assets measured at fair value		**29,469**	**11,700**	**3,102,828**	**3,143,996**

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities					
FVTPL designated					
ECF loan commitment financial liability	15	-	-	(209,496)	(209,496)
Total liabilities at FVTPL designated		**-**	**-**	**(209,496)**	**(209,496)**
Total financial liabilities measured at fair value		**-**	**-**	**(209,496)**	**(209,496)**

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

Transfers from Level 2 to Level 3:

Two investments within Future Fund: Breakthrough were transferred during the year due to the last round prices exceeding three months.

Transfers from Level 3 to Level 2:

An investment within Co-investment and Future Fund: Breakthrough was transferred during the year from Level 3 to Level 2. This investments fair value was updated based on the last round price which occurred three months or less before 31 March 2024.

Additions to Level 2:

In the year, there were new investments within Co-Investment and Future Fund: Breakthrough that have been classed as Level 2 investments. These investments were additions made within three months of the reporting date.

The valuation techniques used to value financial assets and liabilities are detailed on the following page.

23.2 Fair value measurements (continued)

	Investments in funds and unlisted private equities £000
As at 1 April 2023	**3,102,828**
Additions	585,009
Fair value adjustment on initial recognition	(38,462)
Repayments	(263,512)
Fair value movements	(58,770)
Transfers from Level 3 to Level 2	(9,461)
Transfers to Level 3 from Level 2	11,700
As at 31 March 2024	**3,329,332**

	Investments in funds and unlisted private equities £000
As at 1 April 2022	**2,816,632**
Additions	566,816
Fair value adjustment on initial recognition	(37,484)
Repayments	(241,343)
Fair value movements	(1,793)
As at 31 March 2023	**3,102,828**

The Group's investment portfolio consists of assets carried at amortised cost and fair value.

The Group's financial assets are in the main classified as Level 3 assets, with the exception of six Level 1 FVTPL investments and four Level 2 FVTPL investments.

During the year ending 31 March 2024 the fair value of investment assets held at fair value through profit or loss decreased by £48.8m (2023: decreased by £57.7m) taken to the Consolidated Statement of Comprehensive Net Income. In addition, there was a fair value decrease of £38.5m (2023: £37.5m) as a result of fair value on initial recognition taken to the Consolidated Statement of Comprehensive Net Income. Fair value adjustments on initial recognition of amortised cost investments of £49.1m (2023: £29.3m) were taken to the Consolidated Statement of Comprehensive Net Income.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Investments held at fair value through profit or loss (FVTPL)

For all FVTPL assets, except for the Enterprise Capital Funds, Co-Investment, Future Fund: Breakthrough and Regional Angels Programme, 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 Executive Valuation Committee also reviews and approves all investment valuations at a programme level.

Enterprise Capital Funds

Although accounted for as a single instrument, for valuation purposes, the Enterprise Capital Funds investments are bifurcated into a debt and a derivative element. The primary valuation methodology used for the debt element of investments is the discounted cashflow method. Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cashflows and the estimated repayment value and date, discounted at the appropriate risk-adjusted discount rate.

The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has an annually reviewed model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes.

Future Fund: Breakthrough and Co-Investment

The fair value of these investments is determined using techniques consistent with the IPEV guidelines. Measuring 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 (including comparable revenue multiples, scenario analysis, discount cashflows and milestone analysis). The appropriate valuation technique is selected based on the individual nature, facts and circumstances of the investment and the expected view of market participants. The valuation techniques are calibrated using transaction prices.

Regional Angels Programme

The fair value of these investments is based on valuations provided by the delivery partners using valuation methods aligned to IPEV guidelines. Measuring 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 due to either company specific factors or the wider market outlook.

Enterprise Capital Funds also contain an equity derivative. The derivatives are valued using the Black-Scholes model. The key inputs used in the derivative valuation are:

Input	Assumptions in determining the input
Net amount drawn and fund valuation as at 31 March 2024	Net amounts drawn are cashflows from the business. Fund valuations are reported by fund managers.
Time to fund exit – ranging from 0–10 years	Assessed separately for each fund based on remaining investment period and estimated timescale for fund exits.
Volatility – ranging from 11.6% to 88.7%	The FTSE AIM All Shares sector indices have been used as a source for calculating volatility. The volatility applied to each fund varies according to the sector focus of the fund and its expected maturity.
Prioritised return – ranging from 3.0% to 4.5%	Set to equal the contractual return which funds must pay before any upside on the option is realised.
Risk-free rate	Derived from UK Government bonds.

