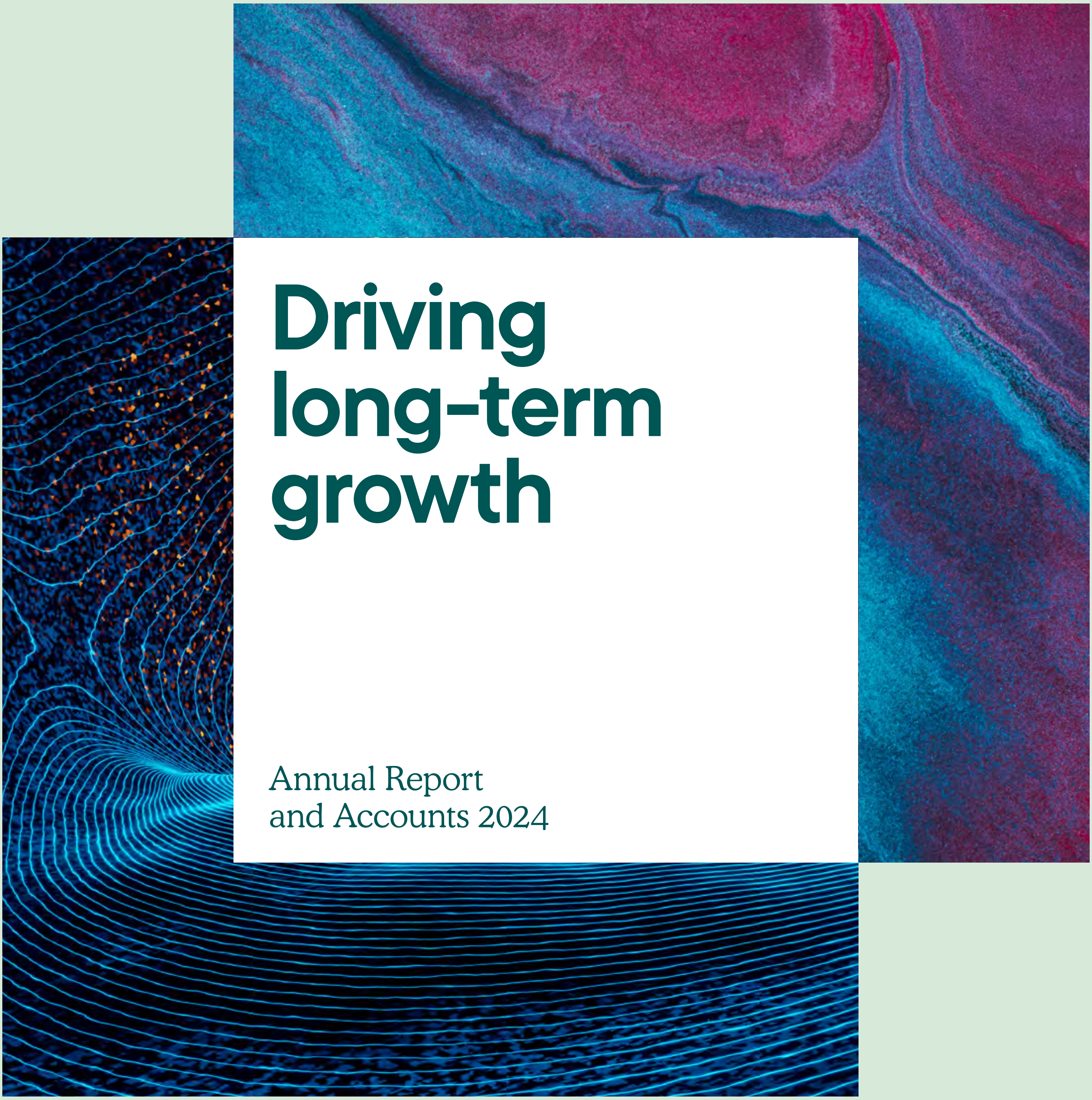
British Patient Capital



Driving long-term growth

Annual Report and Accounts 2024

britishpatientcapital.co.uk

> British Patient Capital continues to play a central role in anchoring and supporting the venture capital market in the UK.

Russs Cummings
Chair

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Chair's report

Consistent delivery through the cycle

Following a period in which venture capital activity was subdued, during the year to 31 March 2024 British Patient Capital continued to deliver on our core mission: of enabling long-term investment in innovative UK companies, led by ambitious entrepreneurs who want to build successful, world-class businesses.

Investing through the cycle, our role is to support, anchor and reassure the UK venture capital market, by ensuring that funds continue to flow into the sector. We have continued with the steady deployment of capital to support the growth of innovative UK companies. As well as making fund investments and co-investments through our £2.5bn Core investment programme, we have also supported R&D-intensive businesses through Future Fund: Breakthrough and the Life Sciences Investment Programme.

A maturing organisation

During the past year British Patient Capital has continued to mature, reaching significant scope. Our scale can be seen in the quantum of capital we have committed, £2.3bn by 31 March 2024, and our breadth in the spread of those commitments, with us supporting 44 fund managers and a total of 1,360 companies across our funds and direct portfolio.

We are demonstrating the long-term returns that can be generated by venture capital, and continue to be the UK's largest domestic investor in venture and venture growth.

Six years of achievement

In this, my last Annual Report as Chair, I reflect on both the year gone by and the period since British Patient Capital was launched in 2018. During the six years of operation, we can see what we have achieved in supporting innovative, high-growth and high-potential companies. As well as making long-term patient capital directly available to these companies, our investments also have an important catalytic effect: the funds in which we have invested have raised a further £13.4bn from third-party investors, both in the UK and internationally, who have made commitments alongside ours.

> British Patient Capital remains the UK's largest domestic investor in venture and venture growth.

Russ Cummings
Chair

£3bn

We manage over £3bn in assets

Over the last six years, our investment team has played a significant role in maturing the investment landscape in the UK. We have successfully executed our initial patient capital mission, using our Core programme to make a meaningful contribution to the UK venture capital market and narrowing the gap between the UK and US in this area.

Having created an excellent platform, we are now able to contribute to other policy objectives, such as through our Co-investment programme, Future Fund: Breakthrough and the Life Sciences Investment Programme. Given our infrastructure, our due diligence capability and our close working relationship with exceptional fund managers, we are in a position to take on these additional mandates. I am proud that we have grown British Patient Capital into a significant asset for the UK economy, an asset which is being built upon and can be developed further.

As I hand over to incoming Chair, Louis Taylor, I am immensely proud to have played a part in getting British Patient Capital established, taking it from a recommendation which came out of the Patient Capital Review, and overseeing its development to become the largest domestic investor in UK venture and venture growth capital. This was only possible because of the fantastic team that I worked with. On behalf of the Board, I would like to thank our team for all they have achieved over the last six years. I would also like to thank the talented fund managers who we work with and support: our performance is a reflection of theirs.

Special thanks to Catherine Lewis La Torre, who moved on from her role as CEO of British Patient Capital during the last financial year. The fact that British Patient Capital has achieved all that it has over the last six years is very much down to Catherine's hard work and sound judgment.

I would also like to take this opportunity to welcome Ian Connatty to the Board, who brings with him a wealth of experience in venture capital fund investing in his role as Deputy Chief Investment Officer of the British Business Bank.

Future outlook

Looking forward, in British Patient Capital we have an organisation that is functioning extremely well, and that can continue to execute on our existing mandates.

At the same time, we stand ready to take on any additional tasks that we may be set. There is widespread recognition of the importance of our role as a specialist investor that boosts the UK innovation ecosystem, supporting high-growth companies over the long term. The unique scale and breadth of British Patient Capital should be used to help attract third-party capital, such as pension funds, to deploy their capital alongside us into the sector. Furthermore, in doing so we deliver an attractive return on taxpayers' money. I am confident that British Patient Capital will continue to play this vital role, for the benefit of the UK economy.

Managing Directors' report

Focus on growth

As the UK's largest domestic investor in venture and venture growth capital, during the last year we committed a total of £381m across our Core, Direct and Co-investment programmes.

In a challenging economic environment in which the availability of capital has been constrained, during the year to 31 March 2024 we continued to invest through the cycle, playing a vital and supportive role as a patient capital investor.

Core programme

Our Core programme continues to invest in support of our technology and life sciences strategies, as evidenced both in the new fund manager relationships that we have added and in our commitments to those already in our portfolio. During the year, we made total new fund commitments of £265m.

This commitment included British Patient Capital adding three new fund managers to its portfolio. We made a €20m commitment to life sciences through Earlybird Health Fund II, which is based in Germany and has a presence in London; this was our first investment in a German-domiciled fund, and supports our mandate to catalyse more private sector investment into the UK.

We also made a £20m commitment to Episode 1, a specialist early-stage technology investor, in which the British Business Bank had already invested through the Enterprise Capital Funds programme. Finally, we committed £25m to emerging manager 13books Capital in FinTech, another sector in which the UK is a global leader.

Also significant this year, we supported our first fund investment under Article 9 of the EU Sustainable Finance Disclosure Regulation, which relates to funds that have sustainable investment as their main objective. The fund, which is run by UK-based, sustainability-focused venture capital firm ETF Partners, fits well with our broader objective to support the modern, green economy.

In terms of our portfolio valuations, this year has seen losses, the majority of which are unrealised, of £48m, which is broadly in line with the performance of the market.

> "We continued to play a vital and supportive role as a patient capital investor."

Life Sciences Investment Programme

During the year, we adjusted the investment criteria of the Life Sciences Investment Programme to ensure that they remain appropriate to market conditions. This update has increased interest from international fund managers, enabling us to make a further commitment during the year and strengthening our pipeline of opportunities for this programme, which supports later-stage life sciences investment into the UK.

