Annual Report and Accounts 2023

British Business Bank

Driving growth across the UK

british-business-bank.co.uk

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

Contents

This is an interactive document

The contents below are interactive, allowing you to navigate through the documents sections. To return to the contents, click on the contents menu icon (☰) on the top right of each page.

> "Over the last five years we have shown a consistent pattern of building our portfolio and diversifying our programmes across the UK economy."

Chair's statement

An extraordinary year

There can be no doubt that the prevailing market conditions during 2022/23 have been both demanding and extraordinary.

Inflation, at a 40-year high, has had an impact on small businesses, while we have seen the first UK interest rate hike cycle in 15 years. Private equity market investment values have been correcting and deal volumes have been falling. Lending is close to pre-Covid-19 levels, with some lenders facing difficulties in accessing wholesale funding.

During the past year the British Business Bank has remained active within the market, delivering support where it is most needed, making £1.6bn of commitments – a significant achievement given the wider economic picture.

We have also carried out vital preparatory work ahead of the launch of our new Nations and Regions Investment Funds, launched the latest iteration of the Recovery Loan Scheme, and passed the milestone of 100,000 Start Up Loans issued.

The challenging global economic context, by its very nature, will have effects on markets, and especially market valuations. While this year our balance sheet figures have – like those of many others – been affected by these short-term fluctuations, over the last five years we have shown a consistent pattern of building our portfolio and diversifying our programmes across the UK economy.

Our role, as the UK's economic development bank, is especially important at the more difficult points of the economic cycle and this is why we have continued to invest during the last year. In doing so, we have built further momentum within our core programmes to support our ultimate end-customers – the UK's smaller businesses.

We cautioned in last year's report that some of the increases recorded in the valuations of our unrealised investments were likely to unwind this year in line with broader market movements as public company valuations corrected, especially in the technology sector. This has indeed materialised although our performance since inception remains on track, as demonstrated by our TVPI (Total Value to Paid In) multiples which are firmly in positive territory. Whilst interim valuations are of interest, as a long-term investor we are much more focused on the final return that is generated for the Bank when the companies we have invested in are sold to a trade buyer or listed on a stock exchange.

£1.6bn

of commitments during the past year

The long view

When I joined the British Business Bank as Chair six years ago, the Start Up Loans programme had only recently become part of the Bank's remit, and the success story that is British Patient Capital had yet to be set up. The Bank at that time was supporting around £8bn of finance for smaller businesses, whereas that figure is now closer to £50bn, having peaked at almost £90bn during the pandemic.

At no point during my tenure was the Bank's capability more important than during the pandemic.

As well as providing a rapid emergency response during that exceptionally difficult period, at the same time we continued with strong delivery of our core programmes.

With our support, entrepreneurs still launched start-up businesses during the pandemic, and innovative, high-potential companies still benefited from our support to scale up.

Looking back, it is clear that over the past six years the Bank has successfully executed each job that it has been given. Even this year, despite the more difficult economic environment, our performance has largely met our targets against our Key Performance Indicators (KPIs). That may in part explain why the Bank, a mere nine years after its inception, is now widely regarded as playing a vital role within the UK economy.

The Board saw a number of changes in the last year. I would like to thank Dharmash Mistry, Patrick Magee and Philip Piers, who stepped down as Non-executive Director, Chief Commercial Officer and Chief Financial Officer, respectively, for their contributions over the last few years. Joining the Board in 2022/23 were Non-executive Directors Matthew Elderfield and Eilish Jamieson. Together they bring a wealth of experience and expertise to the Bank, bolstering the Bank's strengths especially in risk assessment and in our efforts to counter fraud and financial crime. We welcomed David Hourican, who has many years of experience in financial services and other industries, to the Board as Chief Financial Officer in December 2022.

As I look around our Board table, I am confident that we have a good balance of skills, and that their collective acumen prepares the Bank well for the opportunities and challenges that lie ahead.

On behalf of the Board, I would like to give particular thanks to Catherine Lewis La Torre, whose two-year tenure as Interim CEO of the Bank came to an end during last year. Catherine was successfully building the Bank's commercial arm when she agreed to take up the interim role following the launch of the Government's Covid-19 emergency loan interventions. Her brief, which she executed expertly, was to scale up rapidly the Bank's capacity and capability so that we could effectively and efficiently deliver those schemes whilst continuing to invest through the Bank's core programmes. Under her leadership, and together with the Board, we also revised our mission and formulated a new strategic framework to underpin the new strategic objectives agreed with the Government this year. We wish her well in the future as she returns to the private sector following seven years of service with the Bank.

I would also like to welcome Louis Taylor, who joined us as CEO in October 2022. Louis has set a clear vision and new direction of travel for the Bank, and I am confident that it is the right one. Our new strategic objectives and renewed focus on our customers, the smaller businesses that we ultimately support, are lending a new clarity to our work.

Louis' determination to centralise many of the Bank's operational functions is also timely. With the organisation having grown rapidly and largely organically to a headcount of around 600, this centralisation process will help our organisation to operate more effectively and efficiently and to serve customers better.

At the time of writing, we are awaiting the announcement of a new Chair for the organisation.

A resilient portfolio for the long term

In signing off this Annual Report, my last as Chair, I have never been more convinced of the necessity of the Bank, in both exceptional and normal times. We know that economic conditions are likely to remain challenging for many in the year ahead. Regardless of the condition of the economy, we are here for the long term, with a resilient portfolio and a clear direction to support the UK's smaller businesses.

Finally, I would like to extend my heartfelt thanks to our people at the British Business Bank: those of you who were with us during the pandemic, who stepped up and stepped in to avert a serious threat to the UK economy, and those who have joined us more recently. Everyone who works for the Bank can be proud of the support that we provide to smaller businesses, which are the bedrock of communities across the country. I am certain that the Bank's vital work will continue and that the organisation will go on to ever greater things.

Lord Smith
Chair

Over

100k

Start Up Loans issued since 2012

Chief Executive's statement

A renewed focus on growth

"While the economic environment is challenging, we have continued to build momentum."

I joined the Bank last year at a time of great change for many of us, with both the global and UK economy facing significant headwinds. Yet it is at times like these that the role of the Bank becomes especially clear. We invest throughout the cycle, and while the economic environment is challenging, we have continued to build momentum.

We are firstly guided by our mission and values, while using the flexibility that we have to ensure that smaller businesses have access to finance whatever the economic circumstances.

Our longer-term, patient investor perspective also enables us to see beyond the current economic difficulties, and to focus on future growth and opportunities within the UK economy. After the disruption of the Covid-19 pandemic, the Bank is reorienting back towards a growth agenda.

Performance overview

As flagged in our 2021/22 Annual Report, this year we have seen a fall in valuations across our equity portfolio, driven primarily by an unwinding of previous gains by 5%. This translates to an overall reported loss of £135.3m for 2022/23. Our Chief Financial Officer provides further detail on our performance in the following section (p8).

Given the growth of the Bank's equity investment portfolio in recent years, a drop in valuations and a consequent loss was to be expected. This unwinding of previous unrealised gains may well continue over the next 12–18 months. Most of our investments have a longer-term horizon of around 10 years and, notwithstanding in-year fluctuations, we would expect an overall upward trajectory.

Our new strategic objectives

From 2023/24, we are guided by our four new strategic objectives, which we set with the Government during the last year:

- Driving sustainable growth
- Backing innovation
- Unlocking potential
- Building the modern, green economy.

We have a sharper focus now on **driving sustainable growth** for smaller businesses. We continue to help these businesses have access to finance beyond the 'Big 5' banks. Our 2023 *Small Business Finance Markets* report showed that 55% of lending to small businesses came from challenger banks and specialist banks, and I feel we can claim some credit for the transformation in sources of finance for smaller businesses.

Our second strategic objective is **backing innovation.** The achievements of the new Future Fund: Breakthrough investment team are a good example of this in practice – we are the most active UK investor in rapidly growing life sciences businesses valued at £30m and above. We were also very pleased to see a positive first evaluation of British Patient Capital, key to our support for innovative firms, which has led to its life being extended significantly.

We also have a renewed focus on **unlocking potential** – ensuring that entrepreneurs and promising small businesses have fair access to finance, no matter who they are or where within the UK they are based.

This year, we have completed much of the preparatory work ahead of the launch of the new Nations and Regions Investment Funds. The additional £1.6bn that the Government is providing for these new Funds is an endorsement of our approach to the Nations and regions, and a recognition of the continuing success of our existing regional funds in supporting businesses in the areas in which they operate. We also continue to make progress on diversity: the latest figures for the Start Up Loans scheme, for example, show that 40% of loans have been made to female entrepreneurs, and 21% to entrepreneurs from an ethnic minority background. We are stepping up expectations of potential delivery partners in how they consider diversity, equity and inclusion in their investment decisions.

The last of our new strategic objectives is **building the modern, green economy.** In this Annual Report we are including our first climate-related financial disclosures. While we are building up our own reporting, at the same time we are being more demanding of our delivery partners in how we report our collective environmental impact.

Building capacity

We have been working to integrate some of the organisational changes that were made necessary by our pandemic response. A highlight in this regard has been the successful conclusion of a two-year programme which significantly increases the Bank's organisational capability and capacity, to match our increased size.

55%

of lending to small businesses in 2022 came from challenger banks and specialist banks

Working together

It is, of course, impossible for us to deliver against any of these objectives without our many partners. We work with over 220 delivery partners, including banks, non-bank lenders, angels, venture and growth capital funds, debt funds and others to provide finance to smaller businesses at every stage of their development. There are also non-finance partners with whom we work at a national level, such as trade associations and the Devolved Administrations, and also those at the local level, such as mayoral authorities, Local Enterprise Partnerships and local Chambers of Commerce. The dialogue we have with these organisations is hugely valuable, and they also enable us to reach large numbers of our end-user customers. Our connectivity makes the Bank truly a national asset for the whole of the UK.

Over the past year, we have continued to improve the diversity of finance sources that are available to smaller businesses by supporting an increasing range of finance providers. This includes broadening the venture capital fund manager base in the UK by supporting new fund managers. We also approved for Start Up Loans new business support partners, appointing new national, regional and specialist partners from April 2023. This procurement included, for the first time, a consideration of environmental and social factors.

I very much appreciate the continued commitment of everyone within the Bank in delivering for our Shareholder – the Department for Business and Trade – for our wider group of partners and other stakeholders, and most importantly for the smaller businesses across the UK that we are here to support. We can all be proud that, in supporting these businesses, we are also supporting the jobs, the families and communities that depend on them.

I would like to thank my predecessor, Catherine Lewis La Torre, who led the Bank through an exceptionally intense and difficult time, keeping investment programmes on track while putting in place new improved systems to manage the Covid-19 loan schemes. She has continued to provide excellent and expert service to the Bank as CEO of British Patient Capital, and we will miss her when she leaves at the end of the calendar year. My thanks also go to the Bank's Chair, Lord Smith, who has given the Bank the benefit of his leadership and experience over six years, during which the organisation has grown and changed profoundly.

Looking to the future

We continue our intensive work with the lenders under the Covid-19 schemes on behalf of the UK taxpayer. At the same time, we are re-energising for the future, and for a growth agenda. Our longer-term perspective gives us grounds for optimism, as we work for a return to growth – growth that will be powered in large part by the UK's smaller businesses.

While remaining conscious of the headwinds currently affecting both the UK and the global economy, we are confident in our ability to manage our portfolio and invest wisely.

We will work tirelessly to ensure that our frontline business is working for our customers, and that our support functions are most effectively structured to help achieve that goal.

Our purpose is to help smaller businesses to start up, scale up and stay in the UK. If we align ourselves behind that purpose, and focus fully on it, we will deliver growth for the UK economy.

Louis Taylor
Chief Executive Officer

> **"The latest figures for the Start Up Loans scheme show that 40% of loans have been made to female entrepreneurs, and 21% to entrepreneurs from an ethnic minority background."**

"As signposted in last year's Annual Report, and against a backdrop of economic headwinds, the Bank has encountered downward pressure on the valuation of its investments."

Chief Financial Officer's report

Our financial performance in context

This report summarises and highlights the Bank's financial performance for the year ended 31 March 2023.

This report should be read alongside both the 'Our performance against key 2022/23 KPI targets' and '2022/23 Financial performance and calculation of adjusted return' sections of this Annual Report, and the consolidated financial statements. The detailed financial performance commentary set out below is presented on a statutory basis and only refers to items included in the Bank's financial statements.

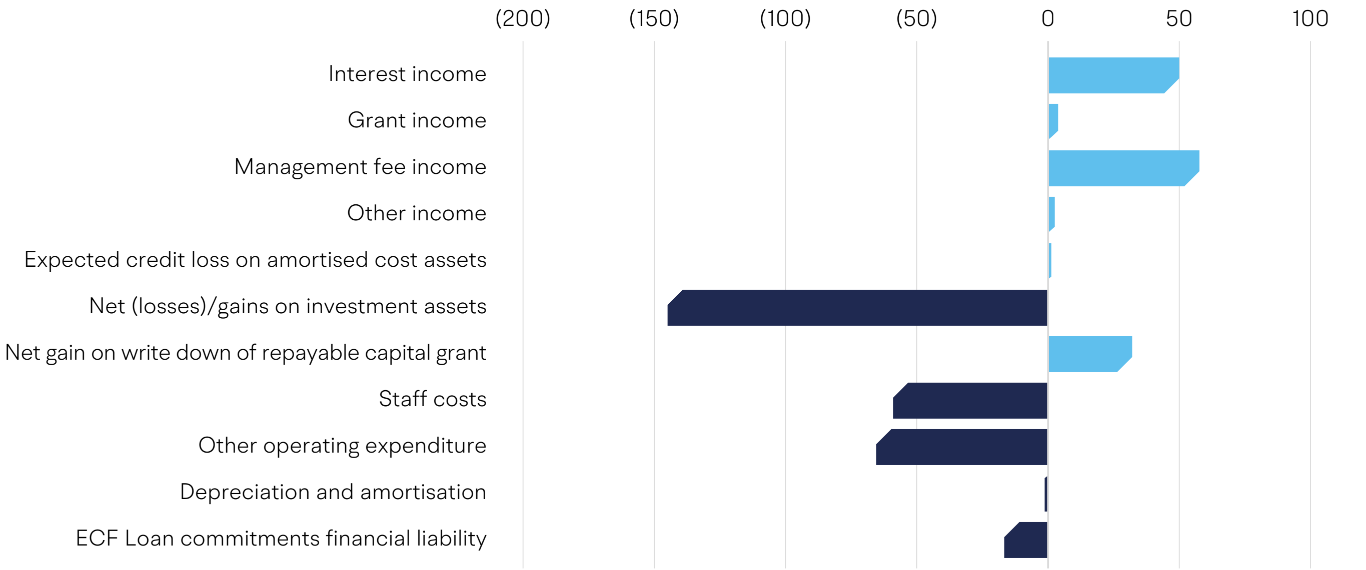
Financial Results Overview

The British Business Bank is reporting a net operating loss of (£1.6m) for the year ended 31 March 2023 compared with a net operating gain of £786.6m for the year ended 31 March 2022. The loss before tax for the year ended 31 March 2023 was (£147.3m) compared with a profit before tax of £604.8m for the year ended 31 March 2022. The change in financial performance is primarily because of the unwind of previously recognised unrealised gains in the valuation of our investments as a result of broader market movements at the current point in the economic cycle.