23.2 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 Group's financial assets and financial liabilities measured at amortised cost.

	Carrying Value 2024 £000	Fair Value 2024 £000	Carrying Value 2023 £000	Fair Value 2023 £000
Financial assets at amortised cost				
BFP Mid Cap	122,491	122,491	125,209	125,209
Investment Programme	210,963	210,963	155,347	161,568
Start Up Loans	168,963	185,772	181,910	196,093
Midlands Engine Investments	15,271	15,308	14,973	15,000
Northern Powerhouse Investments	12,773	12,796	25,653	25,700
	530,461	**547,330**	**503,092**	**523,570**
Financial liabilities at amortised cost				
Unsecured loans	36,600	36,600	60,000	60,000
Capital grants	119,373	119,373	133,774	133,774
	155,973	**155,973**	**193,774**	**193,774**

Financial assets at amortised cost are classed as Level 3 assets. Unsecured loans and capital grants are classed as Level 3 liabilities.

Start Up Loans

For the estimation of fair value at the reporting date, the Group has utilised the amortised fair value minus ECL's on non-performing loans. Performing loans are deemed to be adequately provided through the amortised fair value when assessing their fair value.

The future expected cashflows derived from the model are discounted using an appropriate discount rate which has been calculated by taking the 5-year median corporate debt rates for Caa/C rated loans. This information has been sourced from Moody's market analysis. SUL are classed as Level 3 assets based on the valuation techniques used to determine the fair value at the reporting date. The fair value of SUL is sensitive to changes in the discount rate and to changes in expected cashflows arising from the actual and future expected performance of the loans. A 3% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or SONIA would have led to an approximately £1.4m decrease in the fair value recognised at inception for the loans newly originated during the year.

Midlands Engine Investments and Northern Powerhouse Investments

Loans at amortised cost provided to Midlands Engine Investments and Northern Powerhouse Investments are fixed rate investments classed as Level 3 assets in the fair value hierarchy. 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 are not material to the Group's results. The table above shows the Directors' estimates of the fair value of these assets at 31 March 2024 and 31 March 2023.

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 are not material to the Group's results. The previous table shows the Directors' estimates of the fair value of these assets at 31 March 2024 and 31 March 2023. BFP Mid Cap and the Investment Programme amortised cost assets are classed as Level 3 assets in the fair value hierarchy.

Unsecured loans and capital grants

The carrying value and fair value of unsecured loans reflect the amount at which the Group expects to settle its liabilities with DBT and the Nuclear Liabilities Fund, respectively. The carrying value and fair value of the DBT capital grant are equivalent because the grant has no maturity and is repayable on demand, in whole or in part, under certain conditions.

Liabilities held at FVTPL

The ECF loan commitments are part of a group of financial assets and financial liabilities that are managed, and their performance evaluated on a fair value basis, and information about the group is provided internally on that basis to the entity's key management personnel. As permitted under IFRS 9, an election has been made to measure the financial liability arising from the loan commitments at FVTPL. The fair value of each commitment is calculated by discounting future cashflows using a discount rate which is adjusted to take account of the credit risk.

23.3 Financial risk management

The Group has exposure to a number of financial risks through the conduct of its operations. Details of the Group's risk management structure are provided in the Risk Management section of the Strategic Report. This note presents information about the nature and extent of risks arising from the financial instruments. There have been no changes to the principal types of risks faced by the Group.

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

– Credit and Investment risk

– Market risk

– Liquidity risk.

Credit risk and investment risk

Credit risk is the risk of loss to the Group from the failure of delivery partners or underlying borrowers to meet their transactional facility repayment obligations according to our expectations. This includes concentration risk which may arise from a lack of portfolio diversification, in either a sector, geographic area or type of security, notwithstanding a desire to address market failures. Investment risk is the risk of loss due to a fall in the fair value of equity investments.

Assessment of credit and investment risk is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Group's portfolio management process. With respect to SUL, all loans to entrepreneurs are on an unsecured basis and the credit risk is the risk that an entrepreneur will default on their contractual obligations to make repayments, resulting in financial loss to the Group.

To manage this, the Chief Risk Officer approves all material changes to the lending policy for SUL. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently, loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. During the year, Key Risk Indicators (KRIs) have been expanded to provide greater visibility of fraud and delivery partner risk. These form part of a wider suite of KRIs which are reviewed and discussed on a monthly basis with SUL Management.

