British Business Bank

Supporting recovery and growth

Annual Report and Accounts 2021

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 improving access to finance for smaller businesses

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Chair's statement

Scaling up to protect livelihoods

At the beginning of this financial year, we were only just beginning to feel the effects of the global Covid-19 pandemic. Since then, the British Business Bank has mobilised successfully on an impressive scale.

In the face of potential economic collapse, our people stepped up, working tirelessly to support businesses and protect livelihoods. Up and down the country, throughout the English regions and Devolved Nations, small and medium-sized businesses have been able to access finance and gain the confidence to carry on.

In the process, we have had to scale up at great speed. At the start of the year, the Bank was managing £8.5bn of financial support to smaller businesses. That figure has now increased to nearly £89bn and we are now supporting over 1.7m facilities to businesses through our delivery partners. Managing this large portfolio of new loans and equity investments on behalf of the UK taxpayer will be an important aspect of our work over the coming years.

Alongside this extensive emergency response activity, the Bank's core programmes continued to deliver, playing a major role in underpinning small business finance markets such as venture capital and start-up funding. Helped by the strong performance of our commercial subsidiaries British Patient Capital and British Business Investments, which reflected the strength of equity finance markets more generally, we have delivered a record return of 14.6%. Alongside, we have also delivered over 11,300 Start Up Loans this year – again, a record number.

None of this would have been possible without the full commitment of all our people to deliver the vital extra work required, in addition to their usual roles, which called for longer hours and increases in workload. A shared sense of purpose and the knowledge that we were helping to protect livelihoods meant a great deal to all of us. Everyone working at the British Business Bank has my thanks.

> **"At the start of the financial year, the Bank was managing £8.5bn of financial support to smaller businesses. That figure has now increased to nearly £89bn"**

The Board

As planned for some time, Keith Morgan CBE served for the first half of the year, and I would like to thank him for his work in building the organisation since joining its set-up team in 2013. Catherine Lewis La Torre took over the role on 1 September 2020, stepping up from her impressive steering of the commercial arm since 2016 and hitting the ground running to provide strong leadership for the Bank at a time of immense change and scrutiny.

I would also like to thank Jonathan Britton for agreeing to extend his time as Audit Committee Chair when the outbreak of Covid-19 prevented the appointment of an immediate successor. Jonathan's valuable contribution to the Bank and the businesses we serve was recognised with the award of an OBE in the Queen's New Year Honours list 2021. We were delighted to appoint Jenny Knott, an experienced investment banker, to the role in December 2020.

Looking forward

The rapid response to Covid-19, including the emergency finance schemes facilitated by the British Business Bank and other measures such as the furlough scheme, meant that the collapse of the UK economy was avoided. It did not survive unchanged, however. As in any recession there have been losses, but there have also been new start-ups and scale-ups. I expect that the economy that emerges in the next 12 to 18 months will be quite different to the one we left behind.

Our job now is to help businesses during the recovery period and beyond, strengthening the economy in the process. Our focus and the way we work will continue to change in so doing, but we are emerging from the pandemic more resilient and capable than ever, ready and willing to help more UK businesses to prosper and grow sustainably.

Lord Smith of Kelvin
Chair

Chief Executive's statement

Adapting to emerge stronger

Any disruption of an organisation's activities provides an opportunity to reassess whether that organisation is on the right track. Events do not come much more disruptive than a global pandemic, and Covid-19 saw the British Business Bank perform a role vital to the UK government, finance markets and the economy as a whole.

"Continuing to invest in visionary businesses will help place the UK at the forefront of global, sustainable growth."

We use our unique position at the intersection of government and financial markets to make markets work better for the smaller businesses that are so important to the British economy and the nation's long-term prosperity. This includes important work to increase diversity of both finance type and provider, and to ensure access to finance for businesses right across the UK.

When the pandemic hit in early 2020, we were able to call on the extensive work we had undertaken to prepare for a potential downturn, in line with our countercyclical mandate. This meant we could respond quickly and effectively to the emerging crisis, putting in place programmes designed to address a drastically altered economic landscape for smaller businesses as lockdowns took effect.

A rapid scaling up

Our rapid scaling journey this year, from an emerging 'start up' towards a much larger, more mature organisation, mirrored the trajectory we typically seek to support for smaller businesses. Ours has been unusually rapid due to the crisis, with programmes rolled out in days and weeks rather than months, and our business model – delivering funding mainly through our delivery partners – was fundamental to that success. So too was our analysis of real-time data, which allowed us to respond with agility in refining the loan schemes to suit a rapidly-changing market.

As we have grown our organisation and operations, it has been essential also to strengthen our controls framework and delivery mechanisms. These changes will stand us in good stead in the longer term, positioning us well to address future challenges.

Building our toolkit to support the future economy

Our experience of the Future Fund this year has enabled us to demonstrate more rapidly how direct investment can play a role in delivering our vision – accelerating an evolution which we had already begun to develop before the pandemic. Targeted direct investment means we can intervene in sectors, geographies or businesses where we can have the biggest impact in driving recovery and growth.

The life sciences sector, which the Bank has invested in for many years, will undoubtedly remain an area of focus. This area has long been one of the UK's great strengths and the scientific response to the pandemic has rightly put this sector in the spotlight. Investors have already begun to respond to the opportunity that this represents and we remain committed to providing further funding alongside the private sector. Continuing to invest in visionary businesses in life sciences, as well as the other key sectors that will underpin the future economy, will help place the UK at the forefront of global, sustainable growth.

Rising to the occasion

Our people have performed exceptionally while adjusting to the disruption of their working lives, and of normal life in general. I am grateful for the efforts of our team to deliver – and keep on delivering – under unrelentingly tough circumstances while maintaining motivation, camaraderie and consistently high standards.

Renewing our strategic vision

The British Business Bank has changed considerably as an institution over the last year. As we enter our seventh year of operations, we have been reviewing our longer-term strategic direction and considering how best to lay the foundations for the economy that will help the UK to thrive over the next 30 years or more.

Working closely with our Shareholder, the Department for Business, Energy & Industrial Strategy, HM Treasury and wider stakeholders, we have defined a new mission and strategy to address a fundamental driver for our future society: the transition to a net zero economy. This forms part of a wider ambition to become a leader across Environmental, Social and Governance (ESG) factors, reflecting our new net zero objective from 2021/22, and will be central to the way we operate and invest in future.

In the near term, our market insights, policy expertise and delivery capabilities have already been brought to bear in the development of recovery-focused interventions, such as Future Fund: Breakthrough and the Recovery Loan Scheme. We look forward to using our unique position in the market to support businesses further as they recover and return to growth once more, thereby rebuilding the foundations of the UK's future prosperity.

Catherine Lewis La Torre
CEO

Why we do what we do

Smaller businesses* are of huge importance to the UK economy.

They provide three in five private sector jobs in the UK, and are a key source of the new ideas and inventions that allow the UK economy to grow and prosper. That's why, as the UK's economic development bank, we help them to start and grow through improving access to finance.

Why SMEs are important

5.9m

There are **5.9m** smaller businesses in the UK – **99%** of all UK businesses

16.8m

Smaller businesses employ **16.8m** people and generate more than half (**52%**) of private sector turnover

Proportion of UK private sector employment due to SMEs

* We define smaller businesses (SMEs) as those having up to 249 employees. Where relevant, for p6–17, further information on data presented is in the end notes, p183.

Supporting SMEs through access to finance

The challenge

UK SMEs are hugely varied and can encounter different access to finance issues

Tech start-up

"We're too new to be a safe bet"

Local shop

"Lockdown means no customers, therefore no cash flow"

Design studio

"Information on finance options is too complicated"

These issues are often heightened in economic crises, such as the one driven by the Covid-19 pandemic. For example:

45%
of smaller businesses applied for external financial support in 2020, compared to 13% in 2019

89%
of smaller businesses seeking finance in 2020 did so because of the impact of Covid-19

75%
of these businesses sought finance to help with cash flow

The result

SMEs which access finance are more:

Productive + Likely to export = Unlock growth

Our impact this year

In an economic crisis, wholly commercial investors and lenders might be expected to stop new activity and focus on protecting existing investments.

We, however, have a mandate to support UK smaller businesses by taking a different approach when required by economic conditions. Over the last year, we continued making new investments, as well as providing extra support for our existing portfolio.

At the same time we built, launched and delivered a package of Covid-19 emergency finance schemes on behalf of the government. Throughout this uncertain year, we scaled up our operations in response to an intense pace of change.

All figures as at 31 March 2021 unless otherwise indicated

Businesses benefiting

1.77m
businesses supported in total

1.67m
businesses supported through Covid-19 emergency finance schemes

95k
businesses supported through our core finance programmes

1.4m
businesses supported outside of London

Finance supported

£88.9bn
total finance supported

£80.4bn
finance through Covid-19 schemes

£8.5bn
stock of finance through our core finance programmes

£943m
flow of gross deployment outside of London in 2020/21

Information provision

8
reports published

4.6m
website visits in 2020/21, up from 1.1m in 2019/20

Operational delivery

4
nationwide Covid-19 emergency finance schemes, put in place in under eight weeks

218
delivery partners, an increase of 78 compared to 2019/20

92%
of colleagues said they are proud to work for the Bank

2020/21 KPI performance against our objectives

Performance assessment summary

The Board assessed the Bank's progress against its corporate objectives by considering delivery against its key performance indicators (KPIs). KPI outturns against targets are outlined below and, in addition, the Board considered a number of other qualitative measures:

- delivery of the Covid-19 emergency finance schemes
- delivery of Demand Strategy commitments
- delivery of regional access to finance outreach activities
- delivery of risk management activities.

Overall, it took the view that the Bank's performance had exceeded expectations during a challenging year.

In light of the Covid-19 emergency and its effect on the usual business of the Bank, the Board and Shareholder agreed:

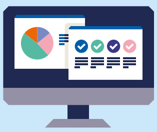
- to suspend KPI targets for the first half of the year, establishing updated targets in October 2020
- to exclude the Covid-19 emergency finance schemes from the Bank's targets, and to capture the Bank's Covid-19 response work through qualitative assessment.

Objective 1: to increase the supply of finance to smaller businesses where markets don't work well

	Target	Outturn
KPI: Stock of finance supported by core programmes	£9.085bn	£8.506bn

Commentary: Due to the Bank's existing programmes being displaced by the Covid-19 emergency finance schemes, the stock target was missed by 6.4%.

Objective 2: to help create a more diverse finance market for smaller businesses, with greater choice of options and provider



	Target	Outturn
KPI: Percentage of stock of finance supported outside the Big Five banks	94.0%	94.5%

Commentary: The Bank continued to deploy the vast majority of finance in its core finance schemes outside of the largest UK banks, exceeding the target set.

Objective 3: to identify and help to reduce regional imbalances in access to finance for smaller businesses across the UK

	Target	Outturn
KPI: Flow of gross deployment outside London	£868m	£943m

Commentary: The Bank exceeded the quantitative target through strong deployment and drawdown of finance across the UK's regions and Nations.

Objective 4: to encourage and enable SMEs to seek the finance best suited to their needs

	Target	Outturn
KPI: Awareness: Level of prompted awareness of the Bank amongst SMEs	25%	25%
KPI: Consideration: Whether SMEs would consider contacting the Bank for information about finance	42%	41%

Commentary: The Consideration outturn was narrowly missed. However, given the minimal gap to target, this was not deemed to represent a major shift in sentiment in the SME business population.

Objective 5: to be the centre of expertise on smaller business finance in the UK, providing advice and support to government

	Target	Outturn
KPI: Delivery of Centre of Expertise priorities	No quantitative KPI set	

Commentary: Based on an independent qualitative assessment by the Shareholder's representative, the Bank was assessed to have deployed its expertise to government effectively, ranging from advice on Covid-19 scheme development and delivery to fulfilling priorities on research and market engagement.

Objective 6: to achieve the Bank's other objectives whilst managing taxpayers' money efficiently within a robust risk management framework

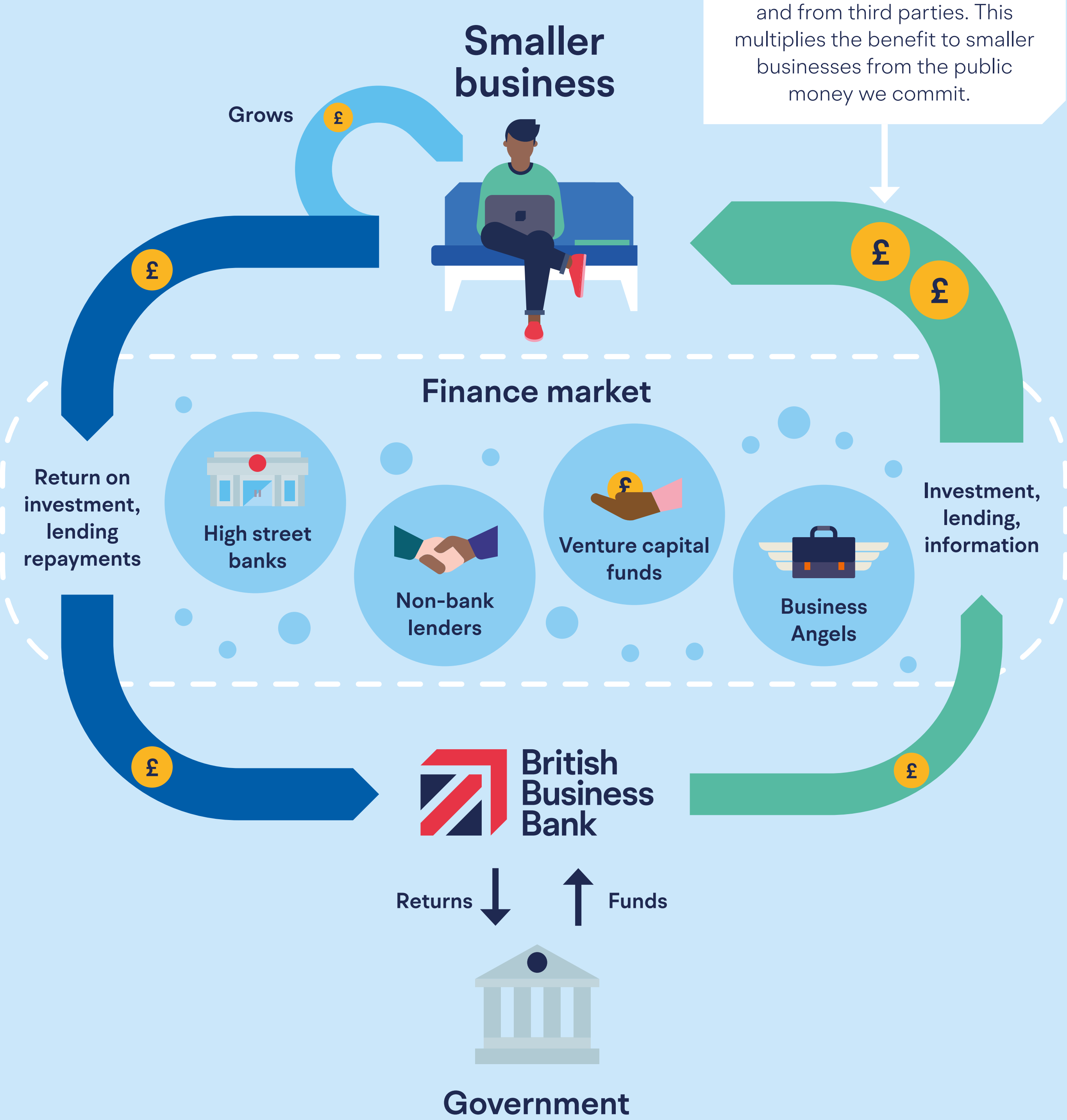
	Target	Outturn
KPI: Adjusted return on capital employed	0.10%	14.6%

Commentary: The Bank's adjusted return significantly exceeded the target, driven by the generally strong performance of equity finance markets in 2020/21.

How we work

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

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.



A business's finance journey

Every business is different and has different needs

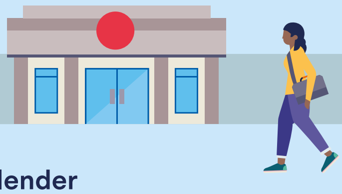
The following illustrative example is just one possible route to finance and shows how the British Business Bank can help along the way. More guidance and information about routes to finance can be found on our Finance Hub.

1

Needs external finance

Jen recently launched a Midlands-based digital design company and has big growth ambitions. To expand, she needs access to external finance.

2



Approaches own lender

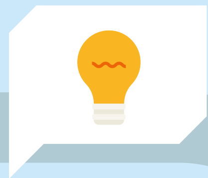
After using the British Business Bank Finance Hub to research her options, she approaches her own lender for a loan.

3

Lender unable to provide a loan

While her lender is keen to support her business, her limited track record means it is reluctantly unable to provide a loan.

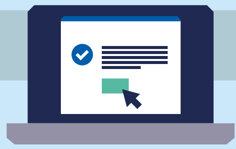
4



Hears about an alternative

Jen's business advisor, Nick, suggests that the Midlands Engine Investment Fund (MEIF) – delivered by the British Business Bank – may be an option. Nick heard about MEIF at an event run by the Bank's regional funding team.

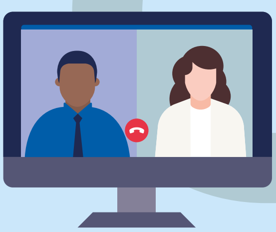
5



Decides on equity finance

Jen and Nick further discuss debt and equity options and Jen decides that equity finance – offered by MEIF – is potentially the right finance type for her young, high-growth potential business.

6



Advisor approaches MEIF

Nick makes an approach on Jen's behalf to MEIF, to assess initial eligibility with a MEIF fund manager. After consideration, the fund manager, Katie, decides to progress the enquiry with Jen and Nick.

7

Successful application

After more detailed conversations with Katie, Jen continues to develop her business plan with Katie's support. This helps Jen to be successful in her application, receiving equity investment from MEIF which helps her grow her business.

Planning our future

Much has changed since the British Business Bank was established in 2014.

Markets have evolved, policy priorities have shifted, and the Bank has expanded its remit and operations - particularly in the last year in response to Covid-19.

In light of this we undertook a major review of our long-term strategy and operations this year, to produce a renewed strategic direction. This will help us ensure we are best positioned to respond to the challenges and opportunities ahead.

We launched a number of key programmes in summer 2021, including Future Fund: Breakthrough, the Recovery Loan Scheme and the Life Sciences Investment Programme. We will work to maximise their market impact from 2021/22, alongside other priorities for next year noted opposite.

Our renewed strategic direction

Our vision

Lighting the way to the future of finance

Our revised mission

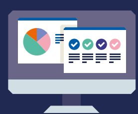
To drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by improving access to finance for smaller businesses

Underpinned by:

A new objective from 2021/22
To support the UK's transition to a net zero economy

Alongside our current corporate objectives

Increase the supply of finance



Help increase diversity of finance

Address regional imbalances in access to finance

Encourage and enable SMEs to find appropriate finance

To be the centre of expertise on smaller business finance in the UK

To achieve our other objectives whilst managing taxpayers' money efficiently

As we plan for the future, we are very conscious that we are operating in an environment of significant uncertainty. The Covid-19 pandemic has not yet fully played out, and while this year's performance was assessed as positive, continuity of this trajectory is by no means guaranteed.

Alongside our principal risks, we are therefore mindful of wider contextual elements, known or emerging, which could impact our ability to deliver against next year's priorities, as well as our objectives more broadly. More information on these can be found in the Future outlook – areas of strategic uncertainty section on p53.

> "Markets have evolved, policy priorities have shifted, and the Bank has expanded its remit and operations."

Next year's priorities

Incorporating our new mission into everything we do

Define and communicate our strategy for driving sustainable growth across the UK

Embed our approach across the Bank to support SME's transition to net zero

Consolidating the organisation after a year of rapid transformation

Build our operational capabilities across the key areas of Data, IT, Outsourcing and Risk management

Integrate Covid-19 emergency finance scheme management into business-as-usual

Delivering market impact through new programmes and capabilities

Continue to build our direct co-investment capability, investing in companies alongside private sector patient capital funds

Roll out new programmes to strengthen the Covid-19 recovery and future economy, including through sectoral interventions

Our Environmental, Social and Governance approach

The British Business Bank's revised mission sets out our commitment to playing an active part in driving a more sustainable economy.

In developing our approach to our Environmental, Social and Governance (ESG) activities, we have identified nine of the 17 United Nations Sustainable Development Goals (SDGs), shown below, as those which align best with our activities. Of these, SDG 9, relating to 'Industry, Innovation and Infrastructure', aligns most closely with the Bank's mission.

Having identified this alignment with the SDGs, we are focusing initially in three areas where we believe we can have the greatest impact:

- climate change, with an immediate focus on the transition to net zero
- diversity and inclusion
- regional equality.

Making meaningful progress on these ESG priorities as well as our broader ESG ambition requires long term planning.

We are putting in place a programme of activity to measure and improve the impact we will have on ESG factors in the coming years, supported by our commitment to best practice in governance.

The United Nations Sustainable Development Goals adopted by the Bank

Our ESG goals

Tackling climate change

We will lessen our exposure to emissions-intensive activities in our portfolio and help smaller businesses to reduce their emissions.

We will also commit to reducing the Bank's carbon footprint from its own operations.

Breaking down barriers in access to finance

Diversity and inclusion

We will create more opportunities for the best talent to access finance regardless of factors such as social background, gender, ethnicity and age; and ensure that the funding requirements of the UK's diverse business population are better fulfilled.

Regional equality

We will create greater demand and more opportunities to access finance in every region and Nation of the country, helping to address regional imbalances.

Promoting best practice

As a wholly owned government institution we will aim, through our work, to ensure that we follow, promote and support positive governance practices. This will include best practice in our own corporate governance.

People and their businesses are at the heart of everything we do

Our activities help funding flow to entrepreneurs with ambitious plans and companies with innovative products and services.

Navigate to our areas by clicking on the panels on the right.

1

What we have delivered:
Financial activity

We continued delivering our core programmes while helping almost 1.7m businesses through the crisis.

Read more on p20–31

2

What we have delivered:
Non-financial activity

We responded to markedly increased demand and provided valuable market insights.

Read more on p32–39

3

How we have delivered:
Our people

We scaled up while supporting our people to deliver under pressure in a changed work environment.

Read more on p40–45

4

Enabling our delivery:
Operations, controls and risk management

We increased our capability while adapting to a new operating model and a changed UK economy.

Read more on p46–52

1 What we have delivered:

Financial activity

Core finance programmes	**£8.5bn** stock of finance supported	Almost **95,000** smaller businesses benefiting
Covid-19 emergency finance schemes	**£80.4bn** of finance offered[1]	**1.67m** facilities offered to businesses[2]

Business stories

Marwell Wildlife

Delivery partner: NatWest

Region: South East

Location: Winchester

Programme: Coronavirus Business Interruption Loan Scheme

Marwell Wildlife was forced to close its zoo when the country locked down to fight Covid-19. With no visitors paying to enter the zoo, but ongoing costs to meet for the animals' upkeep, the company secured financial support via the Coronavirus Business Interruption Loan Scheme (CBILS) before its cash flow dried up.

This has been a transformational year for the British Business Bank.

In April 2020, as the impact of the Covid-19 pandemic on businesses and the economy was becoming apparent, the UK government asked the Bank to deliver the first of a series of emergency finance schemes: the Coronavirus Business Interruption Loan Scheme (CBILS). Within six weeks, this was followed by the Coronavirus Large Business Interruption Loan Scheme (CLBILS), the Bounce Back Loan Scheme (BBLS) and the Future Fund.

As part of a package of government interventions, which also included the furlough scheme, these finance schemes have had a significant impact on smaller businesses across the UK.

While it is difficult to say exactly what would have happened in the absence of these schemes, it is reasonable to assume that without their support many more businesses may not have survived through the pandemic.

Their sheer scale shifted the Bank's centre of gravity significantly during 2020/21. In March 2020, the Bank's activity was weighted heavily towards the equity funds and investments side of its business model. By March 2021, the balance had swung completely the other way, with debt guarantees as part of the Covid-19 relief effort accounting for the vast majority of our activity.

The shift did not result in a decrease in our core activity, however. While mobilising new programmes to help businesses survive, we continued to provide both debt and equity finance to help businesses start and grow, in some cases providing record numbers of facilities, such as through our Start Up Loans programme.

The Bank's investment portfolio grew significantly over the year, highlighting how we help underpin both confidence in and the operation of UK equity finance markets.

The emergency finance schemes gave hundreds of thousands of business owners much-needed breathing space and reduced cash flow concerns for many in a year with a lot to worry about. They have also enabled some businesses to plan for recovery instead of fighting for survival.

In this way, the Bank's activity was significant in protecting the economy, with positive knock-on impacts on livelihoods and wider society.

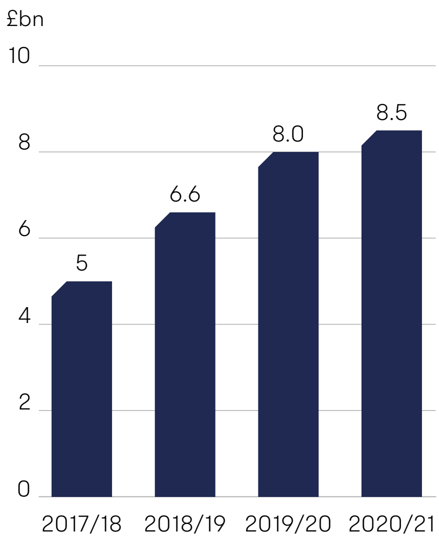
Our finance programmes

The British Business Bank is responsible for delivering a wide range of finance programmes, each designed to address a market failure and help improve access to finance for smaller businesses.

Our finance programmes provide either debt finance, equity finance, or a combination of both finance types.

Not all of these programmes are accounted for on our own balance sheet. In some cases, we act as an agent, working on behalf of another organisation, such as the Department for Business, Energy & Industrial Strategy (BEIS). We deliver the programme, but the organisation we are acting for keeps the assets and liabilities on their own balance sheet. Further details on this can be found in the financial performance section, beginning p54.

Stock of finance for smaller businesses, supported by core Bank finance programmes*



* Includes legacy programmes. 2017/18 figure reflects post year restatement

The table below lays out our active programmes in 2020/21 across both our core and Covid-19 emergency finance schemes.

Portfolio area	Programme	Stock of finance supported (Bank and third-party funding) unless otherwise stated, £m[1]	Number of businesses benefiting unless otherwise stated[2]
Core finance programmes	**Investment Programme** Support to increase the volume and diversity of finance for smaller businesses by enabling the growth of new and alternative lenders.	2,718	29,106
	British Patient Capital Investments in long-term venture and venture growth funds, enabling high potential firms to develop into world-class businesses.	1,518	399
	ENABLE Guarantees Guarantees which reduce the amount of capital that lenders need to hold for their loans to smaller businesses, so that they can provide more lending.	639	830
	Enterprise Capital Funds Funds which increase the supply of early stage venture capital to scaling businesses and lower barriers for fund managers entering the venture capital market.	618	414
	Managed Funds Investments into funds of funds designed to increase institutional funding of long-term patient capital for innovative businesses that are scaling rapidly.	612	236
	Regional Funds Equity and debt finance in the North, Midlands, Cornwall and Isles of Scilly, helping make regional finance markets work better for smaller businesses.	606	1,108

1 Stock provides a 'snapshot' of the total finance each programme supports in the market at any given time. It includes both the Bank's own commitments and leveraged third party funding, which varies according to each programme's objectives. Stock changes as finance enters and exits the market as investments are made and produce returns, or as loans are drawn down and repaid over time.

2 Like stock, this is a snapshot measure which goes up or down as UK businesses receive and return finance supported by the Bank. Please note that these scheme-by-scheme figures are not additive for core finance programmes, as businesses may be benefiting from more than one scheme.

Portfolio area	Programme	Stock of finance supported (Bank and third-party funding) unless otherwise stated, £m[1]	Number of businesses benefiting unless otherwise stated[2]
	ENABLE Funding Cost-effective access to funding through the capital markets for smaller lenders, meaning they can provide more finance to businesses.	498	37,647
	Angel CoFund Equity co-investment alongside business angel syndicates to increase the volume of early stage finance available to smaller businesses.	321	90
	Start Up Loans Loans and mentoring to help people start their own businesses or become self-employed.	222	28,758
	Regional Angels Programme Support to reduce regional imbalances in access to early stage equity finance.	98	123
Covid-19 emergency finance schemes*	**Bounce Back Loan Scheme** Emergency loan guarantee scheme to support businesses struggling as a result of the Covid-19 pandemic to access finance more quickly	47,360	1,560,309
	Coronavirus Business Interruption Loan Scheme Emergency loan guarantee scheme to support smaller businesses struggling as a result of the Covid-19 pandemic	26,390	109,877
	Coronavirus Large Business Interruption Loan Scheme Emergency loan guarantee scheme to support larger businesses struggling as a result of the Covid-19 pandemic	5,560	753
	Future Fund Emergency support scheme to support equity backed businesses struggling to fundraise, through matching funding with convertible loan notes	1,091	1,147

* Figures for CBILS, CLBILS and BBLS are cumulative a) value of finance offered and b) number of offered facilities, as published by the Bank on 6 July 2021, post scheme closure on 31 March 2021. Data for Future Fund is the value and number of applications executed, as of 31 March 2021.[3]

All other figures as at 31 March 2021.

Business stories

“There are some great government initiatives to support you financially whilst you take those first few steps, and Start Up Loans also offers guidance on business planning.”

Your Tribe

Delivery partner: Transmit

Region: North East

Location: Newcastle

Programme: Start Up Loans

Jane Crane left her role as an IT project manager after the birth of her second child.

A £20k loan from our Start Up Loans programme helped her fulfil her dream to own a business that combined two of her favourite things: art and wellness. From this dream Your Tribe was born.

The unique wet paint throwing space offers couples, families and groups the opportunity to make art, get messy and feel uplifted.

Helping UK businesses – our core finance programmes

This year we have continued support through our existing core schemes so businesses would be in a strong position to recover and grow following the pandemic. We deliver programmes nationally, regionally and across finance types, to support businesses at all stages of their development, helping us to tackle the most significant challenges across the market.

Helping new businesses to start

This year, many people have spent more time at home, cut off from a lot of their usual activities and commitments. Time to think, time to plan, and a sense that the world is too uncertain not to seize every opportunity can lead to more people starting businesses.

2020/21 has been a record year for our **Start Up Loans** programme. We have made more than 11,000 new Start Up Loans this year, an increase of more than 30% compared to 2019/20.

Funding start-ups is seen as a risky prospect, and this can lead to early-stage businesses being unable to access the finance they need. The programme addresses this market failure by providing loans of up to £25,000 at a fixed 6% interest rate as well as offering free ongoing support, mentoring and guidance.

Our Start Up Loans programme also plays a part in addressing long-standing imbalances in access to finance for underrepresented groups. Since its inception in 2012:

40%

of the Start Up Loans programme's recipients have been women

21%

have been Asian, Black or from other ethnic minorities

31%

have been people who were unemployed at time of application

In the November 2020 Spending Review, the Chancellor announced that the programme would be funded to provide 11,300 loans in 2021/22, 1,000 more than originally funded in the March 2020 Budget, and we anticipate further growth in demand over the year.

Additional support for businesses in the regions

In the early part of 2020/21, the Bank's regional investment funds – the **Northern Powerhouse Investment Fund (NPIF), Midlands Engine Investment Fund (MEIF)** and **Cornwall and Isles of Scilly Investment Fund (CIOSIF)** – were able to offer particular or additional support, including repayment holidays, to help alleviate some of the pandemic's effects on smaller businesses. By summer of 2020, our regional funds resumed investing in new businesses to help them grow.

Our regional investment funds aim to co-invest in new businesses equally with private sector capital. This year, despite the pandemic-driven uncertainty, our funds secured additional private sector investment that was greater than the amount they themselves invested.

Across our regional funds we saw record deployment this year, principally due to a strong second half of 2020/21. Our regional fund managers also successfully secured co-investment from other Bank-delivered programmes, such as the Future Fund, to best support local companies. In total our regional funds provided a £357m flow of finance into regional finance markets in 2020/21.

Business stories

Lunac Therapeutics Ltd

Delivery partner: Epidarex

Region: Yorkshire and the Humber

Location: Leeds

Programme: Enterprise Capital Funds

Lunac, a spin-out from Leeds University, makes new medical treatments to prevent blood clots that cause serious medical problems such as strokes. Existing medications (anticoagulants) can have the side-effect of causing bleeding in patients – Lunac's technology is capable of producing effective treatments for blood clots without the side-effect of bleeding.

The science behind Lunac was initiated at the University of Leeds but needed commercial backing to move towards the clinic. The finance enabled them to launch a new company with an experienced management team and the resources required to translate their innovative science into a clinical-stage therapeutic.

Evaluating our regional support

Independent evaluations of MEIF [4] and CIOSIF [5] were published in May and July 2020 respectively, which showed that the funds have had significant positive effects in their regions since launch.

A second phase of evaluations is underway, this time focusing more closely on the funds' contributions to:

– diversity and inclusion

– the UK's ambition to reach net zero carbon emissions by 2050.

Given the success of the three existing regional funds, we are also investigating whether other regions could benefit from similar programmes.

Supporting high-growth businesses

Equity finance is typically used to support high-growth businesses, at varying stages of development, from the earliest seed stage through to the later venture and growth capital stages. Our equity schemes made significant new investments across all stages this year, despite the economic contraction caused by Covid-19.