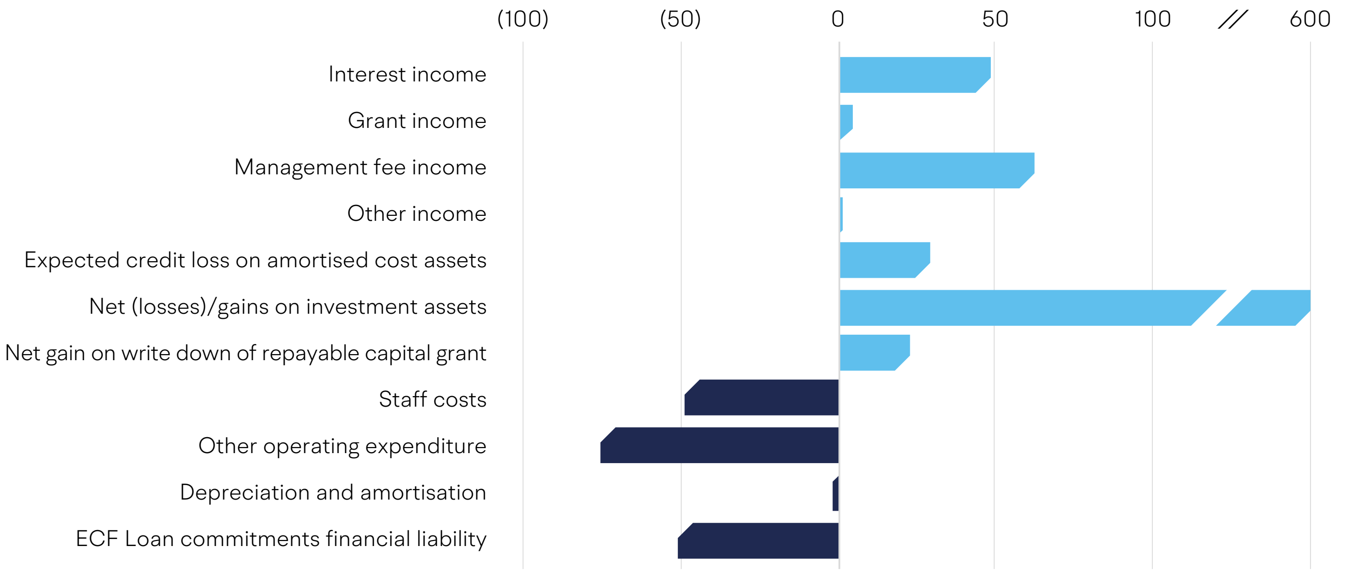
Summary of profit and loss

	2023 £000	2022 £000
Income		
Interest income	50,130	47,651
Grant income	3,443	4,224
Management fee income	57,037	62,507
Other income	1,587	1,166
Gross operating income	**112,197**	**115,548**
Expected credit loss on amortised cost assets	234	29,283
Net (losses)/gains on investment assets	(146,325)	619,123
Net gain on write down of liability	32,280	22,608
Net operating (loss)/income	**(1,614)**	**786,562**
Expenses		
Staff costs	(59,945)	(49,924)
Other operating expenditure	(65,941)	(76,070)
Depreciation and amortisation	(1,802)	(2,474)
Operating expenditure	**(127,688)**	**(128,468)**
ECF Loan commitments financial liability	(17,085)	(51,432)
Finance charge	(237)	(274)
Interest payable	(635)	(1,600)
(Loss)/profit before tax	**(147,259)**	**604,788**
Tax	**12,000**	**(151,895)**
(Loss)/profit for the year after tax	**(135,259)**	**452,893**

Movement by category of the Statement of Comprehensive Net Income – 2022/23 (£m)

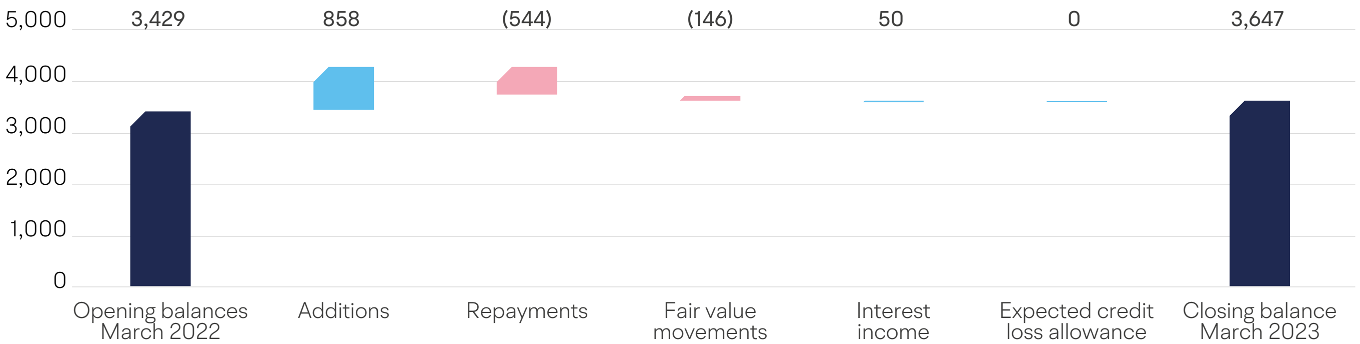


Movement by category of the Statement of Comprehensive Net Income – 2021/22 (£m)



The graphics above show the movement by category of the Statement of Comprehensive Net Income (SOCNI) for the current and previous financial year. Dark blue denotes expenditure and light blue income.

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



Items of note include:

Movement in valuation of investments

The Bank has invested an additional net amount of £314m during the year into a mixture of existing and new investments. As a through-the-cycle investor the Bank expects to deliver an appropriate return over a multi-year investment period that can be subject to in year fluctuations as evidenced by net fair value reductions of £146m in the year. As signposted in last year's Annual Report, and against a backdrop of economic headwinds, the Bank has encountered downward pressure on the valuation of its investments that was anticipated after two years of significant valuation gains.

In addition to fair value reductions in British Patient Capital's Venture portfolio of (£90m) partially offset by gains in the British Business Investments portfolio of £34m, the overall movement includes negative amounts related to adjustments on initial recognition of the Start Up Loans (£46m) and Enterprise Capital Funds (£45m) investments, where accounting standards require us to make an impairment on initial recognition that subsequently unwinds over the life of the investment.

Management fee income

Management fee income primarily relates to the recovery of costs from the Department for Business and Trade in administering and managing programmes that sit on its balance sheet. This management fee nets off against the respective expenses within staff costs and other operating expenditure. £43.0m of management fee income received in 2023 is in respect of our administration of the Covid-19 loan schemes on behalf of the Department (2022: £50.8m) which covers costs incurred for staff of £9.7m (2022: £7.2m) and other operating expenses of £33.3m (2022: £43.4m). The increase in staff costs year on year is due to in-sourcing some work which was performed by external parties during the pandemic, thus achieving better value for money.

Staff costs

Staff costs have increased by 20% year on year. Approximately one-third of this relates to an increase in staff costs supporting the administration of the Covid-19 schemes which is fully covered by the management fee from the Department for Business and Trade as described above. The remaining increase in staff costs due to both a growth in staff numbers (on payroll staff numbers have increased from 508 at March 2022 to 562 at March 2023) and salary increases. The average salary increment during the year was 2.8%.

Other operating expenditure

Other operating expenditure has reduced from £76.1m in the year ended 31 March 2022 to £65.9m for the year ended 31 March 2023. This reduction is in relation to the administration of the Covid-19 loan schemes, driven by the fact these schemes are closed and amortising. These costs are fully covered by the management fee income from the Department for Business and Trade. Activities that have previously been outsourced have been insourced during the year which has lead to a reduction in other operating expenditure but an increase in headcount and the associated staff costs.

Enterprise Capital Funds loan commitments financial liability

The Enterprise Capital Funds programme invests into funds on terms that improve the outcome for private sector investors when those funds are successful. It does this by taking an agreed prioritised return in exchange for lower potential upside gain. For accounting purposes these investments are considered sub-par with the Bank required to make a provision at the point of entering into a commitment with a fund. This provision is unwound as the fund draws down over its life. The net movement in the year of £17.1m is a reduction from the prior year (2022: £51.4m) due to a reduction in new commitments entered into during the year.

David Hourican

David Hourican
Chief Financial Officer

Why we do what we do

Smaller businesses[1] are vitally important to the UK economy, accounting for around 60% of employment and around half of turnover in the private sector.

They are both a key source of the new ideas and innovations that power the rest of the UK economy and central to the UK's objective of reaching net zero by 2050.

As the UK's economic development bank, it is important we help them to start up, grow sustainably and realise their potential by improving their access to finance.

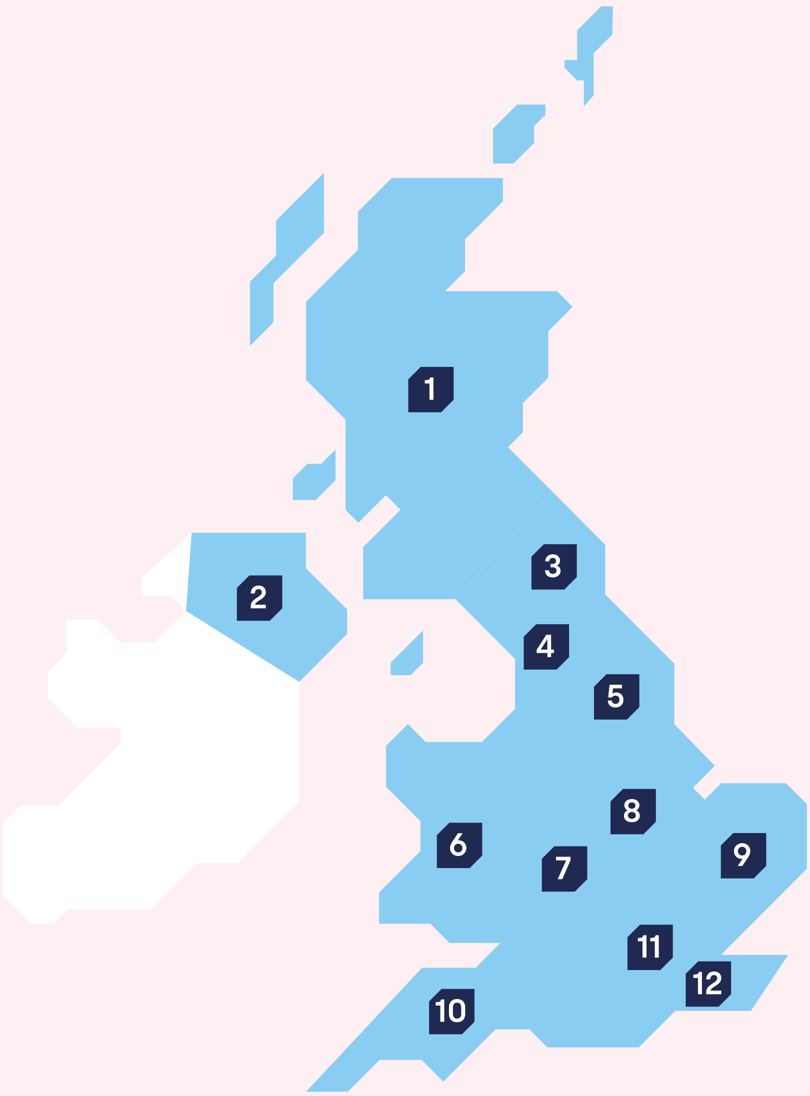
86%

of businesses we support are outside of London

61%

proportion of our funding that goes to businesses outside of London

Breaking down barriers by place



1 Sometimes referred to as small and medium-sized enterprises (SMEs) – those with a turnover of less than €50m and fewer than 250 employees.

Total

90,201
Number of businesses

£12.4bn
Funding

	Number of businesses	Funding
1 Scotland	6,121	£441m
2 Northern Ireland	2,634	£182m
3 North East	3,200	£271m
4 North West	10,766	£1,243m
5 Yorkshire and the Humber	7,869	£803m
6 Wales	4,460	£302m
7 West Midlands	7,816	£537m
8 East Midlands	5,952	£489m
9 East of England	8,242	£1,108m
10 South West	8,438	£636m
11 London	12,588	£4,914m
12 South East	12,115	£1,439m

The importance of access to finance

Finance is important for businesses at every stage

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

Why we support debt finance markets

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

Why we support equity finance markets

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

Our role

The British Business Bank works with and through the market to provide smaller businesses with access to finance and information to support their business growth journey.

We gather market insight and use evidence to identify market gaps and act in a commercially minded way to address them. In doing so, we seek to leverage-in private sector capital alongside Government money to increase the impact we can deliver for smaller businesses.

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

The Bank is wholly owned by the Government[1] but operates independently. It brings expertise and Government money to finance markets serving smaller businesses. We generally do not lend or invest directly.[2] Instead, we work with over 220 delivery partners such as high street and challenger banks, leasing companies, venture capital funds and web-based platforms.

Businesses apply for finance through our partners who, with our support, can lend and invest more, especially to younger and faster-growing companies.

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

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

Our programmes aim to provide additional finance to the markets where they would either not provide the finance at all or provide less without our intervention.

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

1 During 2022/23, the British Business Bank was an arms-length body of the Department for Business, Energy & Industrial Strategy. The Bank moved under the Department for Business and Trade when it was formed in May 2023.

2 We do, however, make some direct investments through our Future Fund: Breakthrough and other debt and equity programmes.

Our core finance programmes

The British Business Bank delivers a wide range of finance programmes, each designed to address a specific market failure while helping to improve access to finance for smaller businesses.

In delivering these programmes we seek to be 'additional' – undertaking activities in the market that would not otherwise occur. In doing so, we avoid displacing private market activity. Instead, we seek to crowd-in private sector capital alongside our finance, and so can create a demonstrably net positive impact for the UK economy.

There is an inherent tension between our aim to deliver policy objectives and at the same time ensuring that we act in a commercially minded way. The weight given to each of these aims varies between our programmes, but fundamentally we aim to operate commercially to deliver key policy objectives.

Our finance programmes provide either debt finance, equity finance, guarantees, or a combination of these.

Equity programmes

British Patient Capital

Investments in long-term venture and venture growth funds, enabling high-potential firms to develop into world-class businesses.

Enterprise Capital Funds

Funds which increase the supply of early-stage venture capital to scaling businesses, and which lower barriers for fund managers entering the venture capital market.

Managed Funds

Investments into funds of funds, designed to increase institutional funding of long-term patient capital for innovative businesses that are scaling rapidly.

Nations and Regions Investment Funds

Equity and debt finance currently in the North, Midlands, and Cornwall and Isles of Scilly, helping to make regional finance markets work better for smaller businesses.

Angel CoFund

Equity co-investment alongside business angel syndicates to increase the volume of early-stage finance available to smaller businesses.

Regional Angels Programme

Support to reduce regional imbalances in access to early-stage equity finance.

Future Fund: Breakthrough

Direct investment programme which supports companies that are R&D intensive and technology-led.

Life Sciences Investment Programme

Initiative to provide equity finance to high-potential UK life sciences companies.

Debt programmes

Investment Programme

Support to increase the volume and diversity of finance for smaller businesses by enabling the growth of new and alternative finance providers.

Start Up Loans

Loans and mentoring to help people start their own businesses or become self-employed.

ENABLE Funding

Cost-effective access to funding through capital markets transactions for smaller lenders, meaning they can provide more finance to smaller businesses.

Guarantee programmes

Recovery Loan Scheme

Support for access to debt finance for UK businesses as they look to invest and grow.

ENABLE Guarantee and ENABLE Build

Guarantees which help to increase capital or funding efficiency for lenders, enabling them to provide more debt finance to smaller businesses.

How we work

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

Investment, lending, information

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

Government

Funds

Returns

British Business Bank

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

Return on investment, lending repayments

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

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

Finance market

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

Business angels

Venture capital funds

Non-bank finance providers

Banks

Start Up Loans programme

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

Smaller businesses

Grows

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

Putting the customer at the heart of everything we do

British Business Bank actions	Programmes and products
Provides expertise and information, coordinates with other parts of Government	Events and business guides
Invests in or alongside equity providers	Enterprise Capital Funds, British Patient Capital, Life Sciences Investment Programme, Future Fund: Breakthrough
Runs placed-based finance programmes across the UK	Regional Angels Programme Nations and Regions Investment Funds
Invests in or provides guarantees to debt providers	Recovery Loan Scheme, ENABLE Guarantees, ENABLE Build, ENABLE Funding, British Business Investments
Provides funding for and runs Start Up Loans programme	Start Up Loans programme
Provides expertise and opportunities, and curates content	Finance Hub, business guides, networking and investment readiness programmes

Sharpening our focus on our customers

At the start of 2022, it was estimated that the UK's 5.5m smaller businesses supported around 16.4m jobs – over 60% of the UK's private sector employment.