23.3 Financial risk management (continued)

As part of the annual Business Planning process, the Group undertakes stress testing on its portfolio. This was completed by analysing which UK macroeconomic variables would have an impact on the Bank's credit and investment risk exposures. Ahead of the financial year 2023/24, the Group undertook a macroeconomic downside stress test which assessed the unlikely but plausible losses on our portfolio over a five-year time horizon. The revised stress tests utilised the March 2024 macroeconomic downside scenarios from our third-party forecaster which are updated on a quarterly basis to take into account the most recent economic outlook in 2024. Under the macroeconomic downside scenario, it was assessed that the Group could incur additional credit and investment losses of £1,076m (17% of the Bank's adjusted average capital deployed) on the Group's programmes excluding Covid-19 schemes. The macroeconomic downside scenario considers an increase in defaults and a fall in equity valuation occurring within the next five years and reflects the risk appetite undertaken by the Group operating in under-served finance markets. The Bank also assesses unlikely but plausible losses assuming a severe 1-in-20-year downside (i.e. the worst year in the past 20 years). All stress test losses are considered by the Board and communicated to our stakeholders.

The Group has undertaken sensitivity analysis on the key inputs to ECL impairment provision models. Owing to the previously benign economic environment and the recent deterioration in economic conditions, this analysis has concentrated on the downside impact on ECL provision levels on the Group's balance sheet assets:

- the potential impact of ascribing 100% probability to the worst-case economic scenario could increase provisions by £2.0m
- the potential impact of a deteriorated PD input with a sensitivity of a 1-notch downgrade on a granular PD rating scale, equating to 1.5x multiple on all the performing loan PD inputs, could increase provisions by £6.0m
- the potential impact of inaccurately modelled LGD input for the ECL calculations with a sensitivity of a 1-notch downgrade on a granular LGD rating scale, equating to a range of LGD input increases from 5% to 40% depending on the portfolio, could increase provisions by £2.4m.

Maximum credit risk exposure

	Maximum Exposure to loss 2024 £000	Collateral 2024 £000	Net Exposure 2024 £000	Maximum Exposure to loss 2023 £000	Collateral 2023 £000	Net Exposure 2023 £000
Cash and cash equivalents	157,618	-	157,618	116,927	-	116,927
Trade and other receivables	23,294	-	23,294	13,370	-	13,370
Amortised cost investments	574,073	(110,360)	463,713	551,326	(80,927)	470,399
Investments held at FVTPL	3,393,479	-	3,393,479	3,143,996	-	3,143,996
Total	**4,148,464**	**(110,360)**	**4,038,104**	**3,825,619**	**(80,927)**	**3,744,692**

The Group 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 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 maximum exposure to loss is the gross carrying value of the financial assets in the Consolidated Statement of Financial Position. The carrying value of the investments in each class of financial asset is detailed in section 23.3 of this note and in note 12.

Credit risk rating and loss allowance

The Group 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 the 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 Group's investments are assessed by the Group's Investment Committee. The Group produces credit risk ratings for its investments based upon the estimated PD and LGD of that investment.

The following table presents an analysis of credit quality of assets held at amortised cost.

As at 31 March 2024

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	-	-	-	-
Medium	354,616	-	-	354,616
High	168,918	28,482	-	197,400
Defaulted financial assets	-	-	22,057	22,057
Total gross carrying amounts	523,534	28,482	22,057	574,073
Loss allowance	(16,624)	(6,264)	(20,724)	(43,612)
Carrying amount	**506,910**	**22,218**	**1,333**	**530,461**

As at 31 March 2023

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	-	-	-	-
Medium	309,481	-	-	309,481
High	179,295	38,081	-	217,376
Defaulted financial assets	-	-	24,469	24,469
Total gross carrying amounts	488,776	38,081	24,469	551,326
Loss allowance	(14,445)	(13,791)	(19,998)	(48,234)
Carrying amount	**474,331**	**24,290**	**4,471**	**503,092**