> "The Investment Programme made 13 investments worth a total of £345m this year, supporting its goal of increasing the diversity of finance available to smaller businesses."

Seed and early stage

Our **Regional Angels programme** run by British Business Investments, one of our commercial subsidiaries, made four new commitments totalling £50m this year, to:

– Newable Ventures and Bristol Private Equity Club in November 2020

– Clarendon Fund Managers in December 2020

– Syndicate Room in December 2020

– Deepbridge Capital in March 2021.

The Regional Angels programme commits funds for investment alongside business angels and other equity investors to help reduce regional imbalances in access to seed and early-stage equity finance for smaller businesses across the UK.

The **Enterprise Capital Funds** programme made a £50m investment to cornerstone a new £102m UK venture fund, Epidarex Capital III UK, LP. This new fund is the largest Enterprise Capital Fund to date and the first to specialise in life sciences. It will invest in new life sciences companies from emerging research hubs across the UK, including spinouts from highly regarded universities.

Venture and growth stage

The **Managed Funds programme** run by British Business Investments (BBI), a commercial subsidiary of the Bank, invested €75m into Isomer Capital in September 2020 – the programme's fourth commitment to date. The programme aims to encourage patient investment into businesses with high growth potential by making cornerstone investments in established private sector funds of funds.

British Patient Capital, also a commercial subsidiary of the British Business Bank, manages an investment fund designed to help UK companies with high growth potential to access the long-term financing they need to scale up.

British Patient Capital's investment activity this year includes:

– a cornerstone commitment to University College London's Technology Fund, increasing the firm's investment in the world-leading science taking place in UK universities

– its first two co-investments, into underlying portfolio companies, Quantexa and Thought Machine, alongside portfolio funds.

British Patient Capital also worked on a collaboration agreement with an international sovereign investment company on potential investment opportunities in later stage funds focused on UK life sciences companies.

Announced towards the end of the financial year, the £375m **Future Fund: Breakthrough** will help businesses that struggle to access finance for long-term projects that need significant research and development.

The programme will co-invest alongside established venture capital investors, making R&D-intensive businesses and projects a more attractive investment prospect, helping the UK to fulfil its potential as a science-driven economy.

Supporting a wider choice of debt finance

Our Start Up Loans programme provides fixed-rate loans for a particular market segment, and our regional funds provide targeted debt capital for specific geographical areas. We address a more general lack of debt capital, and choice of both provider and type of debt finance through two main interventions – BBI's **Investment Programme**, which makes up a significant proportion of the Bank's portfolio, and our **ENABLE programmes**, which provide wholesale funding to finance providers.

The Investment Programme supports non-bank and challenger bank lenders. It made 13 investments worth a total of £345m this year, supporting its goal of increasing the diversity of finance available to smaller businesses. This included three commitments to asset finance providers, one to a challenger bank, two to FinTechs and seven to debt funds.

In October 2020, we announced the largest facility to date within the **ENABLE Funding programme**: a fourth financing round for Simply, a non-bank smaller business lender. In total, the four financing rounds will provide more than £230m of funding to smaller businesses across the UK.

Responding to Covid-19 – emergency finance schemes

The Coronavirus Business Interruption Loan Schemes

The national lockdown measures put in place to reduce the spread of Covid-19 presented many smaller businesses with a cash flow problem. Required to close their doors to protect staff and customers from the virus, businesses either had to adopt remote working or delivery models or, in the case of close contact services like hairdressers, were left with no way to do business until lockdowns began to lift.

Of those smaller businesses that needed funding in 2020, 78% said they needed it for cash flow support, compared to 49% in 2019.[6] The interruption to cash flow meant that providers couldn't lend to the affected businesses without taking on an unacceptable level of risk.

At the government's request, the British Business Bank rapidly launched and ran three debt guarantee programmes to address this market failure: the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS).

CBILS provided accredited lenders with government-backed guarantees, reducing the risk to lenders and allowing them to offer businesses the finance they needed to handle the interruption caused by lockdown. The government made a Business Interruption Payment, covering first-year interest and fees on CBILS so businesses benefited from no up-front costs and lower initial repayments, while BBLS offered a 12-month repayments holiday, meaning recipients paid nothing in the first year.

Programme	Coronavirus Business Interruption Loan Scheme (CBILS)	Coronavirus Large Business Interruption Loan Scheme (CLBILS)	Bounce Back Loan Scheme (BBLS)
Offer	Up to £5m in finance for smaller businesses with turnover of less than £45m	Up to £200m in finance for larger businesses with turnover of more than £45m	Between £2,000 and £50,000 for small and medium-sized enterprises (SMEs) and micro-businesses
Term	Up to 6 years (term loans and asset finance) Up to 3 years (overdrafts and invoice finance)	Up to 3 years	6 years with no repayments for first 12 months
Interest and lender-levied fees	Paid for first 12 months		Paid for first 12 months

We redeployed our UK Network team during the first half of the financial year, making use of the finance and banking skills in the team to accredit new lenders to deliver these schemes. There was significant demand from lenders, in part because of the unprecedented assistance that CBILS and BBLS could give their customers, including the initial interest and fee-free 12-month period.

These three schemes helped around 1.7m businesses – more than a quarter of the UK's smaller business population – through a challenging time, with BBLS alone supporting nearly 1.6m smaller businesses. All three schemes closed to new applications on 31 March 2021.

The proportion of overall loans taken out in each of the nine English regions and three Devolved Nations closely matched their share of the UK business population. The North West reported the largest uptake of the CBILS and BBLS (11%) outside London and the South East (34%), followed closely by the East of England (10%).[7] We also accredited the managers of the Northern Ireland Growth Finance Fund to utilise the CBILS guarantee, enabling them to support local smaller businesses struggling with cash flow.

The Bank maintains close and constructive relationships with BEIS and HM Treasury. Collaboration with both internal and external stakeholders, including existing delivery partners, was key to developing and implementing the schemes successfully to provide emergency finance to smaller UK businesses.

Business stories

Jennifer Young Skincare

Delivery partner: Midven

Region: West Midlands

Location: Newcastle-under-Lyme

Programme: Midlands Engine Investment Fund

Staffordshire-based Jennifer Young Ltd, the cosmetics and skin care company, has received new investment from the Midlands Engine Investment Fund (MEIF) West Midlands Equity Fund, managed by Birmingham-based venture capital business Midven.

The company has developed a range of products, with particular emphasis on skin care for those living with cancer. The firm is set to use the funding to grow its existing sales channels and expand its offering to international markets.

The company will also be using the investment to build its team and marketing function.

In September 2020, HM Treasury announced that, from 1 April 2021, BBLS borrowers would have the option of using 'Pay As You Grow' to extend their loan term, reduce their monthly repayments, and/or take a repayment holiday, to support them to get back to growth.

The Bank worked with delivery partners, the finance industry and the government throughout the year to protect taxpayers' interests, including through counter-fraud measures and a series of audits of Covid-19 emergency finance schemes. As we look ahead to the future of the CBILS, CLBILS and BBLS, our priorities are:

- to make sure borrowers are aware of repayment options under BBLS Pay As You Grow
- to ensure a smooth, efficient and fair recovery process in the event of defaults.

Future Fund

As the financial impact of lockdown rippled through the UK economy we began to see knock-on effects, one of which was a short-term decrease in venture capital and equity investment.[8] This is common in a crisis as potential investors don't have sufficient information to value a company.

It is now generally accepted that the period of reduced venture and equity investment following the 2008 crisis led to a 'lost generation' of promising start-ups. Potentially groundbreaking products, services, and business models failed to progress because early-stage businesses couldn't access the investment they needed to reach the next milestone in their development.

The Future Fund was designed to prevent Covid-19 from causing a similar loss by encouraging investment funds and business angels to continue investing in early-stage companies through the pandemic. It did this by co-investing alongside matched investments of between £125,000 and £5m in the form of convertible loan notes.

Not only did the fund succeed in maintaining investment, providing 11% of the UK's announced small business equity deals last year, but it also introduced an innovative rules and web-based application process. This was received positively by the market at a time when travelling and meeting investors was impossible.

The Bank has delivered co-investment programmes previously, but the Future Fund was on a far bigger scale. Drawing on our previous expertise to design the scheme, and outsourcing support for specific IT development and to provide a Northern Ireland-based call centre, enabled us to bring the Future Fund to market in time to make a significant impact.

There is early evidence to suggest that the scheme's rules-based 'blind' approach helped address some long-standing structural issues in the market, such as the typically-required 'warm introductions' which can disadvantage underrepresented communities of entrepreneurs. As of February 2021, 78% of Future Fund funding had gone to companies with mixed gender senior management teams and 57% to those with senior management teams made up of people from different ethnic groups, significantly overindexing compared to the market overall. The fund has provided valuable market feedback and we will take this into account in the design of future schemes aligning to our commitment to improve Social factors under our ESG strategy.

As of 31 March 2021, 69 companies had converted their loan notes into equity, and we will continue to manage closely what are ultimately taxpayers' stakes in these businesses.

Recovery Loan Scheme

The Recovery Loan Scheme launched on 6 April 2021, following the closure of BBLS, CBILS and CLBILS on 31 March 2021. It is scheduled to run until 31 December 2021 and provides a level of guarantee support that is more suited to the recovery period.

Programme	Recovery Loan Scheme
Offer	Up to £10m in finance
Term	Up to 6 years (term loans and asset finance) Up to 3 years (overdrafts and invoice finance)

Average facility amounts offered to businesses, Covid-19 loan guarantee schemes

Coronavirus Business Interruption Loan Scheme:	Coronavirus Large Business Interruption Loan Scheme:	Bounce Back Loan Scheme:
£240k	**£7.4m**	**£30.4k**

Business stories

Bockatech

Region: East of England

Location: Oxford

Programme: Future Fund

As a young company, Bockatech needed cash to develop its technology and grow its business but was worried that Covid-19 would hamper its ability to raise finance through private investors. Using the Future Fund has instead allowed the company to keep its projects going and take advantage of new business opportunities.

With many well-known brands currently looking to reduce the environmental impact of their packaging, as well as new governmental changes to regulations that will force more sustainability, there is a receptive environment for Bockatech's technology.

Without finance from the Future Fund, Bockatech may have had to reduce or cancel key development projects and miss out on valuable opportunities.

2 What we have delivered:

Non-financial activity

84/100
the Bank's independently-assessed reputation score amongst SMEs

8
number of reports published

76%
year-on-year increase in LinkedIn followers

Business stories

Leeds Community Bakery

Delivery partner: The Co-operative Bank

Region: Yorkshire and the Humber

Location: Leeds

Programme: Bounce Back Loan Scheme

Leeds Community Bakery, a small sourdough bakery and workers' co-operative, was forced to suspend trading in Spring 2020 after suffering a massive drop in sales from wholesale customers due to the pandemic.

When they began trading again, their sales levels were a fraction of those pre-lockdown and, with continuing overheads and uncertainty, they applied for a Bounce Back Loan. This provided a buffer and ensured they had enough money to see them through.

The funding meant they could pay wages and suppliers without a problem or worrying too much about cash flow. They have been able to create a safer and more flexible workplace during the pandemic while also providing bread for emergency local community food parcels through their Loaves for Leeds project.

Over the course of the 2020/21 financial year the British Business Bank became better positioned to understand and support smaller businesses and UK business finance markets.

The Bank has grown in many ways as a result of delivering the Covid-19 relief schemes – as an employer, as an equity investor, and as an increasingly recognised participant in the UK's support system for smaller UK businesses. Our increased scale and profile mean we can reach further and bring more influence to bear – not just by deploying finance, but doing so in a way that provides an example for the market to follow.

Our non-financial activity consists of:

- **demand response and development,** which improves access to finance by building awareness of finance options amongst smaller businesses, through online channels and our field-based UK Network
- **research,** to develop our understanding of smaller business finance markets, identifying business needs and market gaps, as well as 'what works' in our delivery. We do this through our regular market reports, topic reports on specific areas of interest and evaluations of our programmes. We generate traction for our research through active dissemination, including via our UK Network.

Driven by our 'non-financial' Bank objectives on demand – addressing regional imbalances and being a centre of expertise – our non-financial activities complement our financial programmes. Without research, we wouldn't be able to design programmes to address specific market gaps and business needs, or to advise the government effectively. Without demand activity, many businesses would never know about the types of finance that could benefit them, whether delivered by our programmes or elsewhere in the market.

> "Our increased scale and profile mean we can reach further and bring more influence to bear."

Understanding the market

Our research this year inevitably reflected Covid-19, with the pandemic-driven lockdowns behind many of the dynamics we observed in small business finance markets.

Alongside this, we also maintained our commitment to publishing leading research in areas important to us and our stakeholders in the markets and in government.

This included new reports on entrepreneurship and diversity, examined in more detail below, and private debt. We also published follow-up reports on business angels, and the performance of UK venture capital.

We continued with our rolling series of independent evaluations of our programmes, evidencing what is most effective in our delivery and enabling us to learn, iterate and enhance the impact of what we do. Reports we published in 2020/21 were:

Market reports
- Small Business Finance Markets
- Small Business Equity Tracker

Topic reports
- UK Private Debt Research
- UK Venture Capital Financial Returns
- UK Business Angels Market Report
- Alone, Together: Entrepreneurship and Diversity in the UK

Evaluations
- Midlands Engine Investment Fund, Early Assessment
- Cornwall and Isles of Scilly Investment Fund, Early Assessment

Tracking Covid-19

Our annual flagship markets report, Small Business Finance Markets, published in March 2021, highlighted the cash flow challenges for smaller businesses brought about by lockdowns in response to the pandemic. It also revealed the increased scale of gross bank lending, excluding overdrafts, which rose to £104bn in 2020 – 82% higher than in 2019 – driven by use of the Covid-19 emergency finance schemes.

Disruption to businesses was clearly significant, with turnover decline rates for businesses of all sizes being over three times their respective prior five-year average, illustrating the severity of the economic impact.

While it's still early to make a full judgement, the report suggested that the wide awareness and uptake of the Covid-19 emergency finance schemes hasn't necessarily changed businesses' attitudes to finance in general. Awareness of the range of funding options available to smaller businesses is still low, and they are still generally reluctant to take on finance.

The report also highlighted potential challenges as business priorities shift from survival to recovery. Two-thirds of businesses surveyed said that they were not concerned about their ability to repay the loans they took out during the pandemic. A separate third-party survey commissioned by the UK Network found, however, that 69% of finance intermediaries were of the view that the smaller businesses they work with were not well-equipped to reduce their debt burden over the next 12 to 18 months.

59%

of smaller businesses using the Covid-19 emergency finance schemes borrowed more than 20% of their turnover[9]

23%

of smaller businesses have spent all their facilities[10]

Investigating areas of importance

We published a new topic report, Alone, Together: Entrepreneurship and Diversity in the UK, in October 2020. This report examines the effects of ethnic and economic background, gender and place on entrepreneurial opportunities and outcomes.

As with our successful UK Venture Capital and Female Founders report in 2019, the findings of Alone, Together took on momentum and spread through the market, making a significant impact. For example, significant media coverage following the report's launch enabled a total audience reach of 15.1m.

The report exposes gaps in turnover, profit and business success linked to ethnicity and gender. It also finds that economic background and location are critical to business success, regardless of gender or ethnicity.

The UK Network, our research and networking group for financial advisers and other intermediaries, hosted 12 online roundtable events, one in each English Region and Devolved Nation, to share and discuss the findings. Of the 240 attendees, 95% said they would take concrete action as a result of the findings.

We expect the impact of this report to continue into the next financial year. The British Business Bank's increased scale and public profile put us in a strong position to influence the market's action on significant topics, including on diversity and inclusion.

> "The findings of Alone, Together took on momentum and spread through the market, making a significant impact."

Responding to demand

The main area of our work that faces businesses directly has been demand generation, raising awareness of the finance options available to small businesses.

Many smaller businesses that could benefit from finance don't, simply because they don't know what their options are, or because they're worried about using external finance to support their businesses because they do not want to get into debt or give away equity. Our 2020 Small Business Finance Markets report found that, pre-pandemic, 76% of businesses would rather grow more slowly than take on external finance.

To help address this we have sought to build our profile as a trusted brand for smaller businesses, in providing impartial and credible information on finance. Through initiatives like our online Finance Hub, alongside digital and pay-per-click advertising campaigns, we make information about finance choices more available and accessible.

Since our business model is mainly indirect, with the Bank as a wholesale provider (see 'How we work', p12), our delivery partners have historically been the faces of our programmes. Businesses benefiting from our interventions dealt with a delivery partner and might never have been aware that the transaction was backed by the British Business Bank. Perhaps unsurprisingly, therefore, the Bank was not a well-known name amongst UK businesses prior to its increased role during the pandemic.

Smaller business reputation score

H1 2020	H2 2020	Change
76.6/100	84/100	+7.4
(strong)	(excellent)	

This year, our demand focus changed dramatically. The part we played in supporting businesses through the pandemic has significantly raised our profile and, again because of the pandemic, there has been no shortage of demand for finance among smaller businesses. As lockdowns were put in place, demand for goods and services plummeted and cash flow dried up, and even those who were previously reluctant to take on debt quickly understood that finance was necessary for survival.

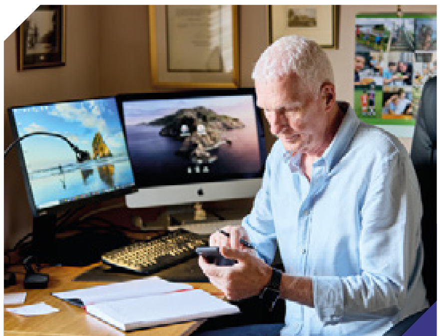
This meant our challenge this year has been responding to demand, not generating it.

Enhancing our ability to reach smaller businesses

In order to be a credible voice in providing guidance to smaller businesses, we rely on both awareness of the Bank and a positive reputation in the market.

We commissioned RepTrak to conduct a series of reputation surveys to understand the effects of both our increased profile and our shift in activity over the course of the financial year. RepTrak surveyed representatives of smaller businesses, financial intermediaries, banks and government.

Among smaller businesses, our reputation score – a measure of the connection people have with the Bank – has increased from strong to excellent over the course of the year. This result, which holds for smaller businesses of all sizes and in all sectors, means that these businesses will be more likely to have confidence in our guidance and products.

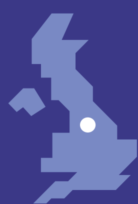


Meet the team

John

Department: Guarantee and Wholesale Solutions

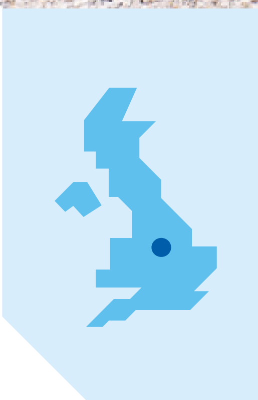
Location: Wakefield



Business stories

"CLBILS funding has been critical to sustaining our operations and we're now optimistic that we can continue providing young people with unique and enriching experiences for years to come."

William Howarth, Chief Financial Officer, YHA



YHA (England & Wales)

Delivery partner: HSBC

Region: East Midlands

Location: Matlock

Programme: Coronavirus Large Business Interruption Loan Scheme

Covid-19 restrictions introduced in March 2020 meant YHA had to close its entire network of youth hostels to guests. To remain operating the charity had to implement numerous cost-saving measures, but the lack of bookings caused its cash reserves to run out. The organisation applied successfully to the Coronavirus Large Business Interruption Loan Scheme (CLBILS) for support.

The additional funding it received supported YHA over the winter period and covered it against a further re-tightening of restrictions. Without the CLBILS loan, YHA would have run into liquidity issues, meaning selling one or more of its hostels below market value to generate cash, with a knock-on impact on its ability to deliver its charitable objectives in the future.

Twitter

58%

241%

LinkedIn

76%

Year-on-year increase in followers

148%

Year-on-year increase in engagement (likes, shares, comments, clicks)

Our online offer

Our websites are the main channel we own to communicate directly with smaller businesses. As our public profile increased and became associated with the Covid-19 emergency finance schemes, it made sense that more and more small business owners would start to turn to our websites for information about what to do. This is illustrated by a threefold increase in visitors to our main corporate website.

We responded to this increased opportunity by making frequent updates to our sites throughout the pandemic as new information became available. We also updated our previously growth business-focused Finance Hub to reflect business owners' new priorities. Early in the pandemic, we rapidly restructured the Hub to make it intuitive and valuable for users looking for ways firstly to survive and then to recover.

We added extensive information, guidance and support on all the new Covid-19 emergency finance schemes coming to market and signposted to lenders, advisors and other organisations in the finance ecosystem that were helping smaller businesses survive. These additions led to users spending 65% longer on the site and viewing 42% more pages on average.

Business stories

Nova Pangaea

Delivery partner: Mercia Equity Finance

Region: North East

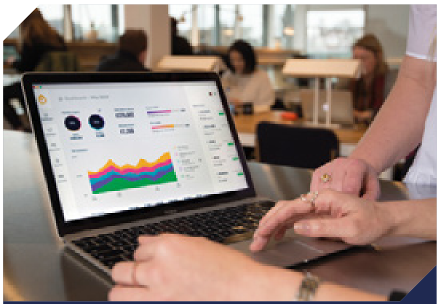
Location: Tees Valley

Programme: Northern Powerhouse Investment Fund

Teesside business Nova Pangaea has developed a new way to generate fuel and chemicals from waste biomass.

Nova Pangaea's technology processes 'non-food' plant residues, such as sustainable wood which can be blended into petrol. The innovation offers the potential to significantly cut carbon emissions and reduce reliance on oil.

The funding from the Northern Powerhouse Investment Fund will allow Nova Pangaea to fund its operations through to IPO which will enable the company to scale up significantly.



Business stories

Machine Labs

Region: Scotland

Location: Edinburgh

Programme: Future Fund

Machine Labs is a database marketing platform which helps small e-commerce businesses on Shopify use marketing to sell more of their products. When the Covid-19 pandemic broke out, a series of critical funding meetings in Silicon Valley were cancelled. The Future Fund helped Machine Labs get through the Covid-19 outbreak and to take advantage of the growth in e-commerce caused by traditional retailers having to close or scale back.

> “Without the Future Fund, we would have been slowed down by at least a year, and that could have been fatal.”

Find a Way campaign

This year, we ran ‘Find a Way’, our first mass market brand awareness campaign. The campaign launched in July 2020 to help businesses understand that we could support them through the uncertainties of Covid-19 and the UK exiting the EU.

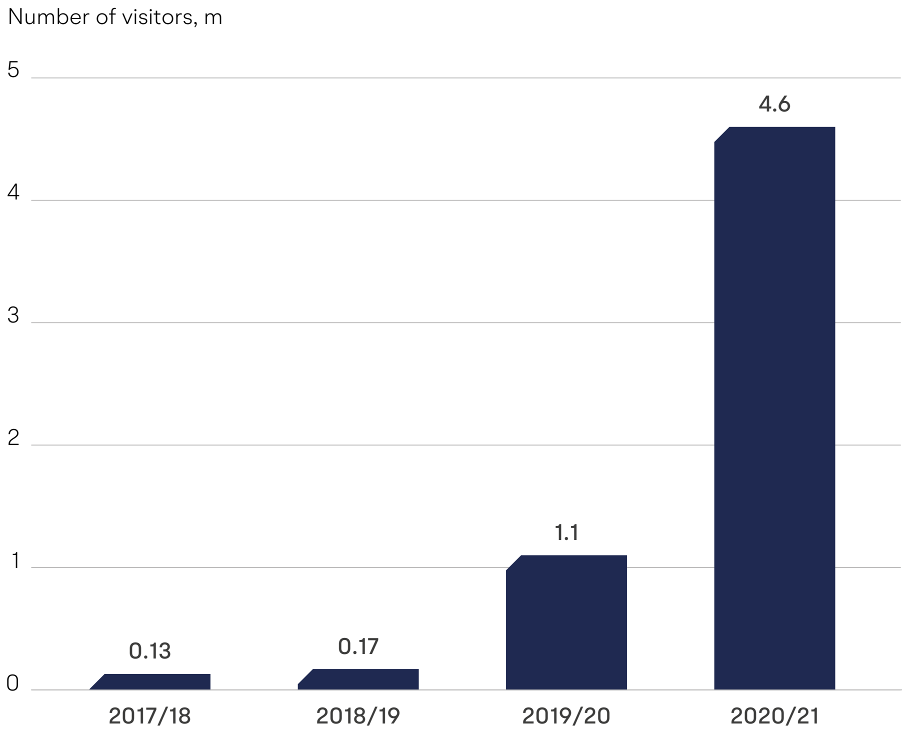
Insights into the rapidly changing media landscape told us that during the pandemic smaller business owners and managers had significantly changed how they consumed media. As well as our tried and tested mix of digital and search marketing, Find a Way made use of radio and digital audio advertising channels and a media partnership with a national newspaper – all firsts for the Bank – to enable us to reach more of these businesses.

Our varied content provided clear information on finance options, alongside a series of sponsored articles based around our research into the relationship between mental health, working from home, and work–life balance in the context of Covid-19.

It turned out these topics were very much on the minds of the business community: a post-campaign effectiveness survey showed that three in four people who recalled the campaign had taken action as a result, and were 48% more likely to agree that the British Business Bank provides helpful information.

We will use the results from the campaign to inform future outreach and provide best value for marketing spend.

Number of visitors to the British Business Bank website*



* Includes legacy programmes. 2017/18 figure reflects post year restatement

Don't Grow It Alone campaign

Over three-quarters of smaller business owners (76%) would rather grow more slowly than take on finance. Our award-winning social media campaign, 'Don't Grow It Alone', aimed to change this behaviour while increasing the traffic to our websites and the number of loan enquiries.

The four-week campaign followed four hypothetical smaller businesses from 2020 to 2030, using 3D rendered images and an accompanying video to show the long-term effects of the different business and finance decisions they made.

The innovative, interactive campaign content attracted plenty of attention. Supplemented with targeted advertising, the campaign led to a 310% increase in traffic to our website, a 186% increase in our reach on social media, and over 630 conversions.

Don't Grow It Alone received nine industry awards, including Best Use of Social at the Digiday European Awards and Best Social Campaign at the Public Relations and Communications Association's City & Financial Awards.

> "Our Don't Grow It Alone campaign received nine industry awards."

Demand – improving business outcomes through increased knowledge and skills

Through a new partnership with the Open University, we are now offering free courses to help entrepreneurs enhance their business skills to increase their likelihood of success. The programme includes courses on how to start a business, what to know when recruiting, and how to market a business effectively.

The programme is a first step beyond providing information for entrepreneurs to find and reference, to proactively upskilling and supporting a new generation of business owners. It builds on the foundation of the mentoring and support we already offer entrepreneurs who take out one of our Start Up Loans.

Business stories

Redwigwam

Delivery partner: Maven Capital

Region: North West

Location: Liverpool

Programme: Northern Powerhouse Investment Fund

Redwigwam, the UK's leading provider of flexible workers, secured investment from the Northern Powerhouse Investment Fund to fuel the next phase of its expansion. During the Covid-19 pandemic, the number of workers on its database surged following the lockdown in March. The investment from NPIF enabled Redwigwam to strengthen its senior management team and invest further in its tech platform.

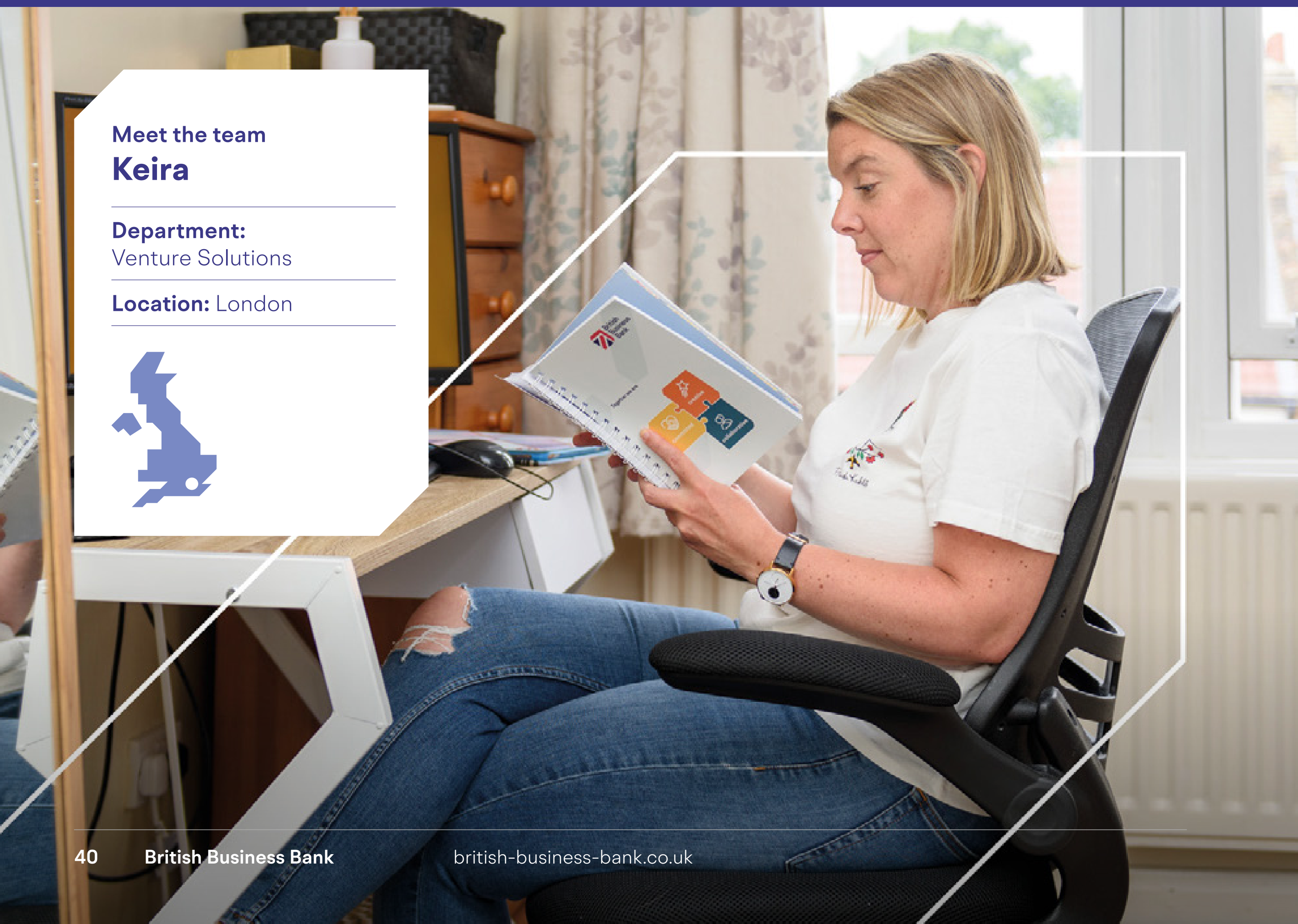
3 How we have delivered:

Our people

450
Number of colleagues, up from 352 in 2019/20

25%
Proportion of job offers made to internal applicants

60%
of our Executive Committee are female



Meet the team
Keira

Department: Venture Solutions

Location: London

Colleagues across the British Business Bank have pulled together like never before this year.

Under huge pressure to set up and deliver the government's emergency loan schemes, our people showed great versatility, flexibility and commitment to help meet the needs of UK smaller businesses.

Having met the challenge by collaborating across established team and departmental boundaries and supporting one another through a time of great personal anxiety and professional scrutiny, we will take forward the positive aspects of the last year to inform our future approach.

Culture and engagement

In common with many other businesses, the Bank's corporate culture has undoubtedly been changed by the pandemic, with the move to home working for most colleagues being the most significant upheaval over the last year.

The strong sense of shared purpose that was already evident before the pandemic has been both maintained and strengthened in 2020/21.

In our most recent Employee Engagement Survey, covering the 12 months from April 2020, our overall engagement score increased from 83% to 85% year on year. This places us seven percentage points higher than the norm for financial services organisations and nine percentage points higher than the norm for the public sector. 92% of colleagues said they are proud to work for the Bank, and 96% that they care about the future of the Bank.