Although we work through intermediaries, including the many partners and fund managers that we interact with directly, we never lose sight of the fact that it is smaller businesses that are our ultimate customers.

We aim to align all of our activities behind our overall purpose: supporting access to finance for smaller businesses and putting them at the heart of all that we do.

Means of delivery

- UK Network, websites
- VCs, Fund Managers
- Angels/Angels networks
- Nations and Regions Fund Managers
- Banks, non-bank lenders, asset finance providers, asset-backed lending providers, and social impact lenders
- Start Up Loans Business Support Partners
- Start Up Loans Post Loan Support Partner
- UK Network, websites

Customer needs

- Help with transition to net zero
- Equity finance for high growth
- Finance in their locality
- Debt finance for growth or working capital
- Debt finance for starting up
- Information and help to succeed

Customer outcomes

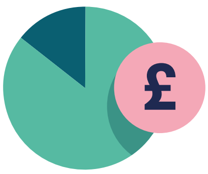
- Capital for high growth
- Working capital to thrive
- Greater knowledge and expertise to succeed
- Increased productivity
- More high quality jobs created
- Greater investment in R&D

Our impact

Businesses benefitting

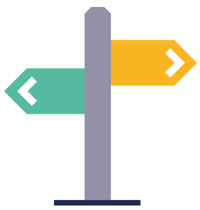
£12.4bn

of finance provided through our core programmes



86%

of businesses we support are outside of London



More than

90,000

businesses supported through our core finance programmes[1]

102,839

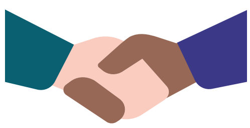
Start Up Loans delivered since 2012

£1.2bn

of new commitments under debt programmes

£419m

of new commitments under equity programmes



6.5%

5 year adjusted rate of return

1 1.2 million businesses supported by Covid-19 loan schemes

The British Business Bank continued to support the smaller businesses across the UK during 2022/23, a period that saw the UK economy facing significant headwinds.

During the year we renewed our focus on our customers and their finance needs, and demonstrated the crucial role the Bank has in supporting businesses throughout the economic cycle. Alongside this, we strengthened our own organisation's capability and capacity, to reflect our increased size. At the same time, we also continued to deliver our core programmes.

Information provision

5,400
downloads of our reports

547k
visitors to our website

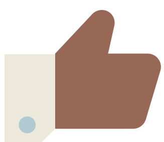
Green economy

£420m
equity investment in Clean Tech supported by the Bank (flow)

Unlocking potential

40%
Proportion of Start Up Loans to female founders

21%
Proportion of Start Up Loans to founders from Black, Asian and other Ethnic Minority backgrounds



£152m
invested in 2022/23 by existing regional funds

Our performance against key 2022/23 KPI targets

Performance assessment summary

The Board assessed the Bank's progress against its corporate objectives by considering delivery against its Key Performance Indicators (KPIs), with KPI outturns against targets outlined below. These include two new qualitative KPIs for Objective 6 to reflect the delivery of counter-fraud activities by assessing the Bank's delivery of milestones on the fraud and financial crime transformation plan, and robust controls around lender performance management and fraud risk in claims processing relating to the legacy Covid Debt schemes. The Awareness and Behaviour KPI (Objective 4) was suspended, and the Centre of Expertise KPI (Objective 5) recalibrated to reflect 2022/23 priorities.

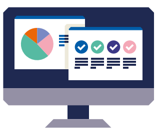
From 2023/24, we will be rationalising our strategic objectives to put outcomes for our customers more firmly at the heart of everything we do. In place of our current seven objectives, we will work to four new objectives: driving sustainable growth, backing innovation, unlocking potential and building the modern, green economy. These strategic objectives are underpinned by six Organisational Enablers to ensure the Bank has the capabilities to deliver on its mission and the strategic objectives.

Objective 1: To increase the supply of finance available to smaller businesses where markets do not work well

	Target	Outturn
KPI: Stock of finance supported by core programmes	£10.7bn	£12.4bn

Commentary: The Bank continued to increase the supply of finance available, significantly exceeding the target set. Note the methodology for this KPI was updated for 2022/23 to remove the volatility around fund of funds leverage.

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



	Target	Outturn
KPI: Percentage of stock of finance supported outside the 'Big 5' banks	97.0%	99.0%

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

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

	Target	Outturn
KPI: Flow of gross deployment outside London	£1.26bn	£1.27bn

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

Objective 4: To encourage and enable smaller businesses to seek the finance best suited to their needs

	Target	Outturn
KPI: Paused	–	–

Commentary: For 2022/23 the KPI against this objective was paused to reflect the decision to reprioritise spend elsewhere and scale back demand activity.

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

	Target	Outturn
KPI: Delivery of centre of expertise priorities	This was subject to a qualitative assessment	

Commentary: The Bank was assessed to have met its objective in deploying its expertise to the Government effectively. This is based on the Board's assessment of the Bank's performance, informed by six performance indicators: the delivery of the British Patient Capital Review, the Review of Bank Lending Programmes, the effective delivery of the Recovery Loan Scheme extension, a factual impact report, and feedback delivered through a survey of stakeholders within and outside of the Government, including an assessment by UKGI (the Shareholder's representative).

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

	Target	Outturn
KPI: Adjusted return on capital employed	1.3%	6.5%
KPI: Risk, Covid Administration Lender Assurance, Fraud & Financial Crime, Fraud Risk in BBLS Guarantee Claims	These KPIs are subject to a qualitative assessment	

Commentary: The Bank was assessed to have partially met or exceeded the five KPIs by which the Bank's performance against this objective is assessed. The Bank exceeded its quantitative KPI where the Bank's 5-year average adjusted return on capital employed of 6.5% remains well above the Government's medium-term cost of capital ('DMO rate') of 1.3%. In addition, there are four qualitative KPIs that this objective is assessed on. The Board has assessed that the Bank has met its KPI on Covid Administration Lender Assurance with improved audit outcomes in re-audited delivery partners and has met its KPI relating to investigating fraud risk in Bounce Back Loan Scheme guarantee claims. However, the Board assessed that the Bank had only partially met its KPI on Fraud & Financial Crime although noted that progress was being made. The Board Risk Committee assessed that the Bank has partially met its KPI to demonstrate progress against the Bank's 'Path to Green' risk process.

Objective 7: To support the UK's transition to a net zero economy

	Target	Outturn
KPI: Delivery of an initial Portfolio Alignment Strategy, an emissions baseline for own operations, and an initial delivery plan to target net zero in own operations	This was subject to a qualitative assessment	

Commentary: The Board considers key milestones to have been partially met. These included an initial Portfolio Alignment Strategy setting out a proposed investment approach and portfolio management to 2027/28, an emissions baseline for the Bank's own operations, and an initial delivery plan to target net zero in the Bank's own operations.

Our key areas of focus

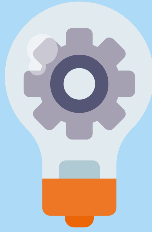
Prioritising delivery to our customers

We are focused on four key areas to put outcomes for our customers at the heart of everything we do: driving sustainable growth, backing innovation, unlocking potential and building the modern, green economy. From 2023/24, these are the new strategic objectives for the British Business Bank.

Driving sustainable growth

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

Read more on pages 26–29



Backing innovation

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

Read more on pages 30–31

Unlocking potential

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

Read more on pages 32–35

Building the modern, green economy

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

Read more on pages 36–37

Highlights

102,839

Start Up Loans provided since 2012

£4.6bn

of Recovery Loan Scheme facilities provided since 2021

£310m

of Investment Programme commitments made by British Business Investments in 2022/23

£868m

of ENABLE Guarantee and ENABLE Build new commitments

Our key areas of focus

Driving sustainable growth

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

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

Helping new businesses to start and grow

High street lenders can view start-up businesses as too risky due to a lack of track record, meaning that early-stage businesses can find it difficult to access the finance they need. The British Business Bank helps to fill this gap while crowding in additional finance from the private sector.

The **Start Up Loans** programme addresses a significant market failure around early-stage finance by providing loans, as well as offering free post-loan support, mentoring and guidance. This is an aspect of our work with a high public profile: it provides many examples of thriving smaller businesses, and an opportunity to raise awareness of the benefits of the programme.

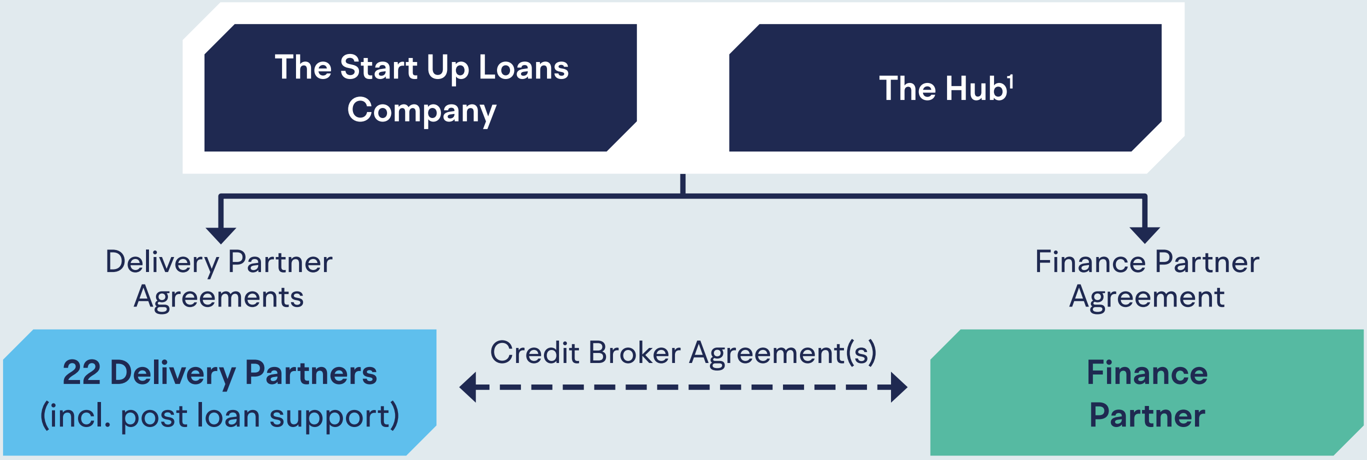
In the 2022/23 financial year, the programme passed the milestone of 100,000 Start Up Loans. We also undertook a major procurement exercise for the next phase of the evolution of Start Up Loans, leading to the launch in April 2023 of new national, regional and specialist business support partners and a new post-loan support partner.

A new way of delivering post-loan support for Start Up Loans

We have recently made changes to the provision of the scheme's post-loan support, with a strategic shift towards greater flexibility.

Before

Before an applicant received a Start Up Loan, a business advisor would help them flesh out their business idea, refine their business plan and get credit-ready. Post-loan, they also had access to mentoring services but these were provided in different ways by 22 delivery partners.

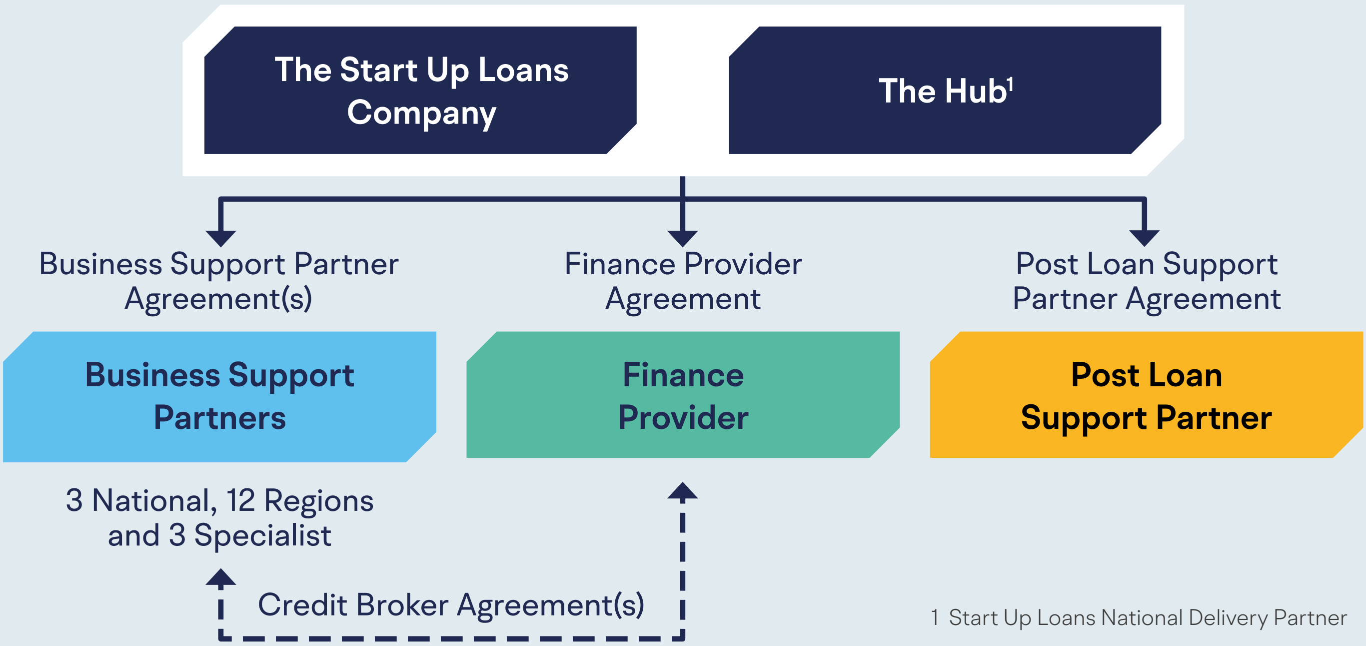


After

As part of the Bank's strategic shift, rather than each business support partner providing mentoring, one post-loan support partner now provides mentoring and other services.

This ensures not only that support is consistent, but also that a greater range of support is provided, including peer-to-peer mentoring, group mentoring, and access to an information library.

By having access to a wider range of support, matching their individual preferences, entrepreneurs have a greater chance of success.



1 Start Up Loans National Delivery Partner

100k

In the 2022/23 financial year, we passed the milestone of 100,000 Start Up Loans

Another important metric for the success of the scheme is its financial performance. Although the Start Up Loans programme has a somewhat greater risk appetite than most high street banks, it is also important that the scheme does not waste public money. Striking the right balance, therefore, is key. During the last year the Bank has further developed its tracking and monitoring of Start Up Loans, as the UK enters a more challenging macroeconomic environment. The indications are that the programme continues to perform well, remaining well below its threshold for losses.

A new initiative has also been expanded during the last year, involving a partnership between Start Up Loans and the Open University. The Start Up Loans community can now access online training modules on a range of topics in which entrepreneurs often lack expertise, such as finance and marketing. High-quality distance learning is provided for free. Additional modules have been added in the past year to reflect the current economic circumstances, including modules on entrepreneur wellbeing and mental health, resilience and expanded Environmental, Social and Governance (ESG) training to help smaller businesses understand what net zero means for them. This continues to be a well-received resource.

Helping smaller businesses to grow

The **Recovery Loan Scheme** was introduced in April 2021, following the closure of the Covid-19 emergency loan schemes. The scheme, which is open to businesses with a turnover of up to £45m, makes funds available for a range of purposes including managing cashflow, growth and investment. The first two phases of RLS offered over £4.6bn of finance to almost 19,000 businesses. Many of these businesses may have entered insolvency without this support.

