British Business Investments

Annual Report and Accounts 2024

Investing for UK growth

bbinv.co.uk

> “By providing access to finance to smaller businesses at every stage of their growth, we bolster the UK economy, extending opportunities and creating jobs.”

Louis Taylor
Chair

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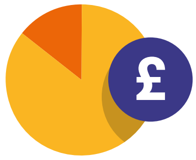
Chair's statement

Co-ordinated support through the economic cycle



£4.4bn

Total cumulative value of commitments since 2014

Looking back over the past financial year, the level of our achievement and output has been exceptional. We have seen record numbers of commitments, and the consistency of our financing of the UK's smaller businesses remains vital.

Exceptional achievement

Over recent years, British Business Investments has been a reassuring presence in the market, investing through the economic cycle while maintaining high underwriting standards. Again, during the past year – a year of continued economic turbulence – we have provided smaller businesses with access to finance, when some other investors were less willing to do so.

“Our focus is increasingly on the needs of our customers.”

Since 2014, the total cumulative value of our commitments is £4.4bn.

In making these commitments, we have been consistent with the priorities that we set ourselves at the beginning of the year: backing sustainable growth and prosperity, boosting innovation, unlocking potential, and driving the modern, green economy. In each of these areas, British Business Investments has maintained its strong record of delivery.

Wide-ranging progress

Our Regional Angels Programme, for example, has seen remarkable progress – both in the number of syndicates that we have backed and in the number of commitments that we have made. We have begun to see companies that had initially been supported through the Regional Angels Programme, having grown, now being supported through some of our later-stage finance programmes. This demonstrates the range of finance provision that we offer, for companies at different growth stages.

The Long-term Investment for Technology and Science (LIFTS) scheme has also made progress, and during the year has yielded a large number of excellent proposals. This initiative has the potential to unlock at least a billion pounds of investment into UK science and tech-led companies.

A more holistic role

As British Business Investments has matured, we have developed a much greater understanding both of how our various funding programmes lock together, and of the role we play in relation to the wider British Business Bank plc Group. Our programmes no longer operate alone: each is now of a scale whereby companies can progress from one to another, at different stages of growth. We now offer a much more holistic support structure, rather than a set of distinct programmes.

Changes at Board level

We saw several changes to the Board during the year. I would like especially to thank Judith Hartley, our outgoing Chief Executive Officer, and Catherine Lewis La Torre, our outgoing Chair, for the vital roles that they have played in developing British Business Investments over recent years. Judith and Catherine have helped to build the stable foundations we have needed, to be able to carry out the greater volume of transactions that we have seen over the last twelve months. Ours is not a static organisation: the position that we have in the market is growing, as is the respect given to our teams. Adam Kelly, Managing Director of British Business Investments, joined the Board on 30 May 2024.

I would also like to thank our Non-executive Directors who give us the benefit of their experience and perspective.

The way ahead

As we look forward, our strategic priorities remain the same; at the same time, we are poised to carry out whatever new tasks we may be given. Across the political spectrum there is broad recognition of the catalytic effect that British Business Investments has, and the scale of our impact. By providing access to finance to smaller businesses at every stage of their growth, we bolster the UK economy, extending opportunities and creating jobs.

We remain flexible in carrying out this role. Now as a mature organisation, our focus is increasingly on the needs of our customers (which, ultimately, are the UK's smaller businesses), looking to drive positive outcomes for them rather than simply focusing on our provision. This mindset will be at the heart of what we do, going forward.

Louis Taylor

Louis Taylor
Chair

> We stand ready to respond to changes in the funding environment.

Managing Director's statement

Breaking records in support of growth

The past year has seen a record-breaking level of new commitments on the part of British Business Investments, as we worked to increase the supply of finance available to smaller businesses throughout the UK.

A positive year

In 2023/24, we made 25 commitments to new and existing delivery partners, totalling £591m: both of these are record figures. These new commitments take our total investments to 140, and we now have 75 delivery partners: 12 were new to us in 2023/24, as we continued to diversify our portfolio.

This performance is testament to the dedication of our team of investment professionals who, together with our network of delivery partners, have worked tirelessly to provide continuity and choice of funding for the UK's smaller businesses.

25

new commitments to delivery partners – a record

£591m

in new commitments – a record

Through our Managed Funds Programme, for example, we made commitments of more than £200m during the year. We have reached our total commitment targets for this programme ahead of time and this is due to the hard work of our team, and I commend them for that.

We were able to meet all of our KPI targets in 2023/24, and we also helped the wider British Business Bank to meet its KPI targets. At the same time, we can be proud that we remain on-track to meet our five-year target of commercial returns of 5% on behalf of the UK taxpayer, in what has been a positive year.

Our net income from investments was £19m for 2023/24, and we generated a gross return on capital employed in line with budget of 1.2%.

Continued strong demand

As in previous years, in 2023/24 we continued to see strong demand around our private debt funds, and this is an area on which we will continue to focus. We also made significant investments in challenger banks during the year, with three new transactions worth £60m in total. Supporting these banks helps to increase the range of alternative finance that is available to smaller businesses across the UK.

New ways of working

The past year has seen some changes in the way in which British Business Investments operates. We have been involved, for example, in developing the new Long-term Investment for Technology and Science (LIFTS) initiative, which we will manage, to provide opportunities to bring third-party capital, including from pension funds, into the venture space.

We have also been working to make our investment process more efficient, while maintaining high standards in due diligence and assessment. The positive rating that we recently received (in a YouGov poll of customer satisfaction) shows that this work is appreciated, but we continue to seek further improvements in the way we do business.

In the Regional Angels Programme we have also developed a new co-investment capability, through which we will make a limited number of co-investments into companies in which we have already invested.

Regionality remains a core part of our mission: as of March 2024, some 84% of the smaller businesses that we support are located outside of London. In the area of asset finance in particular, many of our commitments this year have had an important regional aspect.

Facing the future

Looking ahead, we remain sensitive to the evolving needs of the smaller business community in the UK. Increasingly, we will be looking not only at the number of our commitments, but also at the ways in which our investments reflect our focus on sustainability. We will be working with colleagues to ensure that we properly consider this in our investment assessments, as well as working with our delivery partners to help us transition together to net zero. To reflect that, we have updated our strategic objectives to bring them in line with those of the British Business Bank, including objectives around sustainability.

In the year to come, we stand ready to respond to changes in the funding environment, identifying areas where we can further support smaller businesses and boost economic growth.