23.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		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 2023	**488,776**	**(14,445)**	**38,081**	**(13,791)**	**24,469**	**(19,998)**	**551,326**	**(48,234)**
Transfer to 12-month ECL	847	(554)	143	110	(990)	444	-	-
Transfer to lifetime ECL	(12,825)	3,051	13,059	(3,141)	(234)	90	-	-
Transfer to credit-impaired financial asset	(8,468)	1,613	(2,724)	1,555	11,192	(3,168)	-	-
New financial assets originated or purchased	300,533	(13,140)	-	-	-	-	300,533	(13,140)
Fair value adjustment on initial recognition (new lending)	(49,101)	-	-	-	-	-	(49,101)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(215,763)	412	(22,159)	411	(12,725)	2,903	(250,648)	3,726
Changes to risk parameters	-	6,439	-	8,592	-	(995)	-	14,036
Amortisation	19,536	-	2,082	-	345	-	21,963	-
As at 31 March 2024	**523,534**	**(16,624)**	**28,482**	**(6,264)**	**22,057**	**(20,724)**	**574,073**	**(43,612)**
Carrying amount as at 31 March 2024		**506,910**		**22,218**		**1,333**		**530,461**

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

23.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		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	**475,182**	**(13,225)**	**72,341**	**(11,417)**	**27,568**	**(23,824)**	**575,091**	**(48,466)**
Transfer to 12-month ECL	28,329	(627)	(28,314)	621	(15)	6	-	-
Transfer to lifetime ECL	(14,739)	3,122	15,007	(3,308)	(268)	186	-	-
Transfer to credit-impaired financial asset	(6,352)	1,526	(2,870)	1,331	9,222	(2,857)	-	-
New financial assets originated or purchased	279,762	(10,227)	-	-	-	-	279,762	(10,227)
Fair value adjustment on initial recognition (new lending)	(29,341)	-	-	-	-	-	(29,341)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(256,626)	513	(20,211)	433	(13,447)	1,417	(290,284)	2,363
Changes to risk parameters	-	4,473	-	(1,451)	-	5,074	-	8,096
Amortisation	12,561	-	2,128	-	1,409	-	16,098	-
As at 31 March 2023	**488,776**	**(14,445)**	**38,081**	**(13,791)**	**24,469**	**(19,998)**	**551,326**	**(48,234)**
Carrying amount as at 31 March 2023		**474,331**		**24,290**		**4,471**		**503,092**

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

23.3 Financial risk management (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of £157.6m as at 31 March 2024 (2023: £116.9m). The cash and cash equivalents are held with banks and financial institutions which are rated AA- to AA+ based on S&P ratings.

The Group 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 disclosed due to it being an insignificant amount.

Equity price risk

Equity price risk arises from the uncertainty about the future prices of financial instruments held in accordance with the Group's investment objectives. It represents the potential loss that the Group 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 Group is exposed to equity price risk in respect of equity rights and investments held by the Group 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 fund who apply valuation methodologies in compliance with IFRS or other recognised accounting standards such as UKGAAP. Most of the Group's investment funds apply IFRS valuation methodologies or apply the IPEV Guidelines. These valuations are subject to market movements.

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

	BPC[1]		BBI[2]		BBFL[3]		Total	
	+29% £000	-29% £000	+7% £000	-7% £000	+25% £000	-26% £000	£000	£000
2024	455,203	(455,203)	91,879	(91,879)	121,694	(126,561)	668,776	(673,643)
2023	418,579	(418,579)	90,280	(90,280)	114,754	(119,344)	623,613	(628,203)

1 BPC has considered the historical time series of the Preqin Venture Index movements and observed that the +/-29% (2023: +/-30%) sensitivities are within the 5th percentiles and 95th percentiles of all movements since 2001. Therefore, BPC considers the range to be within the bounds of reasonable changes in BPC valuations.

2 BBI 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, BBI considers this range to be within the bounds of reasonable changes in BBI valuations.

3 BBFL has considered the historical time series of the movements in the ECF programme portfolio valuations and observed that the +25%/-26% sensitivities are within the 5th percentiles and 95th percentiles of all movements since 2006. Therefore, BBFL considers the range to be within the bounds of reasonable changes in BBFL valuations.

23.3 Financial risk management (continued)

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 or credit spreads.

Interest rate risk

The Group's investments include a combination of fixed and variable rate loans. Interest rate risk is monitored to ensure that the sensitivity of the Group's returns to market interest rate movements is understood and managed within our risk appetite. The Group does not use derivatives to hedge interest rate risk.

SONIA sensitivity of the Group's investments is estimated as follows:

- the impact of a 0.25 percentage point increase in the interest rate applicable to investments would be an approximate increase in income of £1m over a one-year period
- the impact of a 0.5 percentage point decrease in the interest rate applicable to investments would be an approximate decrease in income of £2m over a one-year period. Some of the decrease is mitigated by SONIA floors.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate investments across its debt funds and amortised cost assets. At 31 March 2024, approximately 56% of the Group's interest-bearing investments had a fixed rate of interest and 44% had a variable rate of interest. There have been no changes to how the Group manages or measures interest rate risk in the financial year to March 2024.