A new, third iteration of the Recovery Loan Scheme, launched in August 2022, is continuing to help businesses to access the finance they need to invest and grow. It supports lenders to smaller businesses, and ultimately 'underserved but deserving' smaller businesses themselves. These businesses are often better served by small financial institutions and non-bank providers than they are by the high street banks. The scheme is intended as a business-as-usual scheme, fitting in with the delivery partners' overall strategic objective around sustainable growth. It provides additional support for lending through the economic cycle which otherwise would not be made available on the same terms, or which would not be made available at all.

> **“The Start Up Loans community can now access online training modules on a range of topics in which entrepreneurs often lack expertise, such as finance and marketing.”**

Providing choice in debt finance for smaller businesses

Last year was a record one for the **ENABLE Guarantee** and **ENABLE Build** schemes, with new commitments of £868m. This is partly due to a portion of the lending that was formerly supported under the Recovery Loan Scheme shifting to ENABLE. It follows the strategy which the Bank has agreed with the Government that ENABLE Guarantees should be used where more efficient. These guarantees tend to be more bespoke and take more time to execute but are typically less expensive to run for both the Government and the lenders. They therefore represent a more efficient use of resources to solve specific market inefficiencies.

Two refinancings under the **ENABLE Funding** programme, of a combined £165m, took place during the year. These transactions are important as they demonstrate the need for the programme, the objective of which is to provide temporary funding facilities to mainly non-bank asset finance providers. These facilities help them to increase their lending to smaller businesses, while developing their capability to obtain stable funding sources at scale via the capital markets.

£868m

Last year was a record one for the ENABLE Guarantee and ENABLE Build schemes, with new commitments of £868m

The **Bounce Back Loan Scheme** (one of the Government's Covid-era loan schemes) portfolio is currently performing above expectations, with anticipated credit loss levels lower than earlier estimates. The scheme is susceptible to macroeconomic effects, and this has led to Pay-As-You-Grow options – repayment holidays, interest-only repayment periods and extended repayment terms – being well used by smaller businesses.

More than 77% of Bounce Back Loan facilities are either fully repaid or repaying on schedule. Around a third (32%) of recipients have utilised a Pay-As-You-Grow option.

The **Coronavirus Business Interruption Loan Scheme** (CBILS) and **Coronavirus Large Business Interruption Loan Scheme** (CLBILS) portfolios are performing well, with more than 93% of CBILS facilities and more than 98% of CLBILS facilities either fully repaid or repaying on schedule.

Business stories
Tugdock

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

Funding partner: The FSE Group

Funding type: Equity

Location: Falmouth

Region: South West

Tugdock, founded in 2017, delivers new solutions for the marine renewable energy sector. Based in Falmouth in Cornwall, the company facilitates the building of floating offshore wind turbine substructures.

Tugdock received equity investment from CIOSIF, to be used for a range of growth activities, including establishing a manufacturing facility, hiring new staff and undertaking sales and marketing activity.

Their cost-saving and innovative ideas can play a key role in helping the UK transition to net zero.

Our key areas of focus

Backing innovation

Highlights

42

Enterprise Capital Funds now operating, providing £784m of equity finance

£211m

in total commitments by British Patient Capital funds in 2022/23

£69m

of commitments by Future Fund: Breakthrough programme in 2022/23

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

The British Business Bank forms a crucial part of the innovation funding landscape. We back innovative early-stage businesses as well as more established businesses in later funding rounds. These businesses are often R&D intensive and require funding over the longer term. Across our programmes, we also back businesses developing the technologies to support the transition to net zero.

£200m

The £200m Life Sciences Investment Programme, managed by British Patient Capital, is designed to fill the growth-stage funding gap which is faced by many innovative UK life sciences companies

The **Enterprise Capital Funds** programme plays a key role in developing new and emerging fund managers. We backed more emerging managers this year, adding to our track record of supporting managers who go on to make their name. Through the programme, the Bank also invests in funds that, without our support, would not come into being. We target two types of funds: those that invest in areas that are not high profile within the market – during the last year a fund that specialises in hospitality, for example – and fund managers at an early stage. Our backing is often the catalyst which enables them to receive further backing from elsewhere.

British Patient Capital, one of the Bank's commercial subsidiaries, is the UK's largest domestic investor in venture capital, and in 2022/23 committed a further £211m of funding, which we know is an important ingredient for early-stage and high-potential innovative businesses.

Future Fund: Breakthrough is continuing to drive investment into the UK's most high-growth, innovative and R&D-intensive firms. Under the programme, British Patient Capital co-invests alongside established venture capital investors, helping the UK to fulfil its potential as an innovation-driven economy. This is a UK-wide programme that directly co-invests alongside private investors in the later funding rounds of high-growth, innovative firms. Through our Future Fund: Breakthrough investment team, the Bank is now the most active UK investor in fast-growing life sciences businesses valued at £30m and above.

Finally, the £200m **Life Sciences Investment Programme,** managed by British Patient Capital, is designed to fill the growth-stage funding gap which is faced by many innovative UK life sciences companies. British Patient Capital's positive evaluation in 2022/23 means that its work has been extended for another five years, providing valuable continued support for innovation. The programme mobilises significant third-party capital alongside the Bank's, including through a collaboration with Mubadala Investment Company.

Why back innovation?

Boosting business innovation is essential to the UK's future prosperity, and key to the delivery of new jobs, better living standards and long-term economic growth. It is also vital to support the transition to a net zero economy, and post-pandemic economic recovery.

We see that there are essentially two types of innovation, both of which are needed to drive economic growth.

New-to-market technologies are often produced by high-growth startups that have the potential to become the global success stories of tomorrow.

Backing innovation-led businesses: the role of public investment, a research collaboration between the Bank, Innovate UK and UK Research and Innovation, examined this aspect of innovation in depth. Its findings included that the Bank's programmes play a pivotal role in such innovation, and that research council spin-outs are twice as likely to succeed when they are supported by UK funding agencies.

Findings also showed that research council spin-outs with support from both Innovate UK and the Bank show much stronger employment growth and were four times as likely to have raised external finance.

The second type of innovation is new-to-business innovation, where businesses adopt new technologies or processes to become more productive.

Such business innovation requires financing, however, and a business's ability to access the right type of finance at each stage of development is critical, both to the development of ideas and to business growth.

Our latest *Small Business Finance Markets* report demonstrated the importance of the UK backing this type of innovation, in order to increase its long-term productivity and growth rates.

We know that innovation is central to long-term growth and often requires finance. Around 66% of smaller business innovators use finance compared to 58% of all businesses.

> **"New-to-market technologies are often produced by high-growth startups that have the potential to become the global success stories of tomorrow."**

Highlights

£68m

investments made by the Northern Powerhouse Investment Fund in 2022/23

£75m

investments made by the Midlands Engine Investment Fund in 2022/23

£9m

investments made by the Cornwall and Isles of Scilly Investment Fund in 2022/23

6

new Nations and Regions Investment Funds to launch in 2023/24

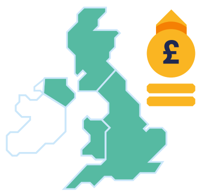
£55m

of new commitments by the Regional Angels Programme during 2022/23

Our key areas of focus

Unlocking potential

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



£1.6bn

A new generation of Nations and Regions Investment Funds has been awarded £1.6bn by the Government

Extending opportunity

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

Building on the proven success of the existing Regional Funds – the Northern Powerhouse, Midlands Engine and Cornwall and Isles of Scilly Investment Funds – a new generation of **Nations and Regions Investment Funds** has been awarded £1.6bn by the Government, enabling the Bank to extend its reach across the UK. The financial year 2022/23 has seen much of the preparatory work being carried out prior to these new funds being launched.

There was a very encouraging response to the competitions that we ran to find high-quality managers for the new funds.

We have also seen excellent levels of engagement and support from key Nations and regions stakeholders, including Local Enterprise Partnerships and their successor bodies, and Combined Local Authorities, which have been working with us to help define our strategy for each of the new funds across the UK. The Bank remains on track to launch the new funds as scheduled, with the first, covering the South West, having launched in July 2023.

Our existing regional funds

Meanwhile, our existing regional funds have continued to perform very well. We commissioned evaluations of both the Midlands Engine Investment Fund and Cornwall and Isles of Scilly Investment Fund in 2022/23. These were very positive, showing how the funds lead to higher levels of business resilience in those regions.

The Midlands Engine Investment Fund evaluation found the fund has created more than £200m of investment and 2,370 new jobs. A third (33%) of these jobs were in research and development (R&D), and the pay rate for over four in ten (41%) was in the top quartile of UK salaries (£37.8k).

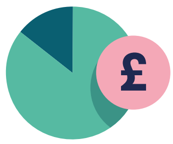
The majority of businesses used their funding to launch new products or services, whilst half (48%) of these were expected to reduce carbon emissions – supporting wider net zero targets – and 59% of businesses supported said it helped them avoid closure in a challenging time.

The Cornwall and Isles of Scilly Investment Fund, has made 68 investments totalling £15.5m in 50 Cornish smaller businesses since its launch in 2018, comprising £10.9m of equity and £4.6m of debt.

Those investments have leveraged an additional £46.3m from the private sector, which means the fund has been a catalyst for almost £62m of investment into local businesses since its launch.

The evaluation for Cornwall and Isles of Scilly Investment Fund found that almost half of respondents surveyed (48%), said they had reduced the environmental impact of their business as a direct result of investment, with 90% of businesses saying they had increased their business resilience. In addition, 81% said they had introduced new products or services to market and 76% said they had increased investment in R&D.

The existing Regional Funds remain ahead of their European Investment Bank repayment schedules, and we have seen relatively low levels of failure within the portfolios. As the funds transition to being supported directly by the UK Government rather than through European funds, we will begin to see investments being made in the UK's Devolved Nations and regions on a scale that we have not seen before. The continuing need for this was made clear by the Bank's most recent Nations and Regions Tracker and Deprived Area Analysis, which showed that there continue to be parts of the country where smaller businesses struggle to gain access to finance, even within regions that, taken as a whole, seem to be performing well.



£200m

The Midlands Engine Investment Fund evaluation found the fund has created more than £200m of investment and 2,370 new jobs

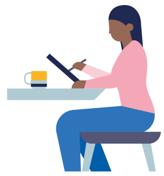
Internally, the Bank has worked throughout 2022/23 both to build our team for the new Nations and Regions Investment Funds and to put project structures in place. This has included extending our existing regional network, ensuring that we have a specific, named business support partner in each of the UK's regions and Devolved Nations. The Bank's Regional Funds team and UK Network have also been active in supporting the set-up of the new funds, working with the Bank's intermediaries to ensure that they are aware of the new funds, and how they can help their customers to access them.

Another of the Bank's programmes which is designed to reduce regional imbalances in access to finance is the **Regional Angels Programme,** which is focused on seed and early-stage equity finance for smaller businesses across the UK. The programme is run by British Business Investments, one of our commercial subsidiaries, which commits funds for investment alongside business angels and other equity investors. The Regional Angels Programme made £55m of new commitments during 2022/23.

Diversity, equity and inclusion

Another key component of unlocking potential involves our work around diversity, equity and inclusion, so that smaller businesses can have access to finance, regardless of the gender, ethnicity or socio-economic status of the people who are running them. The **Start Up Loans** programme continues to be hugely impactful in helping to break down barriers to finance faced by entrepreneurs because of their ethnicity or gender. 40% of loans now go to females, and 21% to entrepreneurs from ethnic minority groups, a significantly higher proportion than the make-up of the business population. Since 2012, 30% of Start Up Loans have been provided to people who were unemployed or economically inactive at the time of their application.

“40% of Start Up Loans now go to females, and 21% to entrepreneurs from ethnic minority groups.”



30%

of Start Up Loans have been provided to people who were unemployed or economically inactive at the time of their application

We carried out some Start Up Loans specialist pilots during the year, testing new, more flexible ways for the Bank to work with its delivery partners on the programme. Where previously partners were paid a set fee for each loan with which they provided support, the pilots have seen a number of different types of contractual arrangements being used, allowing for more bespoke types of support, and varying the delivery partners' fees to recognise the various levels of support that different groups of entrepreneurs might need. Ex-offenders, for example, are a group which might need additional support in starting a business, such as in verifying an address when they have recently come out of prison. We will carry out further testing over the coming business cycle, identifying other sub-sets of the smaller business community that need this extra support, and then finding the business support partners that have the capability to work with them.

Start Up Loans celebrated its 10-year anniversary in October 2022. Every year a new Start Up Loans Ambassador is chosen from each of the UK's Nations and regions to represent the programme in their area. They can provide inspiration to others by relating their experience of applying for a Start Up Loan, and what it has meant for their business.

This can include not only the finance provided, but also the business mentoring, support guides and Open University training that are made available. Hearing a wide range of Ambassadors speaking enthusiastically about Start Up Loans is an important factor in increasing the diversity of applicants, helping to inspire potential entrepreneurs from diverse backgrounds. In the last year there has been a particular emphasis on environmental sustainability in our Ambassadors' stories.

On the theme of encouraging a better gender balance in smaller business finance, in the past year the Bank has continued to promote the **Investing in Women Code,** which is a commitment by financial services firms to improve female entrepreneurs' access to financial tools and resources. The code now has more than 200 signatories.

The UK Network team has also been active in the UK's Nations and regions in promoting gender diversity. For example, they have partnered with Fund Her North to support the Women Angels of the North initiative which aims to increase the availability of angel investment for women entrepreneurs.

The UK Network has also helped to support and accelerate the development of three female-led angel syndicates across the Devolved Nations – Women Angels of Wales, Mint Ventures in Scotland and Awaken Angels in Northern Ireland. The aim is to increase both the number of women angel investors and the flow of capital to female entrepreneurs to help them start or scale up their businesses.

As well as working externally to drive diversity, equity and inclusion in the market, over the past year the Bank has made inroads in what we do internally. We continue to meet our targets under the **Women in Finance Charter,** a pledge for gender balance across the financial services sector: 50% of our Executive Committee were women at the end of 2022/23.

The Bank has committed to a new set of Women in Finance targets over the next three years.

The Bank has also committed to a new, more ambitious **diversity, equity and inclusion strategy and policy,** developed during 2022/23 in alignment with its broader ESG strategy. We are introducing new metrics and benchmarks, including embedding an inclusion index into the Bank's Engagement Survey, for launch later in 2023. Development of the new diversity, equity and inclusion strategy has involved a significant contribution from Stronger Together, a colleague-led open forum within the Bank, which provides a safe and supportive environment in which to discuss issues specifically relating to inclusion and diversity.

Business stories

Aldgate Vets

Programme: Northern Powerhouse Investment Fund (NPIF)

Funding partner: Mercia

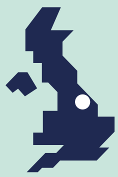
Funding type: Debt

Location: Bridlington

Region:
Yorkshire and the Humber

Aldgate Veterinary Practice is an independent veterinary practice with sites in the East Yorkshire towns of Driffield and Bridlington. It has a tradition of a high standard of care delivered in a compassionate and down-to-earth manner.

Aldgate Vets secured a £500,000 loan from NPIF to buy state-of-the-art equipment and its new £1.7m facility is the only one of its type in the area. It can be used by vets throughout the East Riding to perform operations instead of having to refer patients to Leeds and will also enable the practice to offer 24-hour emergency care.



Highlights

100

number of delivery partners we met with in 2022/23 to outline our approach to responsible investments

£420m

equity investment in Clean Tech supported by the Bank (flow)

12

net zero roundtables held, with over 180 attendees

Our key areas of focus

Building the modern, green economy

The financial year 2022/23 saw the British Business Bank focus increasingly on Environmental, Social and Governance (ESG) factors within the investments it made, with net zero a particular focus.

As an economic development bank, our emphasis is not just on helping smaller businesses to transition to net zero – and to do so ourselves – but to reach this goal while also working to tackle regional imbalances in access to finance, and to support diversity and inclusion.

We are working to identify positive opportunities to fund both innovative UK companies that are developing solutions to climate change, and the wider transition to more sustainable business models for the whole smaller business community.