Direct and Co-investment

In relation to British Patient Capital's activities in Direct and Co-investment, during the year we made 6 new and 4 follow-on investments totalling £66m. Highlights of the year include our £4m additional investment in Quantexa, a global data and analytics software company. The company now has a valuation of more than $1 billion, making it the second unicorn in our direct investment portfolio.

Christine Hockley
Managing Director, Funds

Ian Connatty
Board Director, British Patient Capital and Deputy Chief Investment Officer, British Business Bank

Existing portfolio company Quell Therapeutics announced an agreement with AstraZeneca, receiving $85m to develop, manufacture and commercialise engineered T-regulatory cell therapies for autoimmune diseases.

Through Future Fund: Breakthrough we made a £5.5m investment in Pragmatic Semiconductor, a Cambridge-based designer and manufacturer of semiconductors, as part of the largest-ever European semiconductor venture funding round.

During the year, an Early Impact Assessment, undertaken by Ipsos UK, revealed that Future Fund: Breakthrough is successfully addressing the late-stage equity funding gap affecting highly innovative R&D-intensive companies, by increasing round size and crowding-in third-party capital.

In response to this assessment, we listened to the market and adjusted our criteria, to make it possible to include a broader range of co-investors and ensure that the market is better supported to enable the growth of the UK’s R&D-intensive companies. We reduced the minimum round size from £30m to £20m, and sponsor investors can now include vehicles such as corporate venture capital funds.

£381m

Our commitments across all programmes totalled £381m during the year to 31 March 2024, of which the Core programme represented £296m. This brought total commitments since the inception of British Patient Capital to more than £2.0bn.

1,350

By 31 March 2024, the Core programme had 1,350 underlying companies in its fund portfolio, 162 more than in the previous year.

Future focus

In the year ahead we will continue working to fulfil our mission, to enable long-term investment in innovative UK companies led by ambitious entrepreneurs who want to build successful, world-class businesses.

Analysis undertaken by the British Business Bank shows that since British Patient Capital was established, the UK has narrowed its overall market gap with the US. However, structural challenges remain as UK companies continue to raise less on average than US companies, particularly in later funding rounds. There are also sectoral gaps, particularly in life sciences, R&D intensive sectors and deeptech. Solving hard problems in these sectors is a UK strength, ensuring these companies can access funding to achieve their potential will remain a focus for British Patient Capital.

As a responsible investor, British Patient Capital strongly believes in the value of diverse teams, and that diversity is a critical success factor in financial performance across the asset class. As a signatory to the Investing in Women Code, we will continue to be focused on building a portfolio that reflects the full range of entrepreneurial talent that the venture capital sector has to offer, and contributing to building an ecosystem that will be more diverse in the future than it is today.

Our achievements this year would not have been possible without the hard work of our team. It has been a privilege also to work with our fund managers who enable us to deliver our strategic objectives.

Our Board

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

Russ Cummings

Chair (until 12 June 2024)

Russ joined British Patient Capital (BPC) as an independent Non-executive Director in June 2018 and was appointed Chair on 1 September 2020. Russ retired from the BPC Board on 12 June 2024 and was replaced by Louis Taylor as Chair of the Board.

Russ is the former Chief Executive Officer of Touchstone Innovations plc, one of the UK's leading technology investment companies, championing outstanding science by commercialising innovative research from UK universities. Russ joined as Chief Investment Officer in 2006, then became CEO in 2013 through to the acquisition of Touchstone in 2017 by IP Group plc for £500m.

From 2003 to 2006, he was a Director at the growth equity and venture capital firm Scottish Equity Partners LLP. Prior to this he spent 16 years at the international venture capital and private equity company 3i Group plc, latterly as Director in its UK Technology Group.

Louis Taylor

Chair (from 13 June 2024)

Louis has been the CEO of the British Business Bank and a Director of British Patient Capital since 1 October 2022. He was appointed Chair of the BPC Board on 13 June 2024.

Louis has a breadth of experience working within public and private sectors in the UK and abroad. He has held a range of senior roles in business and finance, including as Chief Executive of UK Export Finance (UKEF), and a private sector career in Standard Chartered Bank, JP Morgan and several industrial companies.

Louis is currently Trustee and Chair of the Audit Committee of the charity Sightsavers which prevents sight loss and avoidable blindness, fights disease and promotes equal opportunity and is a member of the ICAEW Corporate Finance Faculty Board.

Hazel Moore, OBE
Non-executive Director

Hazel joined BPC as an independent Non-executive Director in June 2019. She is the co-founder and Chair of FirstCapital, an investment bank which provides mergers and acquisitions, private equity and growth capital advice to high-growth technology companies.

She was previously a member of the Governing Board of Innovate UK, the UK's national innovation agency, from 2012 to 2018, and served on the Investment Advisory Panel of the North West Fund from 2010–2013. Hazel was awarded an OBE in the 2017 New Year's Honours list for services to entrepreneurship and innovation. She won the CBI/Real Business First Women in Finance Award in 2016 and the Women in Private Equity Award for Best Corporate Finance Adviser in 2015.

Until 2023, Hazel was a member of the Future Fifty advisory panel for Tech Nation, the leading programme for scale-up companies in the UK, and she is also an Advisory Board Member of Tech Nordic Advocates, the largest ecosystem for tech companies in the Nordic/Baltic region.

Ian Connatty
Board Director (from 13 June 2024)

Ian Connatty is the British Business Bank's Deputy Chief Investment Officer and was appointed to the BPC Board on 13 June 2024.

He brings with him a wealth of experience in venture capital fund investing having worked for British Business Bank and its forerunner organisations since 2009. He has been with BPC since it launched in 2018 where he was Managing Director of the Funds business until 2021. After this he was appointed Managing Director, Direct and Co-investment, where he established the £425m Future Fund: Breakthrough programme. Prior to joining the British Business Bank, Ian previously worked in corporate finance at technology company Infinity SDC and in financial modelling at the Royal Bank of Scotland.

Market commentary

Fundraising

The fundraising environment for venture funds in Europe has become much more challenging since the pandemic period. General macroeconomic and geopolitical factors have served to reduce investor risk appetite, as well as hesitancy about the long-term returns trajectory and a lack of liquidity from earlier commitments that can be recycled into new commitments.

According to data from Pitchbook, the number of venture funds and total capital raised in Europe peaked in 2021. Both metrics then declined slightly in 2022, but there was a more substantial decline in 2023 that saw 190 funds raise a total of €21.7 billion; this represented just 43% of the fund count and 64% of capital raised at the 2021 peak.

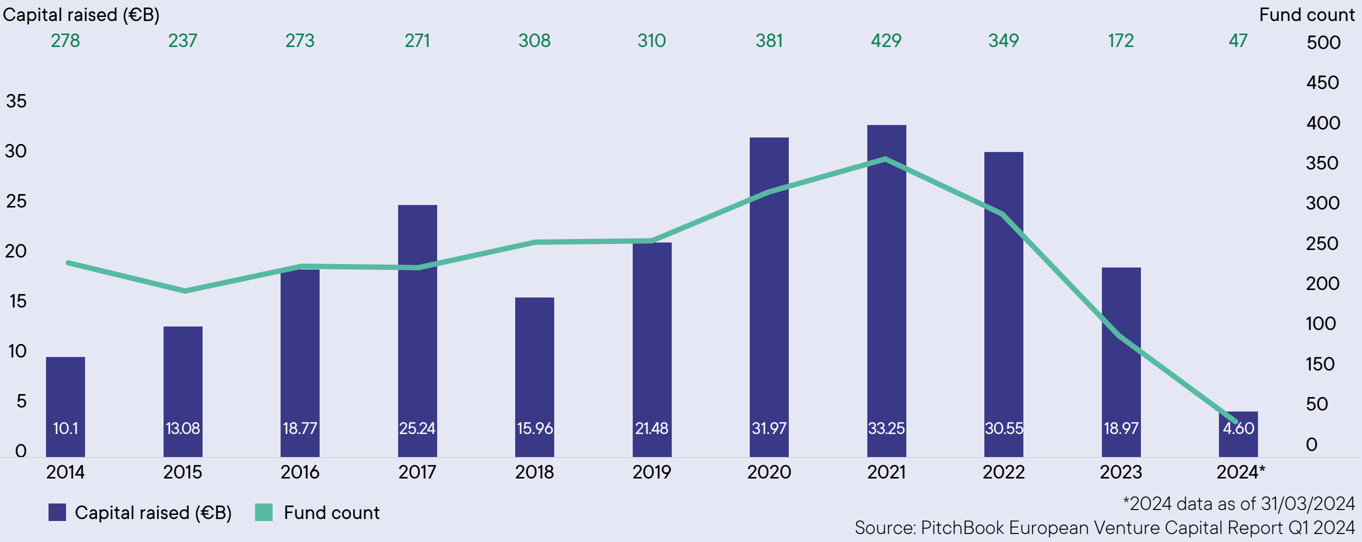
The data for Q1 2024 showed 47 funds closing on €4.6 billion; if this run-rate continues, 2024 could equal 2023 numbers but fund closings are not evenly distributed over the year, so it is too early to predict whether fundraising has stabilised. However, the time taken for funds to close has continued to increase through 2023 and into early 2024. Pitchbook data suggests that the median time to closing in Europe reached a record high of 20.7 months in Q1 2024 (compared to 16.8 months in 2023 and 10 months in 2022). It is therefore clear that capital availability in Europe has become more constrained.