Currency risk

The Group does not have significant exposure to currency risk as the Group primarily invests in its functional currency, pounds sterling. There are some investments in funds which have an international investment mandate and are denominated in euros or US dollars. 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 28.0% of the Group's portfolio is in non-pounds sterling denominated investments in the BBI and BPC portfolios. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2024 was £19.1m. There is no policy to hedge this currency risk; however, there is natural vintage diversification as the fund investments are made over different years. The sensitivity of currency risk losses from the Group's non-sterling investments is estimated with a scenario assuming GBP-EUR and GBP-USD exchange rate prices moved at the 75th percentile of its historical one-year volatility distribution. The impact of this would be an approximate loss of £46m over a one-year period.

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.

The Group manages its liquidity risk management as part of its cash and operational risk management processes and ensures that sufficient funds in liquid form are maintained at all times to meet liabilities as they fall due.

In relation to the capital grants provided to the Group, they may become repayable on demand, in whole or in part, if at the absolute discretion of DBT, certain conditions arise that affect the Start Up Loans Company adversely. The Group is dependent on continuing support from DBT that the grants will not be recalled for a period of at least 12 months from the date of approval of these financial statements.

Other than the capital grants and term facilities, liquidity risk is not deemed significant to the Group as it is 100% Government funded, with all programmes pre-approved and committed to, and it does not have a leveraged balance sheet.

23.3 Financial risk management (continued)

Liquidity risk analysis

The tables below show cashflows payable up to a period of 10 years on an undiscounted basis.

These differ from the Consolidated Statement of Financial Position values due to the effects of discounting on certain Statement of Financial Position items, the inclusion of contractual lending commitments and non-cash items being excluded.

As at 31 March 2024

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	36,600	119,373	-	155,973
Lease liabilities	1,965	5,617	-	7,582
Other liabilities	39,892	15,000	-	54,892
Total financial liabilities	**78,457**	**139,990**	**-**	**218,447**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	798,614	1,592,041	136,222	641,554	3,168,431
ECF loan commitments	115,235	236,697	11,946	69,827	433,705
Total off balance sheet	**913,849**	**1,828,738**	**148,168**	**711,381**	**3,602,136**

In relation to our contractual lending commitments, it is not anticipated that these will be drawn in full. The above table reflects the anticipated drawdown based on cashflow forecast and also reflects the element of the total commitment that is expected to expire without being drawn 'Undrawn'.

As at 31 March 2023

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	60,000	133,774	-	193,774
Lease liabilities	1,965	7,582	-	9,547
Other liabilities	30,049	-	-	30,049
Total financial liabilities	**92,014**	**141,356**	**-**	**233,370**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	477,146	855,866	32,394	444,825	1,810,231
ECF loan commitments	111,844	211,986	28,831	52,880	405,541
Total off balance sheet	**588,990**	**1,067,852**	**61,225**	**497,705**	**2,215,772**

Capital

The British Business Bank plc's share capital comprises 3,066,211,387 of issued and fully paid ordinary shares of £1. The Bank is not subject to external regulatory capital requirements under the Basel III regulatory capital framework and therefore does not manage its capital according to the Pillar 1 and Pillar 2 requirements set out in that framework. Where appropriate, the Bank uses internal models for measuring economic capital in the assessment of new investment transactions.

The Bank's Adjusted Return on Capital Employed is governed by DBT and defined in a Shareholder Framework Document. The Adjusted Return on Capital Employed is a Key Performance Indicator that is set for the Bank by its Shareholder as part of the annual planning cycle and a 1.5% loss was recorded for the financial year ending 31 March 2024. The Bank's adjusted return for the 5 years ending 31 March 2024 was 4.5% which is significantly above the threshold return of 0.9%.

The Bank monitors its performance against this indicator as part of its monthly performance management and for the financial year ending 31 March 2024 performance was ahead of target throughout. This was largely driven by strong valuation gains during the financial years 2020/21 and 2021/22, with the current and prior year showing a partial unwind of these valuation gains as detailed in note 12. Further details on the Adjusted Return on Capital Employed are disclosed in the 2023/24 Financial performance and calculation of adjusted return section.

24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Key Management Personnel

Key Management Personnel refers to the Executive Committee of the Group, BBI, BPC and Non-executive Directors.