Prioritising health and wellbeing

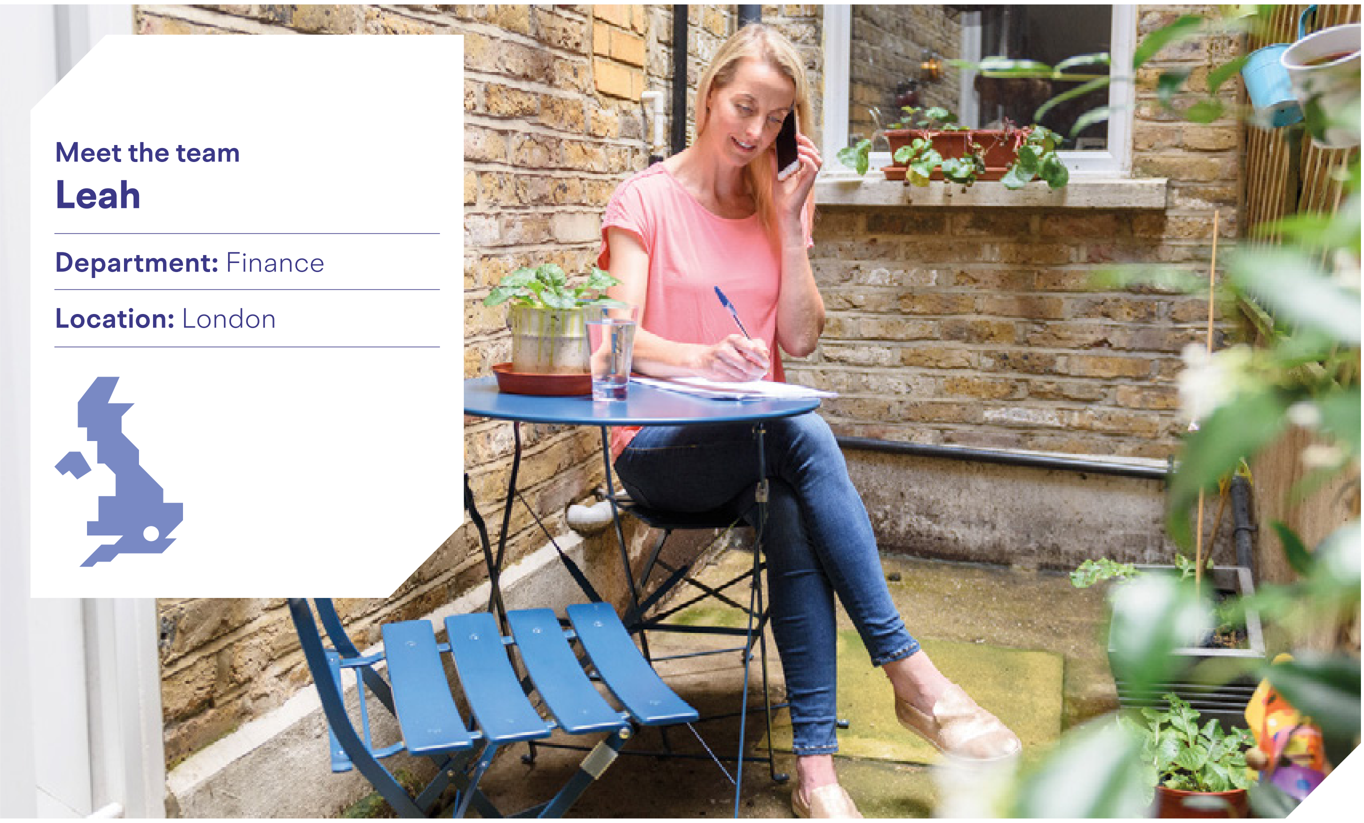
The most significant challenge facing the British Business Bank's people this year was caring for our own health, safety and wellbeing while simultaneously working at pace and transitioning to working from home.

We continued to provide additional support tailored to the changes faced due to Covid-19. This helped our people understand and manage their wellbeing, recognising the real risks of isolation, changes to work/life balance and increased stress. Our webinars, wellbeing sessions and guides were used by a significant proportion of colleagues. Through our annual leave buy and sell policy, we doubled the number of holiday days that could be sold from five to ten, to take into account increased workload and lack of opportunities to take a holiday during the year. We are also allowing colleagues to carry over holiday for the following two years.

85%

Our overall engagement score, a two percentage point increase year on year

> "The most significant challenge facing the British Business Bank's people this year was caring for our own health, safety and wellbeing."



Meet the team

Leah

Department: Finance

Location: London

Future ways of working

This year has changed the world's understanding of what normal working arrangements look like, with many organisations reconsidering long-held beliefs that offices were essential to teamwork and productivity.

The British Business Bank switched from mainly office-based working to fully remote working this year. The change happened sharply, under great stress and time pressure, but the Bank consequently developed large-scale remote working capabilities. While these have created efficiencies, we are well aware of the benefits of face-to-face contact – including in recruiting and onboarding and potential knock-on effects for collaboration, wellbeing and sense of belonging.

A working group made up of colleagues from across the organisation is now considering the future of work at the Bank, balancing individual flexibility and group priorities and taking into account the preferences of colleagues.

In 2021/22 and beyond, we aim to:

- maintain the flexibility, creativity and agility we developed to deal with the challenges of this year
- strengthen the capabilities that supported our rapid expansion, so we remain well supported as we continue to expand over the next 12–18 months
- ease the pressure our people have had to cope with throughout the pandemic and support everyone's wellbeing.

Diversity and inclusion

The British Business Bank champions diversity and inclusion, both as a uniquely-placed market participant with the ability to influence others and in the way that we manage ourselves.

We are continuously improving our range of people policies and programmes. These are designed to support a diverse community where talent is recognised and nurtured, and colleagues feel empowered to be proactive in their own development. Some of our activities aimed at increasing inclusion and diversity are:

- We post on diverse job boards aimed at women, LGBT+ and ex-armed forces to maximise the reach of our job adverts.
- All recruiting managers undertake training in our recruitment processes including making recruitment processes inclusive.

– All our roles, where possible, are open to flexible working

– We have an internal job evaluation system which considers the scope and the breadth of each role irrespective of the jobholder. This means that our internal bands are not decided based on the person doing the job (in which case the system could be susceptible to biases) but based on the content of the job.

– We test our yearly talent and performance management processes for representation against the wider organisational population.

Gender diversity and gender pay gap

As part of our commitment to addressing Social factors through our ESG strategy, we publish data on the Bank's gender balance and gender pay gap once a year. Our most recent data, reported on 5 April 2020,[11] found that men and women were paid equally for doing equivalent jobs throughout the organisation. The Bank employed more men than women at all levels of seniority, however, leading to a mean gender pay gap of 8.4%. This was an improvement on the previous year (11%), with our median gender pay gap remaining at 18.3%. Our mean gender bonus gap was 29%, and median bonus gap 50%. We are addressing these gaps through our approach to development and recruitment.

Women in Finance Charter commitment	Progress
By 2021, 50% of the British Business Bank's Executive Committee will be women (within a 10% tolerance).	In March 2021, 60% of our Executive Committee members were women.
We will make one member of our senior executive team responsible and accountable for gender diversity and inclusion.	We made this the responsibility of our Chief Executive, Catherine Lewis La Torre.
We will set ourselves targets for gender diversity in our senior management.	We have set the following target: By 2021, 40% of our senior management team will be women.

On 31 March 2021: 450 colleagues

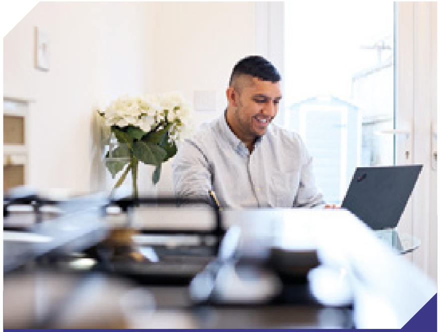
	Female	Male
All colleagues	**42.7%** (192)	**57.3%** (258)
Executive Committee	**60%** (6)	**40%** (4)
Senior Leadership Team (SLT)*	**42%** (8)	**58%** (11)
Senior management†	**37%** (81)	**63%** (138)

* SLT: CEO, Executive Committee and Managing Directors

† Managing Directors, Directors and Senior Managers

We defined a new employee value proposition in 2020, which outlines what the Bank offers both current and prospective colleagues and is designed to attract more diverse talent to the Bank. We work closely with both hiring managers and external agencies to create gender-balanced candidate pools when recruiting any new colleagues, and diverse shortlists and interview panels when recruiting for senior roles.

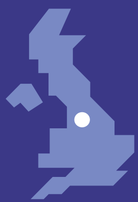
We have been signatories to HM Treasury's Women in Finance Charter since March 2018 and are making strong progress towards fulfilling the commitments that come with this.



Meet the team
Adam

Department: British Business Investments – Structured Capital Solutions

Location: Huddersfield



A quarter of the job offers we made were to internal applicants.

Ethnic diversity

We value people from all backgrounds and believe that our inclusive culture helps us to attract, retain and develop our employees.

Ethnic diversity

10.7%
Asian/Asian British

3.3%
Black/African/Caribbean/Black British

3.6%
Mixed Ethnicity

10.2%
Not known

72.2%
White

Stronger Together

In Summer 2020, when events in the US prompted Black Lives Matter demonstrations all over the world, discussions about the British Business Bank's stance on these resulted in the colleague-led formation of Stronger Together.

Sponsored by the Bank's Executive Committee, it provides colleagues who belong to underrepresented groups with a voice, and works towards improving diversity and inclusion within the Bank, both by taking action itself and by advising senior leadership.

The group consciously chose to encompass all underrepresented groups, rather than have individual networks, providing a template for activity from which other organisations might benefit.

Through small but powerful changes, such as encouraging colleagues to include their pronouns in their email signatures, Stronger Together has shown that being present, visible and vocal leads to colleagues having more confidence to voice concerns and raise issues related to diversity and inclusion.

Stronger Together also helped gain agreement for the Bank to sign Business in the Community's Race at Work charter.

Disability

The Bank works with colleagues, including those with disabilities, to adapt work practices where necessary in order to help them work effectively and progress their careers within the business. We are a disability confident employer as part of the UK government's Disability Confident scheme.

> We have continued to recruit throughout the pandemic, making 178 job offers and increasing our head count from 352 to 450 in 2020/21.

Leadership

Our leadership framework helps us embed and support the development of leadership excellence in colleagues at all levels. This creates the conditions for success now and for the development of future leaders of our organisation.

Recruitment and development

We have continued to recruit throughout the pandemic, making 178 job offers and increasing our head count from 352 to 450 in 2020/21. The crisis also created demand for new skills as new products such as the Future Fund were developed, providing opportunities to upskill, advance careers, and improve internal mobility. A quarter of the job offers we made were to internal applicants – an eight percentage point increase on the previous financial year.

In the first half of the year, we focused on upskilling line managers to support remote working. Later, we expanded our high potential talent development programme, and included stretch opportunities and mentoring.

Colleague Forum

The British Business Bank's Colleague Forum is an internal body that represents colleagues and acts as a constructive ally to the Bank's senior leadership. Made up of 12 representatives elected from across the business, it engages with colleagues and keeps leaders informed about their views, needs and priorities.

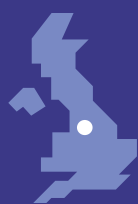
As well as playing a major role in establishing the Stronger Together group, the Colleague Forum helped set up a new Analysts Network to enable better connections across the Bank and facilitated important colleague feedback to shape the Bank's future ways of working.

Meet the team

Britta

Department: UK Network team

Location: Dronfield



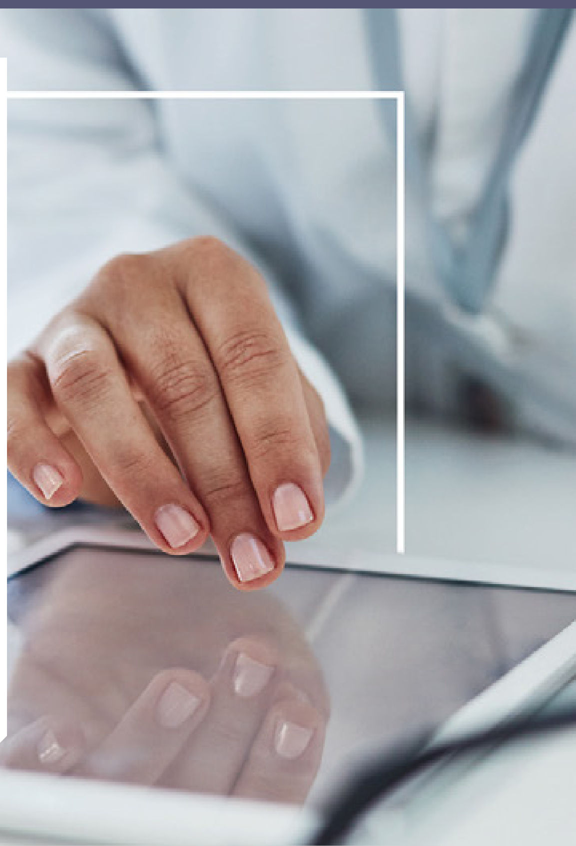
4 Enabling our delivery:

Operations, controls and risk management

£118.4m
total operating expenditure, including £49.1m of Covid-19 scheme costs

171
accreditations to deliver Covid-19 loan guarantee schemes

99%
of colleagues completed e-learning training



Business stories
R Grid

Delivery partner: Ada Ventures

Region: London

Location: London

Programme: Enterprise Capital Funds

R Grid is a flexible, purpose-built solution for clinical trials operations management and patient engagement. It offers a state-of-the-art, AI-powered, cloud-software platform to accelerate operations, advance regulatory and quality assurance, expedite stakeholder collaboration and communication, and improve data management, insights and patient engagement. The funding through the ECF programme enabled R Grid to apply its cutting-edge machine learning technology to the inefficient clinical trials space and hire the calibre of talent it needed for its important mission.

Following the outbreak of the pandemic, the Bank swiftly added resources and capability, alongside appropriate changes to its operations, controls and risk management to meet the demands of a radically changed economic environment and operating model.

Throughout the year, we responded actively to each new development, identifying challenges and strengthening our ability to deliver as a responsible publicly-funded institution.

Necessarily, the Bank's cost base significantly increased in order to deliver the volume of finance demanded by the Covid-19 emergency finance schemes. Moving forward, a key focus will be consolidating and streamlining our operational footprint to manage our expanded portfolio.

In the second half of the year, as the government's emergency financial schemes moved towards closure, we started to build out our processes and procedures for the long-term support of our now sizeable guaranteed loan portfolio as well as our core schemes.

Scaling up our operations

Making the Covid-19 schemes happen

The British Business Bank provides the government with unique and valuable services in economic downturns. While the specific nature and scale of the lockdown-driven economic disruption of Covid-19 was largely unforeseeable, we did have in place well-developed plans for dealing with severe economic shocks, allied to capable people and good governance.

The implementation of these large-scale schemes presented operational challenges that stretched the Bank. In each case, however, we had existing infrastructure and frameworks to build upon.

We adapted existing guarantee agreements to meet the requirements of CBILS, CLBILS and BBLS, including refining the eligibility criteria.

We also accelerated our usual programme launch process through effective redesign of the necessary procedures. This creative thinking allowed us to make the schemes available more quickly while still being aware of the need to make them robust and effective.

Throughout the delivery of the Covid-19 relief schemes, the scaling of our operations went alongside closer engagement with our key stakeholders, including:

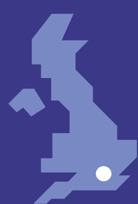
- the Department for Business, Energy & Industrial Strategy (BEIS) as our Shareholder
- HM Treasury
- our delivery partners, responsible for providing the government-guaranteed loans to businesses
- financial intermediaries.

Meet the team

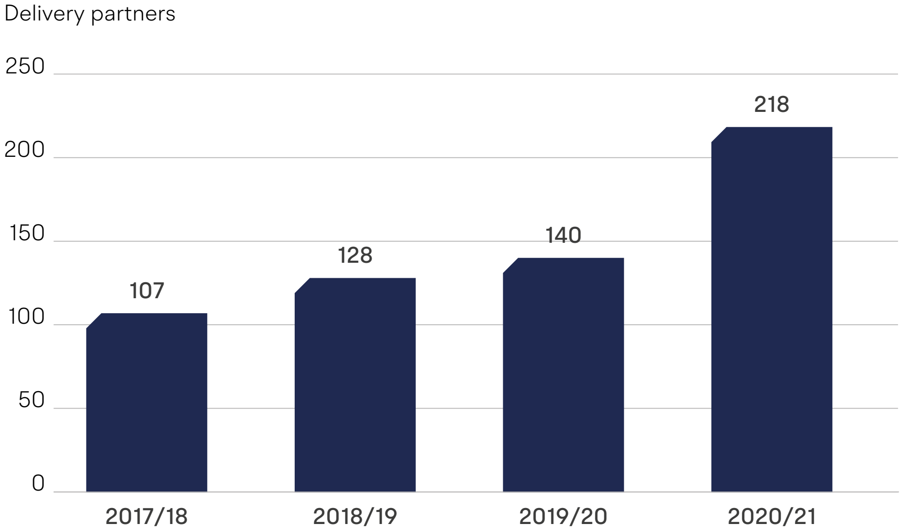
Warren

Department: UK Network team

Location: Woking



Number of delivery partners



Resourcing delivery as the Bank scaled up

The British Business Bank is a specialist economic development bank, with institutional expertise developed over several years. This kind of experience and expertise isn't easy to replicate, or readily available in the market. Because of this, the increased workload due to scaling up at pace put our existing specialist colleagues and teams under significant pressure in the absence of equivalent additional internal resource.

Our response was to look for non-specialist financial and administrative functions that we could outsource, to free up our own people to concentrate on delivering the outcomes only they could deliver. At the same time, we stepped up recruitment to make sure we would be able to support the Bank's increased scale on an ongoing basis.

Activities we chose to outsource included:

– app and web development, including a calculation engine and claim model for CBILS, CLBILS and BBLS

– administrative work involved in onboarding new delivery partners to deliver these programmes

– payment and claims reconciliation checking for CBILS, CLBILS and BBLS.

The Crown Commercial Service procurement framework provided a strong foundation to put agreements in place quickly, and we chose reputable outside contractors with a good track record of delivery.

We are reviewing our approach to outsourcing as we enter the new financial year, with a particular focus on contract exits and renewals, to minimise any risk of suppliers becoming 'locked in' and to retain flexibility as contracts come to an end.

Delivering scale through technology

Alongside recruitment and outsourcing, we implemented scalable technology and processes to support our rapidly expanding operations. A key example is in how our relationship with our delivery partners continued to evolve with the development of application programming interfaces (APIs) for the Covid-19 guarantee schemes.

Until this year, such first loss guarantees were a relatively small component of our business, with no automation of data uploads being required because volumes were low. The addition of the Covid-19 schemes meant our delivery partners would be providing many, many more loans backed by government guarantees, so we brought forward the development of APIs to automate the process.

The APIs we have put in place allow us to receive and process real-time bulk data uploads from our delivery partners automatically, reducing both their administrative burden and the risk of human error that can be associated with large volumes of manual data entry.

Strengthening operations and controls

We carried out an internal review of our operational capabilities, to determine the enhancement areas that were key to consolidating the operational growth the Bank has experienced. These will be a central focus throughout 2021/22:

- data management: the Bank now needs to manage considerably more data than in previous years, so we will upgrade our data management infrastructure
- IT: after rapidly deploying new infrastructure, such as application programming interfaces for our delivery partners, we will consolidate and strengthen our IT strategy
- outsourcing and supplier management: after awarding large new contracts this year, we will prioritise strengthening our outsourcing capabilities along the entire value chain, from our overall outsourcing strategy to the way we manage providers
- risk management: while we already had effective risk management and control processes in place before introducing the Covid-19 schemes, we will reinforce these specifically around credit risk and fraud and financial crime.

“We implemented scalable technology and processes to support our rapidly expanding operations.”

Business stories

"We now have the backing we need to grow our own-brand range and tap into new markets."

Slickers Doghouse

Delivery partner: SWIG Finance

Region: South West

Location: Padstow

Programme: Cornwall & Isles of Scilly Investment Fund

Slickers Doghouse has developed and provides its own range of dog wear and dog pharmacy products, including branded dog slings and blankets, skin and coat care treatments, and hygiene drops and sprays. The business was founded in 2016 by Lisa Hope, who saw the market potential for a range of high-quality, eco-friendly and, where possible, organic dog care products – most of which are British made. Their £32,000 CIOSIF loan is supporting the development of more own-branded Slickers products, wholesale and online sales through website development, the purchase of a commercial embroidery machine and attendance at major trade shows, including Discover Dogs. A further £65,000 of loan funding was provided by SWIG Finance to help Slickers build up stock for growing wholesale and online orders.

Principal Risk	Example challenges 2020/21	Example mitigations 2020/21
Strategic and Business Risk	The need to pivot the Bank from its standard corporate objectives to support the government response to Covid	Shareholder engagement to revise KPIs and active reallocation of people to support revised workstreams
Financial Risk	Potential impact on returns due to macroeconomic uncertainty, with particular concern on a range of SME sectors	Regular monitoring of portfolio performance and close engagement with delivery partners to inform any action required
Operational Risk	Significant growth in the number and diversity of the Bank's delivery partner and supplier network within a short period of time	Establishing an ongoing audit and assurance programme across the delivery partner network and implementing enhanced key supplier monitoring
People Risk	Corporate stretch on colleagues as the Bank scaled up its operations to implement the Covid response schemes	Significant hiring of additional people into the business, along with strategic outsourcing of some operational processes and a range of wellbeing initiatives
Fraud and Financial Crime Risk	Some characteristics of the Covid emergency finance schemes increased the potential for greater exposure to fraud and financial crime	Significant collaboration across government and the delivery partner network alongside the establishment of a dedicated fraud and financial crime unit
Information Risk	Significant increase in the volume and complexity of data that the Bank is now handling with the need to ensure its confidentiality, integrity and availability	Enhancement to our data portal, associated processes and controls, supplemented with strategic outsourcing of some operational processes alongside hiring of significant hiring of expert resource within the Bank
Legal and Compliance Risk	Onboarding new colleagues remotely while needing to inform them of the Bank's ways of working, as well as adhering to government guidelines and applicable UK and EU law	An enhanced induction programme for new colleagues, alongside an established policy suite and mandatory online e-learning programme
Reputational Risk	Significant growth in the Bank's profile across all media channels, with much greater interest in our operations	Proactive engagement across all our key stakeholders both within government and across media channels

Managing risk

By its nature, the British Business Bank takes on risks that other financial institutions cannot or will not.

The Bank exists to address failures in small business finance markets. Those failures often exist because of circumstances that create unacceptable levels of risk for other banks.

This means we need to be exceptionally good at assessing and managing risk. Robust risk management has been one of our objectives since the Bank was established. Since then, our risk management framework has proved to be effective – and it served us very well this year, allowing us to identify risks early, apprise the government of potential risks, and develop appropriate operational responses.

Over the course of 2020/21, we updated our principal risk categories to take into account the risks involved with delivering the Covid-19 emergency finance schemes. For example, we elevated the risk of fraud and financial crime, to reflect the increased significance of this type of risk.

The table above represents examples of the challenges we identified this year against each principal risk category, and our mitigating response to them. You can also find out more about our risk management framework on p82.

Business stories

Momentum Bioscience

Region: Wales

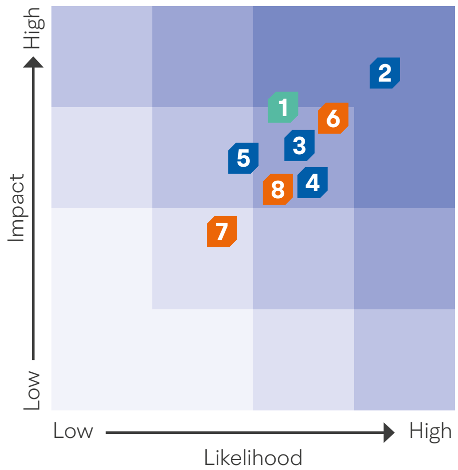
Location: Cardiff

Programme: Future Fund

Momentum Bioscience creates innovative approaches, enabling healthcare professionals to act faster when confronted with patients suspected of sepsis. The Future Fund enabled Momentum Bioscience to restart the study put on hold following the Covid-19 pandemic.

"Without the Future Fund, the pandemic would have resulted in our business stalling and even going backwards."

Principal Risks Heatmap – as at 31 March 2021



Our Principal Risks

1 Strategic and Business
2 Financial Risk
3 Operational Risk
4 People Risk
5 Information Risk
6 Fraud and Financial Crime
7 Legal and Compliance
8 Reputational Risk

Risk profile increasing | Risk profile decreasing | Risk profile stable

The above chart shows a snapshot of our risk profile as at the end of March 2021. Monitoring and management of our risks is a dynamic process and as such our risk profile will change periodically as new threats and opportunities arise, driven by both external and internal factors, and as risk mitigation activities take place.

Managing risk in a Covid-19 context

After the government asked the British Business Bank to deliver the Coronavirus Business Interruption Loan Scheme (CBILS) – closely followed by the Coronavirus Large Business Interruption Loan Scheme (CLBILS), Bounce Back Loan Scheme (BBLS) and Future Fund – our risk management framework allowed us to rapidly assess the risks associated with delivering these schemes.

From the start, we recognised the absolute necessity of the schemes, without which millions of businesses may not have survived the pandemic, impacting livelihoods across the UK. Our challenge as a responsible public body was firstly to understand and articulate the risks involved as rapidly as possible given the pace of scheme set-up.

We then clearly communicated to the government the risks associated with the schemes and where delivering them would cause us to deviate from our risk appetite.

Across the schemes, the government acknowledged our reservations, but requested that we proceed given the importance of intervening in the economy during the pandemic.

With this mandate, we went ahead and delivered the schemes, implementing mitigating measures and investing in our infrastructure. Given the scale of the Covid-19 emergency finance schemes, our risk profile has materially changed compared to what it was pre-pandemic. We will continue to monitor and actively manage the ensuing risks, working closely with all relevant stakeholders in government and industry.

We take this approach irrespective of the fact that the schemes are technically on BEIS's balance sheet and therefore are not formally reported in the financial statements of our annual report. More detailed information on the Covid-19 emergency finance schemes will be included in the BEIS 2020/21 annual report.

Future outlook – areas of strategic uncertainty

Alongside our principal risks we take into account key areas of strategic uncertainty which we consider could impact our ability to deliver against our priorities and objectives.

Economic uncertainty

There is a danger that credit, fraud and investment losses, including a large write-down of individual investments, could have a material impact on the Bank's ability to meet its return target in 2021/22, and/or its other objectives. While we had strong financial performance over 2020/21, including significant unrealised gains within our venture capital portfolio, such future performance is not by any means guaranteed.

Although we currently see improvements in the UK economic outlook, downside risk remains given the potential for further disruption due to Covid-19 variants, possible issues arising from the UK's withdrawal from the EU, emerging issues such as labour and supply-chain shortages, and other unknowns.

With regard to the Bank's own activities, a significant number of Covid-19 emergency finance scheme facilities we have supported have been made to businesses in sectors significantly hit by the pandemic. More generally, we will need to continue working with stakeholders to identify and manage fraud risks around these schemes.

We also remain focused on building out our core portfolio, within which our exposure to single companies is increasing through co-investments made under our venture capital programmes.

Competing Priorities

There may be times when we need to re-prioritise some or all of our expanded set of seven objectives given impact, resource and budget considerations, as well as evolving government policy goals. In the area of our new net zero objective, for example, government policy will continue to develop as action accelerates to support climate change targets.

While we are operationally independent, there is always a possibility that changes to UK government policy priorities may affect the Bank's ability to deliver its existing business plan and objectives, whilst engaging with government to work through the implications of any such changes.

2020/21 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 the British Business Bank's and BEIS's balance sheets.

The Bank manages a number of investments on behalf of BEIS under a service agreement; these include three regional funds, the ENABLE Guarantee and ENABLE Funding programmes, Enterprise Finance Guarantee, BBLS, CBILS, CLBILS and the Future Fund. We also administer the assets and liabilities included on BEIS's balance sheet relating to these programmes.

The adjusted return calculation adjusts the Bank's audited profit before tax, interest payable, finance costs and the movements on the ECF loan commitment provision; and includes the net profit from the programmes that are managed by the Bank on behalf of BEIS. The return is also adjusted to eliminate the volatility of ECF valuation movements, which can significantly distort the performance from year to year, and to exclude the performance of the Start Up Loans programme.

In agreement with our Shareholder, the performance of the four Covid-19 emergency finance schemes managed by the Bank have not been included in the 2020/21 adjusted return calculation. We will continue to work with the Shareholder to determine what measures of performance for these programmes should be incorporated into the adjusted return calculation in future reporting periods.

The table opposite lays out our active programmes in 2020/21. It shows whether they are held on the Bank's balance sheet and if they contribute to the Bank's financial performance measurement.

Reporting	British Business Bank – active finance programmes in 2020/21[1]			Included on the Bank's balance sheet
	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 – British Business Investments (debt)	Enterprise Capital Funds (equity)[2]		**Yes**
	Managed Funds (equity)			
	Regional Angels Programme (equity)			
	British Patient Capital[3] (equity)			
			Angel Co-Fund (equity)	**No**
			Regional Funds: Midlands Engine, Northern Powerhouse, Cornwall and Isles of Scilly Funds (debt and equity)	
			ENABLE Guarantees (debt)	
			ENABLE Funding (debt)	
Does not contribute to our financial performance measurement		Start Up Loans (debt)		**Yes**
			Coronavirus Business Interruption Loan Scheme (debt)	**No**
			Coronavirus Large Business Interruption Loan Scheme (debt)	
			Bounce Back Loan Scheme (debt)	
			Future Fund (debt convertible to equity)	

1 Active finance programmes are those where the Bank has committed or supported finance in 2020/21, and/or (as of end March 2021) has the potential to undertake further activity in future. This table does not include the Bank's legacy programmes, which were closed to new activity either prior to, or at the outset of 2020/21. Where they are on the Bank's balance sheet, details of these legacy programmes can be found in the financial statements, beginning p120. Details of where the Bank has newly withdrawn from finance programmes in 2020/21 can be found on p148.

2 In calculating the financial performance measurement, appropriate adjustments are made to Enterprise Capital Fund financial performance figures (see p142 for further information).

3 In the financial statements in this Annual Report, British Patient Capital is referred to via its two constituent funds, called 'Venture' and 'Venture Growth' respectively – see p146 for these details.

Year ended 31 March 2021 (£m)	Audited Accounts	Adjustments for SUL*	Adjusted British Business Bank plc*	Programmes managed on behalf of BEIS*	Adjusted Net Assets
Investment assets					
BBI – Investment Programme	618.7	0.0	618.7	0.0	618.7
BBI – Other programmes	622.2	0.0	622.2	0.0	622.2
BPC (Venture/Venture Growth)	665.9	0.0	665.9	0.0	665.9
ECF	334.5	0.0	334.5	0.0	334.5
Other Venture Capital	38.4	0.0	38.4	84.1	122.5
ENABLE Funding	0.0	0.0	0.0	493.0	493.0
Wholesale and Guarantee	6.7	0.0	6.7	12.9	19.6
Start Up Loans	157.4	(107.6)	49.8	0.0	49.8
	2,443.8	**(107.6)**	**2,336.2**	**590.0**	**2,926.2**
Investment liabilities					
Wholesale and Guarantee Solutions	0.0	0.0	0.0	(40.4)	(40.4)
ECF	(141.0)	0.0	(141.0)	0.0	(141.0)
	(141.0)	0.0	(141.0)	(40.4)	(181.4)
Net investment assets	**2,302.9**	**(107.6)**	**2,195.3**	**549.6**	**2,744.8**
Other assets and liabilities					
Cash	138.3	(4.1)	134.2	0.0	134.2
Tangible and intangible assets	11.1	(0.2)	10.9	0.0	10.9
Loans and borrowings	(244.0)	107.6	(136.4)	0.0	(136.4)
Net other payables	(63.3)	4.2	(59.1)	0.0	(59.1)
	(157.9)	107.5	(50.4)	0.0	(50.4)
Total net assets	**2,145.0**	**(0.1)**	**2,144.9**	**549.6**	**2,694.5**

The column 'Audited Accounts' in the table above analyses the investment assets and liabilities in the Consolidated Statement of Financial Position on p121 by business activity.

* Unaudited.

Year ended 31 March 2021 (£m)	Audited Accounts	Adjustments for SUL and ECFs*	Adjusted British Business Bank plc*	Programmes managed on behalf of BEIS*	Adjusted Return*
Investment income					
BBI – Investment Programme	13.8	0.0	13.8	0.0	13.8
BBI – Other programmes	4.3	0.0	4.3	0.0	4.3
BPC – Venture/Venture Growth	0.0	0.0	0.0	0.0	0.0
ECF	0.0	12.5	12.5	0.0	12.5
Other Venture Capital	1.2	0.0	1.2	0.0	1.2
ENABLE Funding	0.0	0.0	0.0	20.8	20.8
Wholesale and Guarantee	0.0	0.0	0.0	0.0	0.0
Start Up Loans	26.2	(26.2)	0.0	0.0	0.0
Investment income	**45.4**	**(13.7)**	**31.7**	**20.8**	**52.6**
Management fee and other income	63.8	0.0	63.8	(59.1)	4.7
Grant income	6.9	(6.9)	0.0	0.0	0.0
SUL inter-co interest	0.0	1.3	1.3	0.0	1.3
Gross operating income	**116.1**	**(19.3)**	**96.8**	**(38.3)**	**58.5**
Net investment costs					
BBI – Investment Programme	47.6	0.0	47.6	0.0	47.6
BBI – Other programmes	54.5	0.0	54.5	0.0	54.5
BPC – Venture/Venture Growth	195.8	0.0	195.8	0.0	195.8
ECF	11.7	(11.7)	0.0	0.0	0.0
Other Venture Capital	2.7	0.0	2.7	0.0	2.7
ENABLE Funding	0.0	0.0	0.0	0.0	0.0
Wholesale and Guarantee	0.0	0.0	0.0	(16.3)	(16.3)
Start Up Loans	(44.3)	44.3	0.0	0.0	0.0
Net investment costs	**267.8**	**32.6**	**300.5**	**(16.3)**	**284.1**
Net gain on write down of repayable capital grant	**29.7**	**(29.7)**	**0.0**	**0.0**	**0.0**
Net operating income	**413.5**	**(16.3)**	**397.2**	**(54.6)**	**342.6**
Other operating costs					
Staff costs	(36.9)	2.8	(34.1)	2.7	(31.4)
Other costs	(81.5)	14.2	(67.3)	46.4	(20.9)
Total operating expenditure	**(118.4)**	**17.0**	**(101.4)**	**49.1**	**(52.3)**
Net operating profit before ECF provisions and interest	**295.1**	**0.7**	**295.8**	**(5.5)**	**290.3**
ECF derivative gain (cash)	0.0	0.2	0.2	0.0	0.2
ECF permanent diminution in value	0.0	4.7	4.7	0.0	4.7
Adjusted return	295.1	5.6	300.7	(5.5)	295.2
Average capital employed					**2,026.3**
Adjusted return on average capital employed					**14.6%**

The column 'Audited Accounts' in the table above analyses income and expenditure in the Consolidated Statement of Comprehensive Net Income on p120 by business activity.