Adam Kelly
Managing Director

Our Board

Louis Taylor

Chair

Louis is the CEO of the British Business Bank. He was appointed as a Director of British Business Investments on 17 April 2023 and became Chair of the Board on 4 May 2023.

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 had a private sector career in Standard Chartered Bank, J.P. Morgan and several industrial companies.

External appointments

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

Sue Douthwaite

Non-executive Director

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

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

External appointments

- Non-executive Director of The Melton Building Society.
- Chair of Nexa Finance Ltd.
- Board Advisor at Physio Medics Ltd.
- Chair of the International Advisory Board of Queen's Management School at Queen's University Belfast.
- Member of the University of Sheffield Business School Advisory 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.

Caroline Bault

Non-executive Director

Caroline is a Chartered Alternative Investment Analyst (CAIA) and a member of the CFA Institute. She has over 30 years' experience in financial services and capital markets, ranging from equity research to investment banking and asset allocation.

Her prior roles include Managing Director of Global Business Development at the CAIA Association, Director of European Research at Commerzbank in London and Frankfurt, and Executive Director at Goldman Sachs International.

External appointments

- Managing Partner at CounselRock Partners.
- Non-executive Director of healthcare management consultancy ETL.
- Non-executive Director of the Natural Environment Research Council (NERC).
- Non-executive Director of social impact investment platform Ethex.
- Trustee of the Royal Brompton & Harefield Hospitals Charity.
- Trustee of the African Conservation Foundation (ACF).

Adam Kelly

Managing Director

Adam joined British Business Investments in 2013 and worked on a wide range of products and programmes within the team. He was appointed its Managing Director in November 2020 and as an Executive Director on 30 May 2024. He was previously Director of the Structured Capital Solutions portfolio where he led investments in the challenger banks sector.

Adam built his career in corporate finance with investment banks Dresdner Kleinwort and J.P. Morgan Cazenove where he specialised in financial services advisory and capital markets transactions.

External Appointments

None

Investing for UK growth

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

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

Our role

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

We do not invest in smaller businesses directly. Instead, we make financial commitments to a variety of delivery partners, who then provide funding to smaller businesses. These delivery partners vary widely. They include challenger banks, asset finance providers, FinTech lenders, debt funds, angel networks and venture capital fund of funds managers.

Each of our programmes supplies either debt finance or equity capital to the market. By working with our delivery partners, we increase the volume and the diversity of finance that is available for smaller businesses throughout the UK.

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

2023/24 for British Business Investments

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

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

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

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

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

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

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

Looking ahead, we are excited by the new Long-term Investment for Technology and Science (LIFTS) initiative which will see £250m of new capital for technology and science led businesses being at least matched by UK defined contribution pension fund money.

Business stories
Artisan Travel

Delivery partner: Panoramic Growth Equity

Programme: Debt Funds

Location: Newcastle-Upon-Tyne

Region: North East

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

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

Debt finance

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

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

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

Debt finance – Investment Programme

Equity capital programmes

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

We have two equity capital programmes that were committing capital in 2023/24.

The Managed Funds Programme has reached its total commitment targets and will no longer be actively committing to new funds going forward. The Regional Angels Programme will continue to make further commitments.

Equity capital programmes

Debt finance

Debt Funds

419
businesses supported

57
portfolio investments

30
delivery partners

£2.4bn
committed (cumulative)

£244m
committed in 2023/24

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

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

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

> "Despite the current economic environment, our portfolio has generally been resilient."

Debt finance

FinTech

2,933
businesses supported

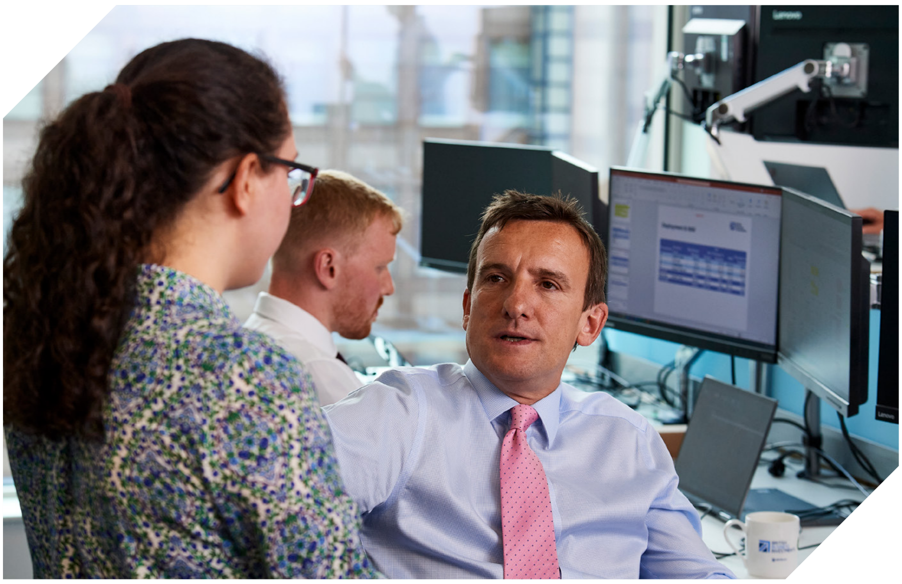
14
portfolio investments

5
delivery partners

£280m
committed (cumulative)

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

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



Debt finance

Structured Capital Solutions

9,758 businesses supported

33 portfolio investments

18 delivery partners

£678m committed (cumulative)

£105m committed in 2023/24

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

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

Equity capital programmes

Managed Funds Programme

2,570 businesses supported

12 portfolio investments

6 delivery partners

£639m committed (cumulative)*

£208m committed in 2023/24

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

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

Through this programme, British Business Investments is a significant cornerstone investor with a patient capital mandate: we typically commit between 20% and 35% of each fund of funds, with the balance coming from other private sector investors.

The investments we make provide our delivery partners with the capital to help them invest into funds and high-growth companies. It also supports the development of the UK venture capital and growth ecosystem by encouraging more institutional investors to focus upon UK and European venture opportunities.

> "Our commitments are designed to catalyse institutional capital in the venture and growth asset class."

* This includes the recycling of released commitments.

Equity capital programmes

Regional Angels Programme

593 businesses supported

22 portfolio investments

16 delivery partners

£219m committed (cumulative)

£34m committed in 2023/24

The Regional Angels Programme invests alongside business angels and other early-stage equity investors.