Deal activity

The year to March 2024 marked a period of adjustment, as venture managers adapted to the more uncertain financing conditions by becoming more selective in their capital deployment, with a renewed focus on those companies with a path to profitability and a sustainable business model.

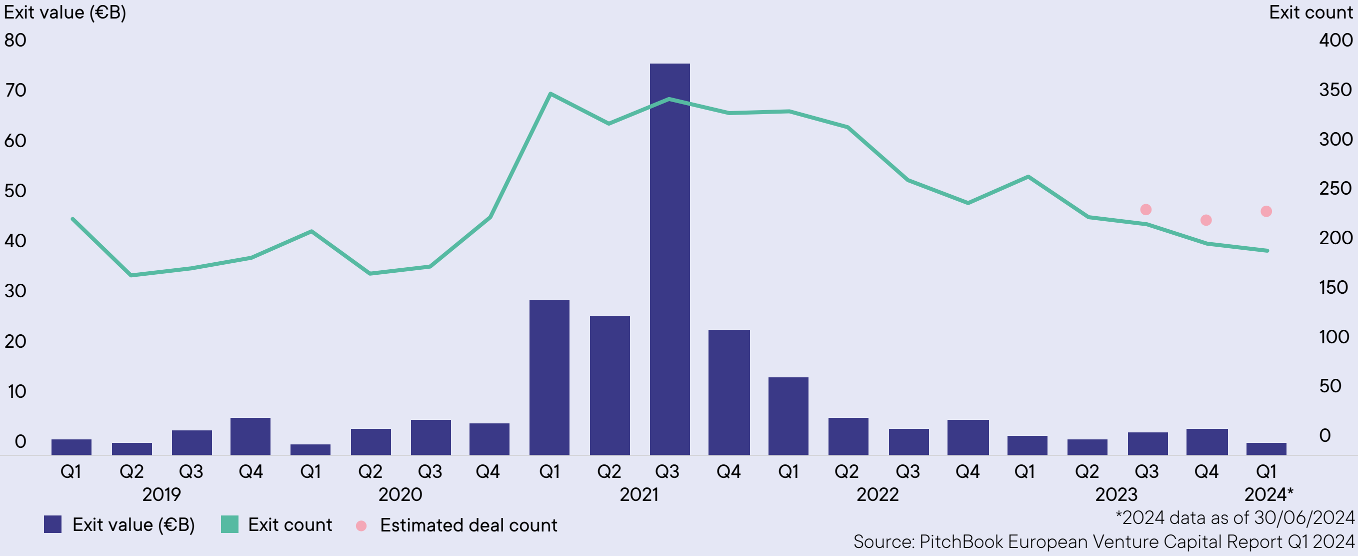
This resulted in a decline in venture capital deal activity following the peak in early 2022. There was some quarterly fluctuation but overall 2023 deal value was down by 42% versus the prior year, with the deal count also falling. Data for the beginning of 2024 provides some evidence of stabilisation, but given the normal fluctuation between quarters, it is too early to draw conclusions.

VC fundraising activity



*2024 data as of 31/03/2024
Source: PitchBook European Venture Capital Report Q1 2024

Venture-backed exit activity in Europe



*2024 data as of 30/06/2024
Source: PitchBook European Venture Capital Report Q1 2024

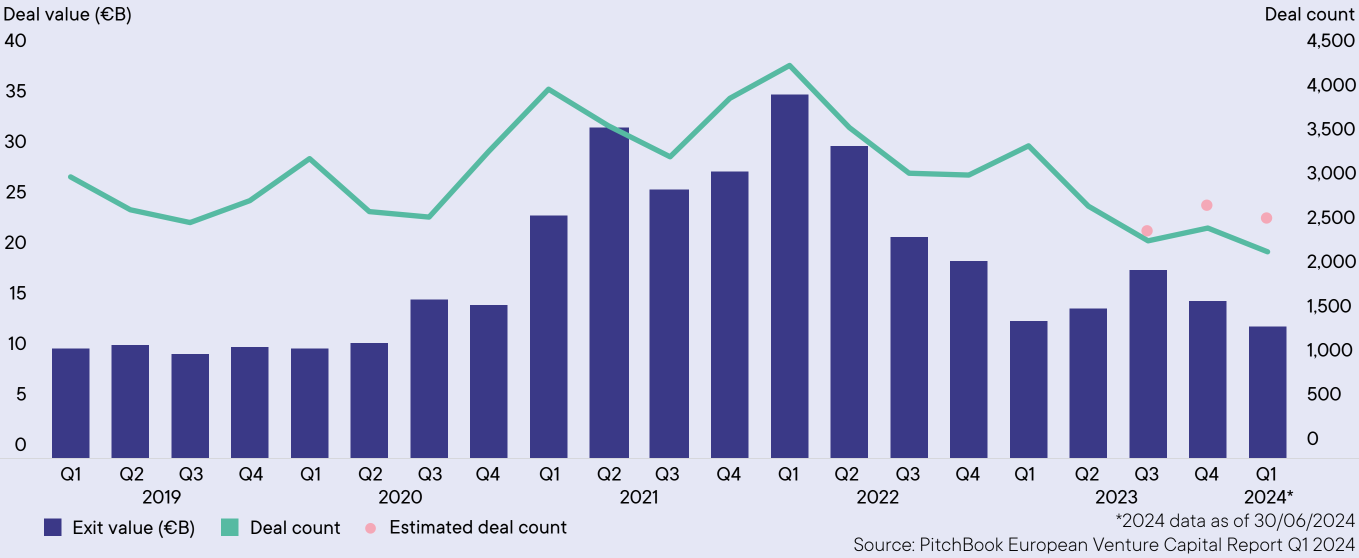
However, we note that whilst deal activity is substantially more subdued than during the peak period of 2021/22, quarterly deal values in 2023 and early 2024 were still above those seen immediately prior to the pandemic.

This slowdown in deal-making has translated into more moderate valuations for new financing rounds across the industry, particularly at the larger deal sizes which saw the greatest price inflation in prior years. This has, in turn, placed downward pressure on the existing valuations of certain companies which raised capital during the pandemic, or were marked up at that time using transaction or public market comparables. The more selective approach to investment by venture managers has also inevitably left some companies struggling to raise their next round, resulting in the sale of assets or winding down of operations. However, this is not universal; many venture-backed companies continue to develop their business model and make progress against their milestones as they seek to drive equity value over the coming years. These market adjustments also offer the opportunity for venture managers to deploy capital at more reasonable valuations, improving the chances of generating stronger returns in the future.

Exits

Exit activity also remained muted in 2023 and early 2024, with both deal count and value having declined substantially from the peak in 2021. Where there have been exits, they have been almost entirely driven by merger and acquisition (M&A) transactions, with the IPO window in Europe remaining largely shut. This has, in turn, had adverse consequences for near-term fundraising, by limiting the capital available to recycle into new commitments.

VC deal activity by quarter



*2024 data as of 30/06/2024
Source: PitchBook European Venture Capital Report Q1 2024

Our business in numbers

British Patient Capital invests across three separate programmes, as well as managing capital for a third-party investor. The summary information shown on this page sets out our activity across the whole business.

Assets under management[1]

£3,125m

Total value of all investment programmes managed by British Patient Capital at 31 March 2024

Investments since inception[2]

£2,287m

Total value of all commitments and co-investments made by British Patient Capital as at 31 March 2024

Investment activity during the year

£381m

Value of all commitments and co-investments made by British Patient Capital during the financial year to 31 March 2024

Performance since inception for British Patient Capital[3]

£427m

Total gains on investment portfolio since inception

[1] Includes original value of programmes awarded to British Patient Capital and a mandate from a third party investor.

[2] Includes investments made on behalf of a third party investor.

[3] Refers to British Patient Capital only

Our business

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

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

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

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

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

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

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

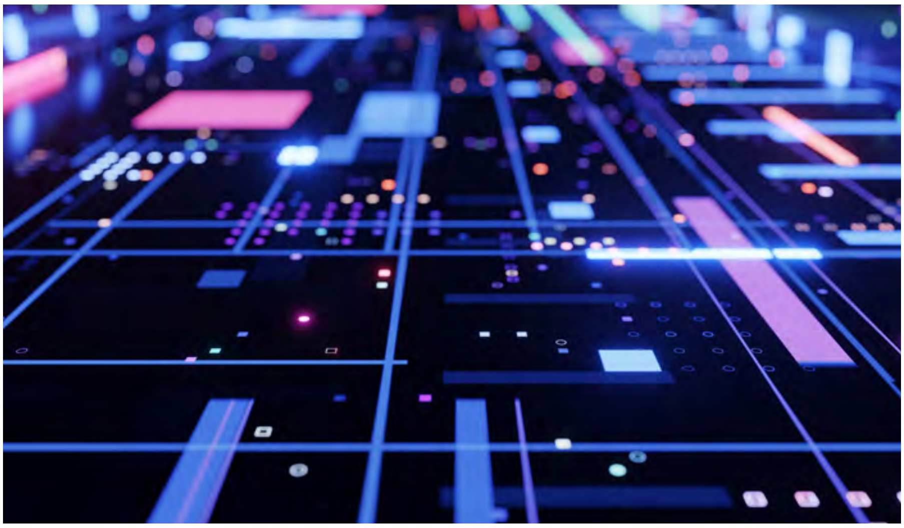
During the year, Ipsos UK were commissioned to undertake an early assessment of the Future Fund: Breakthrough programme. The assessment confirmed it is regarded as a high-quality investor with its involvement widely seen as having a positive influence on firms and sponsor investors, and it is addressing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

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

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

Core programme

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



Investment activity during FY 2023/24

10

Number of new fund commitments in the year

5

Number of new co-investments in the year

New commitments in the year

£296m

Value of all commitments and co-investments in the year

Investments since inception

£1.8bn

Value of all commitments and co-investments (cumulative)

Core programme portfolio performance

1.38

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

12.5%

Internal rate of return (IRR) at 31 March 2024

0.16

Distributed to paid in (DPI) at 31 March 2024

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

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

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

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

> We seek to build long-term relationships with best-in-class fund managers.