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

> **“We continue to work closely with delivery partners in supporting sustainability within smaller business finance markets.”**

During the past year, the Bank has continued to work to understand what smaller businesses need in transitioning to net zero, speaking to their representatives at a number of events. For example, we held 12 **virtual roundtables**, with over 180 attendees, to understand the smaller business perspective on the challenges of sustainability.

In all of the Bank's activities around sustainability, our emphasis is on working not in isolation, but by sharing insights, expertise and advice with the Government and other partners. Our work to engage with smaller businesses on ESG issues, utilising our partners' relationships and data, was cited as a positive example in former UK Energy Minister **Chris Skidmore's independent report,** *MISSION ZERO: Independent Review of Net Zero*, which examined how the UK can best meet its net zero commitments.

The latest iteration of the Government's *Green Finance Strategy*, meanwhile, was published in March 2023. Looking at how the UK's financial services sector can support the Government's environmental objectives, it referenced in particular our work with smaller businesses to address their challenges in reaching net zero, especially around data and reporting requirements.

The Bank continues to be part of the conversation around sustainability still more broadly. We took part in the **2022 United Nations Climate Change Conference (COP27)** in Egypt.

We continue to work closely with delivery partners in supporting sustainability within smaller business finance markets. Disclosure and transparency around environmental impact are vital, yet we recognise that developing reliable, accurate emissions data can be a challenge, especially for our smaller delivery partners. We acknowledge that we have a role to play in building capacity and understanding within the system. Our aim is to bring about a broad movement towards a net zero economy in which we bring our partners with us. We have the foundation now to engage with all the Bank's partners and work towards net zero together.

The Bank is particularly engaged on **Bankers for Net Zero's** 'Mobilising SMEs for Climate Action' workstream, which is developing practical solutions to help the UK's smaller businesses make the transition successfully. The Bank also continued to work collaboratively in developing further the **OECD Platform** that brings together international business development banks to share their experience, insights and best practice in helping smaller businesses transition to net zero.

In Q4 2022, the OECD Platform launched its sustainable finance report and welcomed new members and partners. Louis Taylor gave the keynote speech at the inaugural OECD Platform conference.

Internally, the Bank continues to thread net zero as a theme throughout its programme of work. We continue to improve our understanding of the environmental effects of our own activities: both our direct environmental 'footprint', and the effect that we have through our diverse investment portfolio. We deploy the vast majority of our funds through our delivery partners, and so these partners need to be included in measures of our impacts. For the first time this year we are reporting under the Task Force on Climate-Related Financial Disclosures regime, and also are trialling other sustainability reporting frameworks such as the Principles of Responsible Investment, to better understand the challenges and value of these frameworks for our portfolio.

The Bank has also revised its own procurement policy to integrate sustainability considerations, and has begun our engagement with suppliers to better understand their net zero trajectories. We have been training our staff so that they can properly account for ESG in making decisions around investment.

We continue to undertake climate change stress testing as part of our stress-testing framework.

Building our capability

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

Growing our capacity in insight and expertise

As a dedicated economic development bank, we develop a detailed understanding of smaller business finance markets, business needs, market gaps and the effectiveness of our own activities in working for our ultimate customers – UK smaller businesses.

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

The most recent iteration of our *Small Business Finance Markets* report showed that access to finance has stood up relatively well despite the worsened economic climate. More than half of all bank lending to smaller businesses was provided by specialist and challenger banks, as opposed to the five main high street banks. At the same time, fewer smaller businesses are using external finance – it appears that a smaller number are drawing on debt finance, but for greater amounts. For those that did apply, success rates in receiving finance were down. This is not necessarily due to banks having changed their criteria in more difficult economic circumstances, but rather that many businesses' balance sheets now appear less favourable.

"More than half of all bank lending to smaller businesses was provided by specialist and challenger banks, as opposed to the five main high street banks."

> **A majority of intermediaries said that there are regional gaps in the supply of finance for smaller businesses, irrespective of their development stage.**

In 2022/23, the Bank carried out a **quantitative survey of small business intermediaries,** which further helps to identify some of the issues that smaller businesses are currently facing in accessing finance. We surveyed over 500 intermediaries across the UK, with Ipsos carrying out 60 further in-depth interviews. The survey found that 70% of intermediaries believe that small businesses are not in good financial health as they enter tough economic conditions. Half reported that access to financial support is inadequate for entrepreneurs looking to start a new business. A majority of intermediaries said that there are regional gaps in the supply of finance for smaller businesses, irrespective of their development stage. Two-thirds of intermediaries thought that demand for finance exceeds supply in their region or nation, while 70% of intermediaries continue to say that lack of awareness of available finance options is the biggest barrier to demand.

A **quantitative study of smaller businesses** in January 2023 found that an increasing proportion had a positive experience of the British Business Bank's work in a number of important respects. Nearly half (49%) agreed with the statement that 'I was able to find the financial information I was looking for' (up from 40% the year before), 44% that 'the Bank's communication was useful to me' (up from 32%), and 37% that 'my interaction with the Bank led me to the outcome best suited to my needs' (up from 28%).

Awareness of the Bank continues to be lowest among micro-sized businesses. Smaller business awareness of the Bank varies across the UK, which we are looking to address through proactive engagement.

In 2022/23, the UK Network tested a **Direct to Small Business** approach, which aims to track some of the direct benefits to small businesses of the Bank's activities. Of the 403 small businesses that we tracked, we found that 165 were better prepared to attract investment because of the Bank's work, and 32 reported that they had indeed received additional investment totalling £25m.

Business stories

Practically Family

Programme: Northern Powerhouse Investment Fund (NPIF)

Funding partner: GC Business Finance

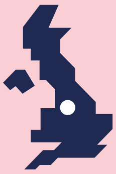
Funding type: Debt

Location: Wilmslow

Region: North West

Practically Family was founded in 2015 by husband-and-wife co-founders Sophie and Kane McCumesky with the ethos that families who don't fit the typical 9-5 need a childcare service to support them.

The business began life as a bespoke wraparound childcare service and since its creation has experienced rapid growth, which is set to continue thanks to a £75,000 loan from NPIF.



With our renewed focus on our customers, we have placed particular emphasis this year on trying to understand their needs and what more we can do to support them.

With a lack of awareness of finance options still being an important issue for many smaller businesses, the Bank established **Business Finance Week,** which combined online and in-person activities and focused each day on a different finance-related theme, including debt, angel investment, and how smaller businesses can operate more sustainably.

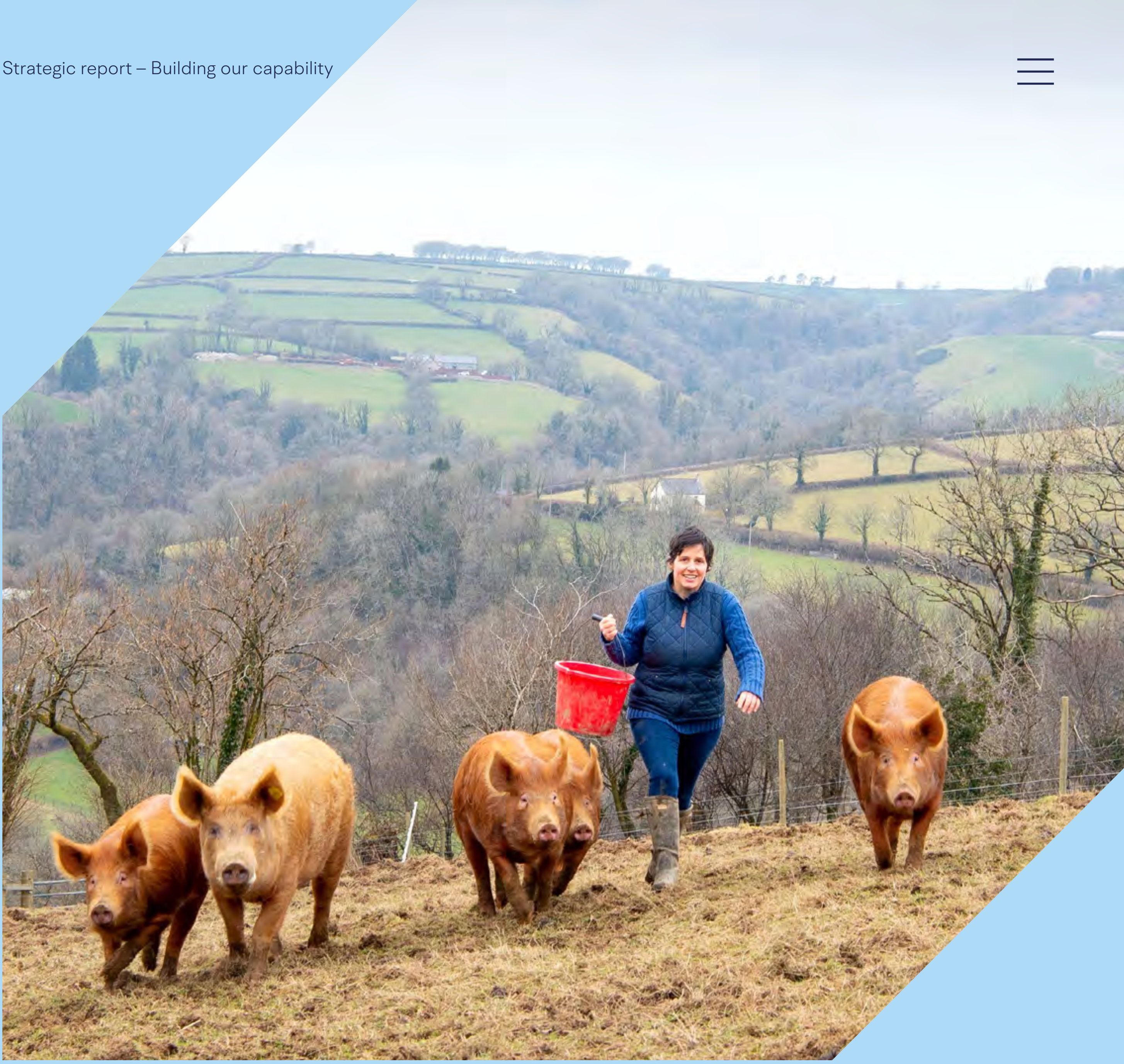
Pilot impact analysis showed that around 70% of audience members said that they were much better informed subsequently, and around 70% also said that they would find out more about their finance options or take action to access finance as a result of the sessions. The campaign delivered almost 7% growth in views of the Bank's online Finance Hub and Start Up Loans content on the Bank's website. Following the success of Business Finance Week, we plan to make this an annual event.

The Bank was involved in TechInvest, where the UK Network team, working through the UK Business Angels Association, enabled 40 founders of promising tech businesses from the Midlands, the South West, Yorkshire and the Humber and Northern Ireland to connect with London investors. Two other investment readiness programmes in the Devolved Nations, led by the UK Network, helped founders to be better prepared to secure investment.

Building Business Resilience, meanwhile, was an integrated campaign which we delivered across all of the Bank's channels. It included direct-to-smaller business activities on important topical themes, amplified by the Bank's network of intermediaries and delivery partners.

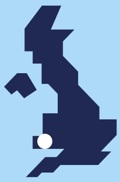
Following an announcement in the 2023 Spring Budget, the Bank has also begun to work with the Government to develop the Long-term Investment for Technology and Science initiative, which aims to establish new investment vehicles to crowd-in investment from institutional investors – particularly, defined contribution pension funds – to the UK's most innovative science and technology companies.

"With our renewed focus on our customers, we have placed particular emphasis this year on trying to understand their needs and what more we can do to support them."



Business stories

Moch Coch



Programme: Start Up Loans

Funding partner: Business in Focus

Funding type: Debt

Location: Camarthenshire

Region: Wales

Moch Coch specialises in making great tasting cured and air-dried meats and salamis on its small farm in Wales.

The business uses the finest natural ingredients and is committed to being plastic free in all its packaging. All animals on the farm live in free-range environments.

Owner Bethan Morgan received a £23,000 Start Up Loan from the British Business Bank in August 2022, which allowed her to build an onsite drying room and walk-in fridge.

Supporting colleagues

Our people make the Bank what it is, and we work hard to ensure that our people are supported and enabled to deliver our objectives.

As for many other organisations across the industry, attracting and retaining talented staff remains a priority. From our work on our Employee Value Proposition, to our renewed focus on career development and enhancements to employee health and wellbeing, we aim to ensure that the Bank continues to be a great place to work.

One of our key strategic objectives is to unlock potential by ensuring that entrepreneurs can access the finance they need, regardless of where and who they are. If we truly wish to understand our customers and achieve this goal, it is vital that we apply a similar philosophy to diversity, equity and inclusion within the Bank.

Through building a culture of true inclusion and a sense of community and allyship, we will be able to position ourselves as an inclusive employer. Our overarching diversity, equity and inclusion strategy is ambitious, and will require all colleagues to embed the culture of inclusion we are seeking to cultivate. We recognise that to deliver this strategy we must develop skills internally to meet the standards we have set for ourselves.

That means putting people and culture at the heart of our organisation, empowering diverse talent through work that makes a difference, and ensuring that diverse perspectives are well represented within our business.

Our annual *Gender Pay Gap* report allows us to track an important measure of gender equality at the British Business Bank, and to devise strategies to improve equality more broadly as well as this measure specifically.

The year in review shows our 2022 median gender pay gap is 20.6%, 3.8 percentage points higher than in 2021. Our median bonus gap has also increased compared to last year.

“As for many other organisations across the industry, attracting and retaining talented staff remains a priority.”

These are clearly disappointing outcomes, and we are focused on eliminating these gaps through a package of culture, performance management and recruitment process improvements. Over the course of 2023/24 we have committed to upskill our colleagues on topics relating to diversity, equity and inclusion. In addition, we are reviewing key people processes like performance management and our internal mobility principles to make sure these processes are free from unconscious bias and any potential systemic barriers.

The proportion of men and women in more senior, higher-paid roles has a significant influence on our gender pay gap. Our analysis shows that, whilst we have a more balanced proportion of men and women across our organisation and continue to achieve our headline target of ensuring 50% female representation at our Executive Committee level, we have more work to do in addressing our gender imbalance in the senior leadership layer reporting into our Executives.

This population has historically low attrition and we believe this will take time to change, but we are focused on progressing this work. As part of this, we are participating in an external mentoring programme through Women in Banking & Finance to target the development of high potential female talent. In addition, the annual pay review process following 2022/23 year-end includes, for the first time, gender and ethnicity measures to ensure fairness and effective calibration going into 2023/24.

Gender representation at 31 March 2023

	Female	Male
Overall	45.7% (262)	54.3% (311)
Executive Committee	50.0% (5)	50.0% (5)
Senior Leadership Team (SLT) (Bands 1-3)	38.5% (10)	61.5% (16)
Senior management (Band 3, Band 4 and Band 5)	39.9% (116)	60.1% (175)

Ethnic diversity at 31 March 2023

11.7%
Asian or Asian British

3.9%
Black or Black British

3.7%
Mixed or multiple ethnicities

69.0%
White

11.7%
Not known, not provided or prefer not to say

Ethnic diversity

We value people from all backgrounds and work to create an inclusive culture that helps us to attract, retain and develop talented employees. We have initiated a project to review and enhance our recruitment process, which will include reviewing the tone of our job adverts, where we advertise and the experience of applicants through the hiring process. Our 'Stronger Together' employee resource group also helps embed an inclusive culture and is consulted on matters of inclusion. A project to improve our talent acquisition and onboarding processes to ensure they are fair and free from bias will be delivered in 2023/24 through a new application tracking system.

Improving our offer

Following our most recent Employee Engagement Survey, in which survey respondents raised the issue of opportunities for career progression and development within the Bank as being especially important for them, the Bank has been working during the last year to improve its Employee Value Proposition. This is the unique set of benefits and other attributes that we offer our current and potential employees, which helps to define what the Bank is for them. We organised a series of focus groups around the organisation, to feed into the new framework which we are continuing to develop, with a particular emphasis on our inclusive, supportive environment and opportunities for growth and development.