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

Using innovative funding structures, we partner with early-stage investors to invest alongside angel networks. This, in turn, helps to attract additional angels to invest alongside our delivery partners, making more capital and capability available for the most promising start-ups and early-stage businesses in all of the Devolved Nations and English regions.

> "Using innovative funding structures, we partner with early-stage investors to invest alongside angel networks."

Managing our risks

Risk management and internal control

British Business Investments Limited is registered with the FCA (FRN 930734) for the purposes of supervision under the money laundering regulations.

British Business Investments 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), British Business Investments is subject to other applicable laws and regulations and has policies and procedures in place designed to ensure compliance. British Business Investments is committed to following relevant applicable good practice and maintaining high standards of internal controls.

British Business Investments 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 British Business Investments 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 British Business Investments 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 British Business Investments 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 governance, 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 16.3 of the accompanying financial statements.

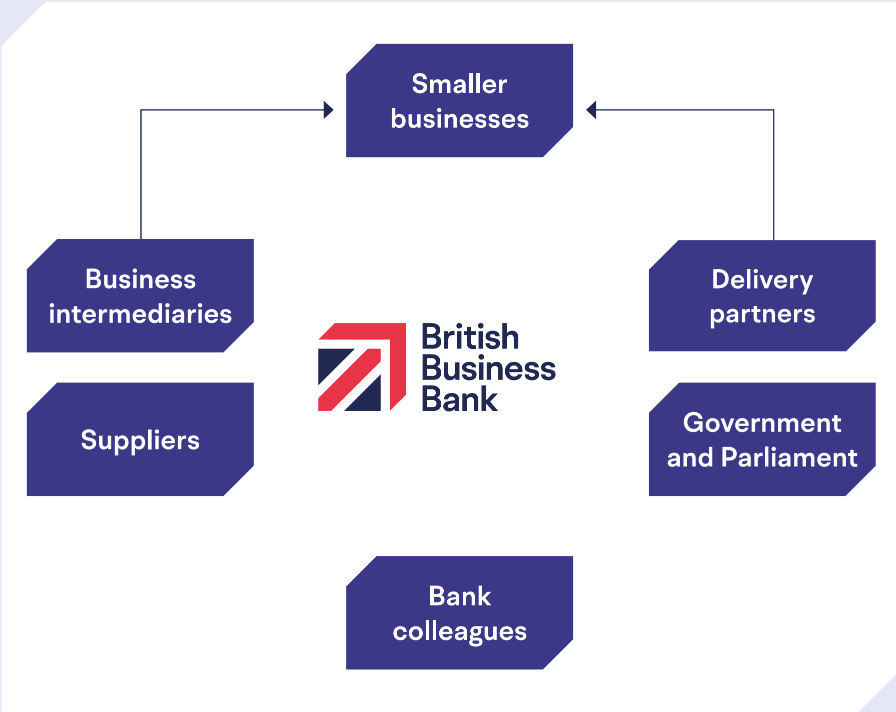
Louis Taylor
Chair of the British Business Investments Board

16 December 2024

Our key stakeholders

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

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



British Business Bank and Shareholder

Why?

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

How?

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

Where?

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

Colleagues

Why?

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

How?

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

Where?

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

Delivery partners

Why?

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

How?

Ongoing relationship management:

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

Where?

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

Smaller businesses

Why?

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

How?

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

Where?

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

Principal decisions

The principal decisions taken by the British Business Bank plc Board during 2023/24 are set out in the British Business Bank plc Annual Report and Accounts. These are also relevant to British Business Investments' stakeholders. In addition, the British Business Investments Board made a number of principal decisions which took account of our stakeholders and with regard to the Directors' duty to promote the longer-term success of the Company.

These decisions included more overtly embracing the three themes from British Business Investments' updated mission statement of regionality, diversity and inclusion, and net zero/sustainability in its investment strategy: including through Request for Proposals, assessment criteria, due diligence processes, Investment Committee papers, and ongoing monitoring and control processes. In addition, approving the appointment of the Managing Director of British Business Investments as an Executive Director.

Directors' report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and auditor's report, for the period ended 31 March 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 19 to the financial statements
- information about the use of financial instruments by the Company is given in note 16 to the financial statements
- information regarding how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, can be found on p18-19. This also demonstrates how the Directors have had regard to their duties to promote the success of the Company.

Dividends and reserves

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

- Louis Taylor (appointed on 17 April 2023)
- Caroline Bault, Non-executive Director
- Sue Douthwaite, Non-executive Director
- Catherine Lewis La Torre (resigned on 3 May 2023)
- Judith Hartley (resigned on 31 October 2023)
- Adam Kelly (appointed on 30 May 2024).

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.

Political donations

Political donations are not permitted, and British Business Investments 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.

Corporate governance statement

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

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

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

British Business Investments Board

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

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

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

Louis Taylor	6/6
Catherine Lewis La Torre	1/1
Judith Hartley	3/4*
Caroline Bault	7/7
Sue Douthwaite	7/7

* Judith Hartley sent an apology for the meeting held on 16 October 2023.

Committees

British Business Investments Investment Committee

Membership and attendees: British Business Investments Executive Members, CEO of British Business Bank plc, Managing Director of British Business Investments, and Executive Approvers from British Business Bank plc.

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

Appointment and removal of Directors

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

Directors' indemnities

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

There are no pension scheme indemnity provisions to be disclosed.

Directors' conflicts of interest and independence

A British Business Bank plc Group Conflicts of Interest policy is in place, ensuring a proper process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest.

The Group policy is reviewed regularly, and any relevant amendments approved by the respective Boards. Directors declare any conflicts at the start of each Board or Committee meeting which are recorded in the minutes of the meeting. The Directors also declare any conflicts directly for inclusion on the Conflicts of Interest Register as they occur.

Directors' confirmations in relation to the audit

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

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

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

Approved by the Board of Directors

Louis Taylor
Chair of the British Business Investments Board

16 December 2024

Statement of Directors' responsibility

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

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

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

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

– properly select and apply accounting policies

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information

– provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

– make an assessment of the Company's ability to continue as a going concern. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole

– the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

– the Annual Report and Accounts and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance.