* Unaudited.

Overall results contributing to the adjusted return for 2020/21

- Adjusted net operating income (operating income minus investment costs) was £342.6m.
- We generated an adjusted net operating profit of £290.3m.
- Net assets increased by £671.8m to £2,694.5m.

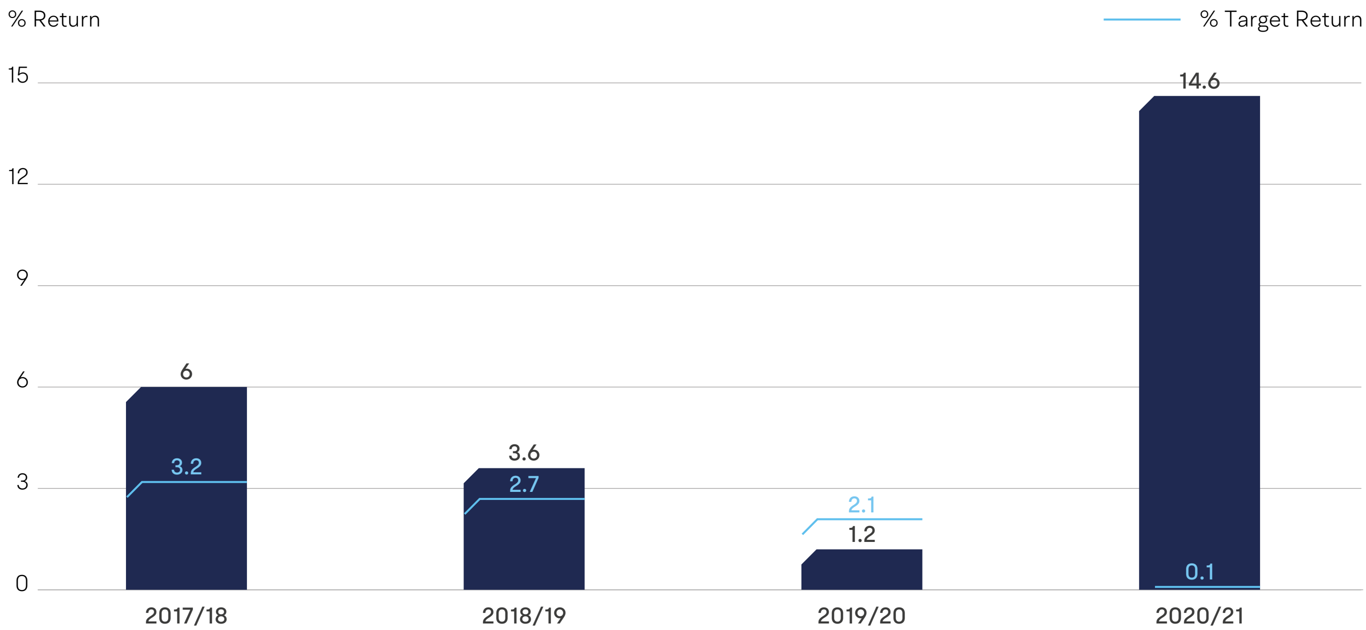
Key drivers of financial performance

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 that funding is deployed
- the underlying performance of our investments and their ability to make interest and debt repayments
- over time, the ability to exit investments successfully and make a capital profit
- events impacting on the macroeconomy. As has been observed in 2020/21, our performance can be impacted by external economic factors.

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 Limited and British Patient Capital Limited that makes the greatest contribution to the Bank's overall return.

Return on average capital employed, for core Bank finance programmes*



* Return numbers are consistent with the IFRS restatement applicable from 2018/19. Target figures are from each year's business plans.

Adjusted return

Our adjusted net income for the year was £342.6m and our net operating profit was positive following a strong performance of investments in the second half of the year. Adjusted operating expenditure was £52.3m, resulting in a 14.6% return on average capital employed, which is significantly above the target return of 0.1%.

The year-on-year increase in operating costs is in the context of an expansion of activities driven by managing the Covid-19 emergency finance schemes.

The profit before tax shown in the Consolidated Statement of Comprehensive Net Income is £293.5m compared to a loss of (£2.1m) the previous year. This is primarily driven by two factors:

– an increase in net gains on investment assets, and

– a decrease in expected credit loss provisions.

2020/21 markets, portfolio composition and valuation impacts

Public markets have been volatile since the beginning of the Covid-19 related downturn, initially showing declines, followed by recoveries as they reacted to the stimulus from government interventions. Historically, venture and venture growth investment funds' valuation movements in the private markets have lagged those in the public markets. This has been observed in previous periods of volatility and is due to the time difference of reporting cycles, with daily market pricing in public markets compared with pricing that reflects quarterly valuation events in the private markets.

The Bank's investment portfolios are diverse in their size, sector and exposure to risk. The nature of the lending within the Amortised Cost portfolio, particularly Start Up Loans and peer-to-peer platform lending (lending to start-ups and micro-businesses often without collateral), are investments that are more vulnerable to the impact of the economic downturn. The Fair Value Through Profit or Loss (FVTPL) investment portfolio is more diversified with a wider spread of investments ranging from early stage start-ups to mid-market corporates. The Venture and Venture Growth investment funds and ECFs have significant investments in high-growth early-stage technology-led businesses that have been relatively resilient to the impact of Covid-19. BFP Mid Cap and the Investment Programme are weighted more towards the traditional sectors of the economy which have been more exposed to the impact of Covid-19.

The valuation impact of Covid-19 on the Group's FVTPL investments gave rise to both gains and losses during the year. The total net fair value movements for the year were £352.5m compared to the year to 31 March 2020 when total net fair value movements were £73.3m.

This net impact reflects the nature and characteristics of the portfolios. The Venture and Growth, UKIIF and Enterprise Capital Fund portfolios, which in aggregate have a value of £1,142m, have been relatively resilient to the impact of Covid-19 due to their significant exposures to early-stage investments and technology-led businesses. Investments in the BFP Mid Cap and Investment Programme portfolios, which account for £754m of value, have been more impacted as they are more weighted to traditional sectors of the economy such as retail and hospitality. Notwithstanding this, there have been net fair value increases across all of the portfolios across the Group.

Whilst the net fair value increases across the FVTPL portfolio have been encouraging, we are aware that there is potential for future downward pressure on these valuations, including from continuing Covid-19 uncertainty.

Expected credit loss provisions

ECLs are derived by applying forward-looking economic forecasts to estimate the future performance of the lending compared with the point-in-time methodology applied in the valuation of the FVTPL investments. The ECL provisions incorporate the Bank's best estimates of the impact of the downturn on the economy where relevant to specific investments.

Amortised cost portfolio

Although there continues to be a Covid-19 impact on the Group's Amortised Cost investments, there has been an overall decrease in the ECL provisions during the year of £45.1m. £17.3m of this decrease is due to a reduction in Post Model Overlays that were applied at March 2020 as a response to the start of the Covid-19 pandemic. The Group's accumulated ECL provision is £77.8m on a gross amortised cost amount of £540.0m.

Funding

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

To fund our capital investments, we generally issue shares to our Shareholder and utilise available cash from our operations, including asset repayments. At 31 March 2021, the UK government held shares totalling £1,861m in British Business Bank plc, comprising the entire share capital of the company. During the year British Business Bank plc issued £364m of additional share capital to the company's sole Shareholder. As at 31 March 2021, the Group had outstanding borrowing from the Nuclear Liabilities Fund of £136.4m.

The Group has made a loan to BEIS which at 1 April 2020 had a total balance outstanding of £240.4m. During the year, BEIS repaid the balance of this loan in full which was applied by the Group to meet its capital commitments.

Our operating costs are funded through investment income plus a management fee charged to BEIS for managing assets on its behalf. Income received from this charging mechanism was £63.3m in 2020/21.

At 31 March 2021, British Business Bank plc held £138.3m of cash balances. The Bank maintains sufficient cash balances to fund short-term investments and operational expenditure requirements. Most of these funds, £116.7m, are held within the Government Banking Service to ensure that there is minimal cost to the Exchequer.

Meet the team

Paul

Department: Bounce Back Loan Scheme

Location: Wakefield

Our assets

Our programmes invest in a wide range of products through private sector partners, to enable us to achieve our objective of providing greater volume and choice of finance to smaller businesses. In total we had £2,926.2m of assets under management at 31 March 2021 comprising debt financing to businesses of £1,803.3m provided through BBI, Start Up Loans and the ENABLE programmes, and £1,122.9m of equity financing provided through BPC, ECFs and other venture capital programmes.

During the year to 31 March 2021 we invested £809.0m. This comprised £715.7m from the Group's own resources and £93.3m of funding from BEIS into the ENABLE Asset Finance programme which the Bank manages on its behalf. The investment made by the Group directly included £240.6m from BBI's Investment Programme, £43.6m from its Managed Funds programme, £168.1m in Venture/Venture Growth and £82.3m in ECFs.

We received capital and interest returns on our investments of £526.5m including £300.3m from the Investment Programme and £103.8m from BFP Mid Cap.

For many investments, we make commitments to an investment fund and the fund draws down cash as it is needed. This means that there is, generally, a delay between our investment commitment and capital being drawn. As of 31 March 2021, the British Business Bank Group had further undrawn commitments of £1,710.6m to be invested across its portfolio.

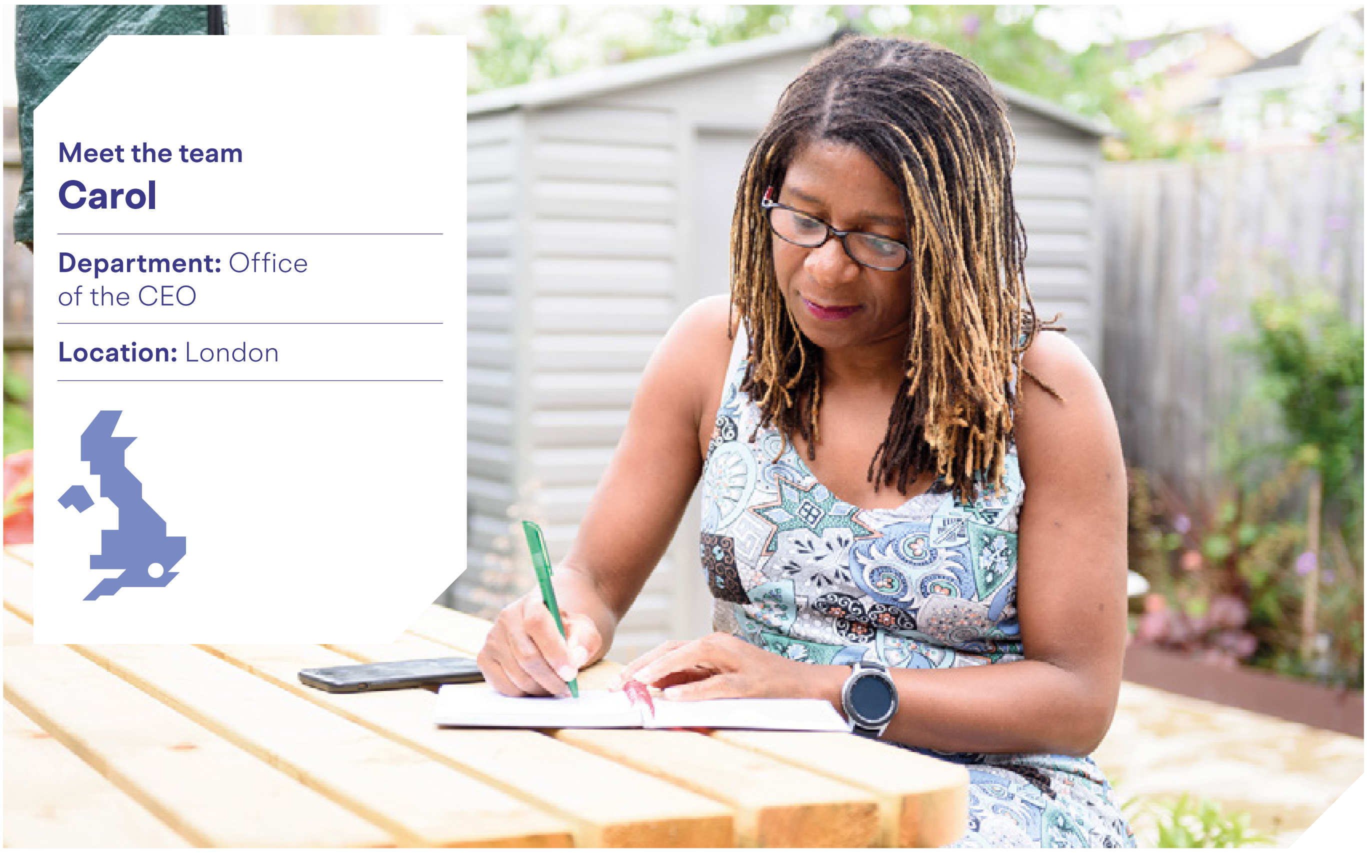
Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 March 2021.

The Corporate Governance Statement is set out on p70 and forms part of the Directors' Report. The following information required by the Companies Act 2006, and referenced in this section, can be found in the following sections:

- a description of the principal activities of the Group during the course of this year is included in the Strategic Report
- information on our employment disability policies, gender pay gap, and our actions on colleague engagement is in the 'Our People' section
- details of significant post-balance sheet events are contained in note 26 to the financial statements
- information about the use of financial instruments by the company and its subsidiaries is given in note 2 to the financial statements.

The Bank has chosen to include information regarding future activities within the Strategic report as we believe it is better placed there.



Directors

During the year the following individuals served as Directors. The process for appointment and removal of Directors is set out in the Corporate Governance Statement found on p70.

Director	Position	Initial appointment date	Initial appointment expiry	Reappointment effective date	Reappointment expiry
Lord Smith	Non-executive Director and Chair	5 July 2017	4 July 2020	5 July 2020	4 July 2023
Neeta Atkar	Non-executive Director and Senior Independent Director	1 July 2016	30 June 2019	1 July 2019	30 June 2022
Jonathan Britton	Non-executive Director	28 April 2014	27 April 2017	28 April 2017	27 July 2021[1]
Amanda Rendle	Non-executive Director; Workforce Engagement Director	7 December 2017	6 December 2020	7 December 2020	7 September 2021
Piers Linney	Non-executive Director	7 December 2017	6 December 2020	7 December 2020	7 September 2021
Dharmash Mistry	Non-executive Director	1 May 2019	30 April 2022	N/A	N/A
Nathaniel Sloane	Non-executive Director	1 March 2020	28 February 2023	N/A	N/A
Jenny Knott	Non-executive Director	14 December 2020	13 December 2023		
Ceri Smith	Shareholder Representative Director	29 October 2013	13 November 2016	9 August 2019	18 April 2021[2]
Jamie Carter	Shareholder Representative Director	19 April 2021[3]	18 April 2024	N/A	N/A
Keith Morgan	Chief Executive Officer	10 December 2013	31 August 2020[4]	N/A	N/A
Catherine Lewis La Torre	Chief Executive Officer	1 September 2020	TBA[5]	N/A	N/A
Patrick Magee	Executive Director	10 March 2015	N/A	N/A	N/A
Philip Piers	Executive Director	1 May 2021[6]	N/A	N/A	N/A

[1] Jonathan Britton's reappointment expiry was extended from 27 April 2021 to 7 July 2021

[2] Ceri Smith stood down as Shareholder Representative Director on 18 April 2021

[3] Jamie Carter was appointed as Shareholder Representative Director on 19 April 2021

[4] Keith Morgan resigned as CEO on 31 August 2020

[5] Until 31 May 2021 or until a permanent appointment is made, whichever is the longer

[6] Philip Piers was appointed as CFO on 1 December 2019 and as an Executive Director on 1 May 2021

Directors' biographies

Lord Smith of Kelvin

Chair of the Board and Chair of Nomination Committee

One of the UK's most experienced Chairs, Lord Smith has led organisations in the private, public and voluntary sectors. He is a chartered accountant by profession and former President of the Institute of Chartered Accountants of Scotland.

He is currently Chair of IMI plc, Forth Ports Ltd, Scottish Enterprise and the Commonwealth Games Federation Partnership. He is also Chancellor of the University of Strathclyde.

Neeta Atkar, MBE

Senior Independent Director and Chair of Risk Committee

Neeta has 30 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 is a Non-executive Director of Nomura Europe Holdings plc, Nomura International plc, Nomura Bank International plc and Nomura Financial Products Europe. She is also a Non-executive Director of Yorkshire Building Society. She chairs the Risk Committees for both firms. She has been a magistrate for over 20 years.

Jonathan Britton, OBE

Independent Non-executive Director

Jonathan Britton has over 35 years' experience in banking, spanning corporate, SME and investment banking businesses.

A qualified chartered accountant, he was Divisional Finance Director and Head of Strategy for the Wholesale Division at Lloyds Banking Group from 2009 to 2013, and a Non-executive Director and Chair of the Audit Committee of ICIC Bank UK Ltd from 2011 to 2017. Jonathan is currently a Non-executive Director of Nomura Europe Holdings plc, Nomura Bank International plc and Nomura International plc. He is also Non- executive Director of The Charity Bank and The Salcombe Boatstore Ltd.

Jamie Carter

Shareholder Representative Director from 19 April 2021

Jamie is a Director at UK Government Investments where he leads the team managing the government's shareholding in the Post Office. As well as his board role at the British Business Bank, Jamie was formerly a Non-executive Director on the board of the Royal Mint. Prior to joining UKGI, he spent ten years at HM Treasury where he specialised in public spending, including being involved in several spending reviews and 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.

Jenny Knott

Independent Non-executive Director and Chair of Audit 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 an NED and Trustee of various companies which include OCA, a scientific research charity for female cancers, an independent NED and the Chair of the Risk and Capital Committee for Simply Health, and an independent NED and the Chair of the Remuneration Committee of Gresham Technology plc.

Jenny is a co-founder of FinTech Strategic Advisors, assisting clients with their FinTech growth, investment and adoption strategies.

Piers Linney

Independent Non-executive Director

Piers Linney is an entrepreneur and investor with a professional background in the City in both law and investment banking.

A qualified lawyer, Piers has founded several technology and communication businesses and has won a range of entrepreneurship awards, as well as appearing as an investor on Dragons' Den. He sat on the Cabinet Office SME Panel and the Board of TechUK.

Dharmash Mistry

Independent Non-executive Director

Dharmash Mistry is an experienced venture capitalist, entrepreneur and Non-executive Director.

He was previously a Partner at Balderton Capital and Lakestar, involved in $1bn+ fund raising and investments including Revolut, Infarm, MessageBird, Lovefilm and Blockchain.com amongst others. Prior to this, he was Group MD of Emap Consumer Media, where he co-led the delisting of Emap plc from the FTSE 100.

Dharmash sits as a Non-executive Director on the Board of Halma PLC; BBC Commercial Holdings Ltd (BBC Worldwide) and is Chair of blow Ltd.

Amanda Rendle

Independent Non-executive Director, Chair of Remuneration Committee, and Director for Workforce Engagement

Amanda has more than 30 years of marketing and communications experience in agencies, with clients across numerous sectors including financial services, professional services and fast-moving consumer goods. She was HSBC's Global Head of Marketing for Commercial Banking and Global Banking and Markets.

Amanda is a Non-executive Director for Tesco Bank and the Government Communications Service. She is a Fellow of the Marketing Society and a member of Women in Advertising & Communications London.

Nathaniel Sloane

Independent Non-executive Director

Nat worked in the private sector for 25 years as an entrepreneur, as management 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 founder trustee of the Education Endowment Foundation, chairing its Finance and Endowment Committee.

Ceri Smith

Shareholder Representative Director to 18 April 2021

Ceri Smith is a Director at UK Government Investments whose responsibilities include overseeing the British Business Bank on behalf of its Shareholder, the Secretary of State for Business, Energy & Industrial Strategy.

He previously worked at HM Treasury, the Department for Business and the Foreign Office. Responsibilities have included advising on business finance, employment law, SME taxation and developing the Government's Enterprise Capital Funds programme.

Catherine Lewis La Torre

Chief Executive Officer

Catherine was appointed CEO of the British Business Bank, on an interim basis, in September 2020, having led the Bank's commercial arm since 2016 as CEO of British Business Investments (BBI) and, from October 2018, CEO of both BBI and British Patient Capital.

Prior to 2016, Catherine was Head of Private Equity for Cardano Risk Management, managing a global portfolio of private capital investments on behalf of UK pension funds. She was previously Managing Director of Paris-based European private equity investor Fondinvest Capital, a founding partner of Nordic fund-of-funds manager Proventure. After this she established a consultancy business advising Sovereign Wealth Funds and Institutional Investors in Asia, the Middle East and the US on their European private capital strategies.

Keith Morgan

Chief Executive Officer to 31 August 2020

Keith led the establishment of the British Business Bank from January 2013, being appointed Chief Executive Officer in December 2013. He joined the Bank from UK Financial Investments, where he managed the government's shareholdings in Bradford & Bingley and Northern Rock.

Previously, Keith held senior roles at Santander (Sovereign Bancorp US and Abbey National UK). Before joining Abbey, Keith spent 17 years at LEK Consulting, where he was a partner specialising in financial services.

Keith is a Non-executive Director of UK Asset Resolution Limited, Bradford & Bingley plc, NRAM Limited (Northern Rock Asset Management) and serves on the Board and Technical Committee of the ICAEW Corporate Finance Faculty. He is also a trustee of Jephcott Charitable Trust and The Design Council.

Patrick Magee

Chief Commercial Officer

Patrick joined the British Business Bank as Chief Operating Officer in October 2014, becoming CCO in October 2017, with responsibility for Guarantee and Wholesale, Start Up Loans and Venture Solutions business areas. As a member of the government's Shareholder Executive, Patrick had previously led the team working on the Bank's set-up and governance and represented the government's Shareholder interests on its Board.

Previously, Patrick spent 18 years in investment banking, including as a managing director of corporate finance at JP Morgan Cazenove. In May 2020, Patrick became a Non-executive Director of International Biotechnology Trust plc.

Phil Piers

Chief Financial Officer

Phil joined the Bank in December 2019. He has more than 25 years' experience working in corporate and investment banking businesses, leading multi-disciplined finance teams both in the UK and globally.

A chartered accountant, Phil was previously CFO for Lloyds Bank Corporate Markets and started his career in Valuations and Product Control with Morgan Stanley, Lehman Brothers and Barclays Capital.

Elizabeth O'Neill

General Counsel and Company Secretary

Elizabeth joined the Bank in February 2021 as General Counsel and Company Secretary to the plc Board, and General Counsel to British Business Bank. Prior to this she was Head Legal Adviser for the Medicines and Healthcare products Regulatory Agency (MHRA).

Elizabeth previously served as General Counsel and Member of Executive Committee for UK Government Investments Ltd, and Head of State Aid and Commercial Law for the Department of Business, Innovation and Skills.

Directors' indemnities

The British Business Bank has granted indemnities to each of its Directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors to the extent permitted by law and the company's Articles of Association. The company provides Directors' and Officers' liability insurance.

Going concern

The Directors have assessed the viability of the British Business Bank and Group, taking account of its current positions and the potential impact of various scenarios on its principal risks and financial liabilities. 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 year. They continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the significant accounting policies notes in the financial statements.

Sustainability principles

The British Business Bank is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to our professional activities and the management of the organisation. We aim to follow and to promote good sustainability practice, to reduce the environmental impacts of all our activities and to help our clients and partners to do the same.

As part of its commitment to sustainability, and as indicated in the strategic report, the Bank has a new corporate objective from 2021/22, 'to support the UK's transition to a net zero economy'. It is also developing its wider Environmental, Social and Governance (ESG) approach.

Greenhouse gas emission reporting

Scope of Disclosure

In line with legal requirements under paragraph 15 of Schedule 7, Large and Medium-sized Regulations: the British Business Bank reports its Scope 1 (Gas) and Scope 2 (Electricity) emissions based on its property portfolio, and Scope 3 (Travel) emissions based on employees' rail and air business travel.

The British Business Bank occupies four floors of office space covering 3751m^2. Reported Scope 1 emissions cover those generated from the gas and oil used in all buildings from which the Group operates, with Scope 2 covering emissions from electricity. The figures provided in Scope 1 and Scope 2 are estimated emissions relating to energy consumed in properties where the landlord controls the supply and re-charges the company. Reported Scope 3 emissions relate to business travel undertaken by colleagues using rail and air travel that has been booked through our corporate travel agent. These results are summarised in the table opposite.

> "Concern for the environment and promoting a broader sustainability agenda are integral to our professional activities and the management of the organisation."

Greenhouse gas emission assessment parameters

Baseline year for total reported CO_2 Emissions	2016
Consolidation Approach	Operational control
Boundary Summary	All facilities under operational control
Emission factor data source	DEFRA (2016)
Assessment Methodology	The Greenhouse Gas Protocol revised edition (2004)
Intensity Ratio	Emissions per full-time employee (FTE)

Greenhouse gas emissions

	2019/20 Scope CO_2 (tonnes)	2020/21 Scope CO_2 (tonnes)	Comparison 2019/20 to 2020/21 (%)
Scope 1 (Gas)	31	28	-10%
Scope 2 (Electricity)	138	91	-34%
Scope 3 (Travel)	120	36	-70%
Total	289	155	-46%
Total per average number of employees	1.56	0.3	-81%

Directors' disclosure to auditors

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

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

– the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself 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 s418 of the Companies Act 2006.

Approved by the Board of Directors

Catherine Lewis La Torre
Chief Executive Officer
15 September 2021

Corporate governance statement

The British Business Bank constitution consists of its Articles of Association and a Shareholder Relationship Framework Document between the British Business Bank and the Department for Business, Energy & Industrial Strategy (BEIS).

The British Business Bank plc operates a best practice corporate governance framework appropriate to the organisation. It complies with the UK Corporate Governance Code, other than in certain provisions connected to relations with our Shareholder which are covered by the Shareholder Relationship Framework Document, or specifies and explains any non-compliance in its Annual Report. The Shareholder Relationship Framework Document is available on the British Business Bank website.

The UK Corporate Governance Code is available from the Financial Reporting Council. The Code acts as a guide to a range of key issues to ensure effective Board practice.

Apart from those set out in this Annual Report, the Board is not aware of any deviations from the relevant aspects of the Code in the period 1 April 2020 to 31 March 2021 insofar as it applies to the British Business Bank.

Our Section 172(1) statement is on p72.

Our principal decisions

We describe below how the Directors had regard to key stakeholders when making principal decisions which were material in the financial, business and operational context of the Group. Many key decisions this year were in response to the coronavirus pandemic and the consequent government guidance on workplaces, travel restrictions, and social distancing. Delivering new schemes to provide government support to businesses and the national economy was a significant element of our business activities in the period.

The Board made important decisions about its composition, appointing Catherine Lewis La Torre as Chief Executive on Keith Morgan's departure, and appointing new Non-executive Directors.

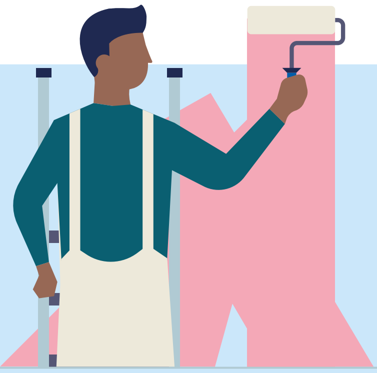
Our Board remained focused on its governance, objectives and risks to the Group's business throughout the year. Various key frameworks, control documents and core processes were reviewed and approved. Given the delivery of the Covid-19 response schemes, there was a strong focus on risk management including the Group's risk appetite framework and Risk Appetite Statement. In addition, the operations of the business were a focal point so the Bank could respond to government instructions and directions in delivering the additional schemes.

In 2021/22 the Board will focus on the priorities described on p15 of this document.

Principal decisions	Key stakeholders	More information
The Board decided to meet weekly for a period to address the changing circumstances for SMEs caused by the coronavirus pandemic across the country.	All our stakeholders were impacted by the speed and volume of changes that were made across the Bank, in our range of products, and across the economy.	More meetings were held with government to review the support needed for SMEs and wider business. More DPs were accredited to provide support to SMEs.
Having been requested by government to deliver its Covid-19 emergency finance schemes, our Board, having considered the risks and uncertainties, sought and were given instruction from the Shareholder before proceeding.[1]	These decisions were essential in aligning our objectives with those of government. They also helped us fulfill our remit to provide access to finance for smaller businesses, including in times of economic downturn. In this instance, we additionally provided access to finance for larger businesses.	The new schemes included: – Coronavirus Business Interruption Loan Scheme – Coronavirus Large Business Interruption Loan Scheme – Bounce Back Loan Scheme – Future Fund. Details of these schemes can be found on p28–31.
The Board took a number of key decisions in relation to Board and Executive Team membership. These included appointing a new CEO and Non-executive Directors.	These decisions on high-level leadership impacted all our stakeholders including our relationships with government, colleagues, delivery partners, and the smaller businesses we support across the country.	Jenny Knott was appointed as a Non-executive Director and Jamie Carter was appointed as Shareholder Representative Director. Catherine Lewis La Torre was appointed CEO, on an interim basis, on 1 September 2020 to succeed Keith Morgan. Judith Hartley replaced Catherine Lewis La Torre, on an interim basis, as CEO of the Bank's commercial subsidiaries, British Business Investments and British Patient Capital.

[1] The Board expressed particular additional reservations about BBLS and the Future Fund, requesting and receiving Ministerial direction to deliver these schemes.

Our key stakeholders



Our Section 172(1) statement highlights our five key stakeholders and why we engaged with them, our priorities for engagement, and our actions during the year.

British Business Bank

- Smaller businesses
- Delivery partners
- Government and Parliament
- Bank colleagues
- Suppliers

Smaller businesses

Why do we engage?

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

Priorities

– Help smaller businesses access the right opportunities to succeed

– Advise on the best finance options

– Gather information on current priorities for smaller businesses within the economy.

> By supporting smaller businesses in gaining access to finance and information about finance options, we help drive sustainable growth and prosperity across the UK.

Actions

- Introduced new schemes to support smaller businesses and larger companies during the pandemic
- Raised awareness of available support through campaigns, including on digital and social media channels
- More information on our engagement, including our Demand Development Unit, can be found on p35.

Delivery partners

Why do we engage?

Our delivery partners (DPs) are the bridge between us and the smaller businesses, and have a central role in our business success. We rely on their performance and conduct to encourage private sector investment as well as helping address regional imbalances across the UK.

Priorities

- Ensure we have the right mix of DPs offering a range of financial products
- Ensure DPs are fit for purpose with the right mix of capabilities and capacities to be a trusted partner.

Actions

- Modified partner accreditation processes in agreement with government and other key stakeholders to accommodate the increased level of demand
- Enhanced our in-house teams to support a significant number of new DPs
- Scaled up and enhanced our post-accreditation assurance processes
- Upgraded our IT interfaces to support the DPs in more effectively reporting their activities and our in-house teams in better monitoring performance.

More information can be found on our website.

Government and Parliament

Why do we engage?

We are owned by the government and as a state-owned institution are accountable to Parliament through the Department of Business, Energy & Industrial Strategy (BEIS).

Priorities

– Maintain the highest standards of probity in administering public funds

– Contribute to national economic development

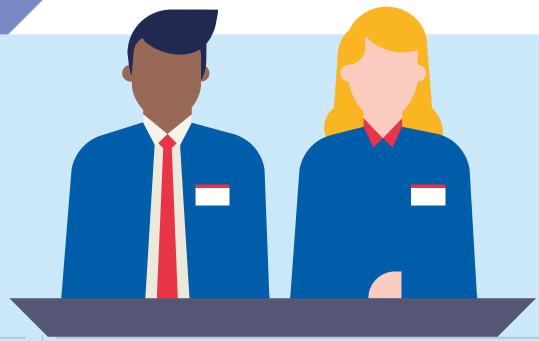
– Ensure our objectives, services and products are consistent with government policy and strategy.

Actions

– Our policy and product teams worked intensively with government officials to agree how we would deliver support to smaller businesses during the pandemic

– Our public affairs team engaged with Parliament, including by supporting responses to parliamentary questions, the Public Accounts Committee, Select Committees, and with Ministers on delivery of government priorities.

More information can be found throughout the strategic report, including p28–29 with regards to engagement on the Covid-19 emergency finance schemes, and p33 with regards to the provision of evidence-led expertise.



Bank colleagues

Why do we engage?

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

Priorities

– Address the challenges that arose in working from home during the pandemic

– Make colleagues know they are valued and supported

– Support their work/life balance, wellbeing and individual needs

– Retain the skills and expertise we need to deliver our business activities.

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

Actions

- We facilitated flexible home working to support colleagues during the pandemic including providing additional equipment
- We created access to additional wellbeing support and activities
- As we made changes during the pandemic we continued to seek colleagues' views through our colleague forum, pulse surveys and town halls
- We provided more opportunities for internal career progression
- We moved our resourcing and interviewing activities online.

More information can be found on p41 on our engagement with colleagues. Information on how we supported our colleagues during the pandemic can be found on p41–42.