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

Many of our policies that affect employees are developed in consultation with the Bank's Colleague Forum, the internal body that represents colleagues and acts as a constructive ally to the Bank's senior leadership. Comprised of representatives elected from across the business, it engages with colleagues and keeps leaders informed about their views, needs and priorities.

As the cost-of-living crisis began to be felt increasingly in the autumn of 2022, the Colleague Forum carried out a survey in October 2022 to find out how employees were being impacted, receiving over 200 responses. The Bank responded by increasing the support that it offers, including financial wellbeing webinars, an augmented Healthcare Plan, an employee discount scheme and access to mental health first aiders.

People with disabilities

The Bank works with colleagues, including those with disabilities, to adapt work practices where necessary in order to help everyone to work effectively and progress their careers within our organisation. In 2021, we increased our accreditation under the Government's Disability Confident scheme, to Level 2: Disability Confident Employer.

This means that we commit ourselves, among other things, to having an inclusive and accessible recruitment process, supporting employees with disabilities and making any adjustments that they need to help them do their jobs, ensuring that there are mechanisms in place to discuss the needs of colleagues with disabilities, and taking action to raise disability awareness within the Bank.

We aim to create a safe environment in which employees and job applicants feel confident to disclose their condition with the knowledge that they will be fully supported. As part of our onboarding process, we explain the role of Stronger Together, our diversity, equity and inclusion network group, and manager training reinforces the role managers play in creating a diverse and inclusive organisation.

“Many of our policies that affect employees are developed in consultation with the Bank's Colleague Forum.”

Business stories

Change Please

Programme:
Recovery Loan Scheme (RLS)

Funding partner:
Social Investment Business

Funding type: Debt

Location: London

Region: London

Change Please is a social enterprise, 100% of whose profits go into giving people experiencing homelessness a living wage job, housing and training opportunities.

Through a £1m loan backed by a Recovery Loan Scheme guarantee, they have invested in 16 additional retail coffee units, many in train stations up and down the country, which takes them to more than 25 outlets around the UK.

Operations, controls and risk management

As the Bank has continued to move out of the period of Covid-19 emergency response, we have aimed to return to more of a future focus – not just delivering good outcomes for our customers, but delivering them in a cost-effective way.

“As a business one step removed from our ultimate customer, our data comes from our delivery partners and we are working with them to ensure that we have the data that we need to inform our activities and to understand the impact that we have on the economy.”

We set up a two-year programme, which concluded in March 2023, as a direct outcome of a 2020 operating model review of the Bank's key control capabilities. This review identified capacity gaps resulting from the Bank having set up Covid-19 programmes at speed. The result was four key workstreams which we mobilised across the Bank – Data Management, IT Infrastructure, Outsourcing & Supplier Management and Risk Management (DIOR).

The programme focused on ensuring that the Bank's people, processes and systems are fit for purpose in the context of a post-pandemic operating environment, and in light of the Bank's increased size.

Each workstream has delivered a number of successful outcomes and benefits, supported by communication and engagement activities; there are natural follow-on activities for each workstream to embed deliverables and to improve outcomes. The DIOR programme is currently undergoing a Government Internal Audit Assurance (GIAA) review on the outcome of its workstreams, with the assurance rating due to be published in Autumn 2023.

In terms of data management, the DIOR programme has led to new capability within the Bank. We have created a Data Management Office which is focused on how we manage data quality, data governance and the design and mechanics of data use within the organisation. We have also developed a number of tools to help us manage data, to understand where data comes from, and to assess the quality of our data. As a business one step removed from our ultimate customer, our data comes from our delivery partners and we are working with them to ensure that we have the data that we need to inform our activities and to understand the impact that we have on the economy. We are following Government good practice on this, and on how we manage data risk. We have already made significant improvements in the quality of data that we collect, allowing for better reporting and insights. This has enabled us to have increased confidence in what we report, as we have greater knowledge of our data's sourcing and processing.

We have invested through DIOR in our IT infrastructure, including a new cloud platform, to match the scale of our operations. We are increasingly using automation, especially around the guarantee schemes, calculating fees and interest, and processing claims on guarantees. We are close to being able to in-source work that we have hitherto been outsourcing in this area. Our aim is to find the right balance in our operations between resilience, effectiveness and flexibility. Where the focus in recent years has been on resilience, in terms of risk and control, we are now rebalancing this with effectiveness and flexibility.

As well as having built our capabilities in the first and second lines of defence in our risk model, we are designing, evaluating and implementing new risk management frameworks, policies and standards. This includes developing a new training and development plan to enhance risk management across the business. Over the year we have simplified our risk taxonomy to reflect the changing nature of our business.

We continue to manage our risks, understanding and mitigating our risk in line with our risk appetite. Inevitably that risk appetite, which is approved by our Board, is different to other finance providers, as our role is to provide access to finance where others do not. Despite the continuing economic and geopolitical uncertainty driving up interest rates and inflation, the Bank's appetite for risk and its underwriting standards have not substantially changed, as a through-the-cycle investor.

We have an established process of risk management, and we continue to ensure that this is applied and operationalised in light of the Bank now being a larger organisation. Where we had been operating outside of our risk appetite, as part of our Covid-19 response, we have been continuing to work to mitigate those risks, to reduce our risk profile, and to bring the Bank back within its risk appetite.

The benefits of our investment through the DIOR programme are also well illustrated in the areas of fraud and financial crime and the management of Freedom of Information (FOI) requests.

On fraud and financial crime, the DIOR programme supported recruitment both in our front-line product teams and in our Bank-wide Fraud and Financial Crime team. While policing and enforcement in relation to fraud and financial crime is not within the Bank's main remit, we continue to work to support key stakeholders across the Government in this area, sharing data and insight with the Cabinet Office, Treasury and a number of fraud prevention and monitoring agencies. This year, in particular, we have worked with the Cabinet Office, the Public Sector Fraud Authority and the National Audit Office to examine all the available metrics and data points to make sure that we have the best possible estimates of fraud.

Where fraud has been detected in our schemes, we have focused throughout the year on the recovery of funds. There have been no identified incidents of internal fraud.

We continue to operationalise and embed our new Fraud and Financial Crime framework through fraud and financial crime risk assessments, which we have now completed for all of our products. Next, we will extend that risk assessment to the Bank's functions beyond the product areas. This reflects a broad shift of emphasis. Where in previous years we have concentrated on fraud recovery within the Covid-19 schemes, our focus now is on risk management around fraud and financial crime across the Bank's full portfolio and delivery partner investment assessments.

On FOI requests, the Bank continues to strive to find the right balance between transparency and confidentiality of data, and as part of the DIOR data workstream we established a new Freedom of Information panel, which enables us to respond much more quickly to FOI requests and support the necessary judgements on what should be put into the public domain. We take seriously both our duties in the public interest around transparency, and the need to respect the commercial confidentiality of our delivery partners and the smaller businesses that are the end beneficiaries of our products.

A **First-tier Tribunal** hearing during the last year, which found in favour of the Bank following an FOI challenge, went some way to validating our approach in balancing commercial considerations against our commitments around transparency.

Task Force on Climate-Related Financial Disclosures

With sustainable growth and net zero integral to our mission, this initial disclosure sets out how we are embedding consideration of climate change and where we can develop our approach further. It is a foundational step towards developing a credible and robust transition plan.

The Bank is committed to maintaining the highest standards of corporate governance, similar to those adhered to by listed companies. We are undertaking this, our first disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD), voluntarily. These first disclosures are primarily qualitative and we expect these to be more quantitative in nature in subsequent years.

Our climate ambition and strategy

The UK has set a legally binding commitment to reach net zero emissions by 2050 – the first country in the world to legislate for net zero.

The pace and scale of change required to achieve this is huge. An estimated additional £50–60bn of annual capital investment is required through the 2020s and 2030s. These twin drivers of net zero and crowding in private finance are integral to the Bank's mission 'to drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy by improving access to finance for smaller businesses'.

In 2021/22, we introduced a new objective: To support the transition to a net zero economy by 2050 (hereafter called the net zero transition). Building a green economy will require entire industries to transform and new technologies to be developed, scaled and diffused. High emitting sectors such as agriculture, manufacturing, transport and real estate need to decarbonise. Much of this transition will require access to finance.

Smaller businesses have a critical role to play in the transformation. Through our own research, we estimate that collectively they account for around half (43–53%) of greenhouse gas emissions by UK businesses. Moreover, we found that 27% of smaller businesses are 'transition exposed', accounting for 98% of the UK's smaller business emissions.

Depending on their industry sector, business model and the location of their operations and supply chains, smaller businesses in our portfolio and economy-wide face different physical and transitional risks. Smaller businesses may face higher costs of finance or risk losing their place in large company supply chains if they do not take demonstrable action on their own emissions.

The net zero transition also creates business opportunities, including in the innovation of climate solutions, adoption of low-carbon practices and technologies and enabling the decarbonisation efforts of customers.

As market and regulators' expectations increase for climate risk management and disclosures, and demand rises for more energy-efficient and sustainable products and services, the Bank has a key role to play in building capacity in our delivery partners to offer both the volume and choice of funding that UK businesses need to survive and thrive in a net zero economy.

In adopting frameworks such as the TCFD, we are demonstrating our commitment to climate-related disclosures and light the way for our delivery partners as they too start to align with a net zero economy.

Governance

Board oversight of climate-related risks and opportunities

The Board considers climate-related risks and opportunities as they relate to the business plan and strategic objectives through the management information report against Key Performance Indicators (KPIs) at each meeting.

During 2022/23, the Board received a number of climate-related updates – for example, a paper on the integration of ESG criteria into investment decision-making, industry collaboration, colleague training and engagement at the October 2022 Board meeting.

To ensure the Board and its committees continue to provide effective oversight and challenge, the Bank maintains a Board skills matrix of relevant expertise, which now includes climate change. Skills are assessed on a regular basis to inform future training needs.

In December 2022, the Board hosted Professor Nick Robins from the LSE's Grantham Research Institute on Climate Change and the Environment. Topics discussed included delivering net zero through a just transition, priorities to finance smaller businesses' route to net zero, and strategic insights from COP27.

Going forward, the Board has requested six-monthly updates with relevant intermediate reporting to be included in regular CEO, CRO and CFO Board updates.

Management's climate roles and responsibilities

The ESG Executive Board has overall strategic responsibility for the development of the Bank's ESG strategy and ensuring ESG-related risks and opportunities, including climate-related risks and opportunities, are integrated into the Bank's strategy.

The British Business Bank governance structure on p74 shows how the ESG Executive Board integrates into the Bank's wider governance.

The Terms of Reference were updated to enhance climate-related roles and responsibilities including reviews of sustainability reporting and net zero transition plans, and integration of ESG considerations into live funding programmes. Progress on KPIs that are related to sustainability are reported to the Board in the quarterly management information packs.

Next steps in 2023/24

The Terms of Reference for each of the Board Committees, including the Board Audit Committee and Board Risk Committee, will be updated to reflect their climate-related responsibilities such as monitoring climate risk or having oversight of the Bank's disclosures.

Strategy

In April 2022, the Bank entered the second year of its Climate Change objective, with three specific KPIs set:

- Establish the baseline for the Bank's own greenhouse gas emissions – Scopes 1 and 2, and categories 1-14 of Scope 3
- Create an initial delivery plan to target net zero greenhouse gas emissions for the Bank's own operations
- Develop an initial Portfolio Alignment Strategy setting out the Bank's proposed investment approach and portfolio management to 2027/28 that puts the Bank on the path to net zero financed emissions by 2050.

Our own operations

The Bank's 2022/23 emissions are set out from p54, with an expanded scope, improved methodology and commentary on our approach to date.

Our most significant area of emissions, and our main focus for reductions, is our purchased goods and services. In our supply chain, we work with around 200 active suppliers. We revised our procurement policy in early 2023 to include sustainability factors, to be rolled out in 2023/24. We will also undertake a supplier survey in 2023/24 to understand their approach to net zero and maturity and availability of data reporting.

These activities will support our efforts to drive change and positive impact in our own supply chains and help us identify and mitigate climate-related risks of disruption to our business.

They will also inform our approach to an orderly reduction in emissions over time, working in partnership with our suppliers, particularly the smaller businesses that support our operations. The next step will be to establish a more detailed roadmap for our own operations' emissions reductions to 2030, with an initial focus on Scope 1 and Scope 2.

Portfolio alignment

We follow an integrated approach to ESG in our funding programmes, allowing us to consider climate alongside social factors. Our 2022/23 focus has been on ensuring that new funds we deploy take due consideration of climate-related risk. We are updating the Requests for Proposals for our live funding programmes to ensure consistent inclusion of net zero considerations alongside other ESG factors.

The bulk of our funding is distributed through a diverse network of delivery partners who themselves are at different stages in their net zero journey, with many also facing increasing regulations and a step change in institutional investor expectations on climate change disclosures.

Over the period from June to December 2022, we met with around 100 delivery partners to understand their challenges, and this insight has underpinned our recommended approach over the next five years.

In enabling the transition to net zero, our goal must be to support an orderly and 'just' transition for smaller businesses in the real economy, rather than merely 'cleaning up' our own portfolio. We do not propose, therefore, to exclude any sectors or industries because of their emissions at this stage. Instead, we aim to ensure access to transition finance and continued support from the private sector in the medium term. We will, however, phase in the need for credible and sufficiently ambitious transition plans for carbon-intensive and hard to abate industries to ensure risks are understood and an orderly transition to a net zero economy is supported.

Our initial investment approach and portfolio alignment strategy to 2027/28 maps out a five-year programme to align our products, delivery partners and reporting with a net zero future, and in doing so support a diverse financial ecosystem that is equipped to deliver green and transition funding to customers.

200

In our supply chain, we work with around 200 active suppliers

The Bank's role in the transition

Over a three-month period we engaged with an external consultancy to establish a clear view of the key net zero transition challenges faced by smaller businesses in the UK as well as opportunities for innovation and growth.

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

In this strategy work we have also considered funding gaps at a sectoral and even asset/activity level, given the concentration of smaller business emissions in a small number of carbon-intensive and hard to abate sectors.

Going forward, we will be assessing our existing products and programmes against these needs and opportunities, and will set out the potential for existing and new products to enable the transition and crowd in private finance in our forthcoming Transition Plan.

The Government's Green Finance Strategy and the Skidmore Review of Net Zero

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

We fed into both the Green Finance Strategy and the Skidmore *Mission Zero: Independent Review of Net Zero* by providing insights into the market and information about our activities, as well as findings from a series of regional roundtables.

"We revised our procurement policy in early 2023 to include sustainability factors."

Capacity building

In 2022/23, we participated in a wide range of forums, partnerships and stakeholder engagement activities, including Bankers for Net Zero who we are actively supporting in the creation of a simpler shared reporting framework for smaller businesses as they move towards net zero greenhouse gas emissions.

We are investing in skills and education for our staff, including climate science training with Climate Fresk. 25% of our colleagues attended workshops in 2022/23. We have also developed sustainability training for new joiners to the Bank, which includes climate change. The number of colleagues who have had access to relevant training is a key enabler for our own transition, and will become a performance indicator reported to the Board.

The Bank, alongside UK Research and Innovation, UK Infrastructure Bank, UK Export Finance, and the Scottish National Investment Bank, established a joint UK Public Financial Institutions Green Finance and Sustainability Forum to drive forward collaboration in unlocking investment to meet net zero. Other members include the Development Bank of Wales and Invest Northern Ireland.

Risk management

Integrating climate-related risk processes into overall risk management

In 2022, climate risk was incorporated in the Bank's Risk Taxonomy through the Risk Management Framework as a subset of Sustainability risk.

We identify Sustainability risk as a Level 2 risk as part of the Strategic and Business Risk category, defined as:

'The risk of failing to meet our core mission as an economic development bank. In our aim to perpetuate growth in the economy, we fail to identify market gaps, do not provision suitable products for smaller businesses and/or funding appropriate areas in the market. Consequently, failing to meet our strategy, as proposed in the business plan.'