Approved by the Board of Directors

Louis Taylor
Chair of the British Business Investments Board

Louis Taylor

16 December 2024

Independent Auditor's report

To the members of British Business Investments Limited

Opinion on financial statements

I have audited the financial statements of British Business Investments Ltd for the year ended 31 March 2024

The financial statements comprise the British Business Investments Ltd

- 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 the British Business Investments Ltd's affairs as at 31 March 2024 and its loss for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the British Business Investments Ltd'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 Business Investments Ltd 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' Responsibility, the directors are responsible for:

– maintaining proper accounting records;

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

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

– providing the C&AG with unrestricted access to persons within the British Business Investments Ltd 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 Business Investments Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

– considered the nature of the sector, control environment and operational performance including the design of the British Business Investments Ltd'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 Business Investments Ltd's policies and procedures on:

  – identifying, evaluating and complying with laws and regulations;

  – detecting and responding to the risks of fraud; and

  – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including British Business Investments Ltd's controls relating to the British Business Investments Ltd'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 the British Business Investments Ltd 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 Business Investments Ltd's framework of authority and other legal and regulatory frameworks in which British Business Investments Ltd operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of British Business Investments Ltd. 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

16 December 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 Restated*
Income			
Interest income	10.1	28,130	18,680
Arrangement and other fees		1,130	146
Gross operating income		**29,260**	**18,826**
Net gains/(losses) on investment assets			
– Expected credit loss on amortised cost assets	10.1	7,642	(5,140)
– Derecognition on amortised cost assets	10.1	(7,335)	(319)
– Realised gains on assets held at fair value through profit or loss	4	27,025	8,058
– Unrealised (losses)/gains on assets held at fair value through profit or loss	4	(37,803)	20,880
– Recoveries on amortised cost assets		16	25
Net income		**18,805**	**42,330**
Expenditure			
Staff costs	5.1	(2,453)	(2,235)
Other operating expenditure	6.1	(2,787)	(2,307)
Management fee	6.2	(11,916)	(10,454)
Operating expenditure		**(17,156)**	**(14,996)**
Profit before tax		**1,649**	**27,334**
Tax	7.1	(1,941)	(6,709)
(Loss)/profit for the year after tax		**(292)**	**20,625**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(292)**	**20,625**

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 p33-57 form an integral part of the financial statements.

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

Statement of financial position

As at 31 March 2024

	Note	2024 £000	2023 £000 Restated*	2022 £000 Restated*
Assets				
Cash and cash equivalents	8	47,218	31,144	29,065
Trade and other receivables	9	6,379	11,316	75,334
Amortised cost investments	10.1	333,452	280,556	307,204
Investments held at fair value through profit or loss	10.2	1,327,697	1,304,865	1,190,546
Total assets		**1,714,746**	**1,627,881**	**1,602,149**
Liabilities				
Trade and other payables	11	(26,964)	(17,748)	(5,120)
Deferred tax liability	7.3	(47,386)	(54,388)	(61,459)
Corporation Tax payable	7.2	(14,729)	(14,786)	(15,236)
Total liabilities		**(89,079)**	**(86,922)**	**(81,815)**
Net assets		**1,625,667**	**1,540,959**	**1,520,334**
Equity				
Issued share capital	13	1,146,286	1,061,286	1,061,286
Retained earnings		479,381	479,673	459,048
Total equity		**1,625,667**	**1,540,959**	**1,520,334**

The financial statements of the Company (company number 09091930) were approved by the Board of Directors on 16 December 2024 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chair

The notes on p33-57 form an integral part of the financial statements.

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

Statement of changes in equity

As at 31 March 2024

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2022 Restated*		**1,061,286**	**459,048**	**1,520,334**
Net income after tax		-	20,625	20,625
Total comprehensive income Restated*		**-**	**20,625**	**20,625**
Balance as at 31 March 2023 Restated*		**1,061,286**	**479,673**	**1,540,959**
Balance as at 1 April 2023		**1,061,286**	**479,673**	**1,540,959**
Net loss after tax		-	(292)	(292)
Total comprehensive loss		**-**	**(292)**	**(292)**
Issue of ordinary shares	13	**85,000**	**-**	**85,000**
Balance as at 31 March 2024		**1,146,286**	**479,381**	**1,625,667**

The notes on p33-57 form an integral part of the financial statements.

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

Cash flow statement

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000 Restated*
Profit before tax		**1,649**	**27,334**
Cash flows from operating activities			
Changes in operating assets and liabilities:			
Net cash (increase)/decrease in amortised cost investments	10.1	(24,459)	39,869
Adjustment for non-cash gains on amortised cost investments	10.1	(28,437)	(13,221)
Net cash increase on investments at fair value through profit or loss	10.2	(33,610)	(85,381)
Adjustments for non-cash losses/(gains) on investments held at fair value through profit or loss	10.2	10,778	(28,938)
(Increase)/Decrease in trade and other receivables	9	(63)	18
Decrease in amounts due from Group companies	9/11	9,028	12,428
Increase in trade and other payables	11	188	200
Intercompany tax settlement	7.2	(9,000)	(14,230)
Net cash used in operating activities		**(73,926)**	**(61,921)**
Cash flows from financing activities			
Net increase in shareholder funding	13	90,000	64,000
Net cash from financing activities		**90,000**	**64,000**
Net increase in cash and cash equivalents		**16,074**	**2,079**
Cash and cash equivalents at beginning of the year		31,144	29,065
Cash and cash equivalents at end of the year		**47,218**	**31,144**

Interest received was £68.2m (2023: £51.9m).

The notes on p33-57 form an integral part of the financial statements.

During the year £5m (2023: nil) of the prior year receivables from Group figure was settled for shares. This has therefore been excluded from Decrease in amounts due from Group companies as it was a non-cash item.

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

Notes to the financial statements

For the year ended 31 March 2024

1. General information

British Business Investments Ltd (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield S1 2GQ. The nature of the Company's operations and its principal activities are set out in the Strategic report on p8-19.

2. Significant accounting policies

Basis of preparation

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

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

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

On 7 February 2023, the 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 Business Investments 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 12 months from the date of approval of these financial statements. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of new and revised standards

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

At the date of authorisation of these financial statements, the Directors expect that the adoption of Standards and Interpretations in issue but not yet effective (IFRS 18 Presentation and Disclosure in Financial Statements) will have a material impact on the presentation of the financial statements of the 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

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

Interest income

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

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

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

Tax

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

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

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

Financial assets and liabilities

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

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

Classification of financial instruments

Financial assets are classified under IFRS 9 as amortised cost, 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 cashflows represent solely payments of principal and interest ('SPPI'). If the cashflows do not represent SPPI, the instrument is measured at FVTPL.