Suppliers

Why do we engage?

Suppliers help us deliver our goods and services on time and to good quality. This helps 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 environmental priorities.

Actions

- We increased the number of suppliers to help us deliver significantly increased volumes
- We worked closely with some suppliers to develop sustainable new systems and long-term solutions.

More information can be found on p49.

Role and responsibility of the Board of Directors of the company

British Business Bank plc is led by its Board of Directors which is collectively responsible for the long-term sustainable success of the Bank, generating value for its Shareholder and contributing to the economic development of the economy. The Board is responsible for establishing the company's purpose, values and strategy, and satisfying itself that these and its culture are aligned.

The Board's responsibilities include understanding the views of the company's other key stakeholders. Amanda Rendle, an independent Non-executive Director, has been appointed to be the Director for Workforce Engagement.

As set out in the Shareholder Relationship Framework Document, the Board must have no fewer than eight Directors including six Non-executive Directors. Independent Non-executive Directors must make up the majority of the Board.

> "The Board is responsible for establishing the company's purpose, values and strategy, and satisfying itself that these and its culture are aligned."

Directors ensure that the Board and Committees have the appropriate balance of skills, experience and independence to enable them to discharge their duties and responsibilities effectively. The Board considers that the Chair was independent on appointment and that all Non-executive Directors, other than the Shareholder Representative Director, are independent for the purposes of the Code. Jamie Carter replaced Ceri Smith as the Shareholder Representative Director on 18 April 2021.

Although several Non-executive Directors have declared potential conflicts of interest, the Board considers them to be independent in character and judgement and therefore independent.

The Board reviewed the Schedule of Matters Reserved for the Board in October 2018. These include strategy and management, company structure and capital, financial reporting and controls, risk management and internal controls, approval of major projects and contracts, communications with our Shareholder, Board membership and other appointments, remuneration, delegation of authority, corporate governance, appointment of professional advisors, litigation and approval of overall levels of insurance.

Our Non-executive Directors scrutinise the performance of management against agreed objectives. The Remuneration Committee is responsible for setting appropriate levels of remuneration for Executive Directors and other Bank colleagues in consultation with our Shareholder. This is further explained in the Directors' remuneration report on p90.

The Chair is responsible for leading the Board and its discussions and for encouraging open debate and challenge. The Chief Executive leads the executive in the day-to-day running of the business and the implementation of strategy and is supported in this by the Executive Committee and the Senior Leadership Team.

As an organisation funded by taxpayers' money, the Bank is required to comply with the principles set out in Managing Public Money.

The Chief Executive is the Accounting Officer. The responsibilities of the Accounting Officer include responsibility for the stewardship of the Bank's resources.

The Senior Independent Director is Neeta Atkar. In this role her responsibilities are to work closely with the Chair, act as an intermediary for other Directors as and when necessary, and meet with other Non-executive Directors to review the Chair's performance following the Board evaluation exercise.

Appointment and removal of Directors

The Chair and the Senior Independent Director are appointed in a process chaired by a commissioner from the Office of the Commissioner for Public Appointments in line with the Shareholder Relationship Framework Document.

All newly appointed Non-executive Directors undergo a tailor-made induction programme. In addition, regular continuous development sessions are held covering topical issues.

Keith Morgan stepped down as CEO on 31 August 2020. Catherine Lewis La Torre assumed duties as CEO, on an interim basis, on 1 September 2020.

Information to the Board

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties and any further information is readily available to all Directors. Since 2015 the Board has received board papers and information electronically, to increase efficiency, confidentiality and sustainability.

Board committees

The Board has established four Board committees to ensure robust and effective decision making within the Group structure, these are the Audit, Remuneration, Risk, and Nomination Committees. The British Business Bank Board has approved terms of reference for each committee which detail their relevant roles and responsibilities. Attendance at committees can be found on p81.

Board and committee attendance

The table on p81 sets out the attendance of Directors since 1 April 2020 at each Board and Board committee.

Audit Committee

The Audit Committee was chaired by Jonathan Britton. Neeta Atkar and Dharmash Mistry were members of the Committee during the year. Jenny Knott joined the Committee in December 2020 and took over as Chair on 1 April 2021. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, Head of Internal Audit, and a Shareholder Representative attend Committee meetings along with the external auditors who are invited to attend and report at all meetings. The Chair of the Board attends the Committee regularly. The Committee also meets privately with both internal and external audit.

Role

The Committee's role is to review, monitor and make recommendations to the Board. This includes the status of the 'going concern' nature of the Bank, the integrity of its financial reporting, the financial statements, issues and judgements, the effectiveness of controls, and overseeing the Bank's relationship with the external auditor.

The Committee also has oversight of the internal audit and audit planning process of the Bank.

During the financial year 2020/21, the Committee considered:

- the Bank's financial reporting and controls processes including the preparation of the consolidated accounts
- the accounting policies adopted so that the Bank complies with the applicable accounting standards and presents consolidated accounts that are true and fair
- methods used to account for significant or unusual transactions where different approaches were possible
- the extent to which the Bank has complied with the Shareholder's financial reporting requirements.

In relation to internal and external audit, the Committee considered:

- the internal audit plan and review of progress against this plan
- the findings of internal audit reviews
- group and subsidiary audit exemptions
- the external audit management letter.

In relation to governance and other matters, the Committee considered the Bank's annual Governance Statement to BEIS.

The UK Corporate Governance Code requires the Audit Committee to make a recommendation on the appointment of the external auditor. However, the Shareholder Relationship Framework Document specifies that the Bank is audited by the Comptroller and Auditor General through the National Audit Office (NAO).

The significant issues considered by the Committee, with input from the external auditor, during the year included:

– methodologies and procedures for determining asset valuations and provisions, including the Covid-19 response schemes

– significant accounting policies

– decisions and judgements

– the contents of the Annual Report and Accounts.

Meet the team

Paul

Department: Risk & Compliance

Location: Rotherham

The external auditors brought three matters to the Audit Committee's attention in their 2019/20 management letter relating to:

– the completeness and accuracy of data used as input to one of the Group's Expected Credit Loss models

– IFRS 9 governance in relation to the Expected Credit Loss models and investment valuations

– disclosures relating to areas of accounting judgements and estimates, particularly with regard to sensitivity analysis.

All of these issues were addressed, and their resolution discussed and agreed by the Committee.

Signed for and on behalf of the Audit Committee

Jenny Knott
Chair of the Audit Committee

Remuneration Committee

The Remuneration Committee was chaired by Amanda Rendle. The other members of the Committee during the year were Ceri Smith and Nathaniel Sloane.

The Committee's role is to set the remuneration policy for all Executive Directors, the Chair, and other members of the Executive Committee, including pension rights and any compensation payments. The Committee sets the terms of the Long- and Short-Term Incentive Plans and any incentive schemes the Bank and its subsidiaries may run in line with the Shareholder Relationship Framework Document.

During the financial year 2020/21, the Remuneration Committee considered:

– the Remuneration Framework of the Bank

– annual confirmation to the Shareholder on remuneration commitments

– a review of the objectives for Executive Directors and members of the Senior Leadership Team, and the annual review of the remuneration and reward strategy

– the annual pay review

– corporate performance ratings and annual bonus

- Short-Term Incentive Plan and Long-Term Incentive Plan awards
- a review of the revised Long-Term Incentive Plan
- a review of market benchmarks for remuneration
- review of the equal pay audit and publication of gender pay gap data
- the Women in Finance Charter and gender diversity targets
- exemptions from public sector pay guidelines
- the approach to remuneration at British Patient Capital
- ad-hoc salary proposals for Executive Committee members
- a review of the Committee's terms of reference.

Signed for and on behalf of the Remuneration Committee

Amanda Rendle
Chair of the Remuneration Committee

Risk Committee

The Risk Committee was chaired by Neeta Atkar. The other members of the Committee during the year were Jonathan Britton, Piers Linney and Ceri Smith.

The Committee's role is to advise the Board on the key risks to the Bank in delivering its objectives, including whether the Bank is operating within its risk appetite, and the appropriateness of the Bank's Risk Management Framework (RMF). It reviews the RMF taking account that the Bank is in the public sector and not regulated by the FCA/PRA.*

During the financial year 2020/21, in addition to considering its normal course of business matters, given the pandemic and the role played by the Bank, the Risk Committee focused additionally on the following issues:

- the impact of the delivery of the Covid-19 programmes on our risk appetite
- the impact of the growth of the Bank's balance sheet and delivery partner network on the operational resilience of the Bank's infrastructure
- the impact of change in financial crime risk profile of the Bank
- the impact of the pandemic on the Bank's people and the risks arising both from absences and from working from home

Other key areas of focus included:

- considering the risks relating to execution of the business plan, including output of stress tests
- reviewing operational resilience
- reviewing the continued applicability of the Risk Appetite Policy and Risk Appetite Statements for the Bank, British Business Investments and British Patient Capital
- ensuring the approach to and updates on Operational Risk, Credit and Investment Risk, Information Risk, Reputational Risk, Change Risk and Market Risk remained fit for purpose
- receiving regular updates on the key risks faced by our product areas
- reviewing the annual Money Laundering Officer's report
- considering the Bank's position in relation to state aid

Signed for and on behalf of the Risk Committee

Neeta Atkar
Chair of the Risk Committee

* British Business Investments Ltd (BBI) and British Patient Capital (BPC) are registered with the FCA and supervised for anti-money laundering purposes. See p82 for more details.

Nomination Committee

The Nomination Committee was chaired by Lord Smith. Neeta Atkar and Ceri Smith were members of the Committee throughout the year.

The UK Corporate Governance Code requires that a majority of the Nomination Committee are independent Non-executive Directors in order to safeguard the interests of shareholders.

Our Nomination Committee does not comply with this as the Chair is considered independent only on appointment and Ceri Smith was appointed by the Shareholder and therefore not independent. However, we believe our Shareholder's interests are safeguarded as both the Shareholder Representative and the Chair are appointed by the Shareholder.

Role

The role of the Nomination Committee is to review the leadership needs of the organisation, consider succession planning, and identify and nominate Board members.

During the financial year 2020/21 the Committee considered:

– succession planning for Executive and Non-executive Directors and for members of the Senior Leadership Team

– the appointment of Non-executive Directors

– a review of Board Committee membership.

The Bank's succession planning policy, approved by the Nomination Committee, focuses on:

– the talent pipeline for the leadership team

– critical capability needs and development planning to ensure pipeline readiness

– sharing talent across the Bank to foster agility, collaboration and shared outcomes

– performance and potential, including personal aspiration and ambition for career progression

– diversity representation as a driver of inclusion, engagement, innovation and continuous improvement.

The Shareholder Relationship Framework Document requires the prior written consent of the Shareholder in the appointment or removal of a Director; appropriate consent was given in each case.

The Board is committed to ensuring the diversity of its membership. The Nomination Committee's duties include regularly reviewing the structure, size and composition (including diversity) of the Board and making recommendations to the Board about any changes. Before the recruitment process, the Committee evaluates the balance of skills, knowledge, experience and diversity and identifies any gaps. Currently, there are five women out of 13 Directors on our Board. This represents 38% which is above the government's target of 33% to be achieved by the end of 2020.

Signed for and on behalf of the Nomination Committee

Lord Smith of Kelvin
Chair of the Nomination Committee

Other committees

The Bank has a number of management committees including an Executive Committee, an Executive Audit and Risk Committee, investment committees and a Product Development Committee.

Board performance

An external evaluation was conducted in March 2020. The focus was on the role and accountability of the Board, its relationship with management, the Board culture, its performance, and Board development. The review concluded that the Board and its committees were operating effectively. The report was accepted by the Board and an action plan was implemented during 2020/21.

Conflicts of interest

Each Director has a duty under the Companies Act 2006 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. As part of our Conflicts of Interest Policy, the Bank has adopted a formal procedure for disclosure, review and authorisation of Directors' conflicts of interest. This requires written disclosure of any actual or potential conflicts of interest for all Directors and staff. The procedure requires Directors formally to notify the Chair or the Company Secretary as soon as they become aware of any actual operating processes, executive selection and succession, strategy, or potential conflicts of interest with their duties to the Bank.

In addition, they are required to notify of any material changes to existing or potential conflicts that may have been authorised by the Board. Directors and executives are reminded to declare any additional or arising conflicts of interest at the beginning of each meeting.

Political donations

The Bank has not made any political donations or incurred any political expenditure in 2020/21.

Attendance at meetings and committees

The table below sets out the attendance of Directors at Board and Committee meetings in 2020/21:

	Board	Audit	Risk	Remuneration	Nomination
Total Number of Meetings	19	7	7	10	10
Chair					
Lord Smith of Kelvin	19/19	–	–	–	10/10
Non-executive Directors					
Neeta Atkar	18/19	7/7	7/7	–	10/10
Jonathan Britton	17/17	7/7	7/7	–	–
Jenny Knott	2/2	2/2	1/1	–	–
Piers Linney	17/19	–	7/7	–	–
Dharmash Mistry	17/19	7/7	–	–	–
Amanda Rendle	16/19	–	–	10/10	–
Nathaniel Sloane	18/19	–	–	10/10	–
Ceri Smith	19/19	–	7/7	10/10	10/10
Executive Directors					
Catherine Lewis La Torre	5/5	–	–	–	–
Patrick Magee	19/19	–	–	–	–
Keith Morgan	14/14	–	–	–	–
Phil Piers*	–	–	–	–	–
General Counsel and Company Secretary					
Shanika Amarasekara	15/16				
Elizabeth O'Neill	2/2	–	–	–	–

* Phil Piers was appointed a Director with effect from 1 May 2021

Risk management and internal control

British Business Bank plc is committed to ensuring high standards of corporate governance and is supported in this by the Board of Directors and Board Committees, including Executive level Investment Committees for each subsidiary which makes investment decisions.

The Board has overall accountability and responsibility for the management of risk within the Bank. Our Risk Management Framework has been designed to align to the size, scale and complexity of the Bank and has been benchmarked against other financial services institutions.

The British Business Bank does not hold regulatory capital and is not regulated by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA). However, two of our commercial entities, namely British Business Investments Ltd (BBI) and British Patient Capital (BPC) are registered with the FCA and supervised for anti-money laundering purposes. BBI (FRN 930734) and BPC (FRN 930732) completed their registrations on 11 November 2020.

Whilst registration with the FCA does not require an entity to comply with the FCA Senior Management Arrangements, Systems and Controls (SYSC), the Bank is, however, subject to other applicable laws and regulations.

We have policies and procedures in place designed to ensure compliance with applicable laws and regulations, including Anti Money Laundering, Data Protection and Freedom of Information, and aspire to follow good practice where appropriate and applicable.

As the Bank builds out its new Environmental, Social and Governance (ESG) strategy, as highlighted on p16–17, we will review the applicable aspects of the Bank's risk management approach, including our Risk Management Framework, to ensure ESG risk factors are appropriately identified and managed.

Risk Management Framework

Our Risk Management Framework (RMF) is a collection of tools, processes and methodologies that support the Bank in identifying, assessing, monitoring and controlling the risks it faces in delivery of its strategic objectives.

The RMF:

- demonstrates a clear link to the overall strategy and business plan of the Bank
- outlines the risk management vision and objectives, and the approach for evolving the risk management capability of the Bank
- is reviewed on an annual basis and, if required, more frequently to reflect any significant material changes to the business, economic or regulatory outlook.

A discussion of how the Bank handles its risks in relation to financial instruments is set out in note 24 of the financial statements.

The RMF is subject to regular review to assess its effectiveness within the Bank and has been updated over the last year to reflect the evolving operating model. In addition to an internal review by the Risk and Compliance function, the RMF was subject to an independent external review in January 2021. Both our internal and external reviews have concluded that, following Covid-19, due to the material increase in size, scale and complexity of the Bank, certain components of the RMF require further enhancement.

The findings of this review were presented to the Risk Committee in March 2021. We have created a prioritised action plan to implement enhancements to the RMF throughout 2021, which will ensure that it remains robust, fit for purpose, and will also deliver a number of other business benefits. The next review of the RMF will take place in the fourth quarter of 2021/22 financial year.

Key elements of our RMF include risk definition and categorisation, risk appetite and risk governance.

Risk definition and categorisation

Our RMF contains a clearly defined and categorised set of risks that ensures a consistent application of our risk management methodologies and processes and a common risk language across the business. It provides a clear definition and categorisation for our Principal Risks and a number of underpinning risks that aggregate to them.

As part of the annual review this Risk Taxonomy has been reviewed for coverage and structure and amended to ensure it is fit for purpose for financial year 2021/2022. It takes account of a material increase in the assets under management, changes to the operating environment during 2020 and new planned product developments for 2021. The revised Risk Taxonomy was approved by the Board in March 2021.

> "Our Risk Management Framework has been designed to align to the size, scale and complexity of the Bank and has been benchmarked against other financial services institutions."

Risk appetite

The Bank's Risk Appetite Policy acts as the link between overall business strategy, the Risk Strategy and the Risk Management Framework by bringing strategic context to identified risks, adopting clear escalation criteria, and informing the processes for the identification, assessment, control and monitoring of risk exposures.

The Bank's Risk Appetite Policy is based on the high-level design principle that risk appetite represents the level of risk the Board of the British Business Bank is willing to accept to deliver its strategic objectives.

The Board uses the Risk Taxonomy to set appetite against our eight Principal Risks and the 30 underpinning risk types in our Risk Appetite Statement. As part of the annual review, we have made some changes to reflect changes within the business in the last year. This includes material changes to our risk profile resulting from implementation and operationalisation of the Covid-19 schemes which are closely monitored by our Board.

The Risk Appetite Statement is as follows:

Principal Risk	Definition	Example categories	Example mitigants
Strategic and Business Risk **Risk appetite:** Medium	The (residual) risks of direct or indirect financial losses arising from a suboptimal business strategy or business model and the risk of failure to meet internal and/or public policy objectives.	– Risk that the Bank has an inadequate governance structure. – Risk that the Bank's current and planned products may not meet business case expectations. – Risk that the Bank does not meet its deployment or commitment targets. – Risk that the Bank is not effective in meeting its objectives.	– Both a clearly defined set of objectives and a robust governance model are in place. – New products are subject to market assessment and new product approval process. – Regular review of our Key Risks to Objectives by the senior team and Board Members. – Assessing the risks and mitigants to meeting our objectives during the business planning process.
Financial Risk **Risk appetite:** Medium – High	The risk of direct or indirect financial losses in on- and off-balance sheet positions as a result of the failure of an end borrower or counterparty to meet its obligations in accordance with agreed terms or that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates or credit spreads.	– Risk of end borrower default, for example due to poor trading, or defects in the delivery process. – Whilst the majority of individual exposures to end borrowers are small, exposures to mid-cap companies are typically larger. – Delivery partner default or closure. – Venture Capital is subject to vintage risk, with the year the investment was made being a significant risk factor. – Concentration within one industry or location creates a portfolio that is subject to greater risk than a more evenly balanced one. – The Bank makes material losses due to foreign exchange movements through its investments. – The Bank's investments are subject to interest rate fluctuations.	– Delivery partner selection process includes robust due diligence, assessment of underwriting and sanctioning processes, and thereafter is subject to portfolio monitoring and regular review. – The credit quality of exposures is monitored closely. – The Bank aims to continue to invest throughout the economic cycle, therefore minimising the vintage risk. – The portfolio is monitored closely for concentration risk. – The Bank conducts scenario testing of exposures sensitive to interest rate market valuation or Foreign Exchange movements. – The Bank requires some delivery partners to manage market risk directly within the terms of the investment.

Principal Risk	Definition	Example categories	Example mitigants
Operational Risk **Risk appetite:** Low – Medium	The risk of direct or indirect losses resulting from inadequate or failed internal processes, technology, supplier management, or from external events.	– Errors in execution, delivery, and processing. – Failure of internal controls or processes. – IT and communication system(s) failure including compromise through malicious activity such as a cyber attack. – Damage to physical assets or utilities disruption. – The risk that the business takes on too much change or inadequately manages current change programmes. – Risk that the Bank does not procure, contract with or manage its third party base effectively. – Errors identified during the financial reporting process.	– Risk and Control Assessments with functional teams are held to assess risks and associated internal controls. – IT security controls. – Cyber Essentials Plus accreditation. – Information technology systems disaster recovery testing. – Operational Incidents management process in place. – Business Continuity plans and incident scenario exercises. – Change function and Change Programme Boards to manage the growth of the organisation. – Procurement and Finance contract and invoice oversight. – Impact assessment of upcoming changes in accounting standards. – Robust internal and external reviews during Annual Report and Accounts production.
People Risk **Risk appetite:** Low – Medium	The risk that the Bank does not attract, develop and retain adequate human resources to meet its objectives and/or does not create a working environment and culture to motivate and retain an effective workforce.	– Risk that the Bank does not recruit, develop or retain the right staff, skills and talent to meet its objectives. – Risk that the Bank does not have a culture that supports and drives appropriate colleague behaviours and decision-making.	– The Bank has a robust recruitment process to attract talent. – The Bank has an established reward strategy with the aim to attract and retain talent. – The Bank invests in ongoing training and development for its staff. – Succession planning in place for the senior team. – The Bank has an established Code of Conduct to support its culture and values.

The Risk Appetite Statement (continued)

Principal Risk	Definition	Example categories	Example mitigants
Information Risk **Risk appetite:** Low	Information Risk encompasses any compromise to the information or data BBB handles during its creation, storage, processing, transfer or disposal (the information lifecycle).	– Breach of legal requirements relating to safe-keeping and disclosure of information. – Risk of business sensitive information being leaked or accidentally made available in the public domain. – Risk of inaccurate or incomplete data processed within the Bank's operations. – Information owned by the Bank is not available to meet its business objectives or fulfil its legal and regulatory obligations when requested by external stakeholders.	– Implementation of Business Information systems and data governance across the Bank, including GDPR. – Information Risk Management Framework in place supported by policies and procedures covering information security, data protection, freedom of information, information classification and handling, and IT acceptable use. – Mandatory staff training programme covering information security, data protection, and freedom of information. – Model Governance processes to ensure data integrity.
Fraud and Financial Crime Risk **Risk Appetite** Very Low – Low	Risk that BBB does not have effective systems and internal controls to prevent, detect and deter internal or external fraud, bribery or corruption or to meet its legal obligations to prevent, detect and deter financial crime, e.g. money laundering or terrorist financing (including cybercrime).	– The Bank or its delivery partners engage in or are a party to Financial Crime e.g. Money Laundering, sanctions' breaches, bribery or corruption, insider dealing and tax evasion. – Internal fraud by BBB colleagues. – External fraud perpetrated against BBB including cyber crime.	– New customer onboarding due diligence, e.g. KYC, Sanctions screening etc. – In-life ongoing customer due diligence. – Suspicious activity reporting procedure. – Close liaison with BEIS and Cabinet Office counter fraud network. – Regular interaction with other fraud prevention organisations e.g. CIFAS, NCIS, NCA etc. – Close liaison with Covid-19 emergency finance scheme delivery partners on counter fraud measures. – Bank employees are subject to a Code of Conduct, annual Compliance Declaration and mandatory e-Learning.

Principal Risk	Definition	Example categories	Example mitigants
Legal and Compliance Risk **Risk appetite:** Low	Risk of breaching all applicable UK and EU law, regulation, or standards relating to delivery partners and products which exposes the Bank to fines and penalties as well as other associated financial losses.	– Breaches of legal requirements in relation to public law or breach of government guidelines appropriate to a non-departmental public body. – Risk that the Bank is not compliant with State aid rules. – The risk that the Bank operates in breach of applicable UK and EU laws and regulations, or the law of any other jurisdiction that is binding in the UK. – Risk that delivery partners breach legal or regulatory requirements.	– New products and programmes are assessed against the appropriate regulatory environments. – The Bank has a suite of policies to direct governance, e.g. Tax Policy, Procurement How to Buy Guide. – Regular dialogue with the Shareholder State aid teams. – Legal Team review of transaction structuring. – The Bank undertakes extensive due diligence on new delivery partners and monitors existing delivery partners and their performance against contractual requirements or Service Level Agreements.
Reputational Risk **Risk appetite:** Low – Medium	The risk that the firm will act in a way which falls short of external stakeholder expectations and causes reputational damage.	– The corporate actions of the Bank fall short of the expectations of our Shareholder and/or staff. – The corporate actions of the Bank or its delivery partners create a negative impression of the Bank for the general public.	– A Reputational Risk Management Policy is in place. – Active engagement with external stakeholders, continuous monitoring and service agreements. – The Bank undertakes extensive due diligence on new delivery partners and monitors existing delivery partners and their performance against contractual requirements and Service Level Agreements. – The Bank has a robust Complaints Policy in place. – Social Media Guidelines are in place for colleagues.

Separately, the Board and Board Risk Committee review an assessment of the quantification of the monetary value of potential downside risks of a severe downturn against our Business Plan excluding the Covid schemes.

This assessed the unlikely but plausible losses on our portfolio assuming a 1 in 20 year downside scenario or macroeconomic downside scenario across the various programmes. For the financial year 2020/21, we have utilised third-party economic forecasts and reports in addition to the Bank of England Stress Test for the Bank's programmes excluding the Covid schemes.

We also assessed the unlikely but plausible financial losses arising from negative fluctuations in Foreign Exchange currency prices and UK interest rates. All stress test loss outcomes were shared with our Shareholder.

Risk governance

The British Business Bank risk governance structure is shown below:

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

– The Board has overall accountability and responsibility for the management of risk within the Bank.

– The Board delegates specific risk management roles and responsibilities to the Risk Committee, the Audit Committee, CEO, and the CRO.

– The CEO is supported in delivery of these responsibilities through direct reports from the Executive Committee and the Executive Audit and Risk Committee.

– The CRO is a member of the Executive Committee and Executive Audit and Risk Committee and is also 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.

– The Internal Audit function operates independently of both the business and the Risk and Compliance function, reporting directly to the Audit Committee, highlighting key areas of weakness relating to governance, risk management or internal control.

The effective execution of the risk management roles and responsibilities within the British Business Bank is enabled through the adoption of the three lines of defence governance model, where the:

– First line of defence is responsible for day to day management of risk and control. Function heads have primary accountability for the performance, operation, compliance and effective control of risks affecting their business area.

– Second line of defence is made up of an independent risk management capability that provides objective independent review, 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 to mitigate any risks.

– Third line of defence provides independent assurance of the overall system of internal control, with audits covering all aspects of both first and second lines of defence risk management and control activity.

The Bank encourages a strong culture of risk awareness and transparency through robust risk governance, clear accountabilities, regular intranet updates and in-house live and computer-based training.

Policies form an integral part of managing risk within the British Business Bank. We have in place an enterprise-wide set of policies, frameworks and procedures covering the major parts of our business.

They outline how we intend to function, taking account of regulatory or legal requirements and industry best practice. Policies are approved by the appropriate committees and communicated to staff. Colleagues are also subject to the British Business Bank Code of Conduct and annual compliance declarations.

Approved by the Board of Directors

Catherine Lewis La Torre
Chief Executive Officer
15 September 2021

Directors' remuneration report

Chair's foreword

On behalf of the Board, I am pleased to present the remuneration report for the British Business Bank for the year ended 31 March 2021. Those sections of the report that have been audited by the National Audit Office have been identified as such.

On a personal level I have been struck by the way that colleagues at all levels and in all parts of the Bank responded to the combined challenge of working remotely while delivering at pace the key initiatives designed to support businesses through the impact of the Covid-19 pandemic.

In spite of the inevitable impact on work/life balance for many colleagues, engagement levels across the Bank remain high. The additional support the Bank has put in place in terms of colleague well-being and supporting remote-working has been well-documented in the 'Our people' section of this report.

The remuneration report is divided into two parts:

1. Policy on Executive Directors' and senior management remuneration.
2. Annual report on remuneration. This section outlines how the policy has been applied and includes details of remuneration for the senior team.

The role of the Remuneration Committee

The Committee's primary role 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, and
- links executive reward to the Bank's performance against its long-term business plan.

Our overriding aim is to ensure that our reward package is competitive in the commercial environment in which the Bank competes for talent, while remaining appropriate to our responsibilities as a publicly owned body. We also make sure that our performance management processes are fair and robust, with a strong link between performance and reward, so that there is no reward for failure at any level within the Bank.

Key decisions taken by the Committee this year

As reported in the 2020 annual report, Keith Morgan stepped down as CEO of the Bank, and Catherine Lewis La Torre was appointed as CEO with effect from 1 September 2020. The Committee determined the remuneration package for Catherine as CEO, and agreed the remuneration arrangements for Keith's departure. Both decisions are reported more fully in the main body of the report.

In accordance with the rules of the LTIP, awards were assessed for the corporate performance element of the scheme over the three-year cycle ending 31 March 2021. Based on the performance of the Bank against its Key Performance Indicators and taking into account various other considerations, the Committee concluded an award of 85% of the maximum was appropriate. Further details of awards of the senior executives are set out later in this report.

Other key decisions made by the Committee and recommended to the Board during the year were:

- agreeing the remuneration package for the appointment of the interim CFO to a permanent contract of employment and as a Director of the Bank
- determining the pay-out level for the corporate element of the Bank's Performance Bonus Plan for the year ended 31 March 2021
- agreeing awards under the personal element of the Bank's Long-Term Incentive Plan (LTIP) for all members of the Bank's Executive Committee for the year ended 31 March 2021, and the aggregate pay-out level for all other colleagues
- setting corporate performance targets and agreeing participants for the LTIP Cycle 7
- changing the weighting of the corporate and personal measures in the LTIP to 50% corporate and 50% personal, as reported last year.

The median CEO pay ratio for 2020/21 is 8:1. While this ratio is still very much at the lower end of the range of ratios reported by private sector organisations, it is higher than the ratio reported last year. This is due to the way that pay arrangements for the outgoing and incoming CEO must be reported for the year, and in particular to the inclusion of the full-year LTIP awards for both incumbents, as explained elsewhere in the report.

The first few months of the financial year were a period of intense activity for colleagues across the Bank, as the Bank put in place within a very short period of time the series of short- and medium-term lending programmes it had been asked to deliver to support UK businesses through the worst of the Covid-19 crisis. During this time the Committee was focussed on ensuring that colleagues were fairly and appropriately rewarded for their achievements, while at the same time being mindful of the impact the crisis was having on the Bank's other stakeholders, including delivery partners, and businesses.

The Committee agreed an increase to salaries that was in line with increases awarded elsewhere. It also agreed to the payment of the personal element of bonus to most colleagues in June, slightly earlier than usual.

Other initiatives to support colleague wellbeing and engagement are mentioned elsewhere in this report, including the launch of a peer-to-peer recognition platform ('MyRecognition'), and a new health cash plan during the year.

In accordance with the Executive Committee's own wishes, no annual salary increase was awarded to members of the Executive Committee, notwithstanding the very strong contribution made by that group both individually and collectively to the successful roll-out of the Covid-19 programmes and the progress made against the Bank's broader strategic goals during the year.

The Committee exercised its discretion under the withholding and recovery provisions of the Bank's LTIP and STIP in respect of one former employee.

Looking ahead, the public sector pause on pay for 2021/22 means that no annual salary increases will be awarded this year with the exception of our most junior colleagues. As the UK economy recovers from the impact of lockdown, the Bank's remuneration strategy is likely to come under increasing pressure as we strive to attract and retain talented and experienced individuals who might otherwise work within the private sector. This is critical to our ability to bring senior, experienced hires into the organisation at a time of rapid expansion, in response to Covid interventions and increasing complexity, which in turn is key to the delivery of the ambitious goals the Bank and the Shareholder have around key policy areas such as levelling up and net zero. The Committee will keep the remuneration strategy under review to ensure that the Bank is able to maximise the value of its existing reward arrangements while remaining fully within the restraint expected of it as a public sector body.

Amanda Rendle
Chair of the Remuneration Committee

Remuneration policy report

Table 1: Remuneration policy

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 Remuneration Committee also considers the external environment, the conditions and pay of employees across the Bank 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 higher in certain circumstances, such as where: – there has been an increase in the scope or responsibility of an Executive Director's role – a salary has fallen significantly below market positioning given the size and scale of the Bank.
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. Objectives are set at the beginning of each cycle and progress is reviewed by the Committee on an annual basis. Objectives are set in two categories: corporate and personal. The weighting between these categories may be varied over time, at the discretion of the Committee, considering the requirements of the business and any relevant external factors. For the LTIP cycle beginning April 2020, the weighting is 50% to corporate targets and 50% to personal targets. For earlier in-flight LTIP cycles, the weighting is 60% corporate and 40% personal targets. Corporate targets cover rolling three-year periods and will generally be in line with the Bank's business plan objectives. The current targets for the LTIP awards granted during the year and the threshold levels are set out in the Annual Report on Remuneration and have no specific weightings. Personal targets are designed to consider the specific responsibilities of individual senior leaders in the Bank.