The Level 2 Sustainability risk is defined as:

'The risk that the Bank fails to meet strategic objectives and/or internal and external commitments on the environmental and social agenda.'

We consider climate risk to be a transversal risk that we are working to embed within our overall risk management through existing risk types – for example by:

- The Bank's ESG team supporting product teams in integrating ESG risk into investment papers
- The Investment Committee actively considering climate risk as part of its decision-making process
- Initiating work to consider the impact of climate risk on other risk categories, for example 'Third Party', which covers the Bank's supply chain.

Processes for identifying, assessing and managing climate-related risks

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

In March 2023, the sustainability risk appetite statement was updated to include:

- 'The Bank is committed to heightened sustainability disclosures in line with requirements for regulated and listed firms in the UK. We aim to report under four additional frameworks: The Science-based Targets initiative, the Task Force on Climate-related Financial Disclosures, the Principles of Responsible Investment and the United Nations Global Compact.
- We intend to work closely with delivery partners on data requirements and the net zero transition to ensure continued diversity in the marketplace and continued access to finance for smaller businesses. Environment, social and governance factors are being integrated into all our live funding programmes.
- We are putting processes and documentation in place and investing in appropriate levels of training and competence within product teams, risk colleagues and the Investment Committee members alike. The aim being to ensure that material environment, social and governance risks are considered in investment decisions.'

We are also starting to utilise defined models and processes to quantify risk exposures across the Bank, including stress testing and scenario analysis to assess the forward-looking impact on our credit and investment risk losses based on the Bank of England's climate risk scenarios.

We have identified climate-related risks and opportunities over the short, medium and long term, and have considered their impacts on the Bank's business, strategy and financial planning. Currently, the Bank has the following working time horizons:

- Short term – within the next year
- Medium term – within the next five years (also our Business Planning horizon)
- Long term – five years and beyond, which broadly aligns to the long 5-20-year investment horizon in our venture capital equity portfolios in British Patient Capital and British Business Investments.

These horizons are also aligned with our 2022/23 KPI to 'Develop an initial portfolio alignment strategy setting out the Bank's proposed investment approach and portfolio management to 2027/28 that puts the Bank on the path to net zero financed emissions by 2050'.

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

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

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

Our Risk and Compliance team carried out a stress test in March 2023, basing its approach on the Bank of England's 2019 Framework's Climate Biennial Exploratory Scenario. The stress test, repeating a similar exercise carried out in March 2022, involved measuring credit impairment and equity value losses – of the two, equity value losses had a more material impact.

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

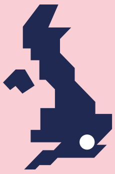
Key priorities in 2023/24

Our approach will continue to mature, to reflect our increased understanding of these risks, their impact on our business, actions we can take to mitigate their impact, and evolving market practice.

- We will enhance our risk management process to better understand the distinction between the physical and transition risks that we, our delivery partners and underlying portfolio companies face.
- We will continue to focus on improving our understanding of our exposure to carbon-intensive assets by intermediary, sector and geography as data availability improves.
- We will continue to enhance our internal climate-related risk knowledge and capabilities and embed these across the Bank.
- We will continue to monitor the dynamic regulatory landscape, including the UK's response to the International Sustainability Standards Board, the Transition Plan Taskforce recommendations and the Government's call for evidence on Scope 3 greenhouse gas emissions reporting.

Business stories

Alvie Health



Programme: Enterprise Capital Funds

Funding partner: Ada Ventures

Funding type: Equity

Location: London

Region: London

Alvie Health is an accessible and personalised digital prehab and rehab company for people undergoing cancer treatment.

Its 12-week programmes improve patient outcomes including chemotherapy tolerance, post-operative complications and quality of life.

The company was founded by leading cancer surgeon Krishna Moorthy and cancer nurse Venetia Wynter Blyth who worked together in the NHS for over 15 years.

The British Business Bank is a cornerstone investor in the business's £2.4m seed round through its Enterprise Capital Funds programme partner, Ada Ventures.

Greenhouse gas emission reporting

Scope of disclosures and methodology

Over a seven-year period starting in 2015/16 the Bank has followed Streamlined Energy and Carbon Reporting Regulations in disclosing our greenhouse gas emissions relating to our operations (i.e., the running of our office estate, business travel by our employees etc.). As such, we have historically reported on our Scope 1 (Gas) and Scope 2 (Electricity) emissions from our leased office space (we occupy four floors in two multi-tenant buildings in London and Sheffield, spanning a total of 3,751m^2) and Scope 3 (Travel) emissions based on employees' rail and air business travel.

In line with our commitment to enabling the UK's transition to a net zero economy, we are continually improving our approach to disclosure and reporting around climate risk and greenhouse gas emissions.

In 2021/22, we undertook a more detailed assessment in line with the Greenhouse Gas Protocol, a globally recognised greenhouse gas accounting standard, to move the Bank beyond minimum reporting standards and provide a more comprehensive picture of our baseline footprint.

In 2022/23, our Annual Report and Accounts includes our first set of TCFD-aligned disclosures, undertaken on a voluntary basis, and as we work towards the development of a net zero transition plan for the Bank, which will include estimated emissions under Category 15, Scope 3 financed emissions in 2023/24, we are re-baselining to 2022/23 for our carbon footprint.

Changing methodologies makes year-on-year comparison a challenge and one that is common across the financial services industry as regulations, standards and frameworks rapidly evolve. To aid comparison, therefore, we have presented the figures for 2020/21 and 2021/22 alongside the figures for 2022/23. We have taken an operational control consolidation approach.

Greenhouse gas emission assessment parameters

Baseline year for total reported CO_2 emissions	2022/23
Consolidation approach	Operational control
Boundary summary	All facilities under operational control
Emission factor data source	BEIS (2019–2022)
Assessment methodology	Greenhouse Gas Protocol revised edition (2004)
Intensity ratio	Emissions per full-time employee

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

	2020/21 tCO_2e (revised)	2021/22 tCO_2e	2022/23 tCO_2e	Trend comparison 2021/22 to 2022/23 (updated methodology) (%)
Purchased Goods and Services (Scope 3)	Not reported	Not reported	8,037.5	
Electricity (Scope 2 and 3 in revised and latest disclosures	57.7 (Scope 2) 13.6 (Scope 3)	65.7 (Scope 2) 24.4 (Scope 3)	70.6 (Scope 2) 24.9 (Scope 3)	6%
Natural Gas (Scope 3 in revised and latest disclosures)	36.9	31.7	29.7	-6%
Water (Scope 3)	0.4	0.2	0.3	50%
Waste (Scope 3)	0	0.1	0.2	100%
Business Travel (Scope 3)	46.7	75	132.6	77%
Employee Commuting (Scope 3)	Not reported	Not reported	236.8	
Total (updated methodology only)	**155.4**	**197.1**	**8,532.6**	
Total per average number of full-time employees (updated methodology only)	**0.4**	**0.4**	**15.89**	

There are a few further points that merit explanation at this stage:

We do not categorise any emissions within Scope 1.

Our Sheffield office does not have any fuel consumed on site. The only Scope 1 fuel consumed on British Business Bank premises (gas in our London office, where we are a shared tenant) is centrally controlled by our landlord. Similarly, we concluded that the emissions associated with the boiler and electricity in the common areas do not need to be reported under either Scope 1 or 2. We reviewed this approach again in 2022/23, through consultation with independent external consultants, and maintain that we do not have operational control.

We have written to our landlord and building manager to notify them of our approach. We note also that CBRE, the building manager of our London office, note in their sustainability report that they 'report on their greenhouse gas emissions and energy consumption and intensity across their entire value chain – and include their clients' Scope 1 (direct) and Scope 2 (electricity/energy purchased) emissions in their Scope 3 (upstream and downstream) calculations.' Electricity largely remains under Scope 2, but we also capture well-to-tank electricity generation and electricity transmission and distribution under Scope 3.

For 2022/23 we are reporting on our Scope 3 footprint across the relevant categories from 1-14 of the Greenhouse Gas Protocol.

We continue to disclose business travel under Scope 3, reflecting journeys undertaken by colleagues using rail and air travel that have been booked through our corporate travel agent. This year, we have also included business travel taken by car. We continue to disclose emissions related to gas, waste and water.

Where available, we use activity-based data and in 2022/23 the only estimated data was for waste as it is not currently possible to separate out the Bank's waste from other business occupying the same building.

For the first time we are reporting emissions from Purchased Goods and Services and Employee Commuting.

This means that we are now reporting on the whole of what we term 'own operations' emissions of the Bank, which are those emissions that directly stem from the operations of the business, such as offices, business travel and commuting. Consequently, the overall emissions reporting shows a significant increase this year, not because our emissions have increased, but because our reporting is more substantive than in previous years.

We are at an earlier stage in sizing emissions under Category 15 of Scope 3, which we refer to as 'financed emissions'. This is a complex undertaking given our wholesale business model which requires close collaboration with a range of stakeholders, in particular our more than 220 delivery partners. Given the nature and size of the Bank's financing activities, it will dominate the rest of our footprint in scale. We have committed to setting science-based targets for our emissions in 2023 as part of the Business Ambition for 1.5°C campaign.

Commentary

Based on the updated methodology, and increased scope to include purchased goods and services, there is an increase in the absolute total of emissions from 197.1 tCO_2e in 2021/22 to 8,532.6 tCO_2e in 2022/23 for the emissions sources we currently report.

This can be primarily attributed to the extended scope of category 1-14 emissions reporting. The two categories reported on for the first time this year, Purchased Goods and Services (8,037.5 tCO_2e) and Employee Commuting (236.8 tCO_2e), comprise 97% of our total reported emissions (8,532.6 tCO_2e).

Estimated emissions of employees' home working electricity and gas are included in Employee Commuting, in addition to emissions from employees' travel to their place of work. As such, trend comparisons to prior years are not available. In common with many office-based companies, we continue to develop our understanding of the emissions-related trade-offs between working from home and commuting to, and working within, the office. This also gives rise to cost implications and considerations regarding our leases and engagement with landlords.

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

For the other categories, the increase from 2021/22 to 2022/23 can largely be attributed to post-Covid behaviour including more travel for work and time in the office. For Business Travel, the inclusion of car travel at 19.4 tCO_2e contributed 15% to the total 132.6 tCO_2e this year.

Our investment portfolio

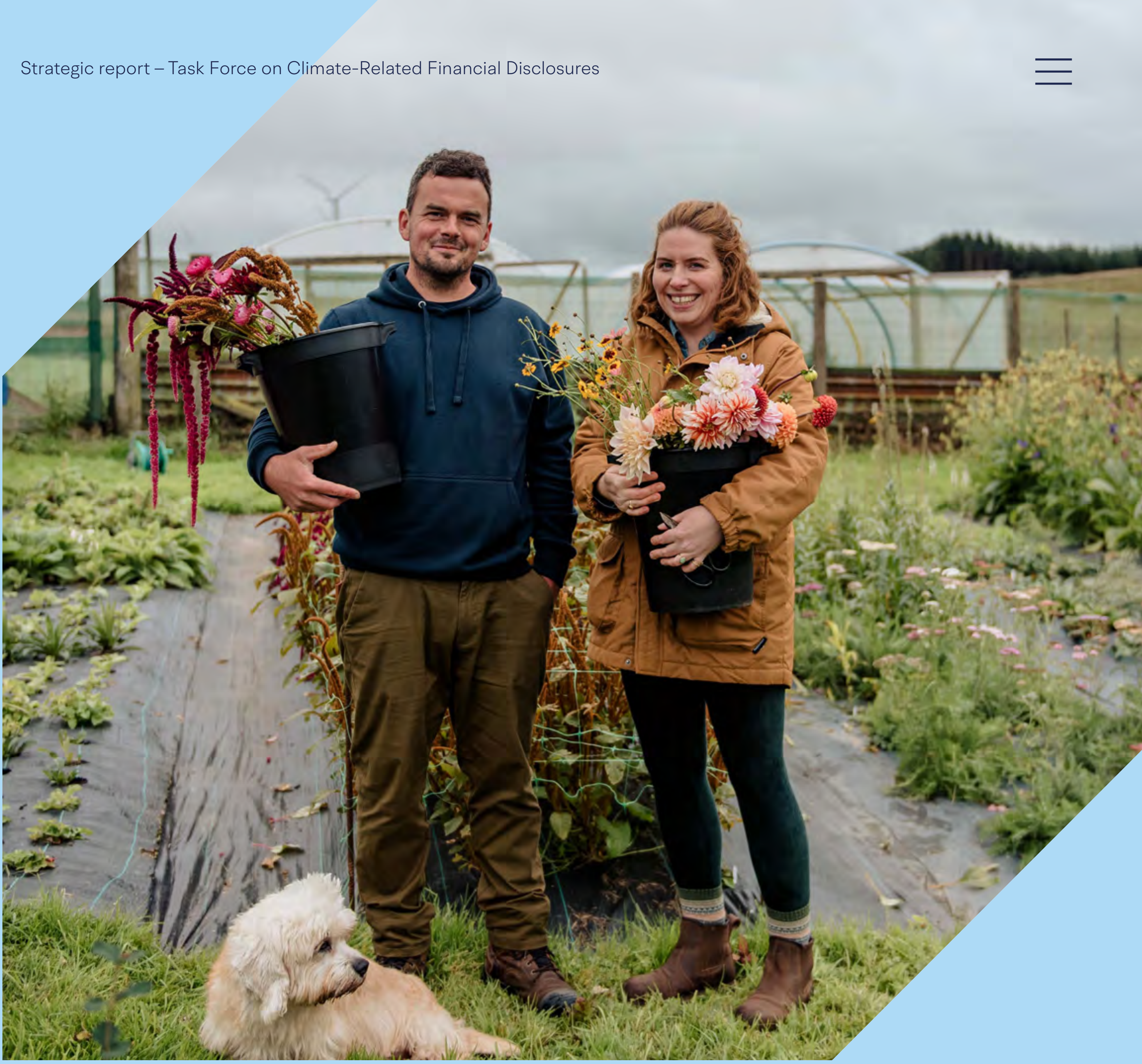
Both measuring portfolio emissions and reducing them are important for the Bank. We have committed to meeting climate disclosure and reporting regulations as if the Bank were a listed and regulated entity, and in line with Government expectations. However, before we set any targets and make any external commitments, we need:

a) access to much more data on our current portfolio baseline, and

b) to be confident that there is a workable solution for smaller delivery partners, and where applicable their smaller businesses, to measure and report progress against any targets.

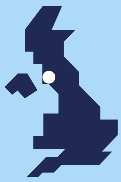
Given that in 2021, only 9% of small businesses measured their emissions, there are considerable challenges for lenders and investors in smaller businesses collecting emissions data. Therefore in 2023/24, we will work collaboratively with our delivery partners and engage with the wider industry to seek appropriate solutions to the data challenge.

"The overall emissions reporting shows a significant increase this year, not because our emissions have increased, but because our reporting is more substantive than in previous years."



Business stories

The Pretty Wild Flower Company



Programme: Start Up Loans

Funding partner: Transmit Start-Ups

Funding type: Debt

Location: Dumfries and Galloway

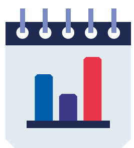
Region: Scotland

The Pretty Wild Flower Company is a cut flower farm and ethical floral design studio run by wife and husband team, Rebecca and Scott Masterton from their family home nestled in the hills of Dumfries and Galloway.

The company received a Start Up Loan of £20,000 in 2023 and are best known for their naturally styled dried flower creations, from bouquets and buttonholes to wreaths and arrangements. They sow, grow, dry and create unique, sustainable floral designs for weddings, events, and gifts for customers' loved ones.