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

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

Individual investment programmes are detailed further in note 10.

Impairment of financial assets

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

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

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

For portfolios where there is no recent borrower specific credit information, the proportion of the performing book deemed to have suffered from a significant increase in credit risk is 10% based on industry analysis.

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

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

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

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

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default.

Discounting of the expected cashflows is performed using the effective interest rate.

The calculation of probability of default (PD)

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

The calculation of loss given default (LGD)

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

The calculation of exposure at default (EAD)

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

Changes in the carrying amount of assets arising as a result of impairment are recognised in the Statement of Comprehensive Net Income. Loans remain on the Statement of Financial Position, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally fully written off where the offering of any forbearance measures has proved unsuccessful in the borrower being able to meet the revised repayment schedule, there is a continued pattern of non-payment and it is assessed that there is no realistic prospect of any further loan recovery. Loans are partially written off from an accounting perspective where the borrower is unable to repay the loan in full and the loan has been subject to forbearance such that the original amounts due are no longer expected to be fully recovered. Any loss incurred by the Company on extinguishing the debt is written off against the provision for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Statement of Comprehensive Net Income.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Foreign exchange

The Company applies IAS 21, The Effects of Changes in Foreign Exchange Rates, and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are retranslated at the rates of exchange ruling at that date.

Translation differences are recognised in the Statement of Comprehensive Net Income.

3. Critical accounting judgements and key sources of estimation uncertainty

In 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 current and future years.

Judgements

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

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

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

The 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 with the exception of Regional Angels are audited on an annual basis by independent auditors, with the Company being provided with copies of these audited accounts.

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

Estimates

The assessment of ECL impairment allowances against amortised cost financial assets

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

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

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

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

For assets which are not re-rated and where on-going behavioural modelling is not available, a fixed percentage of the performing portfolio is assumed to be in 'stage 2' based on historical grade transitions where available.

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

The ongoing economic uncertainty has raised further matters for consideration in assessing the Company's amortised cost financial assets. This has been incorporated into the post-model overlay process.

Economic scenarios and associated probability weightings

IFRS 9 requires the calculation of ECLs to account for multiple forward-looking macroeconomic scenarios that are plausible.

The ECL model adopted by the Company uses a range of forward-looking projections of UK liquidation rates generated by a macroeconomic regression model based on third-party base case forecasts of Consumer Price Index growth rates, interest rates, and unemployment rates, and then under two better and three worse scenarios. The selection of variables was reviewed in 2023/24 to ensure their continued suitability as independent variables within the regression model.

To account for the volatile nature of the UK economic environment, the Company has continued to engage with our third-party forecaster throughout the year to provide independent economic forecasts for use within the IFRS 9 ECL models. They provide six economic scenarios of varying severity as input to the macroeconomic regression model, and the weightings associated with each are reviewed, challenged and adjusted on a quarterly basis. As at 31 March 2024, adjustments to the scenario weightings have been applied to increase the probability of a downside scenario compared to the upside scenarios.

Post-model overlays

The Company uses models in the calculation of its expected credit loss provisions and as in prior years has applied post model overlays to reflect the rigidity of the model recovery assumptions.

Overlays are applied to the portfolios including the peer-to-peer lending portfolios. The overlays have resulted in an overall decrease in the ECL provision of £5.7m which is 1.7% of total exposure.

4. Net (losses)/gains on investment assets

	Notes	2024 £000	2023 £000 Restated*
Realised fair value gains on assets held at fair value through profit and loss		27,025	8,058
Unrealised fair value (losses)/gains on assets held at fair value through profit or loss		(37,803)	20,880
Total net (losses)/gains on investment assets	**10.2**	**(10,778)**	**28,938**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

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	20	20
Non-executive Directors	2	2
Total	**22**	**22**

Aggregate remuneration comprised:	2024 £000	2023 £000
Wages and salaries		
Permanent staff	1,536	1,419
Non-executive Directors' fees	40	46
Short- and Long-Term Incentive Plans and bonus scheme	419	343
Social security costs	238	229
Pension costs	220	198
Total	**2,453**	**2,235**

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

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

5.2 Directors' remuneration

Directors' remuneration during the year was £109,203 (2023: £198,955). 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 31 October 2023 Judith Hartley was Chief Executive Officer for British Business Investments Limited. On 31 October 2023, Judith left British Business Investments Limited and was not replaced.

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

	2024 £	2023 £
Salary	102,125	129,054
Performance Bonus	35,171	49,808
Company Pension	15,292	19,358
Taxable Benefits	654	736
Total Remuneration	**153,242**	**198,956**

Judith did not participate in any new long-term incentive arrangement for the year 2023-24.

Catherine Lewis La Torre was Chair of British Business Investments Limited for the period 1 April 2023 to 3 May 2023 when she resigned from her role as Chair.

Catherine's costs of services provided by British Patient Capital are recharged to the Company in the form of a management charge.

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
Caroline Bault	20	20	20	20
Sue Douthwaite	20	20	20	20
Francis Small	-	-	6	30
Total	**40**	**40**	**46**	**70**

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

Francis Small resigned as Non-executive Director and Chair on 15 June 2022.

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	134	117
Investment costs	2,464	1,468
Other operating expenditure	189	722
Total	**2,787**	**2,307**

A fee of £133,500 (2023: £117,000) 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	4,908	4,188
Allocated other operating expenditure	7,008	6,266
Total	**11,916**	**10,454**

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

7. Tax

7.1 Tax on profit on continuing activities

	2024 £000	2023 £000 Restated*
Current tax		
Current year	2,039	313
Adjustment in respect of prior year	6,904	13,467
Total current tax	**8,943**	**13,780**
Deferred tax		
Current year	(7,002)	(7,071)
Adjustment in respect of prior year	-	-
Total deferred tax	**(7,002)**	**(7,071)**
Total tax expense	**1,941**	**6,709**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

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 and loss. The Company is subject to tax on estimated realised gains or losses arising in the individual Limited Partnerships.