	2024 £000	2023 £000
Compensation		
Salaries and other short-term benefits	1,330	1,437
Long-term benefits	259	206
Post-employment benefits	71	76
	1,660	**1,719**

Aggregated contributions in respect of Key Management Personnel to defined contribution pension schemes for the year ending 31 March 2024 were £70,971 (2023: £76,097). There are no further related party transactions to disclose in regards to Executive and Non-executive Directors.

Trading transactions

The Department for Business and Trade (DBT) is the principal shareholder and parent of the British Business Bank plc. British Business Bank plc provides services to DBT in relation to some financial assets held by DBT. In return, British Business Bank plc recognises management fee income in relation to the services provided. In addition, DBT provided temporary staff to the Group for which there are recharges. Nuclear Liabilities Fund Limited (NLF) is a related party by virtue of being controlled by the Group's ultimate shareholder. All entities under the DBT Group are considered to be related parties.

Northern Powerhouse Investments Limited (NPIL), Midlands Engine Investments Limited (MEIL) and Cornwall and Isles of Scilly Investments Limited (CIOSIL) are related parties because they have the same ultimate shareholder as British Business Bank plc.

The Group has provided services in the year to these companies and recognises management fee income in relation to the services provided.

During the year, Group companies entered into the following transactions with related parties:

24. Related party transactions (continued)

	2024 £000	2023 £000
Income		
Management fee		
DBT	44,893	50,183
NPIL	3,500	2,496
MEIL	63	1,244
CIOSIL	117	3
NLF	1,498	1,821
East Midlands Early Growth Fund Limited	53	-
Grant income – DBT	4,306	3,443
Write down of repayable grant received – DBT	50,401	32,280
	104,831	**91,470**

Capital transactions		
Shares issued to DBT	485,900	424,000
Grants received from DBT	36,000	36,000
Net (decrease)/increase in loan from DBT	(23,400)	46,000
	498,500	**506,000**

BPC is acting as agent for the NLF portion of investments, and the above management charge reflects its charge for the year.

24. Related party transactions (continued)

Amounts outstanding at year-end

As at 31 March 2024, the Group was owed £5.3m from DBT relating to the management fee (2023: £5.3m).

As at 31 March 2024, the Group was owed £3.5m from NPIL (2023: £2.5m), £nil from MEIL (2023: £1.8m), and £0.1m from CIOSIL (2023: £0.1m) relating to the management fee.

The Group owed £119.4m (2023: £133.8m) in capital grants to DBT and owed £36.6m (2023: £60.0m) in unsecured loans to DBT.

As at 31 March 2024, the Group has made loan commitments to NPIL of £50m (2023: £50m) and MEIL of £32.5m (2023: £32.5m).

During the year ending 31 March 2024, NPIL had repaid an amount of £12.9m (2023: £nil) of its loan commitment.

25. Events after the reporting date

Since the reporting date the Group has incorporated a new Company, BBB Patient Capital Advisory Services Limited on 19 April 2024.

On 9 July 2024, HM Government announced its new plans to align key institutions, including the British Business Bank, under the National Wealth Fund that will boost growth and unlock investment. At this stage, the impact on the British Business Bank is unknown but we look forward to the reforms which will ensure we can mobilise the UK's deep pools of institutional capital by harnessing our pipeline of investments and track record as the UK's largest investor in venture capital.

Independent auditor’s report

to the members of British Business Bank plc

Opinion on financial statements

I have audited the financial statements of British Business Bank plc for the year ended 31 March 2024.

The financial statements comprise British Business Bank plc’s:

– Company Statement of Financial Position as at 31 March 2024;

– Company Cash Flow Statement and Company 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 the British Business Bank plc’s affairs as at 31 March 2024 and its loss for the year then ended; and

– have been properly prepared in accordance with the 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 am independent of British Business Bank plc 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 the British Business Bank plc’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Bank plc’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 the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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 Bank plc 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 and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made;
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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 Bank plc from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the British Business Bank plc'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 Bank plc's accounting policies,
- inquired of management, the head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the British Business Bank plc'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 the British Business Bank plc's controls relating to compliance with the Companies Act 2006 requirements;

- 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, 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 the British Business Bank plc for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of British Business Banks plc's framework of authority and other legal and regulatory frameworks in which British Business Bank plc 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 Bank plc. The key laws and regulations I considered in this context included Companies Act 2006, employment law 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;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating 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 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
25 July 2024