Business stories
Episode 1

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

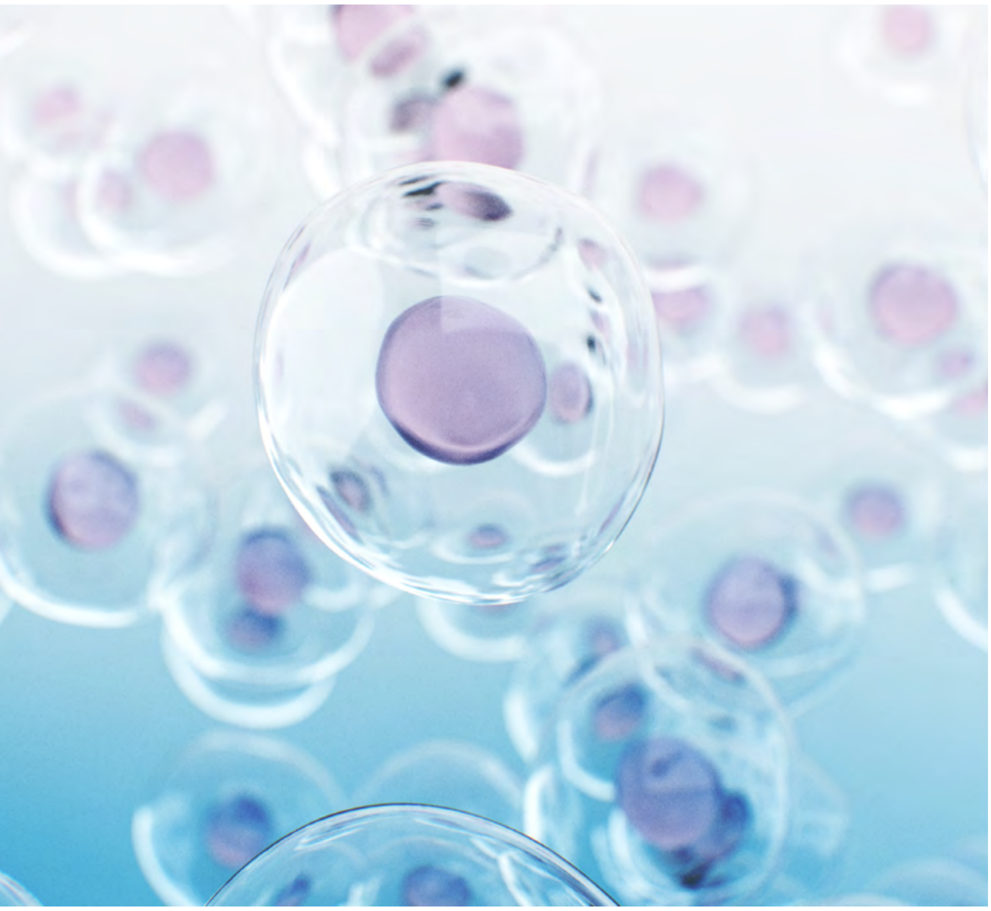
The company was previously supported through the British Business Bank's Enterprise Capital Funds programme. British Patient Capital's commitment to its third fund has helped Episode 1 to transition to a fully commercial fund structure, surpass its target fund size and allow it to continue to scale up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

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

Life Sciences Investment Programme

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

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



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

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

Business stories

OMass Therapeutics

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

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

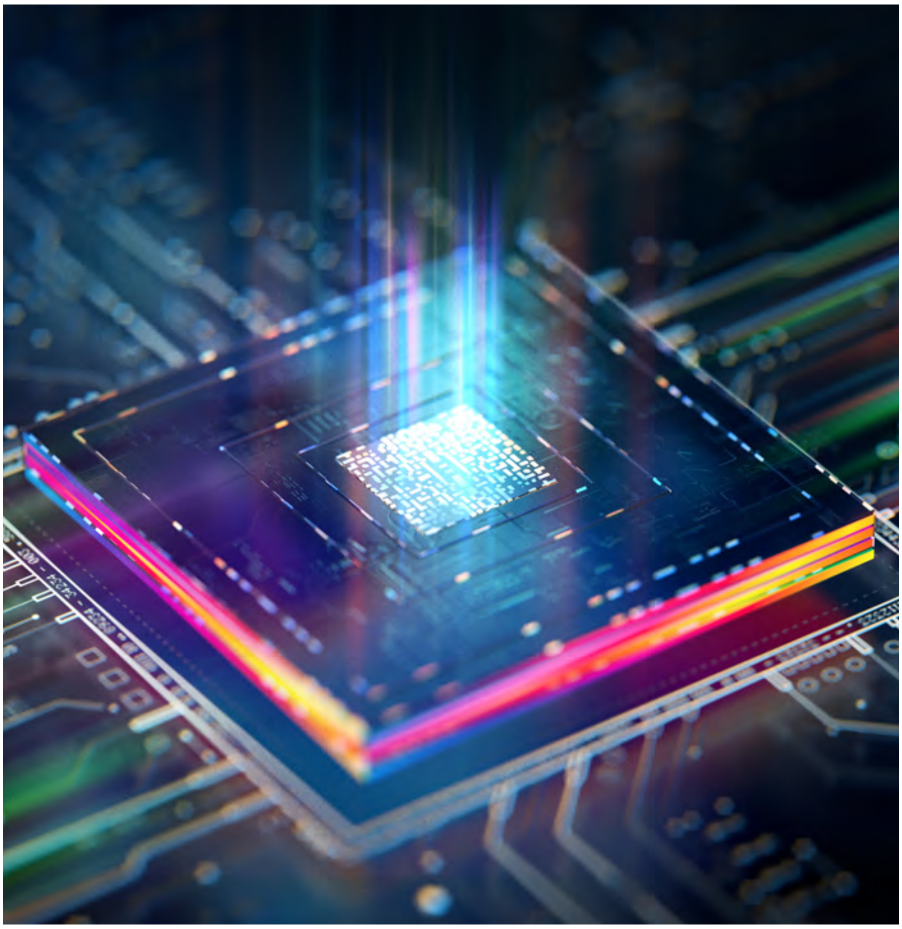
Unlike other drug discovery methods, OMass's platform allows for highly validated but inadequately drugged targets to be viewed in their natural state.

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

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

Future Fund: Breakthrough

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



Assets under management

£425m

Value of investments since inception

£136m

Investment activity during the year

£36m

Number of investments since inception

18

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

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

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

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

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

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

Business stories
Phagenesis

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

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

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

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

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

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

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the Financial statements and auditor's report, for the period ended 31 March 2024.

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

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

— details of significant events since the balance sheet date are contained in note 17 to the Financial statements

— information about the use of financial instruments by the Company is given in note 14 to the Financial statements

— British Patient Capital (BPC), owing to its size, is not required to publish a Section 172 statement about how its Directors have fulfilled their duties.

Dividends and reserves

No dividends have been paid or proposed for the year ended 31 March 2024.

Going concern

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the course of the next 12 months from the date of signing the Annual Report and Accounts.

The Company received a Letter of Comfort from the CEO and Accounting Officer of British Business Bank plc that the Company has adequate resources to continue in business for the foreseeable future. Thus, the Directors continue to adopt the going concern basis in preparing the Financial statements.

Further details can be found in the principal accounting policies notes in the Financial statements.

The Company's continuation as an entity is at the discretion of its ultimate Shareholder, the Department for Business and Trade (DBT). The Board has considered that the Group has and will continue to have Shareholder support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Company's 2023/24 Business Plan which is updated and approved annually by the Board and the Shareholder. The Board is confident the finance from DBT will continue and, as of the date of approval of this Annual Report and Accounts, they have no reason to believe otherwise.

Directors

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

- Russell Cummings (resigned 12 June 2024)
- Catherine Lewis La Torre (resigned 29 December 2023)
- Hazel Moore, Non-executive Director
- Louis Taylor (appointed Chair of the Board on 13 June 2024)
- Ian Connatty (appointed on 13 June 2024).

The biographies of the current Directors are on p6-7.

Company Secretary

Elizabeth O'Neill resigned as General Counsel and Company Secretary of the Company on 14 July 2023. Alice Carpenter replaced Elizabeth until the appointment of Esi Eshun as General Counsel and Company Secretary on 20 November 2023.

The Board has access to the British Business Bank plc Group Company Secretariat which provides support on governance and meeting-related matters.