The table below reconciles the tax charge for the year:

	2024 £000	2023 £000 Restated*
Profit before tax	1,649	27,334
Tax on profit at standard UK tax rate 25% (2023: 19%)	412	5,193
Adjustment in respect of prior year	6,904	13,467
Tax effects of FV movements	(5,375)	(10,899)
Tax rate changes	-	(1,052)
Total tax charge	**1,941**	**6,709**

	Unrealised gains/(losses)		Deferred tax	
	2024 £000	2023 £000 Restated*	2024 £000	2023 £000 Restated*
Other timing differences+	189,544	217,553	47,386	54,388
Other timing differences subject to deferred tax	**189,544**	**217,553**	**47,386**	**54,388**

+ 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.

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

7.2 Corporation Tax payable

	2024 £000	2023 £000
Corporation Tax payable at 1 April	14,786	15,236
Tax expense for the year	2,039	313
Adjustment in respect of prior year	6,904	13,467
Intercompany tax settlement	(9,000)	(14,230)
Corporation Tax payable at 31 March	**14,729**	**14,786**

7.3 Deferred tax liability

	2024 £000	2023 £000
Deferred tax liability at 1 April	54,388	61,459
Movement in the year	(7,002)	(7,071)
Deferred tax liability at 31 March	**47,386**	**54,388**

8. Cash and cash equivalents

	2024 £000	2023 £000
Government Banking Service	29,656	13,325
Commercial banks	17,562	17,819
Total cash and cash equivalents	**47,218**	**31,144**

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

9. Trade and other receivables

	2024 £000	2023 £000
Amounts receivable within one year		
Trade receivables	68	5
Amounts due from Group companies	6,311	11,311
Total trade and other receivables	**6,379**	**11,316**

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

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

10. Investments

10.1 Amortised cost investments

As at 31 March 2024

	Opening balance £000	Additions £000	Repayments £000	Accrued Interest £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	125,209	4,288	(19,277)	11,950	-	321	122,491
Investment Programme	155,347	170,973	(131,525)	16,180	(7,335)	7,321	210,961
Total	**280,556**	**175,261**	**(150,802)**	**28,130**	**(7,335)**	**7,642**	**333,452**

As at 31 March 2023

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

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

10. Investments (continued)

10.2 Investments held at fair value through profit or loss

As at 31 March 2024

	Opening balance £000	Additions £000	Repayments £000	Fair value movement £000	Closing balance £000
BFP Mid Cap	224,273	-	(56,188)	7,660	175,745
Investment Programme	623,253	123,567	(109,661)	(21,439)	615,720
UKIIF	148,095	1,026	(12,873)	6,471	142,719
Managed Funds Programme	207,350	58,670	(2,637)	(11,513)	251,870
Regional Angels Programme	101,894	32,426	(720)	8,043	141,643
Total	**1,304,865**	**215,689**	**(182,079)**	**(10,778)**	**1,327,697**

As at 31 March 2023

	Opening balance £000 Restated*	Additions £000	Repayments £000	Fair value movement £000 Restated*	Closing balance £000 Restated*
BFP Mid Cap	247,735	2,000	(35,882)	10,420	224,273
Investment Programme	542,243	143,692	(94,282)	31,600	623,253
UKIIF	179,220	3,163	(8,237)	(26,051)	148,095
Managed Funds Programme	164,129	40,334	(4,683)	7,570	207,350
Regional Angels Programme	57,219	39,471	(195)	5,399	101,894
Total	**1,190,546**	**228,660**	**(143,279)**	**28,938**	**1,304,865**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

BFP Mid Cap (Business Finance Partnership)

The Company manages the BFP Mid Cap programme.

BFP Mid Cap invested in funds which lend to medium-sized businesses with turnover of up to £500m. Under IFRS 9 the BFP portfolio was classified as FVTPL except for one fund that is classified as amortised cost. M&G manages a portfolio of loans which pass the SPPI test.

Investment Programme

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

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

Through the Investment Programme, the Company is a participant in Tier 2 fixed rate reset callable subordinated loan notes by Secure Trust Bank II with a fixed coupon of 13% p.a., and Oxbury Bank with a fixed coupon of 11.5% p.a. There have been four new Tier 2 investments into: Allica Bank Limited with a fixed coupon of 11% p.a., Cambridge & Counties Bank with a fixed coupon of 11.5%p.a., Cynergy Bank with a fixed coupon of 12% p.a., and DF Capital Bank with a fixed coupon of 12.7% p.a.

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

10. Investments (continued)

UK Innovation Investment Fund (UKIIF)

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

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

Managed Funds Programme

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

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

Regional Angels Programme

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

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

Ongoing impact of market conditions on investment valuations

We reported in the prior year that 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 CPI stood at 3.2% in March 2024.

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

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	24	9
VAT & social security	-	4
Accrued expenditure	807	753
Amounts due to Group companies	25,272	16,244
Other payables	861	738
Total trade and other payables	**26,964**	**17,748**

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 Restated
BFP Mid Cap	115,951	120,268
Investment Programme	827,894	689,910
Regional Angels Programme	94,876	95,360
Managed Funds Programme	331,384	246,475
Total capital commitments	**1,370,105**	**1,152,013**

The capital commitment for Investment Programme was restated as at 31 March 2023, increasing by £42.0m, due to reclassification of recallable capital.

13. Share capital

	2024	2023
Issued and fully paid ordinary shares of £1 each:	1,146,285,731	1,061,285,731

	2024 £000	2023 £000
Brought forward	1,061,286	1,061,286
Shares issued	85,000	-
Carried forward	**1,146,286**	**1,061,286**

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

During the year the company issued 85,000,000 ordinary £1 shares at par value (2023: nil).

14. Significant undertakings

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

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

15. Structured entities

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

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

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

Interest in Limited Partnerships	2024 £000	2023 £000 Restated*
Assets at fair value through profit or loss	1,327,697	1,304,865
Total assets	**1,327,697**	**1,304,865**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

16. Financial instruments

16.1 Categories of financial instruments

The following table analyses the Company's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. 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: £4k), 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 held at amortised cost £000	Liabilities held at amortised cost £000	Total £000
Assets					
Cash and cash equivalents	8	-	47,218	-	47,218
Trade and other receivables	9	-	6,379	-	6,379
Amortised cost investment assets	10.1	-	333,452	-	333,452
Investments assets held at FVTPL	10.2	1,327,697	-	-	1,327,697
Total assets		**1,327,697**	**387,049**	**-**	**1,714,746**
Liabilities					
Trade and other payables	11	-	-	(26,964)	(26,964)
Total liabilities		**-**	**-**	**(26,964)**	**(26,964)**
Net assets		**1,327,697**	**387,049**	**(26,964)**	**1,687,782**