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

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

Company financial statements

Company statement of financial position

As at 31 March 2024

	Note	2024 £000	2023 £000
Assets			
Cash and cash equivalents		61,848	55,896
Trade and other receivables	2	93,572	104,791
Investments	3	2,976,273	2,589,684
Property, plant and equipment		-	258
Right-of-use assets		5,493	6,908
Corporation tax receivable		38,982	14,482
Deferred tax		133	132
Total assets		**3,176,301**	**2,772,151**
Liabilities			
Trade and other payables	4	(34,098)	(36,371)
Lease liabilities		(7,228)	(8,994)
Loans and other borrowings	5	(36,600)	(60,000)
Provisions		(300)	(300)
Total liabilities		**(78,226)**	**(105,665)**
Net assets		**3,098,075**	**2,666,486**
Equity			
Issued share capital		3,066,211	2,580,311
Retained earnings		31,864	86,175
Total equity		**3,098,075**	**2,666,486**

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the Statement of Comprehensive Income (including the profit and loss account) of the parent company is not presented as part of these financial statements. The loss of the parent company for the financial period amounted to £54.3m (2023: £10.2m).

The financial statements of the Company were approved by the Board of Directors on 25 July 2024 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chief Executive Officer

The notes on p225-227 form an integral part of the financial statements.
Company number 08616013

Company statement of changes in equity

As at 31 March 2024

	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2022	**2,156,311**	**96,395**	**2,252,706**
Net income after tax	-	(10,220)	(10,220)
Total comprehensive income	**-**	**(10,220)**	**(10,220)**
Issue of ordinary shares	424,000	-	424,000
Balance at 31 March 2023	**2,580,311**	**86,175**	**2,666,486**
Balance as at 1 April 2023	**2,580,311**	**86,175**	**2,666,486**
Net income after tax	-	(54,311)	(54,311)
Total comprehensive income	**-**	**(54,311)**	**(54,311)**
Issue of ordinary shares	485,900	-	485,900
Balance at 31 March 2024	**3,066,211**	**31,864**	**3,098,075**

Company cash flow statement

As at 31 March 2024

	Note	2024 £000	2023 £000
Loss before tax		**(54,311)**	**(10,220)**
Cashflows from operating activities			
Adjustments for:			
Depreciation, bad debt and impairments		1,672	1,787
Interest expense		-	635
Interest paid		-	(635)
Decrease/(increase) in trade and other receivables	2	11,219	(33,688)
(Decrease)/increase in trade and other payables	4	(2,273)	3,175
Corporation tax paid		(24,500)	(7,432)
Net cash used in operating activities		**(68,193)**	**(46,378)**
Cashflows from financing activities			
Payments of lease liabilities		(1,965)	(1,932)
Finance costs on lease liabilities		199	237
Net increase in Shareholder funding	5	462,500	470,000
Net decrease in loan from Nuclear Liabilities Fund	5	-	(88,405)
Net cash from financing activities		**460,734**	**379,900**
Cashflows from investing activities			
Purchase of investments in subsidiary undertakings	3	(440,900)	(328,000)
Impairment of investment in subsidiary undertakings	3	54,311	9,941
Net cash from investing activities		**(386,589)**	**(318,059)**
Net increase in cash and cash equivalents		**5,952**	**15,463**
Cash and cash equivalents at beginning of year		**55,896**	**40,433**
Cash and cash equivalents at end of year		**61,848**	**55,896**

The notes on p225-227 form an integral part of the financial statements.

Notes to the Company financial statements

As at 31 March 2024

1. Significant accounting policies

Basis of accounting

The Company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in conformity with section 408 of the Companies Act 2006. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The Company's financial accounting policies are consistent with those described in the consolidated accounts of the British Business Bank plc. Disclosures in relation to share capital have not been repeated here as there are no differences to those provided in the consolidated accounts (note 21).

Investments in subsidiary undertakings are measured at cost less impairment in accordance with IAS 27.

These financial statements have been prepared on the going concern basis as described in the consolidated financial statements of the British Business Bank plc, and under the historical cost convention. The financial statements are presented in pounds sterling, which is the Company's functional currency.

2. Trade and other receivables

	2024 £000	2023 £000
Amounts receivable within one year		
Trade receivables	29	29
Prepayments	1,414	1,272
Amounts due from Group companies	92,118	103,468
Other receivables	11	22
Total trade and other receivables	**93,572**	**104,791**

3. Investments

The Company acts as a holding company for the Group and has the following principal subsidiary undertakings which affected the Group's results or net assets:

Subsidiary	Nature of Business
BBB Patient Capital Holdings Limited	Holding company.
British Business Finance Limited (BBFL)	Manages investment schemes on behalf of the Group. The Start Up Loans Company (SUL) which provides loans to entrepreneurs is a subsidiary of BBFL.
British Business Financial Services Limited (BBFSL)	Manages investment schemes on behalf of the Department for Business and Trade.