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 personal objectives may be paid after two years and the corporate 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 forfeit and lapses in full, although there are exceptions that may be agreed by the Committee for participants categorised as 'good leavers'. The 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)

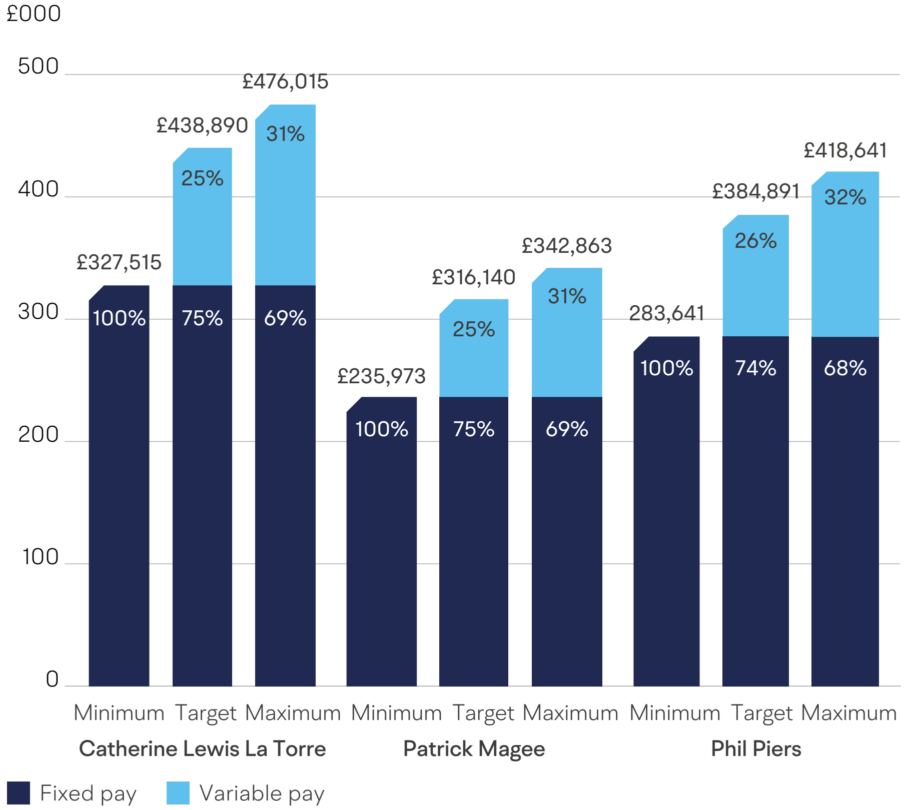
Element	Operation, opportunity and performance framework
Pension and other benefits	
Objective To provide a range of flexible and market competitive benefits that are valued and support colleague wellbeing To encourage planning for retirement and long-term savings	The Bank contributes up to a maximum 15% of base salary to its defined contribution scheme or an approved personal pension 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 the cycle to work scheme, 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 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 Executives' 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 (salary and current cost of benefits and pension).
2. Target = fixed pay and 75% vesting of the LTIP.
3. Maximum = fixed pay and 100% vesting of the LTIP.
4. Phil Piers was appointed as CFO and a Director of the company with effect from 1 May 2021. The illustrations here show his remuneration at the date of his appointment on an annualised basis.



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. During the year, Patrick Magee served as a Non-executive Director at International Biotechnology Trust plc and received a fee of £28,000, and Keith Morgan served as a Non-executive Director at UK Asset Resolution Ltd and received a fee of £60,000 for the period 1 April–31 December 2020.

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 Directors' report.

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 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 in light of changes in 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 fee will be reviewed from time to time by the 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 reviewed annually by the Chair and the 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, Risk and Remuneration Committees, in recognition of the additional time spent on their committee activities. This is in line with UK practice generally.

Annual report on remuneration

This part of the report sets out how the Bank's remuneration policy has been implemented during 2020/21, 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.

Disclosures are also made in accordance with the Companies Act 2006. The Bank has complied with the regulations where it believes it is appropriate to do so.

Although the Bank is not subject to the variable pay cap introduced under the European Union Capital Requirements Directive, variable pay for all colleagues is within the limit of 1 x salary.

Single Total Figure of Remuneration

Details of the total remuneration paid to Executive Directors for each of the years 2019/20 and 2020/21 are shown in separate tables below.

Table 4: Executive Director remuneration (audited)

	Year ended 31 March 2021					
	Salary £000	Taxable Benefits £000	Pension Payments (including cash supplements) £000	Total Fixed Pay £000	Long-term incentive £000	Total £000
Catherine Lewis La Torre	173.3	0.4	17.3	191.0	104.4	295.4
Keith Morgan	126.8	0.1	12.7	139.6	69.9	209.5
Patrick Magee	213.8	0.8	21.4	236.0	87.2	323.1
Total	**513.9**	**1.3**	**51.4**	**566.5**	**261.5**	**828.0**

Table 4: Executive Director remuneration (audited) (continued)

	Year ended 31 March 2020					
	Salary £000	Taxable Benefits £000	Pension Payments (including cash supplements) £000	Total Fixed Pay £000	Long term incentive £000	Total £000
Keith Morgan	304.4	0.0	30.4	334.8	85.2	420.0
Christopher Fox	235.0	0.7	0.0	235.7	61.7	297.4
Patrick Magee	213.8	0.7	21.4	235.9	73.5	309.4
Total	**753.2**	**1.4**	**51.8**	**806.4**	**220.4**	**1,026.8**

Notes

1. For the year ended 31 March 2021, Catherine Lewis La Torre's and Keith Morgan's salary, pension and taxable benefits as shown in the table show pay received for the period for which they were Executive Directors of the Bank, respectively 1 September 2020 – 31 March 2021, and 1 April – 31 August 2020. 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. Long-term incentive payments relate to the three-year period ending 31 March of the year being reported on.
3. Executive Directors are not eligible for annual incentive payments.
4. The Executive Directors receive death in service and illness income protection benefits which are non-taxable.
5. A health cash plan benefit was introduced on 1 July 2020 and is included under taxable benefits for the relevant portion of the year.
6. The company did not make pension contributions for Keith Morgan but instead paid a cash alternative to him.
7. Keith Morgan's pay for the period 1 September 2020–31 December 2020 is reported separately under Payments to Past Directors.
8. Chris Fox ceased being a Director of the company on 31 March 2020.
9. Catherine Lewis La Torre's pay for the period 1 April–31 August 2020 was split on an equal basis between British Business Investments and British Patient Capital, and is reported separately in their respective Annual Report and Accounts.

Performance assessment

LTIP Cycle 5 matured on 31 March 2021, covering the three-year period 1 April 2018 to 31 March 2021. Awards under the scheme are based on both corporate performance (60% of the total potential award) and personal performance (40% of the total potential award).

Considering performance against KPIs (shown in table 6), the Remuneration Committee has determined that a corporate performance pay-out of 85% of the maximum award is appropriate.

Table 5 provides a breakdown of the Long-Term Incentive Plan (LTIP) payments included in the single total figure of remuneration for the year ended 31 March 2021.

Table 5: LTIP awards made to Executive Directors that became fully-vested during 2020/21

	Potential Award £000	Performance Awarded	Actual Award £000
Catherine Lewis La Torre			
Max amount: £000	**119.7**		
Personal Performance	54.0	90%	48.6
Corporate Performance	65.7	85%	55.8
Total Award	**119.7**		**104.4**
Keith Morgan			
Max amount: £000	**142.0**		
Personal Performance	59.8	0%	0.0
Corporate Performance	82.2	85%	69.9
Total Award	**142.0**		**69.9**
Patrick Magee			
Max amount: £000	**105.0**		
Personal Performance	42.0	80%	33.6
Corporate Performance	63.0	85%	53.6
Total Award	**105.0**		**87.2**

Notes

1. For Catherine Lewis La Torre, who was not a Director of the Bank at the time of the original award, the personal LTIP award that vested fully during 2020/21 is from LTIP Cycle 6, and relates to the 2019/20 performance year. For Keith Morgan and Patrick Magee, the personal awards are from LTIP Cycle 5, and relate to the 2018/19 performance year.
2. In all cases, the corporate LTIP awards that vested fully during 2020/21 are from LTIP Cycle 5, and relate to the three-year period ending 31 March 2021.

LTIP Cycle 5: assessment against corporate performance measures

Table 6 sets out the targets for the three-year period ending 31 March 2021, together with the Board's assessment of the Bank's performance against those targets. This assessment formed the basis of the Board's determination of the corporate element of for this LTIP Cycle.

The Board noted the significant impact of the pandemic on the Bank's activities during the final year of this LTIP Cycle, and concluded that it was appropriate to apply a degree of discretion to its assessment of performance against the original targets, taking a pragmatic view of the Bank's achievement across the Cycle. In particular, the Board agreed that the final year had been exceptional.

In forming its view, the Board drew on evidence from the National Audit Office and several parliamentary committee appearances. The Board felt that the Bank had managed key stakeholders well and had been quick to respond to the demands of the Treasury and BEIS to support businesses through the crisis, challenging where appropriate. Although the Stretch target for KPI 1 was narrowly missed, all other Stretch targets were either achieved or exceeded. The Board therefore decided that, on balance, an award of 85% of the maximum was appropriate.

Table 6: Original KPI targets, revised targets and actual outcomes (LTIP Cycle 5 corporate performance)

Objective	Key Performance Indicator	Actual	Lower threshold	Stretch	Challenge
1. Increase supply	Value (£bn) of stock of finance supported through the Bank's programmes by end March 2021.	£8.5bn: Missed stretch target	£6.5bn	**£8.7bn**	£9.6bn
2. More diverse finance market	% of finance supported through smaller providers (non-'Big 5' banks) by end March 2021.	94.5%: Exceeded stretch target	87%	**92%**	96%
3. Regional	Performance over 2018/19 will be measured against a qualitative report provided by the Executive. This approach may be refined for 2019/20 and 2020/21.	Achieved stretch target	Performance against this KPI will be assessed by the Remuneration Committee at the end of each financial year and aggregated over the three years to give an overall score		
4. Better provision of information	Balanced scorecard measure, showing an average of green across each year in the plan. Each year to be measured against the following five elements: a. Effectiveness of building awareness of the Bank b. Measures relating to the use of the Business Finance Guide c. Measures relating to the use of the Finance Hub d. Measures relating to the regional manager network e. Impact on SME population's awareness and behaviour	Achieved stretch target	Amber/ green (2)	**Green (3)**	Green (4)
5. Centre of Expertise	Performance over 2018/19 will be measured against a qualitative report provided by the Executive. This approach may be refined for 2019/20 and 2020/21.	Achieved stretch target	Performance against this KPI will be assessed by the Remuneration Committee at the end of each financial year and aggregated over the three years to give an overall score		
6. Manage taxpayers' resources efficiently	Adjusted return on capital employed (net of temporary fair value discounts by end March 2021.	14.6%: Exceeded challenge target	2%	**2.4%**	3%

LTIP Cycle 5 and 6: assessment against personal performance measures

The figures included in Table 5 above reflect the personal element of the LTIP Cycle which vested fully in the reporting year. For Keith Morgan and Patrick Magee, this was LTIP Cycle 5, for which performance was assessed against personal performance for the performance year 2018/19. For Keith Morgan, the Chair, the Committee and Keith agreed that a personal performance award would not be made in respect of LTIP Cycle 5. For Patrick Magee, the Committee concluded that Patrick's personal performance for 2018/19 was ahead of target and awarded 80% of the maximum.

For Catherine Lewis La Torre, the figure included in Table 5 reflects the personal element of LTIP Cycle 6, for which performance was assessed against personal performance for the performance year 2019/20. Catherine's personal performance was assessed as 'exceeded objectives' and she was awarded 90% of the maximum award. Catherine was in her previous role as CEO, BBI and BPC for the whole of this period.

Non-executive Director remuneration

Non-executive Directors receive remuneration in the form of a fee. Details for each of the years 2019/20 and 2020/21 are shown in table 7.

The base fee for Non-executive Directors is £25,000 and the base fee for the Senior Independent Director is £40,000. Individuals receive an allowance of £4,995 for chairing a committee. There are no additional fees payable for individual committee membership.

Table 7: Non-executive Director remuneration (audited)

	Total Fees 2020/21 £000	Total Fees 2019/20 £000
Neeta Atkar (senior independent director)	45.0	35.6
Jonathan Britton	30.0	30.0
Jennifer Knott	7.6	n/a
Piers Linney	25.0	25.0
Dharmash Mistry	25.0	22.9
Amanda Rendle	30.0	30.0
Nathaniel Sloane	25.0	2.1
Ceri Smith	nil	nil
Lord Smith (Chair)	120.0	120.0

Notes

1. Ceri Smith was the Shareholder Representative and therefore did not receive a fee. He resigned as a Director of the company on 18 April 2021. Jamie Carter was appointed a Shareholder Representative and a Director of the company with effect from 19 April 2021.
2. Neeta Atkar replaced Christina McComb as Senior Independent Director with effect from 15 November 2019.
3. Dharmash Mistry was appointed with effect from 1 May 2019.
4. Nathaniel Sloane was appointed with effect from 1 March 2020.
5. Jennifer Knott was appointed with effect from 14 December 2020.

Scheme interests awarded during the financial year

Executive Directors and other senior colleagues are invited to participate in a Long-Term Incentive Plan. There is no annual bonus plan for this group. The table below shows interests awarded to Executive Directors during 2020/21. 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 2020/21 performance year, with payment deferred for 24 months. The corporate element will be assessed over the three-year period ending 31 March 2023. For Executive Directors, the personal and corporate elements of this award will both normally be paid in August 2023, subject to vesting conditions being satisfied.

Table 8: LTIP Cycle 7 awards to Executive Directors

	Year ended 31 March 2021						
	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
Catherine Lewis La Torre	Cash LTIP	50%	74.3	74.3	148.5	50%	31 March 2023
Keith Morgan	Cash LTIP	50%	76.1	76.1	152.2	50%	31 March 2023
Patrick Magee	Cash LTIP	50%	53.4	53.4	106.9	50%	31 March 2023

Table 9: Group targets for LTIP Cycle 7 (April 2020 – March 2023)

Strategic Objective	20/21 KPIs	Threshold	On-target/ Stretch	Challenge
1. To increase the supply of finance to smaller businesses where markets don't work well	Quantitative: Stock of Finance Supported: – KPI excludes Covid-19 programmes	£9.6bn	£12.0bn	£13.2bn
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – Advice on, and delivery of, Covid-19 response programmes as the main focus of the Objective: it will describe in-year activities of advice and support, as well as relevant product statistics on programme outputs and outcomes – Changes to existing products and activities due to Covid-19	Threshold	Stretch/ on-target	Challenge
2. To help create a more diverse finance market for smaller businesses, with greater choice of options and provider	Quantitative: percentage of Stock outside of the "Big-Five": – KPI will exclude Covid-19 programmes – Covid-19 programme stock distribution percentages and provided for information	87%	91.9%	96%
3. To identify and help to reduce regional imbalances in access to finance for smaller businesses across the UK	Quantitative: flow of Gross Deployment outside of London: – KPI will exclude Covid-19 programmes – Covid-19 programme gross deployment provided for information	£952.8m	£1,191.0m	£1,310.1m
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – Activities contributing to the objective, incorporating internal data and the reputation survey of intermediaries	Threshold	Stretch/ on-target	Challenge

Table 9: Group targets for LTIP Cycle 7 (April 2020 – March 2023) (continued)

Strategic Objective	20/21 KPIs	Threshold	On-target/ Stretch	Challenge
4. To encourage and enable SMEs to seek the finance best suited to their needs	Quantitative: The KPI will include both Awareness and Consideration targets	Stretch target minus 2% (Awareness) or 1% (Consideration)	For 20/21: Awareness 25% Consideration 42% Targets for subsequent years subject to agreement by the Board	Stretch target plus 2% (Awareness) or 1% (Consideration)
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – On the commitments within the new, broader Strategy, drawing on a range of data sources (RepTrak, HotJar, media scorecards, etc.). The results of the reputation survey will provide a datapoint in the report, not a KPI itself	Threshold	Stretch/ on-target	Challenge
5. To be the centre of expertise on smaller business finance in the UK, providing advice and support to government	Qualitative report: Board assessment of qualitative reports on performance from UKGI only, foremost on Priority Activities, as well as on other Supporting and Unanticipated Activities achieved in the year – UKGI means of assessment to be transparent to BBB – Results of the reputation survey as a datapoint in the report, not a KPI itself	Threshold	Stretch/ on-target	Challenge
6. To achieve the Bank's other objectives whilst managing taxpayers' money efficiently within a robust risk management framework	Quantitative: The Bank will be held to the forecast adjusted return on capital employed – KPI will exclude Covid-19 programmes – Covid-19 programme returns provided for information	0.67%	1.07%	1.67%
	Qualitative report: on Risk activities during the year (Threshold/ Stretch/Challenge rating to be determined by the Board)	Threshold	Stretch/ on-target	Challenge

Payments to past Directors

After stepping down as CEO and as a Director of the Bank on 31 August 2020, Keith Morgan continued as an employee of the Bank until 31 December 2020, supporting the smooth transition of responsibilities to the new CEO. His salary and allowances remained unchanged from their previous level. In total he received £123,361 in remuneration for this part-year period.

Chris Fox, whose employment with the Bank ended on 31 March 2020, returned as an Interim Executive for a fixed term between 17 April–17 July 2020, to provide additional consultancy support to the Bank's Investment Committee and to create and establish a standardised approach to investment variations in response to Covid-19. In total he received £39,124 in remuneration for this period.

Payments for loss of office

Keith Morgan stepped down as CEO with effect from 31 August 2020, although he remained as an employee of the Bank until 31 December 2020 to support the smooth transition of his responsibilities. In line with the Bank's policy on payments for loss of office, he has received or will receive the following payments:

– A consideration of £100 in respect of the employee's obligations under the terms of termination of his employment

– Up to £2,750 + VAT in respect of the employee's legal costs, paid directly by the Bank to the adviser as provided for under the relevant statutory provisions

– Subject to meeting his objectives for the year up to his termination date, and to the malus and clawback provisions of the LTIP, the Committee agreed that Keith will be treated as a 'good leaver' in respect of his outstanding LTIP awards. His award under LTIP Cycle 5 is disclosed above, and will be paid at the same time as awards for other LTIP participants. In addition, he is eligible for awards under LTIP Cycles 6 and 7 to a maximum value of £162,083. All awards have been pro-rated to reflect the portion of the respective performance periods for which he was an employee of the Bank, and the value shown above assumes that the maximum corporate award is paid for each of these cycles.

Final pay-outs will be determined based on actual performance over the three-year period. Awards will be paid out on the normal payment dates. Remuneration received in respect of Keith's employment between September and December 2020, after he had stepped down as CEO and as a Director, is shown above under 'Payments to past Directors'.

Percentage changes in CEO/colleague pay

The CEO did not receive a salary increase in 2020/21, nor did any other member of the Bank's Executive Committee. Most colleagues below Executive Committee level received an individual increase of at least 1.5% in April 2020, with higher increases to a limited number of colleagues on a discretionary basis, primarily to bring salaries closer to market levels. Catherine Lewis La Torre received a salary increase on promotion to the role of interim CEO.

Pay ratio of the CEO's total remuneration compared to other colleagues at 31 March 2021

The table and accompanying notes below set out, for the years ended 31 March 2020, 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.

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 2021

– Total bonus awarded or total LTIP awards payable in respect of the year ended 31 March 2021

– Total employer pension contribution (calculated as the % in payment as at 1 January 2021 and applied to FTE salary)

– Taxable value of the private medical insurance benefit for eligible colleagues.

Year	Method	Lower quartile pay ratio	Median pay ratio	Upper quartile pay ratio
2021	Option A	12:1	8:1	5:1
2020	Option A	10:1	6:1	4:1

CEO total remuneration has been calculated by reference to the combined single total figure of remuneration for the year ended 31 March 2021 for the outgoing CEO (Keith Morgan) and the incoming CEO (Catherine Lewis La Torre). Both figures are pro-rated for the portion of the year for which each was in office (5 and 7 months respectively), except that the LTIP is the full-year figure for both. This has resulted in a spike in the total CEO remuneration reported here for the year, and a consequent increase in the ratio of CEO total remuneration to other colleagues. In the normal course of events, we would expect the CEO pay ratio to reduce again for 2021/22.

Allowing for the impact of reporting the combined CEO total remuneration for the incoming and outgoing CEO, as noted above, the Remuneration Committee believes that the ratio of median pay ratio of 8:1 remains appropriate and proportionate, striking a balance between the Bank's need to recruit and retain staff who might otherwise work in financial services, while at the same time delivering value-for-money as a public sector body.

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 2019/20, to illustrate the relative importance of spend on pay.

The year-on-year fall in remuneration as a percentage of total revenues is due to the significant increase in total revenues in 2020/21. This increase is explained in detail elsewhere in this report.

Year	Total revenue (£k)	Total remuneration (£k)	%
2020/21	413,514	36,931	9%
2019/20	81,787	30,743	38%

Implementation of the remuneration policy for 2021/22

Catherine Lewis La Torre was appointed as CEO and as a Director of the Bank with effect from 1 September 2020. The Committee agreed that her salary should be increased to £297,000 on appointment, an increase of 10% compared to her previous salary as CEO, BBI and BPC. All other elements of Catherine's remuneration package remained unchanged, except that she now participates in the LTIP as a Director, with an extended deferral period applying to the personal element of her award. Catherine is a member of the Bank's pension plan, with employer contributions capped at 10% of salary.

Phil Piers, who had joined the Bank on 4 November 2019 as interim Chief Financial Officer, was appointed to the role on a permanent basis as a Director of the company on 1 May 2021. On appointment as a Director, his salary was increased to £270,000 per annum. Subject to confirmation by the Committee, he will be eligible to participate in the Bank's LTIP for the year 2021/22 on the same terms as other participants. He is eligible for the Bank's pension plan at a maximum employer contribution of 5% of salary. In all other respects, his benefits eligibility reflects the Bank's remuneration policy, including health cash plan, life assurance, and group income protection.

The Committee exercised its discretion under the Bank's LTIP and STIP to withhold all future payments, and to recover certain payments already made, in respect of one former employee.

For 2021/22, the Bank has observed the public sector pause on pay, announced by the Chancellor in December 2020. No general salary increases have been awarded to colleagues in respect of 2021/22, with the exception of the increases to colleagues paid £24,000 or less permitted within the terms of the pay pause.

The Bank's performance-related bonus and long-term incentive arrangements accrued in respect of the year 2020/21 have been paid as normal.

In addition, the Bank has streamlined its pension provision to a single provider, and changed the default investment option within the pension plan to a structure better-suited to existing pensions freedoms. Eligibility and contribution levels remained the same.

Membership of the Remuneration Committee

The Remuneration Committee comprises Amanda Rendle, Nathaniel Sloane and Jamie Carter (representing the Shareholder). Amanda Rendle has been Chair of the Committee since 1 January 2019. Nathaniel Sloane was appointed in March 2020. Jamie Carter was appointed to the Committee with effect from 19 April 2021, taking over from Ceri Smith.

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 General Counsel, the Chief People Officer and the Reward Director have been invited to join meetings, but not where their own remuneration is the subject of discussion.

The Company Secretary or her delegate acts as Secretary to the Committee.

External advisers

The Remuneration Committee uses advisers for the provision of remuneration advice. During the year Mercer provided advice to the Committee on remuneration matters for a fee of £56,755. Aon McLagan provided benchmarking data for fees of £24,120. Neither of these advisers has any connection with the Bank.

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 UK Company Law, the Directors have elected to prepare both the Group financial statements and the parent 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 group and of the profit or loss of the company and group for that period. In preparing these financial statements, the Companies Act 2006 requires that Directors:

- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity f 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 undertakings included in the consolidation taken as a whole
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, 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 shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Catherine Lewis La Torre
Chief Executive Officer
15 September 2021

Phil Piers
Chief Financial Officer
15 September 2021

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 2021 which comprise the Consolidated Statement of Comprehensive Net Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. 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 group's Business Plan for 2021–22 relevant to its operating expenditure; and
- reviewing letters of comfort issued by the Department for Business, Energy and Industrial Strategy to the group in support of the group's activities and the provision of funding.

I consider the key aspects of management's assessment to be their view that they have sufficient budgets and letters of comfort in place to undertake the activities included within the business plan and to continue to meet obligations as they fall due.

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 directors 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 judgment, 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.

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by 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 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; or fraud in revenue recognition, with specific regard to investment income, where my work has not identified any matters to report.

The areas of focus 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 77–78.

Measurement of expected credit losses

Description of risk

The determination of expected credit losses (ECL) continues to be an area of significant estimation and judgement. Subjectivity of judgement remains high in the current pandemic environment, particularly in relation to how payment deferrals, government support schemes, and recovery profiles are expected to impact the recovery of contractual cashflows.

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 Covid-19 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 COVID-19 and the UK's exit from the European Union (EU). 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 2021 is £77.7m. The decrease of £44.9m from the 31 March 2020 allowance is mainly due to the write-off of long-standing loan balances, which had 100% ECLs associated with them, and a reduction in the value of overlays reported because of a more optimistic economic outlook. This is partially offset by an increase in ECLs on new loans issued.

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 still exists. Management have presented additional quantitative and qualitative disclosure (Note 24.3 – Financial Risk Management) regarding this estimation uncertainty in BBB's financial statements.

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 experts under ISA 500 using economics specialist members of my team.
- 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 significant 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.

While there is an improved economic outlook, there remains significant estimation uncertainty in the measurement of loss allowances as a result of the continued economic implications of the Covid-19 pandemic and the UK's exit from the EU. The financial statements (Note 24.3 – Financial risk management) describe the additional uncertainty in the measurement of the ECL and its sensitivity to key assumptions, which I am content is adequately disclosed.

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 measured at fair values which are subjective and based on methods which rely on a range of unobservable inputs. These investments are held in the significant components British Business Finance Limited (BBF), British Business Investments Limited (BBI), British Patient Capital Limited (BPC) and the Start-up Loans Company (SUL).

The assumptions and judgements applied by management are disclosed in Note 2 to the financial statements (under the heading *Fair at initial recognition – SUL*) and in Note 3 to the financial statements (under the headings *Judgements and Estimates*).

The economic implications of the COVID-19 pandemic and the UK's exit from the EU have resulted in financial market volatility which has increased the level of estimation uncertainty inherent in the fair value measurement of investments. In the context of the fair value measurement of BBB's investment in external funds, there is most estimation uncertainty attaching to the equity investment funds in the Venture/Venture Growth, Managed Funds and UK Innovation Investment Fund programmes. Together these funds are valued at £867m, approximately 35% of the total investments held by the group.

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.

Financial assets held at fair value amount to £1.98bn at 31 March 2021 (£1.51bn at 31 March 2020). The increase in fair value is primarily due to an increase in investment balances and activity, which is reflective of the ongoing growth of the business and has resulted in significant fair value movements in the year.

Fair value measurement of financial instruments (continued)

How the scope of my audit responded to the risk

In auditing the financial asset valuations I have performed the following procedures:

- I have tested the design and implementation of the controls applied by the 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.
- 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.
- 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 observations

Based on the evidence I obtained I found that the valuations provided by fund managers were compliant 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.

As a result of the volatility of financial markets at 31 March 2021, due to the economic implications of the Covid-19 pandemic and the UK's exit from the EU, there is increased estimation uncertainty in the measurement of fair values, especially for investments held in externally managed debt and equity funds. Note 13 to the financial statements (under the heading *Impact of Covid-19 on Investment Valuations*) adequately discloses the additional uncertainty in these fair values.

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	£24m
Basis for determining materiality	1% of net investment assets.
Rationale for the benchmark applied	BBB develops and manages finance programmes that are designed to enhance the working of financial markets and which it delivers through investments in partner organisations. I therefore chose net investment assets as the benchmark because I consider it to be the principal consideration for users in assessing the financial performance of the 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 85% of group materiality for the 2020–21 audit (2019–20: 85%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would, if not corrected, influence the decisions of users. For example, any errors reported in the Accountability Report. Assessment of such matters would need 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.

Total unadjusted audit differences reported to the Audit Committee would further increase net assets by £762k.

Audit scope

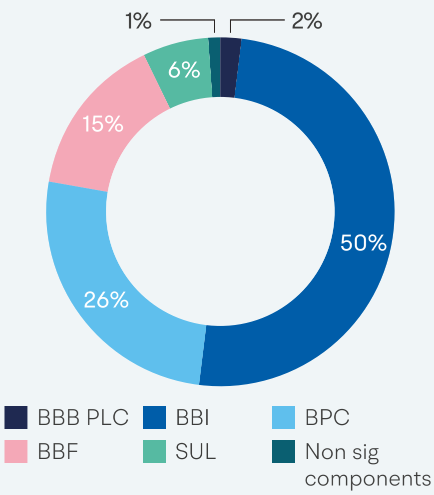
The scope of my British Business Bank plc group audit was determined by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The 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, The Start-Up Loans Company, British Business Aspire Holdco Limited, Capital for Enterprise Limited, Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited. The group financial statements are a consolidation of these companies.

I identified the following as significant components of the 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 group's consolidation process, gave me the evidence I needed for my opinion on the group financial statements as a whole. The significant components of the 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 group financial statements as a whole.

Total assets of the British Business Bank plc group (as at 31 March 2021)



Other Information

The other information comprises information included in the annual report, 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. In connection with my audit of the financial statements, 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports 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
- the information about the group'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 p173–176, on the Parent Company Financial Statements of British Business Bank plc for the year ended 31 March 2021 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
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit;

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 Statement 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 p68;
- Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why this period is appropriate set out on p68;
- Directors' statement on fair, balanced and understandable set out on p108;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on p82–89;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on p82–89; and
- The section describing the work of the audit committee set out on p77–78.

Responsibilities of the Directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal control, as the directors determine is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.
- assessing the 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 the 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring 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 group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Group's controls relating to Companies Act 2006
- discussing among 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 part of this discussion, I identified potential for fraud in the following areas: reasonableness of the interest income recognised and the posting of unusual journals and bias in management's estimates;
- obtaining an understanding of the group's framework of authority as well as other legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations I considered in this context included Companies Act 2006, Employment Law and tax legislation; and
- evaluating significant estimates made by management in the production of the financial statements, in particular the measurement of expected credit losses and the fair value measurement of financial instruments.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing these against supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting 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; and
- in addressing the risk of fraud through revenue recognition of interest income, assessing the reasonableness of the Effective Interest Rate estimated; and assessing the accuracy of the interest income calculated by the models by testing the reasonableness of the assumptions used, and the reliability of the data inputs.

I also communicated relevant identified laws and regulations and potential fraud risks 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.

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 that I identify during my audit.

Susan Clark
Senior Statutory Auditor
15 September 2021

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 2021

	Note	2021 £000	2020 £000
Income			
Interest income	4.1	45,429	51,535
Grant income	4.2	6,861	16,685
Management fee income	4.3	63,331	19,296
Other income		452	1,472
Gross operating income		**116,073**	**88,988**
Expected credit loss on amortised cost assets	13.1	45,076	(42,012)
Net gains/(losses) on investment assets	5	222,684	(2,971)
Net gain on write down of repayable capital grant	6	29,681	37,782
Net operating income		**413,514**	**81,787**
Expenditure			
Staff costs	7.1	(36,931)	(30,743)
Other operating expenditure	7.2	(78,546)	(32,354)
Depreciation and amortisation		(2,919)	(3,114)
Operating expenditure		**(118,396)**	**(66,211)**
Net operating profit before ECF loan commitment financial liability, interest payable and finance costs		**295,118**	**15,576**
ECF loan commitment financial liability			
Provided in the year on new commitments	16	(35,989)	(44,941)
Released in the year	16	40,674	38,654
Finance costs on lease liabilities		(304)	(314)
Interest payable	17	(6,000)	(11,113)
Profit/(loss) before tax		**293,499**	**(2,138)**
Tax	8.1	(52,007)	(6,594)
Profit/(loss) for the year after tax		**241,492**	**(8,732)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**241,492**	**(8,732)**

All operations are continuing.

The notes on p124–172 form an integral part of the financial statements.

The results by operating segment are shown in note 9 to the financial statements.

Consolidated statement of financial position

As at 31 March 2021

	Note	2021 £000	2020 £000
Assets			
Cash and cash equivalents	10	138,322	63,705
Loan amounts owed from Shareholder	11	-	240,400
Trade and other receivables	12	15,183	9,837
Amortised cost investments	13.1	462,296	471,993
Investments held at fair value through profit or loss	13.2	1,981,545	1,505,522
Property, plant and equipment		1,587	2,596
Right-of-use assets	14	9,317	10,669
Intangible assets		220	778
Corporation tax receivable		25,659	5,499
Deferred tax asset	8.2	-	9,293
Total assets		**2,634,129**	**2,320,292**
Liabilities			
Loan amounts owed to Shareholder	11	(9,600)	-
Trade and other payables	15	(29,391)	(21,451)
ECF loan commitment financial liability	16	(140,979)	(145,664)
Loans and other borrowings	17	(243,963)	(601,078)
Lease liabilities	18	(11,995)	(12,867)
Deferred tax liability	8.2	(53,174)	-
Total liabilities		**(489,102)**	**(781,060)**
Net assets		**2,145,027**	**1,539,232**
Equity			
Issued share capital	21.2	1,860,711	1,496,408
Retained earnings		284,316	42,824
Total equity		**2,145,027**	**1,539,232**

The financial statements of the Group (parent company number 08616013) were approved by the Board of Directors and authorised for issue on 15 September 2021. They were signed on its behalf by:

Catherine Lewis La Torre
Chief Executive Officer

The notes on p124–172 form an integral part of the financial statements.