At 31 March 2023

	Note	Assets held at FVTPL £000 Restated*	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Total £000 Restated*
Assets					
Cash and cash equivalents	8	-	31,144	-	31,144
Trade and other receivables	9	-	11,316	-	11,316
Amortised cost investments	10.1	-	280,556	-	280,556
Investments held at FVTPL	10.2	1,304,865	-	-	1,304,865
Total assets		**1,304,865**	**323,016**	**-**	**1,627,881**
Liabilities					
Trade and other payables	11	-	-	(17,744)	(17,744)
Total liabilities		**-**	**-**	**(17,744)**	**(17,744)**
Net assets		**1,304,865**	**323,016**	**(17,744)**	**1,610,137**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

16. Financial instruments (continued)

16.2 Fair value measurements

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Immediately following the completion of a financing round, the fair value is typically considered to be observable and classified as a Level 2 investment using the round price. After 3 months, the round price is generally considered to be an unobservable input the investment would then be classified as Level 3.

For the year covered by these financial statements all fair value through profit or loss financial investments are considered Level 3 assets.

Financial instruments classified within Level 3 have significant unobservable inputs and include term loans and investments in private funds. As observable prices are not available for these financial instruments, the Company has applied the following valuation.

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

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

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

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

For the Regional Angels portfolio, investments are initially held at cost until they are revalued at the time of a liquidity event. Cost is considered to be the best indicator of fair value until revaluation. This is reviewed if investments are held at cost for over 24 months.

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

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

16.2 Fair value measurements (continued)

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

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

	Carrying value 2024 £000	Fair value 2024 £000	Carrying value 2023 £000	Fair value 2023 £000
Financial assets at amortised cost				
BFP Mid Cap	122,491	122,491	125,209	125,209
Investment Programme	210,961	210,961	155,347	161,568
Total	**333,452**	**333,452**	**280,556**	**286,777**

BFP Mid Cap and Investment Programme

Loans at amortised cost provided through the BFP Mid Cap and the Investment Programme comprise both fixed rate and floating rate investments with an average duration of not more than five years. The Directors have assessed that the changes in interest rates and in credit spreads and the associated impact on the fair value of these assets since they were originated are not material to the Company's results. The previous table shows the Directors' estimates of the fair value of these assets at 31 March 2024 and 31 March 2023. BFP Mid Cap and the Investment Programme amortised cost assets are classed as Level 3 assets in the fair value hierarchy.

16.3 Financial risk management

The Company has exposure to a number of financial risks through the conduct of its operations. This note presents information about the nature and extent of risks arising from financial instruments. There have been no changes to the principal types of risks faced by the Company.

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 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. Assessment of credit 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.

16.3 Financial risk management (continued)

Maximum credit risk exposure

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

	Maximum exposure to loss 2024 £000	Collateral 2024 £000	Net exposure 2024 £000	Maximum exposure to loss 2023 £000 Restated*	Collateral 2023 £000	Net exposure 2023 £000 Restated*
Cash and cash equivalents	47,218	-	47,218	31,144	-	31,144
Trade and other receivables	6,379	-	6,379	11,316	-	11,316
Amortised cost investments	340,272	(110,360)	229,912	295,017	(80,927)	214,090
Assets classified as FVTPL	1,327,697	-	1,327,697	1,304,865	-	1,304,865
Total	**1,721,566**	**(110,360)**	**1,611,206**	**1,642,342**	**(80,927)**	**1,561,415**

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

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

The maximum exposure to loss is the gross carrying value of the financial assets in the Statement of Financial Position. The carrying value of the investments in each class of financial asset is detailed in section 16.3 of this note and in note 10.

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

Credit risk rating and loss allowance

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

– Trade and other receivables

– Assets held at amortised cost

– Cash and cash equivalents.

Trade and other receivables

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

Assets held at amortised cost

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

16.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL Stage 1		Subject to lifetime ECL Stage 2		Subject to lifetime ECL Stage 3		Total	
	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000	Gross carrying amount £'000	Allowance for ECL £'000
As at 1 April 2023	**278,954**	**(2,270)**	**8,898**	**(5,474)**	**7,165**	**(6,717)**	**295,017**	**(14,461)**
Transfer to 12-month ECL	(548)	24	548	(24)	-	-	-	-
Transfer to credit-impaired financial asset	-	-	(19)	18	19	(18)	-	-
New financial assets originated or purchased	175,261	(192)	-	-	-	-	175,261	(192)
Financial assets that have been derecognised during the period (including write-off)	(119,186)	187	(8,334)	246	(2,486)	2,110	(130,006)	2,543
Changes to risk parameters	-	23	-	5,171	-	96	-	5,290
As at 31 March 2024	**334,481**	**(2,228)**	**1,093**	**(63)**	**4,698**	**(4,529)**	**340,272**	**(6,820)**
Carrying amount as at 31 March 2024		**332,253**		**1,030**		**169**		**333,452**

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

16.3 Financial risk management (continued)

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

As at 31 March 2024

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Medium risk	326,510	-	-	326,510
High risk	7,971	1,093	-	9,064
Defaulted financial assets	-	-	4,698	4,698
Total gross carrying amounts	**334,481**	**1,093**	**4,698**	**340,272**
Loss allowance	(2,228)	(63)	(4,529)	(6,820)
Carrying amount	**332,253**	**1,030**	**169**	**333,452**

As at 31 March 2023

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

Cash and cash equivalents

The Company held cash and cash equivalents of £47.2m as at 31 March 2024 (2023: £31.1m). The cash and cash equivalents are held with banks and financial institutions which are rated AA to AA+ based on S&P ratings. The Company considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

Equity price risk

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

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

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

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

16.3 Financial risk management (continued)

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

	NAV of underlying fund	
	+7%	-7%
	£000	£000
As at 31 March 2024	92,939	(92,939)
As at 31 March 2023 Restated*	91,341	(91,341)

* During the year a prior period error was identified that has been restated, further details are shown in note 20.

Market risk

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

Interest rate risk

The Company's investments include a combination of fixed and variable rate loans. Interest rate risk is regularly monitored to ensure that the sensitivity of the Company's returns to market interest rate movements is understood and managed within our risk appetite. The Company does not use derivatives to hedge interest rate risk.