Corporate governance statement

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

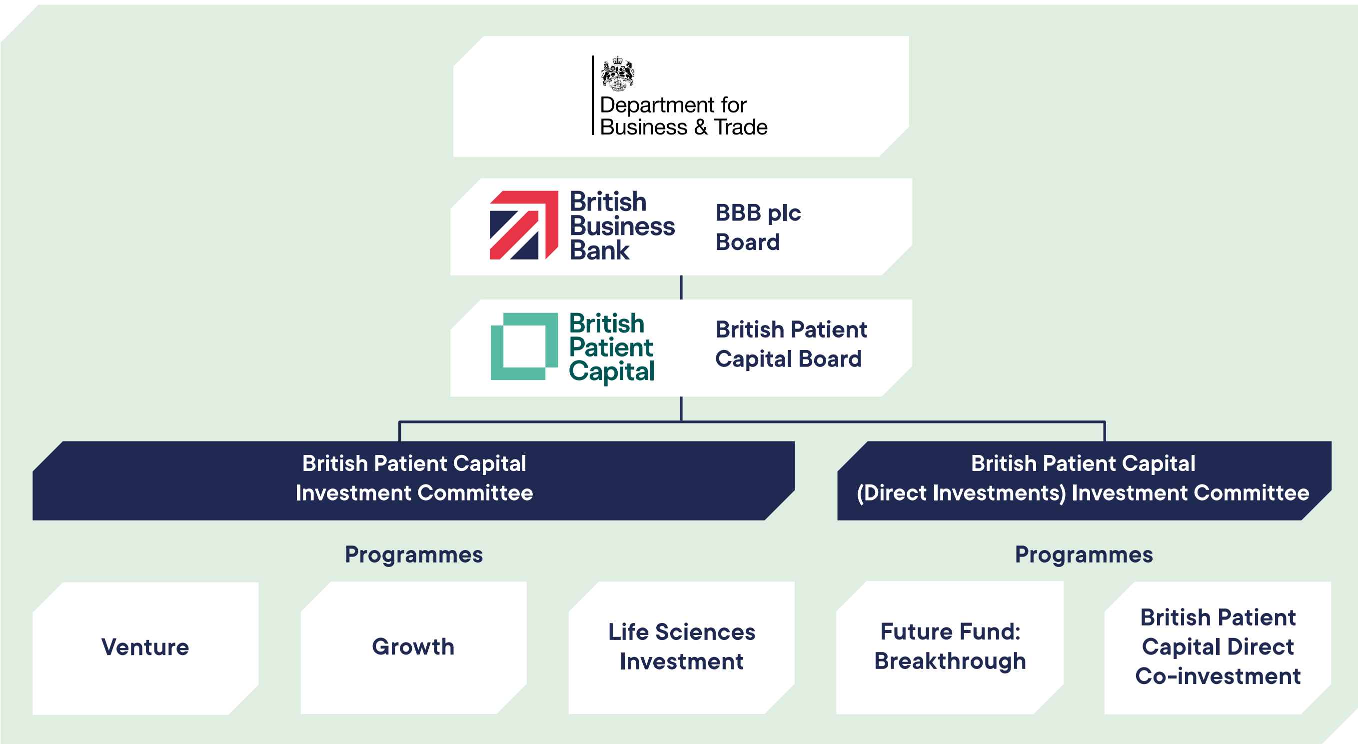
BPC is part of the British Business Bank plc Group and operates within the British Business Bank's Governance Framework. The British Business Bank Directors have reported on the Bank's application of the principles and provisions of the UK Corporate Governance Code in a statement of compliance detailed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

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

British Patient Capital Board

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

- reviewing, approving and guiding corporate strategy, business plans, monitoring implementation and corporate performance
- approving transactions and variations relating to investments/financial commitments less than £50 million that are considered strategically important to BPC or relate to a novel or contentious matter
- approving an individual investment equal to or in excess of £50m (new programmes and greater than £75m are then to be considered by the British Business Bank plc Board)
- monitoring the effectiveness of the Company's governance arrangements and practices
- reviewing and approving the risk appetite and monitoring anti-money laundering compliance
- approving each year's Annual Report and Financial statements prior to publication.



Committees

British Patient Capital (Direct Investments) Investment Committee ('Direct Investments IC')

Membership: BPC Senior Leaders, Executive Representatives from the British Business Bank and Independent Members

The BPC Direct Investments IC operates under delegated authority from the BPC Board and meets regularly to consider investment proposals of the Future Fund: Breakthrough and BPC Direct Co-investment programmes.

British Patient Capital Investment Committee ('BPC IC')

Membership: BPC Executive Members including an Independent Non-executive Director and Executive Approvers from the British Business Bank

The BPC IC operates under delegated authority from the BPC Board and meets regularly to consider investment proposals from third-party investors, funds, partnerships and other entities which have appointed BPC as manager or advisor.

Appointment and removal of Directors

The Articles of Association provide that any appointment of a Director to the Board of British Patient Capital requires the prior consent of the Shareholder. Additionally, where the appointee is not already an employee of the British Business Bank plc Group, the prior written consent of the Secretary of State for DBT is required. No person may be removed as a Director without the prior written consent of the Secretary of State for DBT.

Directors' conflicts of interest and independence

A British Business Bank plc Group Conflicts of Interest policy is in place, ensuring a proper process for the identification, consideration, authorisation and appropriate recording of any conflicts of interest. The Group policy is reviewed regularly, and any relevant amendments approved by the respective Boards.

Directors declare any conflicts of interest at the start of each Board or Committee meeting which are recorded in the minutes of the meeting. The Directors also declare any conflicts directly for inclusion on the Conflicts of Interest Register as they occur.

Directors' indemnities

The British Business Bank plc Group has granted indemnities to certain of its Directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors to the extent permitted by law and the Company's Articles of Association.

The Company provides Directors' and Officers' liability insurance. There are no pension scheme indemnity provisions to be disclosed.

Attendance at Board meetings

Russell Cummings	4/4
Hazel Moore	4/4
Louis Taylor	4/4
Catherine Lewis La Torre	3/3

Political donations

Political donations are not permitted, and BPC did not make any political donations or incur any political expenditure in 2023/24. Charity donations by the Company are not permitted; however, colleagues are able to make personal donations.

Directors' confirmations in relation to the audit

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware
- the Director has taken all the steps that 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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors.

Louis Taylor
Chair

23 October 2024

Managing our risks

Risk management and internal control

BPC is registered with the FCA (FRN 930732) for the purposes of supervision under the money laundering regulations. BPC is not regulated by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA) and does not hold regulatory capital.

Whilst registration with the FCA does not require an entity to comply with the FCA Senior Management Arrangements, Systems and Controls (SYSC), BPC is subject to other applicable laws and regulations and has policies and procedures in place designed to ensure compliance. BPC is committed to following relevant applicable good practice and maintaining high standards of internal controls.

BPC operates within the Risk Management Framework of the British Business Bank and runs its own Investment Committees. A full description of the British Business Bank Risk Management Framework (RMF) is included within its Annual Report. The RMF describes how BPC identifies and manages the risks encountered in the delivery of its mission and objectives. It sets out the approach to risk management and is underpinned by policies, tools and processes, which when consistently applied provide a robust control environment in which to operate.

The RMF provides:

- methodologies that support BPC in identifying, assessing, monitoring and controlling the risks it faces in delivery of its strategic objectives;
- an approach to developing a Risk Appetite Statement, adapted from the Group Risk Appetite Statements as required, which is approved by the BPC Board;
- utilisation of the 'three lines of defence' risk governance model;
- a wide range of policies, frameworks and procedures which take account of regulatory or legal requirements and industry best practice.

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

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

The key financial risks the Company is exposed to are detailed in note 14 of the accompanying financial statements.

Louis Taylor
Chair of the Board

23 October 2024

Statement of Directors' responsibilities

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

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

The Directors have chosen to adopt International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, which is consistent with the accounting treatment adopted by the parent company.

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

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS 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 of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

Approved by the Board of Directors.

Louis Taylor

Louis Taylor
Chair of the Board

23 October 2024

Independent auditor's report

To the members of British Patient Capital Limited

Opinion on financial statements

I have audited the financial statements of British Patient Capital Limited for the year ended 31 March 2024.

The financial statements comprise the British Patient Capital Limited's:

- Statements of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Income, Cash Flow Statement and Statement of Changes in Equity for the year then ended 31 March 2024; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of British Patient Capital Limited's affairs as at 31 March 2024 and its loss for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that British Patient Capital Limited'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 Patient Capital Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

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

— adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

— the financial statements 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

— I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

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

— maintaining proper accounting records;

— providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

— providing the C&AG with additional information and explanations needed for his audit;

— providing the C&AG with unrestricted access to persons within the British Patient Capital Limited from whom the auditor determines it necessary to obtain audit evidence;

— ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;

— preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;

— preparing the Annual Report in accordance with the Companies Act 2006; and

— assessing the British Patient Capital Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other auditor's responsibilities

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

Susan Clark
Senior Statutory Auditor

24 October 2024

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

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

Financial statements

Statement of comprehensive net income

For the year ended 31 March 2024

	Note	2024 £000	2023 £000
Income			
Realised net gains on investment assets	4	157	2,820
Unrealised net (losses) on investment assets	4	(60,036)	(92,778)
Management fee income		1,498	1,821
Net income		**(58,381)**	**(88,137)**
Expenditure			
Staff costs	5.1	(4,144)	(3,447)
Other operating expenditure	6.1	(1,886)	(1,333)
Management fee expense	6.2	(12,652)	(12,210)
Operating expenditure		**(18,682)**	**(16,990)**
Profit/(Loss) before tax		**(77,063)**	**(105,127)**
Tax	7.1	16,511	20,533
Profit/(Loss) for the year after tax		**(60,552)**	**(84,594)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(60,522)**	**(84,594)**

All operations are continuing.

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

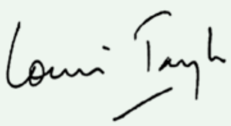
The notes on p30-46 form an integral part of the financial statements.