Consolidated statement of changes in equity

As at 31 March 2021

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2019		**1,496,408**	**51,556**	**1,547,964**
Net income after tax		-	(8,732)	(8,732)
Total comprehensive income		**-**	**(8,732)**	**(8,732)**
Balance at 31 March 2020		**1,496,408**	**42,824**	**1,539,232**
Balance as at 1 April 2020		**1,496,408**	**42,824**	**1,539,232**
Net income after tax		-	241,492	241,492
Total comprehensive income		**-**	**241,492**	**241,492**
Issue of ordinary shares	21.2	364,303	-	364,303
Balance at 31 March 2021		**1,860,711**	**284,316**	**2,145,027**

Consolidated cash flow statement

As at 31 March 2021

	Note	2021 £000	2020 £000
Profit before tax		**293,499**	**(2,138)**
Cashflows from operating activities			
Adjustments for non-cash items:			
Net gain on write down of repayable capital grant	6	(29,681)	(37,782)
Depreciation and amortisation		2,919	3,114
Interest payable		6,000	11,113
ECF loan commitment financial liability	16	(4,685)	6,287
Changes in operating assets and liabilities:			
Net increase/(decrease) in amortised cost investments	13.1	9,697	(40,867)
Net increase in assets at fair value through profit or loss	13.2	(476,023)	(216,728)
Increase in trade and other receivables	12	(5,346)	(91)
Increase in trade and other payables	15	7,939	4,351
Payment of Corporation Tax		(9,700)	(16,490)
Payment of interest payable		(6,000)	(3,932)
Net cash used in operating activities		**(211,381)**	**(293,163)**
Cashflows from investing activities			
Purchases of property, plant and equipment		-	(72)
Net cash used in investing activities		**-**	**(72)**
Cashflows from financing activities			
Issue of new shares	21.2	364,303	-
Capital grants received	17	68,000	-
Payments of lease liabilities		(1,176)	(491)
Finance costs on lease liabilities		304	314
Net increase in shareholder funding	11	250,000	284,600
Net decrease in loans from Nuclear Liabilities Fund	17	(395,433)	(79,600)
Net cash from financing activities		**285,998**	**204,823**
Net increase/(decrease) in cash and cash equivalents		**74,617**	**(88,412)**
Cash and cash equivalents at beginning of the year		63,705	152,117
Cash and cash equivalents at end of the year		**138,322**	**63,705**

Interest received was £66.4m (2020: £84.1m).

The notes on p124–172 form an integral part of the financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2021

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 p6–61.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared in accordance with IFRS and interpretations in force at the reporting date.

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. The principal accounting policies adopted are set out, below.

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

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 2021.

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

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group has received a letter of support from the Secretary of State for BEIS 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 of the previous financial statements were required.

At the date of authorisation of these financial statements, the Directors do not expect that the adoption of Standards and Interpretations in issue but not yet effective will have a material impact on the financial statements of the Group in future years.

Income recognition – Management income and Other income

Under IFRS 15 'Revenue from contracts with customers', income is recognised when a recipient obtains control of a good 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 BEIS and other entities (as detailed in note 4.3). These services include managing the initial issuance and on-going 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 financial instruments are recognised on an effective interest rate 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 income and has been included 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits 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 cash flows 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 13.

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' when 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.

ECLs are calculated using three main components, probability of default (PD), loss given default (LGD) and exposure at default (EAD). The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default. Discounting of the expected cashflows is performed using the Effective Interest Rate (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 22.

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.

Amounts owed to/by Shareholder

These loans are classified as FVTPL under IFRS 9 because the contractual terms do not give rise to cashflows on specified dates and do not include any payment of interest.

Trade and other receivables

Trade 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 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 fair value through profit or loss. 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 loan facilities from the Secretary of State for BEIS and the Nuclear Liabilities Fund which are 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 BEIS 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

The Group has contingent liabilities arising through financial guarantees issued to counterparties.

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 may at times enter into financial guarantee contracts which are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

– the amount of the impairment loss allowance

– the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

For financial guarantee contracts, the loss allowance is measured as a financial liability.

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, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are 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
    - 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 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 ongoing Covid-19 pandemic has given rise to significant additional uncertainty as to investment valuations and the Group has taken account of this in its assessment of the March 2021 valuations by giving particular scrutiny to the valuation methodologies adopted by its fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant guidelines.

Estimates

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 cash flows 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 15.5% and 16.8%, 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 were treated as high risk with a 17.5% discount rate applied this would decrease the fair value of the investments by £13.4m. Alternatively, if all the funds were treated as low risk with a 11% discount rate applied this would increase the fair value of the portfolio by £49.7m.

As an indication of sensitivity on the commitments, if all the funds were treated as high risk with a 17.5% discount rate applied this would increase the loan commitment provision by £4.4m. Alternatively, if all the funds were treated as low risk with a 11% discount rate applied this would decrease the loan commitment provision by £45.6m.

Volatility percentage

The volatility assumptions are based on equity indices that are considered most closely aligned to the ECF portfolio companies, considers the sector-specific focus and maturity of each fund. The volatility assumptions used in the model vary from 15.0% to 43.6%.

A 10% relative decrease in the volatility percentage used across the Enterprise Capital Funds portfolio would lead to a £3.8m decrease in the fair value of the investments. Likewise, a 10% relative increase in the volatility percentage used across the Enterprise Capital Funds portfolio would increase the value of the investments by £3.7m.

b. The assessment of fair value on 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 cash flows arising from the actual and future expected performance of the loans. A 2% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or LIBOR would have lead to an approximate £5.6m decrease in the fair value recognised at inception for the loans newly originated during the year.

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 on-going behavioural modelling is not available, a fixed percentage of the performing portfolio is assumed to be in stage 2 based on historical grade transitions where available.

Where histroical grade transitions are not available the percentage is defined in line with European Banking Authority (EBA) guidance. In the ECL calculations, a scalar based on the observed performance of each respective cohort is applied to the fixed percentage.

The impact of the Covid-19 pandemic has raised further matters for consideration in assessing the 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 growth rates, interest rates, and unemployment rates, and then under two better and two worse scenarios. The selection of variables was reviewed in 2020–21 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 five economic scenarios of varying severity as input to the macroeconomic regression model, and the weightings associated with each are reviewed, challenged and adjusted on a quarterly basis. As at 31 March 2021, adjustments to the scenario weightings have been applied to increase the probability of a downside scenario.

Covid-19 post-model overlays

The Group has applied post-model overlays to reflect the increase in credit risk that is not accounted for due to the lack of behavioural credit scores that reflect the pre-Covid-19 pandemic base case view. The post-model overlays are calculated using a percentage of the model output ECL for each portfolio and are based on the expected impact of the Covid-19 pandemic and known sensitivities of the portfolios to prescribed stresses.

The PD overlays across the Group's portfolios fall between a 1 to 2 notch downgrade for PD on a Moody's granular rating scale. This reflects the expected impact of Covid-19 on each of the portfolios and takes into account the ability of the model inputs to reflect any increase in risk. The LGD overlay is based on a 40% decrease in recovery rates in a stress period, with a further conservative adjustment for SUL and peer-to-peer lending to 90% LGD.

The overlays have resulted in an overall increase in the ECL provision of £8.2m which is 1% of total exposure. Overlays required to reflect increases in PD due to an expected deterioration in the credit quality of lending post-Covid-19 amounting to £0.7m have been applied, as have overlays of £7.9m to account for worsening LGDs due to lower expected recoveries on defaulted loans.

In addition, ECL provisions have been decreased by £0.4m due to the introduction of CBILS guarantees against the loans within a BBI investment lending portfolio.

4. Income

4.1 Interest income

	Note	2021 £000	2020 £000
Contractual Interest from amortised cost investments	13.1	26,582	30,815
Amortisation of fair value adjustment on initial recognition	13.1	18,847	20,720
Total interest income		**45,429**	**51,535**

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

	2021 £000	2020 £000
Grant received from Shareholder	6,861	16,685
Total grant income	**6,861**	**16,685**

Grant income relates to the Resource Grant received from BEIS under the terms of the 'Grant Offer Letter' between BEIS and SUL. The grant income funds the 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

	2021 £000	2020 £000
Management fee income earned from:		
Department for Business, Energy & Industrial Strategy	59,097	15,502
Northern Powerhouse Investments Limited	937	899
Midlands Engine Investments Limited	1,000	1,088
Cornwall and Isles of Scilly Investments Limited	122	80
Innovate UK	41	71
Nuclear Liabilities Fund	1,436	1,612
Other	698	44
Total management fee income	**63,331**	**19,296**

During the year, the Company began managing the Covid-19 emergency finance schemes on behalf of BEIS. As a result, there has been a significant increase in management fee income as reflected above. Details of the scheme management are covered in more detail on p28–31. The management fee income relating to Covid-19 emergency finance schemes recharge is £49.1m (2020: £nil) and the costs are reflected in note 7.3.

5. Net gains/(losses) on investment assets

	Note	2021 £000	2020 £000
Fair value adjustment on initial recognition of amortised cost assets	13.1	(32,905)	(19,394)
Derecognition of amortised cost assets	13.1	(56,317)	(18,193)
Recovery of previously derecognised Amortised Cost assets		55	-
Fair value adjustment on initial recognition of assets held at fair value through profit or loss	13.2	(40,674)	(38,654)
Fair value gains on assets held at fair value through profit or loss	13.2	352,525	73,270
Total net gains/(losses) on investment assets		**222,684**	**(2,971)**

6. Net gain on write down of repayable capital grant

	2021 £000	2020 £000
Write down of repayable capital grant received	29,681	37,782
Total net gain on write down of repayable capital grant	**29,681**	**37,782**

The Group receives a Capital Grant from BEIS under the terms of the 'Grant Offer Letter' between BEIS and SUL for the purpose of extending loans to entrepreneurs at below market rate (see note 17). On expiry of the grant period (31 March 2025), SUL will repay to BEIS 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:

	2021	2020
On payroll	391	346
Secondees and agency staff	6	4
Non-executive Directors	9	10
Total staff numbers	**406**	**360**

Aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries:		
On payroll including Executive Directors	23,582	20,043
Secondees and agency staff	737	612
Non-executive Directors' fees	398	353
Short- and long-term incentive plans and bonus scheme	5,537	4,152
Social security costs	3,362	2,859
Pension costs	3,315	2,724
Total staff costs	**36,931**	**30,743**

The above staff costs include an amount of £2.7m (2020: nil) that has been recharged to BEIS 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 p90–107.

7.2 Other operating expenditure

	Note	2021 £000	2020 £000
Professional fees:			
Investment scheme design and transactions		1,948	2,793
Operational fees		7,255	6,844
Accommodation and office services		1,561	2,273
Information technology		5,289	7,630
Marketing		4,184	3,429
SUL delivery partner fees		8,666	6,860
Auditor's remuneration		440	387
Staff related costs, including training and travel		1,057	2,101
Other purchase of goods and services		1,719	37
Covid-19 emergency finance schemes direct operating expenditure	7.3	46,427	-
Total other operating expenditure		**78,546**	**32,354**

The above operating expenditure includes an amount of £46.4m (2020: nil) that has been recharged to BEIS 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 £250,000 plus VAT was charged for the audit of the Group's annual report and accounts.

7.3 Covid-19 scheme direct expenditure

	Note	2021 £000	2020 £000
Staff costs	7.1	2,722	-
Covid-19 emergency finance schemes direct operating expenditure	7.2	46,427	-
Total Covid-19 scheme expenditure		**49,149**	**-**

During the year the Company began managing the Covid-19 emergency finance schemes on behalf of BEIS and as such incurred direct costs on their 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 £2.7m included within note 7.1. The direct expenditure was fully recharged to BEIS 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

	2021 £000	2020 £000
Current tax		
Current year	127	6,380
Adjustment in respect of prior years	(10,587)	613
Total current tax	**(10,460)**	**6,993**
Deferred tax		
Current year	44,840	(399)
Adjustment in respect of prior years	17,627	-
Total deferred tax	**62,467**	**(399)**
Total tax recognised through comprehensive income	**52,007**	**6,594**

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 2020.

Deferred tax primarily relates to the Group's investments. It is calculated at 19% (2020: 19%) 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 comprise interests in Limited Partnerships. 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.

8. Tax (continued)

The tables below reconcile the tax charge for the year:

	2021 £000	2020 £000
Profit/(loss) before tax	293,499	(2,138)
Tax on profit/(loss) at standard UK tax rate 19% (2020: 19%)	55,765	(406)
Effects of:		
Net gain on disposal of investments	-	948
Permanent disallowances relating to:		
Other permanent disallowances	1,992	1,195
Timing differences relating to:		
Tax effects of fair value movements	(12,782)	4,511
Adjustments in respect of prior periods	7,040	-
Other timing differences	(9)	132
Total tax charge	**52,006**	**6,380**

	Unrealised losses		Deferred tax	
	2021 £000	2020 £000	2021 £000	2020 £000
Unrealised losses	(25,842)	(2,100)	(4,910)	(399)
Other timing differences*	354,616	-	67,377	-
Other timing differences subject to deferred tax	**328,774**	**(2,100)**	**62,467**	**(399)**

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

8. Tax (continued)

8.2 Deferred tax liability/(asset)

	2021 £000	2020 £000
Deferred tax asset at 1 April	(9,293)	(8,894)
Movement in the year	62,467	(399)
Deferred Tax asset at 31 March	**53,174**	**(9,293)**

At the end of the year the group had capital tax losses available to carry forward for offset against future chargeable gains of £0.8m. As there is uncertainty about whether relevant future taxable profits will exist within the individual entities going forward against which these losses can offset the deferred tax asset has not been recognised.

On 22 July 2020, the Finance Act 2020 received Royal Assent, confirming that the UK Corporation Tax rate will remain at 19% from 1 April 2020 onwards instead of reducing to 17%, the previously enacted rate.

In the March 2021 UK Budget, it was announced that the UK rate of Corporation Tax will increase from 19% to 25% effective 1 April 2023. The change was enacted on 10 June 2021. The change was not substantively enacted or enacted at the Consolidated Statement of Financial Position date, as a result the closing deferred tax assets and liabilities have been measured at a rate of 19%. The impact on the change in tax rate is expected to occur when the deferred tax balances unwind. Assessing the impact of the change in rate on the deferred tax assets and liabilities, the impact would be to increase the net deferred tax liability at the balance sheet date by £16.8m.

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) and the overall Group results

– Programmes administered on behalf of BEIS: In addition to its own operations, the British Business Bank, through its subsidiary British Business Financial Services Ltd (BBFSL), administers assets on behalf of BEIS. 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 income for the year ending 31 March 2021

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income							
Investment Programmes	-	18,045	-	-	-	-	18,045
Venture Solutions	2,431	-	-	-	-	(1,270)	1,161
Start Up Loans	-	-	-	26,223	-	-	26,223
Management fee and other income	29	406	1,435	-	106,685	(44,772)	63,783
Grant income	-	-	-	6,861	-	-	6,861
	2,460	18,451	1,435	33,084	106,685	(46,042)	116,073
Net gains/(losses) on investment assets							
Investment Programmes	-	102,075	-	-	-	-	102,075
Venture	14,360	-	195,752	-	-	-	210,112
Start Up Loans	-	-	-	(44,427)	-	-	(44,427)
	14,360	102,075	195,752	(44,427)	-	-	267,760
Net gain on write down of repayable capital grant	-	-	-	29,681	-	-	29,681
Operational expenditure							
Staff costs	(1,184)	(1,687)	(1,842)	(2,782)	(29,436)	-	(36,931)
Professional services	(30)	(1,049)	(423)	(77)	(8,457)	-	(10,036)
General operations	(18,172)	(10,389)	(10,983)	(14,169)	(62,488)	44,772	(71,429)
	(19,386)	(13,125)	(13,248)	(17,028)	(100,381)	44,772	(118,396)
Net operating profit before ECF loan commitment financial liability and interest payable	**(2,566)**	**107,401**	**183,939**	**1,310**	**6,304**	**(1,270)**	**295,118**
ECF fair value provision expense	40,674	-	-	-	-	-	40,674
ECF fair value provision on new commitments	(35,989)	-	-	-	-	-	(35,989)
Finance costs	-	-	-	-	(304)	-	(304)
Interest payable	-	-	-	(1,270)	(6,000)	1,270	(6,000)
Profit before tax	**2,119**	**107,401**	**183,939**	**40**	**-**	**-**	**293,499**

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 income for the year ending 31 March 2020

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income							
Investment Programmes	-	19,367	-	-	-	-	19,367
Venture Solutions	1,526	-	-	-	-	(996)	530
Start Up Loans	-	-	-	31,638	-	-	31,638
Management fee and other income	88	1,308	1,612	-	61,422	(43,662)	20,768
Grant income	-	-	-	16,685	-	-	16,685
	1,614	20,675	1,612	48,323	61,422	(44,658)	88,988
Net gains/(losses) on investment assets							
Investment Programmes	-	14,682	-	-	-	-	14,682
Venture	(9,194)	-	17,952	-	-	-	8,758
Start Up Loans	-	-	-	(68,423)	-	-	(68,423)
	(9,194)	14,682	17,952	(68,423)	-	-	(44,983)
Net gain on write down of repayable capital grant	**-**	**-**	**-**	**37,782**	**-**	**-**	**37,782**
Operational expenditure							
Staff costs	(1,036)	(1,815)	(1,482)	(3,560)	(22,850)	-	(30,743)
Professional services	(28)	(893)	(966)	(668)	(7,082)	-	(9,637)
General operations	(16,494)	(10,434)	(10,164)	(12,339)	(20,061)	43,662	(25,830)
	(17,558)	(13,142)	(12,612)	(16,567)	(49,993)	43,662	(66,610)
Net operating profit before ECF loan commitment financial liability and interest payable	**(25,138)**	**22,215**	**6,952**	**1,115**	**11,429**	**(996)**	**15,577**
ECF fair value provision expense	38,654	-	-	-	-	-	38,654
ECF fair value provision on new commitments	(44,941)	-	-	-	-	-	(44,941)
Finance costs	-	-	-	-	(314)	-	(314)
Interest payable	-	-	-	(996)	(11,114)	996	(11,114)
Profit/(loss) before tax	**(31,425)**	**22,215**	**6,952**	**119**	**1**	**-**	**(2,138)**

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/(loss) before tax in the Consolidated Statement of Comprehensive Net Income.

	Note	2021 £000	2020 £000
Fair value adjustment on initial recognition	13.2	(40,674)	(38,654)
Fair valuation movements	13.2	52,345	30,304
Provision released in year	16	40,674	38,654
Net gain on Enterprise Capital Funds		**52,345**	**30,304**

SUL

The Group accepts a lower than market rate of return from Start Up Loans to entrepreneurs as discussed 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	2021 £000	2020 £000
Gross lending advanced in the year	13.1	137,385	95,589
Fair value adjustment on initial recognition	13.1	(32,905)	(19,394)
Fair value on initial recognition		**104,480**	**76,195**

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2021

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets						
Amortised cost						
BFP Mid Cap	-	92,609	-	-	-	92,609
Investment Programme	-	176,813	-	-	-	176,813
Loan to Midlands Engine Investments	14,923	-	-	-	-	14,923
Start Up Loans	-	-	-	157,366	-	157,366
Loan to Northern Powerhouse Investments	20,585	-	-	-	-	20,585
Assets held at FVTPL						
BFP Mid Cap	-	312,190	-	-	-	312,190
Investment Programme	-	441,906	-	-	-	441,906
Enterprise Capital Funds	334,536	-	-	-	-	334,536
Venture/Venture Growth	-	-	653,082	-	-	653,082
UKIIF	-	141,725	-	-	-	141,725
Other venture capital investments	9,539	75,705	12,862	-	-	98,106
Total investment assets	**379,583**	**1,240,948**	**665,944**	**157,366**	**-**	**2,443,841**
ECF loan commitments financial liability	(140,979)	-	-	-	-	(140,979)
Net investment assets	**238,604**	**1,240,948**	**665,944**	**157,366**	**-**	**2,302,862**
Other assets/(liabilities)						
Other assets	20,206	91,699	14,855	4,550	56,094	187,404
Loans and other borrowings	-	-	-	(107,556)	(136,407)	(243,963)
Amounts owed from Group undertakings	44,574	50,946	(23,381)	(52,568)	(19,571)	-
Amounts owed to Shareholder	-	-	-	-	(9,600)	(9,600)
Other liabilities	(276)	(23,850)	(43,121)	(1,631)	(22,798)	(91,676)
Total net assets	**303,108**	**1,359,743**	**614,297**	**161**	**(132,282)**	**2,145,027**

At 31 March 2021 the Company held investments in subsidiaries of £1,982.7m which are eliminated in full on consolidation.

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2020

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets						
Amortised cost						
BFP Mid Cap	-	89,876	-	-	-	89,876
Investment Programme	-	226,168	-	-	-	226,168
Loan to Midlands Engine Investments	14,724	-	-	-	-	14,724
Start Up Loans	-	-	-	120,937	-	120,937
Loan to Northern Powerhouse Investments	20,288	-	-	-	-	20,288
Assets held at FVTPL						
BFP Mid Cap	-	379,196	-	-	-	379,196
Investment Programme	-	390,866	-	-	-	390,866
Enterprise Capital Funds	253,344	-	-	-	-	253,344
Venture/Venture Growth	-	-	318,600	-	-	318,600
UKIIF	-	142,253	-	-	-	142,253
Other venture capital investments	3,997	10,791	6,475	-	-	21, 263
Total investment assets	**292,353**	**1,239,150**	**325,075**	**120,937**	**-**	**1,977,515**
ECF loan commitments financial liability	(145,664)	-	-	-	-	(145,664)
Net investment assets	**146,689**	**1,239,150**	**325,075**	**120,937**	**-**	**1,831,851**
Other assets/(liabilities)						
Other assets	23,452	32,325	13,215	2,442	23,990	95,424
Loans and other borrowings	-	-	-	(69,238)	(531,840)	(601,078)
Amounts owed from Group undertakings	(68,032)	78,002	(134,014)	(51,845)	175,889	-
Amounts owed by Shareholder	-	-	-	-	240,400	240,400
Other liabilities	(220)	(1,073)	(2,568)	(2,173)	(21,331)	(27,365)
Total net assets	**101,889**	**1,348,404**	**201,708**	**123**	**(112,892)**	**1,539,232**

At 31 March 2020 the Company held investments in subsidiaries of £1,575.7m which are eliminated in full on consolidation.

10. Cash and cash equivalents

	2021 £000	2020 £000
Government Banking Service	116,665	46,566
Commercial banks	21,657	17,139
Total cash and cash equivalents	**138,322**	**63,705**

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

11. Loan amounts owed (to)/from Shareholder

	2021 £000	2020 £000
Amounts owed (to)/from Shareholder	**(9,600)**	**240,400**

BBB loaned £600m to BEIS, its Shareholder, under the terms of two Loan Agreements. The amounts lent are repayable on demand and have a zero-interest rate. In the year ending 31 March 2021 the remaining balance of £240.4m was repaid in full (2020: £284.6m).

Since the above loan repayments, the Company has received £9.6m from BEIS, which is repayable on demand and has a zero-interest rate.

12. Trade and other receivables

	2021 £000	2020 £000
Amounts receivable within one year		
Trade receivables	5,815	2,671
Accrued income	7,385	5,193
Prepayments and other receivables	1,983	1,973
Total trade and other receivables	**15,183**	**9,837**

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

13. Investments

Business Finance Partnership

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.

Investment Programme

BBI manages the Investment Programme. It makes commercial investments that stimulate at least the same amount of private sector investment, encouraging new lenders 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 participated in a public issue of Tier 2 fixed rate reset callable subordinated loan notes by Shawbrook Bank plc with an initial semi-annual coupon of 9% during the current financial year. BBI also is a participant in existing loan notes by Atom Bank with fixed coupon of 10% p.a., Secure Trust Bank with interest rate of 6.75% p.a., and PCF Bank Ltd with fixed coupon of 8% p.a. These investments are classified as amortised cost 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. BPC will also invest in co-investment opportunities arising through its portfolio.

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

Direct Investments

Through the Direct Investments programme, BPC invests in late-stage UK scale-up companies. Currently it co-invests alongside BPC fund GPs into their existing portfolio companies. This allows BPC to increase its exposure to the best portfolio companies in its best funds.

UK Innovation Investment Fund

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.

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. See note 13.2 for details.

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 a 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 16 for further commitment details.

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 initial 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.

Other Venture Capital Investments

BBFL also has three other smaller schemes: Help to Grow funds, Aspire and the Direct Investments. These are detailed in note 13.2.

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.

Impact of Covid-19 on Investment Valuations

As reported in the prior year, the Covid-19 pandemic caused a significant slow-down in economic activity in the final quarter of 2019–20. During the year ended 31 March 2021 we have seen a recovery in economic activity compared to the 2019–20 final quarter which in turn has had an impact on the Group's investment valuations at the reporting date.

The Covid-19 impact on the Amortised Cost investments has been proportionally greater than on the FVTPL investments, and management's estimate of the component of the 2020–21 ECL provision which is Covid-19 related is around £8.2m out of a total ECL provision of £76.7m. The Covid-19 amount has reduced year on year by £21.5m, reflecting the improved economic outlook. The forward-looking nature of the approach to calculating ECL provisioning under IFRS 9 means that future losses are recognised at an earlier stage and take account of forecast future economic scenarios. The nature of the lending within the larger portfolios 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.

The uncertainty resulting from Covid-19 mainly arises from the uncertainty in the UK economic recovery path that is yet to unfold and how it will impact the magnitude and timing of the stress uplift to PD, LGD and the stress transition from stage 1 to stage 2. As detailed in note 3, this has been considered via the adoption of a revised economic base case together with post-model overlays to estimate the impact on PD, LGD and Staging transition model inputs.

The FVTPL investment portfolio is more diversified with a wider spread of investments ranging from early stage start-ups to mid-market corporates. The BPC and ECF funds have significant investments in high-growth early-stage, technology-led businesses that have been relatively resilient to the impact of Covid-19. BFP Mid Cap and the Investment Programme are weighted towards the traditional sectors of the economy which have been more exposed to the impact of Covid-19. The UKIIF portfolio has benefited from significant upward valuations in life sciences and healthcare focused funds.

The Covid-19 pandemic has given rise to additional uncertainty around investment valuations as the extent of the impact of Covid-19 is still not clear. The impact on investments will vary depending on individual business models, the length and form of lockdown measures and the success of government interventions. Valuation methodologies include market multiples, industry benchmarks and discounted cashflows, all of which are inherently more uncertain as market places change and so forecasts and historical reference points become less reliable.

Withdrawal from programmes*

As reported in the prior year, 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).

Enterprise Finance Guarantee

This guarantee programme was established post the 2008/09 financial crisis and announced by the government in 2009. Its aim was to facilitate lending to smaller businesses that were viable but unable to obtain finance from their lender due to having insufficient security to meet the lender's normal security requirements. This was achieved by the programme providing a government-backed guarantee of up to 75% against the outstanding facility balance. This guarantee programme has always been shown in the BEIS Annual Report and Accounts and is not reported within this Annual Report and Accounts.

Following the launch of the Covid-19 financial response guarantee programmes (BBLS, CBILS, CLBILS) in response to the ongoing pandemic the decision was taken to withdraw the Enterprise Finance Guarantee. As a consequence, no further lending was made under this programme after April 2020. The programme has entered managed run-off with exposure decreasing in the year to 31 March 2021 due to the natural facilities that hold an Enterprise Finance Guarantee. It is anticipated that this managed run off will take a number of years to complete given the term nature of some of the underlying facilities.

In terms of the impact of this withdrawal decision as shown in the adjusted return on p56, a liability for future claims is presented which at 31 March 2021 was £40.4m. This currently reduces the Bank's total assets under management. As the run off of the programme continues, this liability will unwind as further and final claims are made.

* In this withdrawal from programmes section, assets under management is defined as the combined total of the fair value of funded commitments, and the notional (stock of finance supported) value of guarantee commitments.

13. Investments (continued)

13.1 Amortised cost investments

As at 31 March 2021

	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	89,876	14,093	-	(16,934)	4,267	-	-	1,307	92,609
Investment Programme	226,168	150,952	-	(212,562)	13,778	-	-	(1,523)	176,813
Start Up Loans	120,937	137,385	(32,905)	(82,753)	7,376	18,847	(56,317)	44,796	157,366
Loan to Northern Powerhouse Investments	20,288	-	-	(679)	679	-	-	297	20,585
Loan to Midlands Engine Investments	14,724	-	-	(482)	482	-	-	199	14,923
Total	**471,993**	**302,430**	**(32,905)**	**(313,410)**	**26,582**	**18,847**	**(56,317)**	**45,076**	**462,296**

As at 31 March 2020

	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 Small Cap	2	-	-	(54)	-	-	52	-	-
BFP Mid Cap	55,432	46,772	-	(12,974)	3,460	-	-	(2,814)	89,876
Investment Programme	233,542	98,337	-	(113,802)	15,907	-	-	(7,816)	226,168
Start Up Loans	137,241	95,589	(19,394)	(75,107)	10,918	20,720	(18,245)	(30,785)	120,937
Loan to Northern Powerhouse Investments	4,909	15,700	-	(378)	378	-	-	(321)	20,288
Loan to Midlands Engine Investments	-	15,000	-	(152)	152	-	-	(276)	14,724
Total	**431,126**	**271,398**	**(19,394)**	**(202,467)**	**30,815**	**20,720**	**(18,193)**	**(42,012)**	**471,993**

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.

13. Investments (continued)

13.2 Investments held at fair value through profit or loss

As at 31 March 2021

	Opening balance £000	Transfers £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £000	Closing balance £000
BFP Mid Cap	379,196	-	5,000	-	(86,882)	14,876	312,190
Investment Programme	390,866	-	89,690	-	(87,738)	49,088	441,906
UKIIF	142,253	-	5,869	-	(35,940)	29,543	141,725
Managed Funds	10,243	-	43,569	-	(2,473)	8,301	59,640
Regional Angels	548	-	15,342	-	(254)	429	16,065
Venture/Venture Growth	325,075	-	168,116	-	(22,999)	195,752	665,944
Enterprise Capital Funds	253,344	-	82,258	(40,674)	(12,737)	52,345	334,536
Help to Grow Funds	3,261	-	3,448	-	-	-	6,709
Aspire	501	-	-	-	-	546	1,047
Capital for Enterprise Fund	22	-	-	-	(97)	75	-
CfE Direct Investment	200	-	-	-	-	1,564	1,764
Direct Investments	13	-	-	-	-	6	19
Total	**1,505,522**	**-**	**413,292**	**(40,674)**	**(249,120)**	**352,525**	**1,981,545**

As at 31 March 2020

	Opening balance £000	Transfers £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £000	Closing balance £000
BFP Mid Cap	436,058	-	33,000	-	(78,487)	(11,375)	379,196
Investment Programme	296,961	-	154,563	-	(71,816)	11,158	390,866
UKIIF	123,765	-	5,830	-	(11,940)	24,598	142,253
Managed Funds	-	-	9,364	-	-	879	10,243
Regional Angels	-	-	548	-	-	-	548
Venture/Venture Growth	203,049	(38,326)	149,914	-	(7,514)	17,952	325,075
Enterprise Capital Funds	226,611	-	75,695	(38,654)	(40,612)	30,304	253,344
Help to Grow Funds	1,368	-	2,153	-	(260)	-	3,261
Aspire	528	-	-	-	-	(27)	501
Capital for Enterprise Fund	395	(536)	-	-	-	163	22
CfE Direct Investment	-	536	-	-	-	(336)	200
Direct Investments	59	-	-	-	-	(46)	13
Total	**1,288,794**	**(38,326)**	**431,067**	**(38,654)**	**(210,629)**	**73,270**	**1,505,522**

Repayments are received when a fund 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.

14. Right-of-use assets

	Right-of-use Property £000
Cost or valuation	
At 1 April 2020	13,377
At 31 March 2021	**13,377**
Accumulated depreciation and impairment	
At 1 April 2020	(2,708)
Charge for the year	(1,352)
At 31 March 2021	**(4,060)**
Carrying amount	
At 31 March 2021	**9,317**
At 31 March 2020	10,669

Right-of-use Property is the value of the leased property recognised upon implementation of IFRS16. The corresponding lease liability is disclosed in note 18.

15. Trade and other payables

	2021 £000	2020 £000
Amounts falling due within one year		
Trade payables	1,700	1,510
VAT and social security	2,152	1,145
Accrued expenditure	23,858	16,299
Other payables	1,483	938
Deferred scheme income	198	1,559
Total trade and other payables	**29,391**	**21,451**

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

16. ECF loan commitment

	2021 £000	2020 £000
Balance at 1 April	145,664	139,377
Provided in year on new ECFs	35,989	44,941
Released in year	(40,674)	(38,654)
Balance at 31 March	**140,979**	**145,664**
Of which:		
Current	38,426	39,036
Non-current	102,553	106,628
	140,979	**145,664**

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.

Commitment provisions that are amortised in the year are those affected by changes in assumptions and not occurring as a result of drawdowns or new commitments.

17. Loans and other borrowings

	2021 £000	2020 £000
Repayable within one year		
Unsecured loans provided by BEIS	14,894	14,894
Unsecured loans provided by the Nuclear Liabilities Fund	-	361,440
Repayable capital grants	92,662	54,344
	107,556	**430,678**
Repayable after one year		
Unsecured loans provided by the Nuclear Liabilities Fund	136,407	170,400
Total loans and other borrowings	**243,963**	**601,078**

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 £68m (2020: £nil) and wrote down the value of capital grants by £29.7m (2020: £37.8m).

BEIS has provided two term loan facilities to SUL. The first facility of £12.0m was provided on 24 February 2014 and is repayable on 17 December 2021. The balance of this loan facility at 31 March 2021 was £7.9m (2020: £7.9m). A further term facility of £10.0m was provided on 17 December 2015 and is also repayable on 17 December 2021. The balance of this facility at 31 March 2021 was £7m (2020: £7m).