SONIA sensitivity of the Company's investments is as follows:

– The impact of a 0.25 percentage point increase in the interest rate applicable to Company investments would be an approximate increase in income of £1.18m over a one-year period.

– The impact of a 0.5 percentage point decrease in the interest rate applicable to Company investments would be an approximate decrease in income of £2.36m over a one-year period.

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate investments across its debt funds and amortised cost assets. At 31 March 2024, approximately 48% of the company's interest-bearing investments had a fixed rate of interest and 52% had a variable rate of interest. There have been no changes to how the Company manages or measures interest rate risk in the financial year to March 2024.

Currency risk

The Company does not have significant exposure to currency risk as the Company primarily invests in its functional currency, pounds sterling. However, the Company does have an exposure to currency risk as there are some investments in funds which have a Europe-wide investment mandate and are denominated in Euros. A condition of investment in these funds is that they invest into the UK at a fund level a larger amount than our financial investment.

Approximately 20% (2023: 16%) of the Company's portfolio is in non-pounds sterling denominated investments. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2024 was a loss of £6.8m (2023: gain of £6.6m). 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 exchange rate prices moved at the 75th percentile of its historical one-year volatility distribution. The impact of this would be an approximate loss of £18.0m over a one-year period.

16.3 Financial risk management (continued)

Liquidity risk

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

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

Capital

The Company's share capital comprises 1,146,285,731 of issued and fully paid ordinary shares of £1. The Company is not subject to external regulatory capital requirements under the Basel III regulatory capital framework and therefore does not manage its capital according to the Pillar 1 and Pillar 2 requirements set out in that framework. Where appropriate, the Company uses internal models for measuring economic capital in the assessment of new investment transactions. Gross return on capital employed is a key performance indicator that is set for the Company by its Shareholder and further details are given in the Managing Director's statement on p4-5.

17. Related party transactions

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

	2024 £000	2023 £000
Expenditure		
British Business Bank plc	11,030	9,456
British Business Financial Services Limited	886	998
Total	**11,916**	**10,454**

Amounts outstanding at year-end

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

	2024 £000	2023 £000
Receivable		
BBB Patient Capital Holdings Limited	-	5,000
British Business Bank plc	6,311	6,311
Total	**6,311**	**11,311**
Payable		
British Business Bank plc	25,192	16,102
British Business Financial Services Limited	80	142
Total	**25,272**	**16,244**

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

During the year, the Company received working capital loans from its parent company, which totalled £90m (2023: £64m) and made a repayment via a non-cash share issue of £85m (2023: £nil), leaving a balance of £nil (2023: £5.0m) owing from its parent company.

18. Dividends

No dividend is proposed for the year ended 31 March 2024 (2023: £nil).

19. Events after the reporting date

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

20. Prior year adjustment

During the year it was identified that Investments held at fair value through profit or loss were understated due to an inaccurate adjustment in the calculation of BBI's interest in a single material investment in the Company's Statement of Financial Position. The earliest period of this misstatement was 31 March 2022 and as such the Company shall present a third statement of financial position. This understatement also impacts Deferred tax liability, which in turn was also understated and shall be adjusted.

The cumulative impact on the Statement of Financial Position has been to increase Investments held at fair value through profit or loss, increase the Deferred tax liability, and finally increase Retained Earnings.

31 March 2022

Statement of financial position extract

	As previously stated £000	Adjustment £000	Restated £000
Investments held at fair value through profit or loss	1,164,654	25,892	1,190,546
Total assets	1,576,257	25,892	1,602,149
Deferred tax liability	(54,986)	(6,473)	(61,459)
Total liabilities	(75,342)	(6,473)	(81,815)
Net assets	1,500,915	19,419	1,520,334
Retained Earnings	439,629	19,419	459,048
Total equity	**1,500,915**	**19,419**	**1,520,334**

20. Prior year adjustment (continued)

31 March 2023

Statement of comprehensive net income

	As previously stated £000	Adjustment £000	Restated £000
Unrealised (losses)/gains on assets held at fair value through profit or loss	31,623	(10,743)	20,880
Net income	53,073	(10,743)	42,330
Profit before tax	38,077	(10,743)	27,334
Tax	(9,395)	2,686	(6,709)
(Loss)/profit for the year after tax	28,682	(8,057)	20,625
Total comprehensive (loss)/income for the year	**28,682**	**(8,057)**	**20,625**

Statement of financial position extract

	As previously stated £000	Adjustment £000	Restated £000
Investments held at fair value through profit or loss	1,289,716	15,149	1,304,865
Total assets	1,612,732	15,149	1,627,881
Deferred tax liability	(50,601)	(3,787)	(54,388)
Total liabilities	(83,135)	(3,787)	86,922
Net assets	1,529,597	11,362	1,540,959
Retained earnings	468,311	11,362	479,673
Total equity	**1,529,597**	**11,362**	**1,540,959**

Statement of changes in equity (Retained earnings)

	As previously stated £000	Adjustment £000	Restated £000
Balance as at 1 April 2022	439,629	19,419	459,048
Net income after tax	28,682	(8,057)	20,625
Total comprehensive income	28,682	(8,057)	20,625
Balance as at 31 March 2023	**468,311**	**11,362**	**479,673**

Cash flow statement

	As previously stated £000	Adjustment £000	Restated £000
Profit before tax	38,077	(10,743)	27,334
Adjustments for non-cash losses/(gains) on investments held at fair value through profit or loss	**(39,681)**	**10,743**	**(28,938)**

20. Prior year adjustment (continued)

In addition to the above primary statements the following notes have been impacted:

Note 4 – Net (losses)/gains on investment assets

Note 7.1 – (Tax on profit on continuing activities) and (Factors affecting the tax expense for the year)

Note 7.3 – Deferred tax liability

Note 10.2 – Investments held at fair value through profit or loss

Note 15 – Structured entities

Note 16.1 – Categories of financial instruments

Note 16.3 – Financial risk management (Maximum credit risk exposure) and (Equity price risk)

21. Controlling party

The Company's parent company is BBB Patient Capital Holdings Limited, which in turn is a wholly owned subsidiary of the British Business Bank plc. In the opinion of the Directors, the Company's ultimate controlling party is the British Business Bank plc's Shareholder, the Department for Business and Trade. 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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Design: red-stone.com
Photography (excluding front cover, case studies and pages 5, 8 and 14): Oliver Goodrich

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All figures source British Business Investments Limited 31 March 2024 unless otherwise stated.