Statement of financial position

As at 31 March 2024

	Note	2024 £000	2023 £000
Assets			
Cash and cash equivalents	8	13,076	7,677
Trade and other receivables	9	12,626	437
Investments held at fair value through profit or loss	10	1,569,669	1,419,264
Total assets		**1,595,371**	**1,427,378**
Liabilities			
Trade and other payables	11	(64,104)	(57,048)
Corporation tax payable	7.2	(4,294)	(4,294)
Deferred tax liability	7.3	(88,829)	(105,340)
Total liabilities		**(157,227)**	**(166,682)**
Net assets		**1,438,144**	**1,260,696**
Equity			
Issued share capital	13	1,179,523	941,523
Retained earnings		258,621	319,173
Total equity		**1,438,144**	**1,260,696**

The Financial statements of the Company (company number 11271076) were approved by the Board of Directors on 23 October 2024 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:



Louis Taylor
Chair of the Board

The notes on p30-46 form an integral part of the Financial statements.

Statement of changes in equity

As at 31 March 2024

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance at 1 April 2022		**667,523**	**403,767**	**1,071,290**
Net loss after tax		-	(84,594)	(84,594)
Total comprehensive loss		**-**	**(84,594)**	**(84,594)**
Issue of ordinary shares	13	274,000	-	274,000
Balance at 31 March 2023		**941,523**	**319,173**	**1,260,696**
Balance at 1 April 2023		**941,523**	**319,173**	**1,260,696**
Net loss after tax		-	(60,552)	(60,552)
Total comprehensive loss		**-**	**(60,552)**	**(60,552)**
Issue of ordinary shares	13	238,000	-	238,000
Balance at 31 March 2024		**1,179,523**	**258,621**	**1,438,144**

The notes on p30-46 form an integral part of the financial statements.

Cash flow statement

For the year ended 31 March 2024

	Note	2024 £000	2023 £000
Loss before tax		**(77,063)**	**(105,127)**
Cash flows from operating activities			
Changes in operating assets and liabilities:			
Net cash (increase) in assets at fair value through profit or loss	10	(210,284)	(255,834)
Adjustment for non-cash losses on fair value through profit or loss investments	10	59,879	89,958
(Increase)/decrease in trade and other receivables	9	(12,189)	1,834
(Decrease)/increase in trade and other payables	11	(944)	20,081
Net cash used in operating activities		**(240,601)**	**(249,088)**
Cash flows from financing activities			
Net increase in shareholder funding	13	246,000	242,000
Net cash from financing activities		**246,000**	**242,000**
Net increase/(decrease) in cash and cash equivalents		**5,399**	**(7,088)**
Cash and cash equivalents at beginning of the year		7,677	14,765
Cash and cash equivalents at end of the year		**13,076**	**7,677**

During the year, £8m (2023: £32m) of the prior year payables figure was settled for shares. This has therefore been excluded from increase in trade and other payables as it was a non-cash item.

The notes on p30-46 form an integral part of the financial statements.

Notes to the Financial statements

For the year ended 31 March 2024

1. General information

British Patient Capital Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield, S1 2GQ.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on p2-17.

2. Significant accounting policies

Basis of preparation

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

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

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

On 7 February 2023, the then Prime Minister announced a major machinery of government change which redistributed the activities of several existing government departments and created three new departments including the Department for Business and Trade. British Patient Capital Ltd was designated to the Department for Business and Trade with accounting officer responsibilities formally transferred from 1 April 2023.

Going concern

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

Adoption of new and revised Standards

There were no new or amended standards applied for the first time and therefore no restatements were required with respect to new and revised accounting standards.

At the date of authorisation of these financial statements, the Directors expect that the adoption of Standards and Interpretations in issue but not yet effective (IFRS 18 Presentation and Disclosure in Financial Statements) will have a material impact on the presentation of the financial statements of the Company in future years. The Company is also carrying out an impact assessment with regard to the issuance of IFRS S1 and IFRS S2 Sustainability Standards. The Company does not expect the new IFRS 19 (announced 9 May 2024) will be applicable.

Income recognition – management fee income

Management fee income is recognised when a recipient obtains control of 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.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

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

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

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

Financial assets and liabilities

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

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

Classification of financial instruments

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

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

The Company's financial assets comprise debt and equity instruments. Debt instruments are classified both at initial recognition and subsequently, as amortised cost instruments, where the contractual cash flows 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 Company's equity instruments are measured at FVTPL, both on initial recognition and subsequently.

The Company currently has no financial instruments recognised as amortised cost or FVOCI according to IFRS 9 classification.

Impairment of financial assets

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Trade and other payables

Trade and other payables are classified and subsequently measured at amortised cost.

Foreign exchange

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

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 fund investment valuations

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

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

The Company is provided with NAVs on a quarterly basis from the managers of the funds. These NAVs are reviewed, with particular scrutiny given to the valuation methodologies adopted by the fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant valuation guidelines, as well as taking into account known items in respect of the underlying portfolio companies. Furthermore, all funds are audited on an annual basis by independent auditors, with the Company being provided with copies of these audited accounts.

The Company's investments in Co-investment and Future Fund:Breakthrough are not considered fund investments and therefore not based on fund NAVs. Further details of the valuation of these investments are shown in notes 10 and 14.

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

Valuations of FVTPL direct investment valuations

Measuring fair value of financial instruments that are not traded in active markets requires judgement, as there will often be a range of techniques or prices that could plausibly be applied. The valuation approach applied to direct investments is described within note 14.

Estimates

The assessment of fair value on direct investments

The fair value of investments is established with reference to the IPEV Guidelines. An assessment will be made at each measurement date as to the most appropriate valuation methodology.

The Company invests in late-stage scale-up companies and growth-stage R&D intensive technology companies through unlisted securities. The fair value of these investments is assessed on a quarterly basis using valuation methodologies selected and applied in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

The price of a recent investment typically represents fair value as of the signing date of the transaction. At subsequent reporting dates, the price from the last financing round may be an appropriate starting point for estimating Fair Value. This is especially the case for investments that have less measurable performance indicators and more limited binary outcomes: success or failure. Consideration is given to the progression of key valuation drivers for each investee (e.g. revenue, rate of cash depletion, comparable companies, product roadmap, and other milestones compared with expectations at the last round to determine if the value of the investment has increased, decreased or remained the same).

The Company applies a price revenue multiples approach where appropriate for companies with a meaningful level of sustainable revenue, and which requires management to make assumptions over the timing and nature of future revenues when calculating fair value. When using multiples, we consider publicly traded multiples as at the reporting date in similar lines of business and with similar growth potential.

When the equity values of the portfolio companies are generally assessed via the price-revenue multiples approach, the relevant capital waterfalls are applied to the equity values to determine the fair value of the specific class of shares held under the current value methodology.

For earlier stage companies that have yet to achieve a meaningful level of sustainable revenue, the Company typically applies a combination of milestone and scenario analysis. Where the Company can make sufficiently reliable estimates of outcomes and probabilities, a probability weighted scenario approach is applied to re-measure the fair value based on the cashflows in each scenario outcome discounted back to the reporting date using an appropriate discount rate. For underperforming investments where the Company is unable to apply quantitative analysis with sufficient reliability, the fair value of the investment may be estimated based on a percentage provision to the last round price.

Inputs to the Direct Investment valuation models

£38.8m of the Direct Investment portfolio value is derived from model-based approaches, scenario models and revenue multiples. These models use multiple inputs, some of which rely on estimates and assumptions made by management that risk causing a significant adjustment to the carrying amounts of the assets.

Scenario-based Models

£17.3m of the direct investment portfolio as at year-end was valued using scenario-based models. The key inputs and judgements in these models are the probabilities and exit values assigned to each of the scenarios, along with the discount rate applied to determine the present value of the cashflows to be received in each scenario. The most significant estimate is considered to be the choice of discount rate which impacts each scenario in the model. A single discount rate has been applied to all direct investments using scenario-based models as at year-end, but we continue to review the rate and assess if more industry or investment specific discount rates can be reliably determined and would give rise to a better estimate of fair value. The discount rate applied is intended to represent the return that investors expect to receive from investments in VC stage companies and is derived using historical industry return data adjusted to ensure it represents a target level of return. As an indication of sensitivity, if all the scenario-based models had a 2% increase in discount rate applied this would decrease the fair value of the investments by £0.7m. Alternatively, if a 2% decrease in discount rate was applied this would increase the fair value of the portfolio by £0.7m.

Revenue multiples

£21.5m of the direct investment portfolio as at year-end was valued using approaches based on revenue multiples. The key inputs and judgements in these models are the revenue figures and comparable company multiples.

As an indication of sensitivity, if all the revenue multiple models had a 10% revenue multiple increase, this would increase the fair value of the investments by £2.3m. Alternatively, a 10% revenue multiple decrease would decrease the fair value of the investments by £2.3m.

4. Net losses on investment assets

		2024 £000	2023 £000
Realised fair value gains on assets held at fair value through profit and loss	10	157	2,820
Unrealised fair value losses on assets held at fair value through profit or loss	10	(60,036)	(92,778)
Total net losses on investment assets		**(59,879)**	**(89,958)**

5. Staff numbers, staff costs and Directors' remuneration

5.1 Staff numbers and staff costs

The average monthly number of employees including Executive Directors was:

	2024	2023
Permanent staff	33	29
Non-executive Directors	2	2
Total	**35**	**31**

Aggregate remuneration comprised

	2024 £000	2023 £000
Wages and salaries		
– Permanent staff	2,740	2,256
Non-executive Directors' fees	50	50
Short and Long-Term Incentive Plans and annual bonus scheme	581	457
Social security costs	394	349
Pension costs	379	335
Total	**4,144**	**3,447**

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

5.2 Directors' remuneration

Directors' remuneration during the year was £377,629 (2022/23: £360,981). Remuneration for the highest paid Director during the year is covered under Executive Directors' remuneration below.