On 23 August 2018 the Group received a loan of £350m from the Nuclear Liabilities Fund to be used for general corporate purposes, which was repaid in full on 23 August 2020. This loan accrued interest at a rate of 2% per annum and £2.9m (2020: £7.2m) of interest accrued in the year. The balance of this loan at 31 March 2021 was £nil (2020: £361.4m).

On 28 December 2018 the Group received a second loan of £250m from the Nuclear Liabilities Fund which is used for making investments on behalf of the Nuclear Liabilities Fund after 1 April 2019. The term of this loan is 4 years with the value reducing in £5m tranches as the Group makes investment payments on behalf of the Nuclear Liabilities Fund. Any amount unutilised at 28 December 2022 will be repaid on this date. This loan accrues interest at a rate of 2% per annum up to and including 31 March 2021, then decreasing to 1.5% for the remaining life of the loan. £3.1m (2020: £3.9m) of interest accrued in the year. During the year repayments of £34.1m (2020: £79.6m) were made against the unsecured loans and interest of £3.1m (2020: £3.9m) was repaid. The balance of this loan at 31 March 2021 was £136.4m (2020: £170.4m).

BEIS is a party to both of the Nuclear Liabilities Fund loan agreements, under the terms of which it has undertaken at the repayment dates, to provide funding to the Group to enable it to discharge its obligations to repay the loans including any interest or costs accrued.

18. Lease liabilities

	2021 £000	2020 £000
Maturity analysis – contractual undiscounted cashflow		
Less than one year	1,898	1,176
One to five years	7,590	7,590
More than five years	3,551	5,449
Total undiscounted lease liabilities at 31 March	**13,039**	**14,215**

Lease liabilities included in the consolidated statement of financial position at 31 March	**11,995**	**12,867**
Current	1,624	870
Non-current	10,371	11,997

19. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £000	Short-term borrowings £000	Lease Liabilities £000	ECF loan commitments £000	Total £000
Balance at 1 April 2020	170,400	430,672	12,867	145,664	759,603
Cashflows:					
Repayments	(37,130)	(364,304)	(1,176)	-	(402,610)
Proceeds	-	68,000	-	-	68,000
Non-cash:					
Interest	3,137	2,870	304	-	6,311
Provision movement	-	-	-	(4,685)	(4,685)
Write off	-	(29,682)	-	-	(29,682)
Balance at 31 March 2021	**136,407**	**107,556**	**11,995**	**140,979**	**396,937**

19. Reconciliation of liabilities arising from financing activities (continued)

	Long-term borrowings £000	Short-term borrowings £000	Lease Liabilities £000	ECF loan commitments £000	Total £000
Balance at 1 April 2019	619,158	92,127	-	139,377	850,662
Cashflows:					
Repayments	(84,437)	-	(490)	-	(84,927)
Non-cash:					
IFRS 16 adoption	-	-	13,043	-	13,043
Transfers	(369,127)	369,127	-	-	-
Interest	4,806	7,200	314	-	12,320
Provision movement	-	-	-	6,287	6,287
Write off	-	(37,782)	-	-	(37,782)
Balance at 31 March 2020	**170,400**	**430,672**	**12,867**	**145,664**	**759,603**

20. Contingent liabilities and indemnities

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
Capital for Enterprise Limited	06179047
Capital for Enterprise Fund Managers Limited	06826072
Capital for Enterprise (GP) Limited	SC354499
British Business Aspire Holdco Limited	09263859
The Start Up Loans Company	08117656

As required by the Act, 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.

Under the Bank's Help to Grow financial guarantee programme, the Bank has entered into financial guarantee agreements of £nil (2020: £10.5m). The Bank has guaranteed 75% of eligible lending to SMEs under these agreements and a counter guarantee is in place that guarantees 50% of the Bank's 75% of eligible lending.

As at 31 March 2021 the amount lent under these financial guarantee agreements was £3m (2020: £3m). The programme is now closed and there will be no further lending.

21. Capital and other commitments

21.1 Capital commitments

The British Business Bank plc had the following undrawn commitments at the balance sheet date in relation to its existing investment portfolio:

	2021 £000	2020 £000
British Business Investments Limited		
BFP Mid Cap	16,001	122,915
Investment Programme	445,088	313,179
UKIIF	15,102	20,970
Regional Angels	69,369	34,452
Managed Funds	319,617	285,199
British Patient Capital Limited		
Venture Growth	250,590	147,345
Venture	267,534	322,947
Co-Investment	-	22,987
Venture Solutions		
Enterprise Capital Funds	280,461	284,552
Other		
Northern Powerhouse Investments Ltd	29,300	29,300
Midlands Engine Investments Ltd	17,500	17,500
	1,710,562	**1,601,346**

21.2 Share capital

	2021	2020
Issued and fully paid ordinary shares of £1 each:	1,860,711,268	1,496,407,924
	£000	**£000**
Brought forward	1,496,408	1,496,408
Shares issued for cash	364,303	-
Carried forward	**1,860,711**	**1,496,408**

The Company has one class of ordinary shares which carry no right to fixed income. During the year the company issued 364,303,344 ordinary £1 shares at par value.

22. 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 with the exception of The Start Up Loans Company whose registered office is 71–75 Shelton Street, Covent Garden, London WC2H 9JQ.

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 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, Energy & Industrial Strategy	100%
Capital for Enterprise Limited*	UK	Holding company	100%
Capital for Enterprise Fund Managers Limited*	UK	Acts as fund manager of Capital for Enterprise L.P.	100%
Capital for Enterprise (GP) Limited*	UK	Acts as general partner to Capital for Enterprise L.P.	100%
British Business Aspire Holdco Limited*	UK	Provides equity investments to women-led SMEs	100%
The Start Up Loans Company*	UK	Provides loans to entrepreneurs	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.

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 2021, are provided in the segmental reporting note 9.

22. Subsidiaries and other significant undertakings (continued)

The British Business Bank Group also has the following significant holdings in undertakings other than subsidiaries.

Subsidiary	Country of Incorporation	Nature of Business	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%
Pyropure Limited Registered address: Vestry House, Laurence Pountney Hill, London, EC4R 0EH	UK	Class A shares	25.9%
Muzinich UK Private Debt Fund Registered address: 49 Avenue J.F.K, L-1855, Luxembourg	Luxembourg	Not classified	20.7%

* Pricoa's latest financial year end was 30 June 2021. The fund does not produce separate accounts and therefore figures for the fund are not available.

23. 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 2021 and 31 March 2020 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 £1,982m (2020: £1,506m) of interests in limited partnerships considered to be structured entities that were measured at fair value through P&L.

24. Financial instruments

24.1 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.

At 31 March 2021

	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	13.1	-	462,296	-	-	462,296
Investment assets held at FVTPL	13.2	1,981,545	-	-	-	1,981,545
Trade and other receivables	11/12	-	13,958	-	-	13,958
Cash and cash equivalents	10	-	138,322	-	-	138,322
Total assets		**1,981,545**	**614,576**	**-**	**-**	**2,596,121**
Liabilities						
Trade and other payables	11/15	-	-	(26,937)	(9,600)	(36,537)
Loans and other borrowings	17	-	-	(151,301)	(92,662)	(243,963)
ECF loan commitments	16	-	-	-	(140,979)	(140,979)
Lease liabilities	18	-	-	(11,995)	-	(11,995)
Total liabilities		**-**	**-**	**(190,233)**	**(243,241)**	**(433,474)**
Net assets		**1,981,845**	**614,576**	**(190,233)**	**(243,241)**	**2,162,647**

At 31 March 2020

	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	13.1	-	471,993	-	-	471,993
Investment assets held at FVTPL	13.2	1,505,522	-	-	-	1,505,522
Trade and other receivables	11/12	240,400	8,794	-	-	249,194
Cash and cash equivalents	10	-	63,705	-	-	63,705
Total assets		**1,745,922**	**544,492**	**-**	**-**	**2,290,414**
Liabilities						
Trade and other payables	15	-	-	(20,006)	-	(20,006)
Loans and other borrowings	17	-	-	(546,733)	(54,345)	(601,078)
ECF loan commitments	16	-	-	-	(145,664)	(145,664)
Lease liabilities	18	-	-	(12,867)	-	(12,867)
Total liabilities		**-**	**-**	**(579,606)**	**(200,009)**	**(779,615)**
Net assets		**1,745,922**	**544,492**	**(579,606)**	**(200,009)**	**1,510,799**

24.2 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).

The Group's investment portfolio consists of assets carried at amortised cost and fair value.

The Group's financial assets are all classified as Level 3 assets, except for two amortised cost investments and one FVTPL investment which are classified as Level 1 assets.

During the year ending 31 March 2021 the fair value of investment assets held at fair value through profit or loss increased by £352.5m (2020: £73.3m) taken to the Consolidated Statement of Comprehensive Net Income. A large proportion of the overall fair value increase is driven by increases on a small number of investment assets. In addition, there was a fair value decrease of £40.7m (2020: £38.7m) as a result of fair value on initial recognition taken to the Consolidated Statement of Comprehensive Net Income. Fair value impairments on initial recognition of amortised cost investments of £32.9m (2020: £19.4m) 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, 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.

Enterprise Capital Funds

For the purposes of valuation, the Enterprise Capital Funds investments are bifurcated into a debt and a derivative element, which are disclosed together. 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.

24.2 Fair value measurements (continued)

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 2021	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 11.9% to 43.6%	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.

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 2021 £000	Fair Value 2021 £000	Carrying Value 2020 £000	Fair Value 2020 £000
Financial assets at amortised cost				
Amortised cost				
BFP Mid Cap	92,609	92,609	89,876	89,876
Investment Programme	176,813	190,851	226,168	236,847
SUL	157,366	168,886	120,937	157,594
Midlands Engine Investments	14,923	15,000	14,724	15,000
Northern Powerhouse Investments	20,585	20,700	20,288	20,700
	462,296	**488,046**	**471,993**	**520,017**
Financial liabilities at amortised cost				
Unsecured loans	151,301	151,301	546,733	546,733
Capital grants	92,662	92,662	54,345	54,345
	243,963	**243,963**	**601,078**	**601,078**

Financial assets at amortised cost are classed as Level 3 assets except for one investment that is publicly listed. Unsecured loans and capital grants are classed as Level 3 liabilities.

24.2 Fair value measurements (continued)

SUL

For the estimation of fair value at the reporting date, the Group has utilised a future expected cash flow model which is based on the recent past performance for similar loans.

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 2% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or LIBOR would have lead to an approximately £5.6m decrease in the fair value recognised at inception for the loans newly originated during the year.

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 Director's estimates of the fair value of these assets at 31 March 2021 and 31 March 2020. BFP Mid Cap and Investment Programme amortised cost assets are classed as Level 3 assets in the fair value hierarchy except for two amortised cost investments which are classified as Level 1 assets.

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 BEIS and the Nuclear Liabilities Fund respectively. The carrying value and fair value of the BEIS 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.

24.3 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, either in 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.

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 2020–21, the Group undertook a macroeconomic downside stress test as prescribed by the Bank of England (BOE) Annual Cyclical Scenario, which assessed the unlikely but plausible losses on our portfolio over a five-year time horizon.

Owing to the significant shift in economic outlook from the Covid-19 pandemic, the Group undertook a Business Plan re-forecast with revised stress tests in October 2020. Since the 2020 Bank of England annual stress test exercise was cancelled, the revised stress tests utilised the December 2020 macroeconomic downside scenarios from our third party forecaster which are updated on a quarterly basis to take into account the actual stressed economic conditions in 2020. Under the macroeconomic downside scenario, it was assessed that the Group could incur additional credit and investment losses of £473m (12% of BBB'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 in Year 1 of the Plan, which reflect the risk 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 BBB balance sheet assets:

- The potential impact of ascribing 100% probability to the worst-case economic scenario could increase provisions by £3.9m.
- 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 £4.8m.
- 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 £5.3m.

24.3 Financial risk management (continued)

Maximum credit risk exposure

	Maximum Exposure to loss 2021 £000	Collateral 2021 £000	Net Exposure 2021 £000	Maximum Exposure to loss 2020 £000	Collateral 2020 £000	Net Exposure 2020 £000
Cash and cash equivalents	138,322	-	138,322	63,705	-	63,705
Amounts owed by Shareholder	-	-	-	240,400	-	240,400
Trade and other receivables	15,183	-	15,183	9,837	-	9,837
Amortised cost investments	540,045	86,501	453,544	594,657	95,150	499,507
Investments held at FVTPL	1,981,545	-	1,981,545	1,505,522	-	1,505,522
Total	**2,675,095**	**86,501**	**2,588,594**	**2,414,121**	**95,150**	**2,318,971**

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 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 24.3 of this note and in note 13.

Credit risk rating and loss allowance

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

– Trade 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 Probability of Default and Loss Given Default of that investment.

The following table presents an analysis of credit quality of assets held at amortised cost.

24.3 Financial risk management (continued)

As at 31 March 2021

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	5,247	-	-	5,247
Medium	259,510	12,999	-	272,509
High	165,251	46,968	-	212,219
Defaulted financial assets	-	-	50,070	50,070
Total gross carrying amounts	430,008	59,967	50,070	540,045
Loss allowance	(13,297)	(17,730)	(46,722)	(77,749)
Carrying amount	**416,711**	**42,237**	**3,348**	**462,296**

As at 31 March 2020

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	-	-	-	-
Medium	242,501	51,932	-	294,433
High	179,090	38,391	-	217,481
Defaulted financial assets	-	-	82,743	82,743
Total gross carrying amounts	421,591	90,323	82,743	594,657
Loss allowance	(26,714)	(15,227)	(80,723)	(122,664)
Carrying amount	**394,877**	**75,096**	**2,020**	**471,993**

24.3 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 2020	**421,591**	**(26,714)**	**90,323**	**(15,227)**	**82,743**	**(80,723)**	**594,657**	**(122,664)**
Transfer to 12-month ECL	14,250	(2,302)	(14,047)	1,755	(203)	547	-	-
Transfer to lifetime ECL	(34,797)	7,090	35,036	(8,013)	(239)	923	-	-
Transfer to credit-impaired financial asset	(22,504)	8,963	(10,243)	4,597	32,747	(13,560)	-	-
New financial assets originated or purchased	302,430	(21,018)	-	-	-	-	302,430	(21,018)
Fair value adjustment on initial recognition (new lending)	(32,905)	-	-	-	-	-	(32,905)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(232,101)	2,101	(43,190)	2,603	(67,693)	41,747	(342,984)	46,451
Changes to risk parameters	-	18,583	-	(3,445)	-	4,344	-	19,482
Amortisation	14,044	-	2,088	-	2,715	-	18,847	-
As at 31 March 2021	**430,008**	**(13,297)**	**59,967**	**(17,730)**	**50,070**	**(46,722)**	**540,045**	**(77,749)**
Carrying amount as at 31 March 2021		**416,711**		**42,237**		**3,348**		**462,296**

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

24.3 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 31 March 2019	**430,297**	**(10,901)**	**15,313**	**(8,671)**	**66,168**	**(61,080)**	**511,778**	**(80,652)**
Transfer to 12-month ECL	2,463	(7,629)	(2,258)	5,450	(205)	2,179	-	-
Transfer to lifetime ECL	(106,964)	8,167	106,964	(8,167)	-	-	-	-
Transfer to credit-impaired financial asset	(14,643)	2,612	(17,235)	10,034	31,878	(12,646)	-	-
New financial assets originated or purchased	271,398	(13,513)	-	-	-	-	271,938	(13,513)
Fair value adjustment on initial recognition (new lending)	(19,394)	-	-	-	-	-	(19,394)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(158,957)	793	(17,859)	328	(13,029)	9,314	(189,845)	10,435
Changes to risk parameters	-	(6,243)	-	(14,201)	-	(18,490)	-	(38,934)
Amortisation	17,391	-	5,398	-	(2,069)	-	20,720	-
As at 31 March 2020	**421,591**	**(26,714)**	**90,323**	**(15,227)**	**82,743**	**(80,723)**	**594,657**	**(122,664)**
Carrying amount as at 31 March 2020		**394,877**		**75,096**		**2,020**		**471,993**

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

24.3 Financial risk management (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of £138.3m as at 31 March 2021 (2020: £63.7m). 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 recognised in the accounts.

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 are understood and managed within Risk Appetite. The Group does not use derivatives to hedge interest rate risk.

LIBOR sensitivity of the Group's investments is estimated as follows:

- The impact of a 1 percentage point increase in the interest rate applicable to investments would be an approximate increase in income of £4m over a one-year period.
- The impact of a 0.25 percentage point decrease in the interest rate applicable to investments would be an approximate decrease in income of £1m over a one-year period. Some of the decrease is mitigated by LIBOR floors.

Currency risk

The Group does not have material 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 9.6% of the Group's portfolio is in non-pounds sterling denominated investments in the BBI and BPC portfolios. There is currently 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 1-year volatility distribution. The impact of this would be an approximate loss of £15m 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 BEIS, certain conditions arise that affect the Start Up Loans Company adversely. The Group is dependent on continuing support from BEIS that the grants will not be recalled for a period of at least 12 months from the date of approval of these financial statements.

The Group has also entered into term facilities with BEIS, the repayment of which is managed as part of the Start Up Loans Company's cashflow forecasting, business planning and liquidity management processes which ensure that any mismatches between maturing assets and liabilities are smoothed and a degree of protection is provided against any unexpected developments that may arise.

During the year ended 31 March 2019 the Group entered into two term facilities with the NLF, one of which has been fully repaid in the year. The repayment terms of which are set out in note 17. Should there be a shortfall at the repayment point of the remaining term facility, the Group's Shareholder has confirmed it will provide the necessary cash by way of capital investment.

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.

24.3 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 SOFP items and due to the inclusion of contractual lending commitments.

As at 31 March 2021

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	53,887	190,076	-	243,963
Lease liabilities	1,898	7,590	3,551	13,039
Other liabilities	26,739	-	-	26,739
Total financial liabilities	**82,524**	**197,666**	**3,551**	**283,741**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	435,944	855,820	45,558	92,779	1,430,101
ECF loan commitments	80,579	189,882	-	-	280,461
Total off balance sheet	**526,523**	**1,045,702**	**45,558**	**92,779**	**1,710,562**

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 2020

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	350,000	251,078	-	601,078
Lease liabilities	1,176	7,590	5,449	14,215
Other liabilities	18,447	-	-	18,447
Total financial liabilities	**369,623**	**258,668**	**5,449**	**633,740**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	383,196	774,251	49,561	109,786	1,316,794
ECF loan commitments	79,998	204,554	-	-	284,552
Total off balance sheet	**463,194**	**978,805**	**49,561**	**109,786**	**1,601,346**

Capital

The British Business Bank plc's share capital comprises 1,860,711,268 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 BEIS 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 figure of 14.6% was achieved for the financial year ending 31 March 2021. The target Adjusted Return on Capital Employed which has been agreed with the shareholder is 0.1%. The Bank monitors its performance against this indicator as part of its monthly performance management and for the first 6 months of the financial year ending 31 March 2021, performance was on target. However, strong Q3 and Q4 valuation gains resulted in a significant increase in the Return over the second half of the financial year. Further details on the Adjusted Return on Capital Employed are disclosed in the 2020/21 Financial performance and calculation of adjusted return section.

25. 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 refer to the Executive Committee of the Group and Non-executive Directors.

	2021 £000	2020 £000
Compensation		
Salaries and other short-term benefits	1,123	1,393
Long-term benefits	298	353
Post-employment benefits	78	48
	1,499	**1,794**

Aggregated contributions in respect of Key Management Personnel to defined contribution pension schemes for the year ending 31 March 2021 were £77,511 (2020: £48,378). The Key Management Personnel comparative values disclosed in the 31 March 2020 financial statements have been updated in the above table to be comparable with the current year.

Trading transactions

The Department for Business, Energy & Industrial Strategy (BEIS) is the principal shareholder and parent of the British Business Bank plc. BBB plc provides services to BEIS in relation to some financial assets held by BEIS. In return, BBB plc recognises management fee income in relation to the services provided. In addition, BEIS provided temporary staff to the BBB 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 BEIS 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 by virtue of having directors who are also directors of BBB plc and because they are companies owned by the ultimate shareholder. 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:

25. Related party transactions (continued)

	2021 £000	2020 £000
Income		
Management fee		
BEIS	59,097	15,502
NPIL	937	899
MEIL	1,000	1,088
CIOSIL	122	80
Innovate UK	41	71
NLF	1,436	1,612
East Midlands Early Growth Fund Limited	-	17
Grant income – BEIS	6,861	16,685
Write down of repayable grant received – BEIS	29,682	37,782
	99,176	**73,736**
Expenditure		
Staff seconded from BEIS	86	142
Rent payable to BEIS	-	207
	86	**349**
Investment transactions		
Transfer of investments to NLF	-	38,326
	-	**38,326**
Capital Transactions		
Shares issued to BEIS	364,303	-
Grants received from BEIS	68,000	-
Loans issued from BEIS	9,600	-
Repayments received on loans issued to BEIS	240,400	284,600
	682,303	**284,600**

BPC is acting as agent for the NLF portion of investments and the above management charge reflects its charge for the year.

25. Related party transactions (continued)

Amounts outstanding at year end

As at 31 March 2021, the Group was owed £5.0m from BEIS relating to the management fee (2020: £3.3m) and owed BEIS £0.2m (2020: £0.2m).

As at 31 March 2021, the Group was owed £0.8m from NPIL (2020: £0.9m), £1.0m from MEIL (2020: £1.1m), and £0.1m from CIOSIL (2020: £0.1m) relating to the management fee.

As at 31 March 2021 the Group was owed £nil (2020: £240.4m) in unsecured loans by BEIS.

The Group owed £92.7m (2020: £54.3m) in capital grants to BEIS and owed £9.6m (2020: £nil) in unsecured loans to BEIS.

As at 31 March 2021 the Group owed £136.4m (2020: £534.9m) in unsecured loans to NLF.

As at 31 March 2021, the Group has made loan commitments to NPIL of £50m (2020: £50m) and MEIL of £32.5m (2020: £32.5m). During the year ending 31 March 2021 NPIL had drawn down a further £nil (2020: £15.7m) of its loan commitment. MEIL had drawn down £nil (2020: £15.0m) of its loan commitment.

26. Events after the reporting date

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

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 2021 which comprise the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

– give a true and fair view of the state of the parent company's affairs as at 31 March 2021 and of the profit for the year then ended;

– have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act; 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 (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the 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 the 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 information included in the annual report, but does not include the parts of the of the Directors' Remuneration Report described in that report as having been audited, 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. In connection with my audit of the financial statements, 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 in my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

– the parts of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 2006.

– the information given in the Strategic and 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.

Matters on which I report by exception

In light of the knowledge and understanding of the 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; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- internal control as the directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- 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 intend to liquidate the entity or to cease operations, or have 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 applicable law and International Standards on Auditing (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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring 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 policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged 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 the Companies Act 2006.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- obtaining an understanding of British Business Bank plc's framework of authority as well as other legal and regulatory frameworks that the British Business Bank plc operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the British Business Bank plc. The key laws and regulations I considered in this context included the Companies Act 2006, Employment Law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing these against supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting 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 also communicated relevant identified laws and regulations and potential fraud risks 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.

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 that I identify during my audit.

Susan Clark
Senior Statutory Auditor
15 September 2021

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 2021

	Note	2021 £000	2020 £000
Assets			
Cash and cash equivalents		18,993	9,328
Loan amounts owed from Shareholder	2	-	240,400
Trade and other receivables	3	55,049	311,625
Investments	4	2,036,725	1,575,725
Property, plant and equipment		1,561	2,535
Right-of-use assets		9,317	10,669
Corporation Tax receivable		13,500	-
Deferred tax		596	270
Total assets		**2,135,741**	**2,150,552**
Liabilities			
Loan amounts owed to Shareholder	2	(9,600)	-
Trade and other payables	5	(15,245)	(142,504)
Corporation Tax payable		-	(282)
Lease liabilities		(11,995)	(12,867)
Loans and other borrowings	6	(136,407)	(531,840)
Provisions		(300)	(300)
Total liabilities		**(173,547)**	**(687,793)**
Net assets		**1,962,194**	**1,462,759**
Equity			
Issued share capital		1,860,711	1,496,408
Retained earnings		101,483	(33,649)
Total equity		**1,962,194**	**1,462,759**

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 profit/(loss) of the parent company for the financial period amounted to £135.1m (2020: £13.2m (loss)).

The financial statements of the Company were approved by the Board of Directors and authorised on 15 September 2021. They were signed on its behalf by:

Catherine Lewis La Torre
Chief Executive Officer

The notes on p180–182 form an integral part of the financial statements.
Company number 08616013

Company statement of changes in equity

As at 31 March 2021

	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2019	**1,496,408**	**(20,692)**	**1,475,716**
Other opening adjustments	-	1,355	1,355
Adjustment due to IFRS 16	-	(1,087)	(1,087)
Balance under IFRS 16 as at 1 April 2019	**1,496,408**	**(20,424)**	**1,475,984**
Net income after tax	-	(13,225)	(13,225)
Total comprehensive income	-	(13,225)	(13,225)
Issue of ordinary shares	-	-	-
Balance at 31 March 2020	**1,496,408**	**(33,649)**	**1,462,759**
Balance as at 1 April 2020	**1,496,408**	**(33,649)**	**1,462,759**
Net income after tax	-	135,132	135,132
Total comprehensive income	-	135,132	135,132
Issue of ordinary shares	364,303	-	364,303
Balance at 31 March 2021	**1,860,711**	**101,483**	**1,962,194**

Company cash flow statement

As at 31 March 2021

	Note	2021 £000	2020 £000
Profit/(loss) before tax[1]		**130,724**	**(13,257)**
Cashflows from operating activities			
Adjustments for:			
Depreciation, bad debt and impairments		2,325	2,485
Interest expense		6,000	11,113
Impairment of investments in subsidiary undertakings	4	-	13,257
Purchase of investments in subsidiary undertakings	4	(461,000)	-
Interest paid		(6,000)	(3,936)
Movement in trade receivables[1]	3	256,576	(293,765)
Movement in trade payables		(127,261)	4,002
Corporation tax paid		(9,700)	-
Net cash used in operating activities		**(208,336)**	**(279,787)**
Cashflows from investing activities			
Purchases of property, plant and equipment		-	(71)
Net cash used in investing activities		**-**	**(71)**
Cashflows from financing activities			
Issue of new shares		364,303	-
Payments of lease liabilities		(1,173)	(491)
Finance costs on lease liabilities		304	314
Net decrease in amounts owed by Shareholder	2	250,000	284,600
Net decrease in loans from Nuclear Liabilities Fund	6	(395,433)	(79,600)
Net cash from financing activities		**218,001**	**204,509**
Net increase/(decrease) in cash and cash equivalents		**9,665**	**(75,349)**
Cash and cash equivalents at beginning of year		**9,328**	**84,677**
Cash and cash equivalents at end of year		**18,993**	**9,328**

1 The receipt of a dividend of 130,722,539 was received by the cancelling of an amount owed to the Company with these two transactions being settled on a net basis.

The notes on p180–182 form an integral part of the financial statements.

Notes to the Company financial statements

As at 31 March 2021

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 ('the Act').

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 21.2).

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. Loan amounts owed (to)/from Shareholder

	2021 £000	2020 £000
Amounts owed (to)/from Shareholder	**(9,600)**	**240,400**

BBB loaned £600m to BEIS, its shareholder, under the terms of two Loan Agreements. The amounts lent are repayable on demand and have a zero-interest rate. In the year ending 31 March 2021 the balance of £240.4m was repaid (2020: £284.6m).

Since the above loan repayments, the Company has borrowed £9.6m from BEIS which is repayable on demand and has a zero-interest rate.

3. Trade and other receivables

	2021 £000	2020 £000
Amounts receivable within one year		
Trade receivables	20	77
Accrued Income	-	798
Prepayments	1,115	857
Amounts due from Group companies	53,881	309,863
Other receivables	33	30
Total trade and other receivables	**55,049**	**311,625**

4. 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, Energy & Industrial Strategy

All subsidiary undertakings are wholly-owned and incorporated in the UK, all shareholdings are in the name of British Business Bank plc.

See note 22 of the consolidated financial statements for details of all subsidiary holdings of the Company.

At 31 March 2021

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	1,473,839	101,886	1,575,725
Investment in year	264,000	197,000	461,000
Impairment in year	-	-	-
Closing Balance	**1,737,839**	**298,886**	**2,036,725**

At 31 March 2020

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	1,473,839	115,143	1,588,982
Impairment in year	-	(13,257)	(13,257)
Closing Balance	**1,473,839**	**101,886**	**1,575,725**

On 17 September 2020 the Company received a dividend of £130,722,539.25 (2020: £nil) from BBB Patient Capital Holdings Limited.

5. Trade and other payables

	2021 £000	2020 £000
Amounts falling due within one year		
Trade payables	1,046	840
VAT and social security	2,087	1,087
Accrued expenditure	8,886	8,697
Amounts due to Group companies	2,413	131,339
Other payables	813	541
	15,245	**142,504**

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

6. Loans and other borrowings

	2021 £000	2020 £000
Unsecured loans	136,407	531,840
Total loans and other borrowings	**136,407**	**531,840**

On 23 August 2018 the Group received a loan of £350m from the Nuclear Liabilities Fund to be used for general corporate purposes, which was repaid in full on 23 August 2020. This loan accrued interest at a rate of 2% per annum and £2.9m (2020: £7.2m) of interest accrued in the year. The balance of this loan at 31 March 2021 was £nil (2020: £361.4m).

On 28 December 2018 the Group received a second loan of £250m from the Nuclear Liabilities Fund which is used for making investments on behalf of the Nuclear Liabilities Fund after 1 April 2019. The term of this loan is 4 years with the value reducing in £5m tranches as the Group makes investment payments on behalf of the Nuclear Liabilities Fund. Any amount unutilised at 28 December 2022 will be repaid on this date. This loan accrues interest at a rate of 2% per annum up to and including 31 March 2021, then decreasing to 1.5% for the remaining life of the loan. £3.1m (2020: £3.9m) of interest accrued in the year. During the year repayments of £34.0m (2020: £79.6m) were made against the unsecured loans and interest of £3.1m (2020: £3.9m) was repaid. The balance of this loan at 31 March 2021 was £136.4m (2020: £170.4m).

BEIS is a party to both of the Nuclear Liabilities Fund loan agreements, under the terms of which it has undertaken at the repayment dates, to provide funding to the Group to enable it to discharge its obligations to repay the loans including any interest or costs accrued.

7. 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, Energy & Industrial Strategy (BEIS). 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 BEIS 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 BEIS were all effected through the Company and are disclosed in note 25 of the consolidated financial statements. The Company made charges to its principal subsidiary undertakings in respect of services provided on their behalf amounting to £44.8m (2020: £43.7m).

8. Controlling party

In the opinion of the Directors, the Company's ultimate controlling party is the Secretary of State for the Department for Business, Energy & Industrial Strategy. The consolidated financial statements of the Department for Business, Energy & Industrial Strategy 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

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- There are 5.9m smaller businesses in the UK – 99% of all UK businesses
- Smaller businesses employ 16.8m people and generate more than half (52%) of private sector turnover
- Proportion of UK private sector employment due to SMEs, by region and Nation, and UK overall

  Please see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/922793/BPE__2020_detailed_tables.xlsx

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- 45% of smaller businesses applied for external financial support in 2020, compared to 13% in 2019
- 89% of businesses seeking finance in 2020 did so because of the impact of Covid-19
- 75% of these businesses sought finance to help with cash flow

  Please see: https://www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf

- SMEs who access finance are more productive + likely to export = unlock growth

  Please see: https://www.british-business-bank.co.uk/wp-content/uploads/2018/03/Internationalisation-of-European-SMEs-2018-FINAL-VERSION.pdf

Page 8

- 1.67m business supported through Covid-19 emergency finance schemes

  Please see: British Business Bank, press notice, https://www.british-business-bank.co.uk/analysis-of-final-coronavirus-loan-scheme-data-shows-79-3bn-of-loans-to-1-67m-businesses-evenly-distributed-across-whole-of-the-uk/

[1] British Business Bank, press notice, https://www.british-business-bank.co.uk/analysis-of-final-coronavirus-loan-scheme-data-shows-79-3bn-of-loans-to-1-67m-businesses-evenly-distributed-across-whole-of-the-uk/

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[3] British Business Bank, press notice, https://www.british-business-bank.co.uk/analysis-of-final-coronavirus-loan-scheme-data-shows-79-3bn-of-loans-to-1-67m-businesses-evenly-distributed-across-whole-of-the-uk/

[4] British Business Bank, press notice, https://www.british-business-bank.co.uk/midlands-engine-investment-fund-making-an-immediate-impact-and-generating-over-64m-of-investment-in-midlands-businesses/

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[6] British Business Bank, Small Business Finance Markets, 2020/21, https://www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf

[7] British Business Bank, press notice, https://www.british-business-bank.co.uk/analysis-of-final-coronavirus-loan-scheme-data-shows-79-3bn-of-loans-to-1-67m-businesses-evenly-distributed-across-whole-of-the-uk/

[8] British Business Bank, Small Business Equity Tracker 2021, https://www.british-business-bank.co.uk/wp-content/uploads/2020/06/British-Business-Bank-Small-Business-Equity-Tracker-2020-Report.pdf

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[11] British Business Bank Gender Pay Gap report, 5 April 2020, https://www.british-business-bank.co.uk/wp-content/uploads/2021/03/Pay_Gap_Report_FINAL.pdf

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Some stock photography has had to be used in this year's report due to Covid-19 restrictions.

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All figures source British Business Bank 31 March 2021 unless otherwise stated.