All subsidiary undertakings are wholly-owned and incorporated in the UK, all shareholdings are in the name of British Business Bank plc.

See note 21 of the consolidated financial statements for details of all subsidiary holdings of the Company.

At 31 March 2024

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	2,256,639	333,045	2,589,684
Investment in year	366,900	74,000	440,900
Impairment in year	-	(54,311)	(54,311)
Closing balance	**2,623,539**	**352,734**	**2,976,273**

At 31 March 2023

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	1,951,639	319,986	2,271,625
Investment in year	305,000	23,000	328,000
Impairment in year	-	(9,941)	(9,941)
Closing balance	**2,256,639**	**333,045**	**2,589,684**

The Company received no dividends in the year (2023: £nil).

4. Trade and other payables

	2024 £000	2023 £000
Amounts falling due within one year		
Trade payables	608	1,645
VAT and social security	1,855	739
Accrued expenditure	11,543	8,726
Amounts due to Group companies	16,973	21,777
Other payables	3,119	3,484
Total trade and other payables	**34,098**	**36,371**

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

5. Loans and other borrowings

	2024 £000	2023 £000
Unsecured loans	36,600	60,000
Total loans and other borrowings	**36,600**	**60,000**

The Company has received further loan advances of £462.5m from DBT, of which £485.9m has been settled by share issue. The balance of £36.6m (2023: £60.0m) is repayable on demand and carries a zero-interest rate.

6. Related party transactions

During the year under review British Business Bank plc was 100% owned by the UK Government, with the shareholder being the Secretary of State for the Department for Business and Trade (DBT). The Company has elected to take the exemption under IAS 24 regarding disclosure of transactions with related parties because the UK Government has control over both the Company and other related entities. Compensation paid to key management personnel is disclosed in the Directors' Remuneration Report.

The Company trades with Government bodies on an arm's length basis on commercial terms in line with contractual agreements. The main Government bodies transacted with are DBT and the Company's principal subsidiary undertakings BBB Patient Capital Holdings Limited, British Business Finance Limited (BBFL) and British Business Financial Services Limited (BBFSL).

The Group's trading and other capital transactions with DBT were all effected through the Company and are disclosed in note 24 of the consolidated financial statements. The Company made charges to its principal subsidiary undertakings in respect of services provided on their behalf amounting to £53.0m (2023: £48.9m).

7. Controlling party

In the opinion of the Directors, the Company's ultimate controlling party is the Secretary of State for the Department for Business and Trade. The consolidated financial statements of the Department for Business and Trade are available from the Government departments' website at GOV.UK. Copies of the Group financial statements of the British Business Bank plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

End Notes

Page 33

- ***Recovery Loan Scheme 1.0 Early Evaluation Report*** – this is at https://www.british-business-bank.co.uk/about/research-and-publications/rls-1-0-evaluation-report-2024

Page 36

- ***Year 2 Evaluation of the Covid Loan Schemes*** – this is at https://www.british-business-bank.co.uk/about/research-and-publications/bbls-cbils-and-clbils-evaluation-report-2023

Page 41

- ***2023 Nations and Regions Tracker*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/nations-and-regions-tracker-2023

Page 41

- ***2022 Small Business Equity Tracker report*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/small-business-equity-tracker-2022

Page 42

- ***Finding What Works*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/finding-what-works-pathways-to-improve-diversity-in-venture-capital-investment

Page 62

- ***Small Business Finance Markets Report*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/small-business-finance-markets-report-2024

Page 67

- ***Gender Pay Gap*** – this is at: https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-04/bbb-gender-and-ethnicity-pay-gap-report-2023.pdf

Page 105

- ***Future Fund: Breakthrough programme evaluation*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/future-fund-breakthrough-process-evaluation-and-early-impact-assessment

Page 130

- ***2023 Gender and Ethnicity Pay Gap report*** – this is at: https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-04/bbb-gender-and-ethnicity-pay-gap-report-2023.pdf

P147

- ***Small Business Finance Markets Report*** – this is at: https://www.british-business-bank.co.uk/about/research-and-publications/small-business-finance-markets-report-2024

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