Executive Directors' remuneration

For the period 1 April 2023 to 29 December 2023 Catherine Lewis La Torre was Chief Executive Officer for British Patient Capital. On 29 December 2023, Catherine Lewis La Torre left British Patient Capital and was not replaced.

The table below sets out Catherine's BPC remuneration for the period ending 31 March 2024:

	Period ending 31 March 2024 £	Period ending 31 March 2023 £*
Salary	229,221	195,676
LTIP / Bonus	122,977	142,828
Company Pension	24,543	21,719
Taxable Benefits	888	758
Total	**377,629**	**360,981**

* Includes remuneration for Catherine Lewis La Torre and Judith Hartley.

The LTIP granted and paid for year ended 31 March 2024 as disclosed is the full value for Catherine role as Chief Executive Officer – British Patient Capital during the year 2023/24. Any payments made under the LTIP are determined by the People and Remuneration Committee (PRC) at their discretion and are dependent on personal and corporate performance over a three-year period ending 31 March 2024.

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

Non-executive Directors' remuneration

Non-executive Directors' remuneration for 2024 and 2023 is made up as follows:

	2024		2023	
	Total fees £000	Annual equivalent £000	Total fees £000	Annual equivalent £000
Russell Cummings	30	30	30	30
Hazel Moore	20	20	20	20
Total	**50**	**50**	**50**	**50**

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

No post-employment benefits, termination benefits or share-based payments were made to Directors in the year (2023: none)

6. Operating costs

6.1 Other operating expenditure

	2024 £000	2023 £000
Audit fee	132	106
Investment costs	575	840
Other operating expenditure	1,179	387
Total	**1,886**	**1,333**

A fee of £132,000 (2023: £106,000) plus VAT was charged for the audit of the Company's Financial statements. The Company's auditors did not provide any non-audit services.

6.2 Management fee expense

	2024 £000	2023 £000
Allocated staff costs	5,181	4,829
Allocated other operating expenditure	7,471	7,381
Total	**12,652**	**12,210**

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

7. Tax

7.1 Tax on profit on continuing activities

	2024 £000	2023 £000
Current tax		
Current year	-	-
Adjustment in respect of prior years	-	4,294
Total current tax	**-**	**4,294**
Deferred tax		
Current year	(20,303)	(28,526)
Adjustment in respect of prior years	3,792	3,699
Total deferred tax	**(16,511)**	**(24,827)**
Total tax on continuing activities	**(16,511)**	**(20,533)**

7. Tax (continued)

Factors affecting the tax expense for the year

The tax expense for the year is different from the standard rate of Corporation Tax in the UK as explained in the table below. The Corporation Tax rate used is based on the enacted Corporation Tax rate for the year commencing 1 April 2023.

Deferred tax primarily relates to the Company's investments. It is calculated at 25% (2023: 25%) of the estimated unrealised gains within the funds. This is a temporary timing difference, and the tax will become payable once the gains are realised in the underlying funds, for example through investment exits.

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

The deferred tax adjustment in respect of prior years' relates to the utilisation of brought forward losses.

The table below reconciles the tax charge for the year:

	2024 £000	2023 £000
(Loss) before tax	(77,063)	(105,127)
Tax on profit at standard UK tax rate 25% (2023: 19%)	(19,266)	(19,974)
Tax effects of FV movements	(1,037)	(1,706)
Adjustments in respect of prior year	3,792	7,993
Tax rate changes	-	(6,846)
Total tax charge	**(16,511)**	**(20,533)**

	Unrealised (gains)/losses		Deferred tax	
	2024 £000	2023 £000	2024 £000	2023 £000
Unrealised losses	(17,184)	(15,168)	(4,296)	(3,792)
Other timing differences*	372,500	436,528	93,125	109,132
Other timing differences subject to deferred tax	**355,316**	**421,360**	**88,829**	**105,340**

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

7.2 Corporation Tax payable

	2024 £000	2023 £000
Corporation Tax payable at 1 April	4,294	-
Tax expense for the year	-	4,294
Corporation Tax payable at 31 March	**4,294**	**4,294**

7.3 Deferred tax liability

	2024 £000	2023 £000
Deferred tax liability at 1 April	(105,340)	(130,167)
Movement in the year	16,511	24,827
Deferred tax liability at 31 March	**(88,829)**	**(105,340)**

8. Cash and cash equivalents

	2024 £000	2023 £000
Government Banking Service	13,076	7,677
Total	**13,076**	**7,677**

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

9. Trade and other receivables

	2024 £000	2023 £000
Trade and other receivables	10,000	437
Amounts due from Group companies	2,626	-
Total	**12,626**	**437**

Trade receivables disclosed above are measured at amortised cost.

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

10. Investments

Investments held at fair value through profit or loss

As at 31 March 2024

	Opening balance £000	Additions £000	Repayments £000	FV Movements £000	Closing balance £000
Venture Growth	547,786	116,787	(23,943)	14,139	654,769
Venture	706,322	85,962	(14,300)	(62,571)	715,413
Co-investment	62,991	17,772	-	(3,636)	77,127
Future Fund: Breakthrough	90,851	23,047	-	(5,947)	107,951
Life Sciences Investment Programme	11,314	7,737	(2,778)	(1,864)	14,409
Total	**1,419,264**	**251,305**	**(41,021)**	**(59,879)**	**1,569,669**

As at 31 March 2023

	Opening balance £000	Additions £000	Repayments £000	FV Movements £000	Closing balance £000
Venture Growth	508,237	107,505	(19,872)	(48,084)	547,786
Venture	662,771	109,176	(12,188)	(53,437)	706,322
Co-investment	55,159	7,000	-	832	62,991
Future Fund: Breakthrough	25,307	65,521	-	23	90,851
Life Sciences Investment Programme	1,914	9,135	(10,443)	10,708	11,314
Total	**1,253,388**	**298,337**	**(42,503)**	**(89,958)**	**1,419,264**

Repayments are received when an investment has exited or partially exited an underlying investment and the Company receives its share of the proceeds due to the contractual obligations of the fund.

10. Investments (continued)

Venture Growth and Venture

Through the Venture and Venture Growth programmes, 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. These investments are accounted for and measured at FVTPL under IFRS 9.

In the year ended 31 March 2023, the Company made a £30m commitment to Northern Gritstone Ltd through subscribed but uncalled share capital. As at 31 March 2024 £9m of this commitment had been drawn by Northern Gritstone Ltd for which the Company received an updated share certificate showing this amount as called and fully paid, therefore recognised as an Investment held at FVTPL.

Due to the nature of the investment, the undrawn element also meets the definition of a financial asset and liability and the Company has therefore reflected the uncalled share capital of £21m within Investments held at FVTPL, with an equal and opposite liability.

Co-investment

Through the Co-Investment programme BPC invests in late-stage UK scale up companies. Currently it co-invests alongside BPC fund General Partners into their existing portfolio companies. This allows BPC to increase its exposure to the best portfolio companies in its best funds. These investments are accounted for and measured at FVTPL under IFRS 9.

Future Fund: Breakthrough (FF:B)

Through the Future Fund Breakthrough programme BPC directly invests alongside private sector investors in growth stage R&D intensive UK companies operating in breakthrough technology sectors. These investments are accounted for and measured at FVTPL under IFRS 9.

Life Sciences Investment Programme (LSIP)

Through the LSIP programme BPC invests in commercially viable later stage life sciences venture growth funds, to support UK companies with high growth potential to access the long-term finance they need to scale up. These investments are accounted for and measured at FVTPL under IFRS 9.

Ongoing impact of market conditions on investment valuations

We reported in the prior year that market conditions were demanding and extraordinary. Inflation was at a 40–year high, peaking at 11.1% in October 2022 and we saw the first UK interest rate hike cycle in 15 years. Interest rates have risen further in FY 2023/24 from 4.25% to 5.25% and inflation has since fallen and stood at 3.2% in March 2024.

This ongoing economic uncertainty continues to give rise to additional uncertainly around investment valuations.

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

11. Trade and other payables

	2024 £000	2023 £000
Amounts falling due within one year		
Trade payables	-	9
Other payables	6,000	4,800
VAT and social security	-	149
Accrued expenditure	1,714	1,638
Amounts due to Group companies	41,390	31,252
Total	**49,104**	**37,848**
Amounts falling due after one year		
Other payables	15,000	19,200
	15,000	**19,200**
Total	**64,104**	**57,048**

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

12. Capital commitments

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

	2024 £000	2023 £000
Venture Growth	304,981	293,141
Venture	302,621	258,829
FF:B	14,339	9,679
LSIP	37,443	30,769
Total	**659,384**	**592,418**

13. Share capital

	2024	2023
Issued and fully paid ordinary shares of £1 each:	1,179,522,539	941,522,539

	2024 £000	2023 £000
Brought forward	941,523	667,523
Shares issued	238,000	274,000
Carried forward	**1,179,523**	**941,523**

The Company has one class of ordinary shares which carry no right to fixed income. During the year the company issued 238,000,000 (2023: 274,000,000) ordinary £1 shares at par value, as a non-cash share issue to settle Shareholder funding.

14. Financial Instruments

(i) Categories of financial instruments

The following table analyses the Company's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. For assets and liabilities held at amortised cost, the amortised cost is considered to be a fair proxy for fair value. Trade and other payables excludes VAT and Social Security of £nil (2023: £0.1m) as these are not classified as financial liabilities, therefore the value in the below table will differ to the Statement of financial position.

At 31 March 2024	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000	Total £000
Assets				
Cash and cash equivalents	8	-	13,076	13,076
Trade and other receivables	9	-	12,626	12,626
Investments held at FVTPL	10	1,569,669	-	1,569,669
Total assets		**1,569,669**	**25,702**	**1,595,371**
Liabilities				
Trade and other payables	11	-	(64,104)	(64,104)
Total liabilities		**-**	**(64,104)**	**(64,104)**
Net assets		**1,569,669**	**(38,402)**	**1,531,267**

At 31 March 2023	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000	Total £000
Assets				
Cash and cash equivalents	8	-	7,677	7,677
Trade and other receivables	9	-	437	437
Investments held at FVTPL	10	1,419,264	-	1,419,264
Total assets		**1,419,264**	**8,114**	**1,427,378**
Liabilities				
Trade and other payables	11	-	(56,899)	(56,899)
Total liabilities		**-**	**(56,899)**	**(56,899)**
Net assets		**1,419,264**	**(48,785)**	**1,370,479**

(ii) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

Immediately following the completion of a financing round, the fair value is typically considered to be observable and classified as a Level 2 investment using the round price. After 3 months, the round price is generally considered to be an unobservable input and the investment would then be classified under Level 3.

The following table presents the Company's financial assets and liabilities that are measured at fair value by balance sheet classification.

14. Financial Instruments (continued)

The following table presents the Company financial assets and liabilities that are measured at fair value by balance sheet classification.

At 31 March 2024

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
Venture Growth	10	22,282	-	632,487	654,769
Venture	10	-	-	715,413	715,413
Co-Investment	10	-	14,070	63,057	77,127
Future Fund: Breakthrough	10	-	10,606	97,345	107,951
Life Sciences Investment Programme	10	-	-	14,409	14,409
Total financial assets at FVTPL mandatory		**22,282**	**24,676**	**1,522,711**	**1,569,669**
Total financial assets measured at fair value		**22,282**	**24,676**	**1,522,711**	**1,569,669**

At 31 March 2023

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
Venture Growth	10	15,634	-	532,152	547,786
Venture	10	-	-	706,322	706,322
Co-Investment	10	-	-	62,991	62,991
Future Fund: Breakthrough	10	-	11,700	79,151	90,851
Life Sciences Investment Programme	10	-	-	11,314	11,314
Total financial assets at FVTPL mandatory		**15,634**	**11,700**	**1,391,930**	**1,419,264**
Total financial assets measured at fair value		**15,634**	**11,700**	**1,391,930**	**1,419,264**

The assessment of Level 2 assets has been revised to include investments which are new, or have recent price information available. Applying this to the prior year has led to the immaterial reclassification of £11.7m from Level 3 to Level 2. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

Transfers from Level 2 to Level 3:

Two investments within Future Fund: Breakthrough were transferred during the year from level 2 to level 3, the latest round prices are now more than 3 months before the reporting date.

Transfers from Level 3 to Level 2:

An investment within Co-investment and Future Fund: Breakthrough was transferred during the year from Level 3 to Level 2. The fair value of this investment was updated based on the latest round price which was three months or less before the reporting date.

Additions to Level 2:

In the year, there were new investments within Co-Investment and Future Fund: Breakthrough that have been classed as Level 2 investments. These investments were additions made within three months of the reporting date.

The valuation techniques used to value financial assets and liabilities are detailed on the following page.

14. Financial Instruments (continued)

(ii) Fair value measurements (continued)

For all FVTPL assets, except for the Co-Investment and Future Fund: Breakthrough, the investment valuation, a net asset valuation (NAV) which is determined on a fair value basis, is determined by investment managers on a regular basis (monthly or quarterly). The Directors review the investment valuation reports periodically and are satisfied that they provide an appropriate measure of fair value at the reporting date.

The Executive Valuation Committee also reviews and approves all investment valuations at a programme level.

Future Fund: Breakthrough and Co-Investment

The fair value of these investments is determined using techniques consistent with the IPEV guidelines. Measuring fair value of financial instruments that are not traded in active markets requires judgement, as there will often be a range of techniques or prices that could be applied (including comparable revenue multiples, scenario analysis, discount cashflows and milestone analysis). The appropriate valuation technique is selected based on the individual nature, facts and circumstances of the investment and the expected view of market participants. The valuation techniques are calibrated using transaction prices.

	Investments in funds and unlisted private equities £000
As at 1 April 2023	**1,403,630**
Additions	241,305
Repayments	(41,021)
Fair value movements	(56,527)
As at 31 March 2024	**1,547,387**

	Investments in funds and unlisted private equities £000
As at 1 April 2022	**1,209,043**
Additions	298,339
Repayments	(42,503)
Fair value movements	(61,249)
As at 31 March 2023	**1,403,630**

14. Financial Instruments (continued)

(iii) Financial risk management

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

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

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

- Credit risk
- Market risk.

Credit risk

Credit risk is the risk of loss to the Company from the failure of delivery partners or underlying borrowers to meet their transactional facility repayment obligations according to our expectations. This includes concentration risk which may arise from a lack of portfolio diversification, in either a sector, geographic area or type of security, notwithstanding a desire to address market failures. 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 Company's portfolio management process.

The degree to which the Company is exposed to credit risk depends on the individual characteristics of the contract counterparty and the nature of the investment. The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time.

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

Cash and cash equivalents

The Company held cash and cash equivalents of £13.1m as at 31 March 2024 (2023: £7.7m). The cash and cash equivalents are held with the Government Banking Service. The Company considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

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.

Equity price risk

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

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

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

The Company has considered the historical time series of the Preqin Venture Index movements and observed that the +/–29% (2023: +/-30%) sensitivities are within the 5th percentiles and 95th percentiles of all movements since 2001. Therefore, the Company consider the range to be within the bounds of reasonable changes in BPC valuations.

Theoretical impact of a fluctuation in equity prices of +/–29% would be as follows:

	NAV of underlying fund	
	+29% £000	–29% £000
As at 31 March 2024	455,204	(455,204)
As at 31 March 2023	425,779	(425,779)

14. Financial Instruments (continued)

Market risk

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

Currency risk

The Company does not have significant exposure to currency risk as the Company 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 BPC's financial investment.

Approximately 36% (2023: 35%) of the Company's portfolio is in non-pounds sterling denominated investments. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2024 was a loss of £12.3m (2023: gain of £24.6m).

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 Company's non-sterling investments is estimated with a scenario assuming GBP-EUR and GBP-USD exchange rate prices moved at the 75th percentile of it's historical one-year volatility distribution. The impact of this would be an approximate loss of £29.1m 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.

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

15. Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control.

Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

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

Depending on the Company's power over the activities of the entity and its exposure to, and ability to influence, its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it. As at 31 March 2024 and 31 March 2023 the Company does not consolidate any interests in structured entities as the Company is not considered to have control or significant influence over these entities due to the way these entities are structured.

The Company has £1,332m (2023: £1,220m) of interests in limited partnerships considered to be structured entities that are held as fair value through profit and loss and we consider this value also to be the maximum exposure to loss. These limited partnerships are managed by delivery partners on behalf of the Company and the Company does not exercise control.

The Company also co-invests with a number of limited partnerships. The Company does not exercise control over these investments and in the main does not exercise its right to hold a board seat. Where a board seat is held, it is for the purpose of observer rights and the Company does not exercise control.

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

Interest in Limited Partnerships

	2024 £000	2023 £000
Assets at fair value through profit or loss	1,332,308	1,219,788
Total	**1,332,308**	**1,219,788**

16. Related party transactions

The Secretary of State for the Department for Business and Trade is the ultimate controlling party and sole shareholder of British Business Bank plc, which owns BBB Patient Capital Holdings Ltd, which is the Company's parent company. All entities under the group are considered to be related parties. Nuclear Liabilities Fund Limited (NLF) was a related party until 1 April 2023, by virtue of being controlled by the Company's previous ultimate controlling party, the Department for Business, Energy and Industrial Strategy. The Company entered into transactions with the Department for Business and Trade and the following British Business Bank plc Group companies in the year:

	2024 £000	2023 £000
Income		
NLF – Management fee	-	1,821
Total	**-**	**1,821**

	2024 £000	2023 £000
Expenditure		
British Business Bank plc	11,766	11,212
British Business Financial Services Limited	886	998
Total	**12,652**	**12,210**

Amounts outstanding at year-end

As at the balance sheet date, the Company had balances outstanding with the following Group companies:

	2024 £000	2023 £000
Receivables		
British Business Bank plc	2,626	-
Total	**2,626**	**-**
Payables		
British Business Bank plc	2,310	110
BBB Patient Capital Holdings Limited	39,000	31,000
British Business Financial Services Limited	80	142
Total	**41,390**	**31,252**

The Company is acting as agent for the NLF portion of investments and the above management charge reflects their charge for the prior year, during which they were under common control.

During the year, the Company received working capital loans from its parent company, which totalled £246m (2023: £242m) and made a repayment via a non-cash share issue of £238m (2023: £274m), leaving a balance of £39m (2023: £31m) owing to its parent company. This loan is expected to be repaid within one year by issuing shares to the parent company.

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

17. Events after the reporting date

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

18. Controlling party

The Company's parent is BBB Patient Capital Holdings Limited, which in turn is a wholly owned subsidiary of the British Business Bank plc. In the opinion of the Directors, the Company's controlling party is the British Business Bank plc's shareholder, the Department for Business and Trade.

The consolidated Financial statements of the Department for Business and Trade are available from the Government departments' website at GOV.UK. Copies of the Group consolidated Financial statements of the British Business Bank plc are available from Companies House, Crown Way, Cardiff CF14 3UZ.

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