2022/23 Financial performance and calculation of adjusted return

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

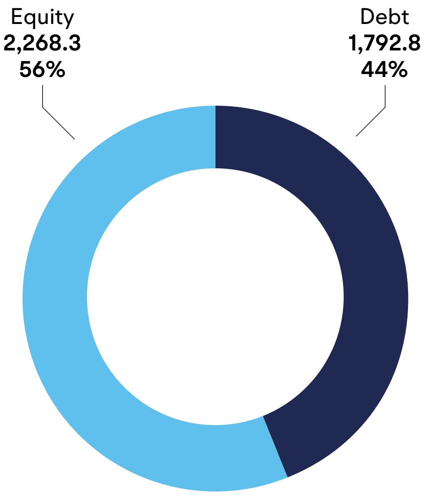


6.5%

5-year adjusted return on capital

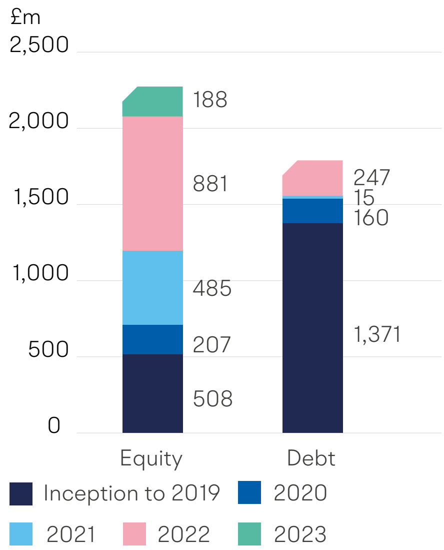
The net investment assets that the Bank is responsible for have continued to grow during the year, with these assets totalling £4,061.1m as at 31 March 2023 compared to £3,904.4m at 31 March 2022. As at 31 March 2023, 56% of the net investment assets are considered Equity with 44% considered Debt, with the split remaining consistent year-on-year.

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

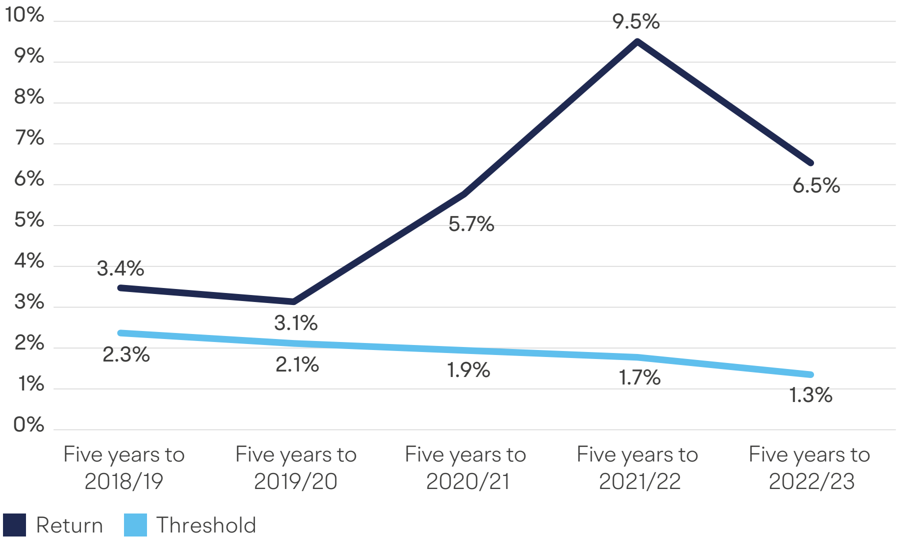


The Bank, as a through-the-cycle investor, expects to deliver a multi-year return that can be subject to in-year fluctuations. The charts on the page opposite detail the movement in net assets for both Debt and Equity investments over the last five years as well as the year-on-year contribution to the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

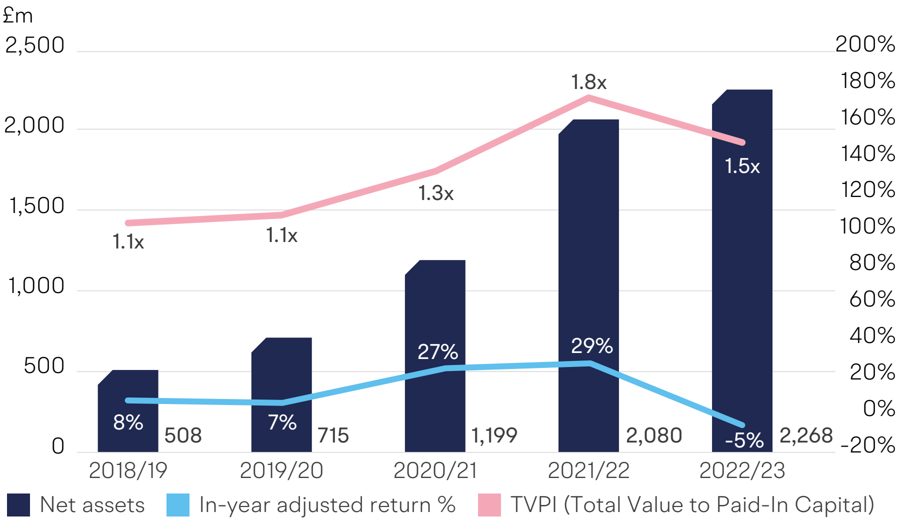
Annual growth of equity and debt investments, net of distributions



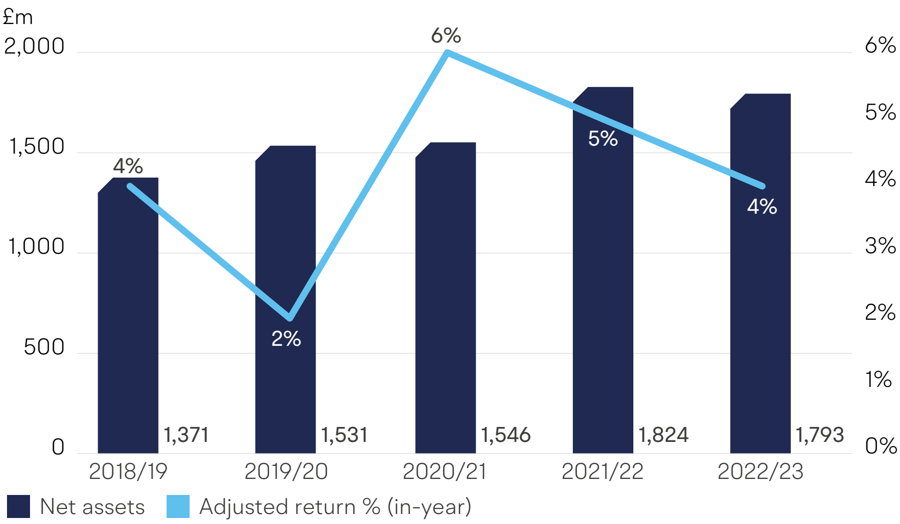
Five-year adjusted return on average capital employed



Equity investments



Debt investments



Adjusted return % includes accrued interest and fair value movements on debt investments that are held at FVTPL (Fair Value Through Profit or Loss).

Both Debt and Equity net investment assets have grown in the five years to 31 March 2023 with positive returns on the Debt investments each year. Following the significant fair value increases on the Equity investments in previous years, we have seen in-year net fair value decreases leading to a negative return for the year ended 31 March 2023. Over the last five years the Bank has made overall positive returns on both Debt and Equity investment assets.

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

Programmes we administer on behalf of DBT

In agreement with our Shareholder, the performances of the three Covid-19 loan guarantee schemes, Recovery Loan Scheme, Future Fund and ENABLE Build that are administered by the Bank have not been included in the 2022/23 adjusted return calculation. We have and will continue to work with our Shareholder to determine what measures of performance for these programmes should or should not be incorporated into the adjusted return calculation in future reporting periods.

The Bank has a number of objectives as set out on p22–23, some of which are related to areas other than purely delivering a financial return. The Bank is required to balance meeting its objectives with providing value for money and delivering additionality.

The table below lays out our active programmes in 2022/23. It shows whether they are held on the Bank's balance sheet and if they contribute to the Bank's financial performance measurement.

British Business Bank's active finance programmes in 2022/23[1]

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

Notes

Programmes within the blue shape are on balance sheet.

Programmes in purple are debt products.

Programmes in green are equity products.

1 Active finance programmes are those where the Bank has committed or supported finance in 2022/23, and/or (as at end March 2023) has the potential to undertake further activity in future. This table does not include the Bank's legacy programmes or the Coronavirus emergency response loan guarantee schemes or Future Fund, which were closed to new activity prior to the outset of the 2022/23 financial year. Where they are on the Bank's balance sheet, details of these legacy programmes can be found in the financial statements, beginning on p138.

2 In calculating the financial performance measurement, appropriate adjustments are made to Enterprise Capital Funds' financial performance figures (see p160 for further information).

3 In the financial statements in this Annual Report, British Patient Capital is referred to via its constituent parts, called 'Venture', 'Venture Growth' and 'Co-Investment' respectively – see p166 for these details.

4 Regional funds include debt investments and equity investments.

Key drivers of financial performance

Overview

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

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

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

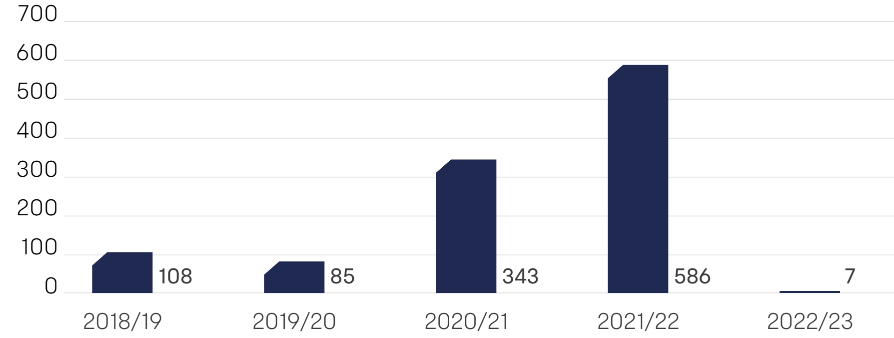
– events impacting on the macroeconomy. As has been observed in 2022/23 and in line with prior years, our performance can be impacted by external economic factors

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

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

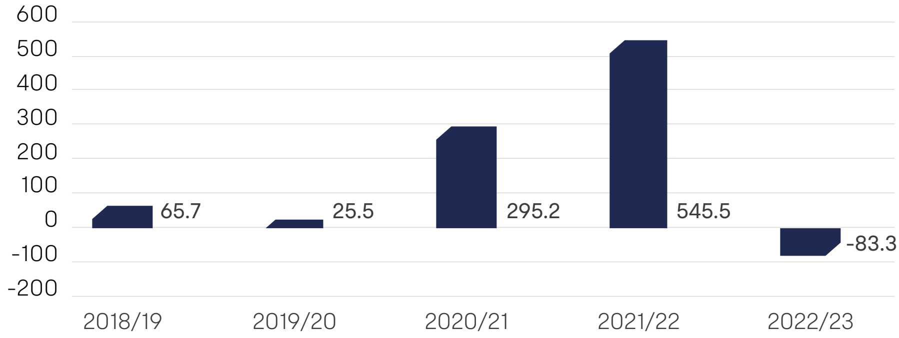
Adjusted net operating income (£m)

Adjusted net operating income driven by fair value movements in the year. 2022/23 reflects the reversal of previous unrealised gains.



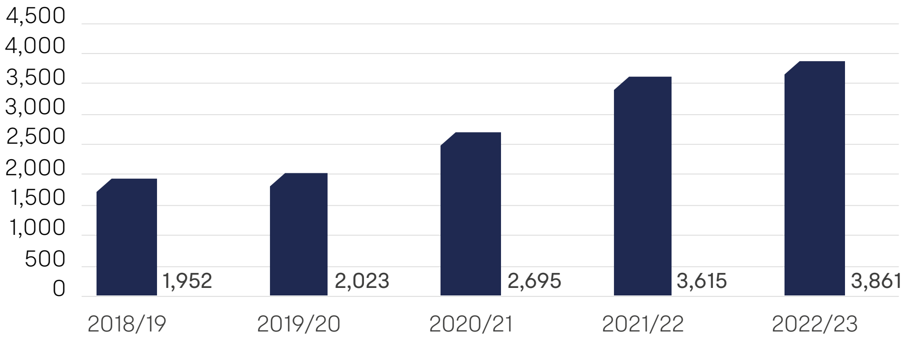
Adjusted return (£m)

Adjusted return reduction in the year resulting from the reversal of previous unrealised gains.

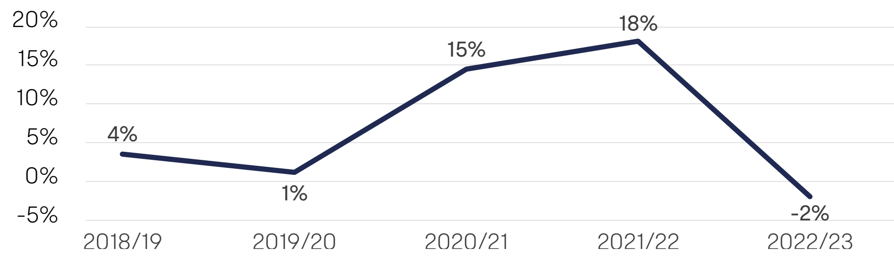


Net assets (£m)

Including net drawdowns to investment assets of £314m in 2022/23 and net fair value reductions of £58m.



Adjusted in-year return on average capital employed



2022/23 markets, portfolio composition and valuation impacts

In our previous year's Annual Report and Accounts we signposted that despite the encouraging net fair value increases across the fair value through profit and loss (FVTPL) investment portfolio, there was a potential for future downward pressures on these valuations. Public markets have continued to be volatile during the year as the impact of the Covid-19-related downturn flows through coupled with the rise of new pressures on the economy.

The Bank's investment portfolios continue to be diverse in their size, sector and exposure to risk. The total net fair value decreases in the year were £57.7m compared to the prior year when total net fair value increases were £727.8m. The Bank's unrealised losses on investments in the year to 31 March 2023 are £69.2m.

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

Performance of operating segments of the Group

BBI

BBI invests in a combination of debt (BFP Mid Cap and Investment Programme) and equity (UKIIF, Regional Angels Programme and Managed Funds) investments. BFP Mid Cap and the Investment Programme, totalling £1,128.1m, are weighted more towards traditional sectors of the economy which have continued to recover during the year leading to net fair value increases of £42.0m.

UKIIF, Regional Angels Programme and Managed Funds investments, totalling £442.2m, support investments in innovative high-growth and high-potential companies. These programmes have been resilient to market conditions during the year as further investments of £83.0m have been made with a small net fair value increase of £2.4m.

There has been an increase in the undrawn commitments of £82.3m, giving an undrawn commitment of £1,110.0m at 31 March 2023.

BPC

BPC through its Venture, Venture Growth and Life Sciences Investment Programmes has significant investments in early-stage start-ups and technology-led business that were positively impacted during Covid-19. The total of these portfolios has continued to increase during the year to £1,241.2m at 31 March 2023, but as expected we have seen a partial reversal of the unrealised fair value increases in previous years with a fair value decrease in the year of £91.0m.

Direct investments made through Future Fund: Breakthrough and the Co-Investment programmes have led to a further 12 companies receiving investment, totalling £72.5m. There have been limited fair value movements during the year. Many of these investments continue to be held at last round prices despite in-year market movements. Where there has been limited fundraising activity in the year we have ensured that these valuations are in line with applicable valuation guidance and will continue to review in future years to ensure they remain compliant.

There has been an increase in the undrawn commitments of £45.9m, giving an undrawn commitment of £616.4m at 31 March 2023.

BBFL

BBFL has continued to make investments through its flagship Enterprise Capital Funds programme during the year with additional investment of £74.1m being made into its funds which total £439.6m at March 2023. In line with accounting standards, these investments are considered to be below par even though the Bank expects to make a positive return on its investments over the life of each fund. Net fair value increases in the year were £19.8m which is a significant reduction compared to the previous year but in keeping with other portfolios across the Bank.

BBFL holds two listed investment assets within the ECF programme which, in line with public markets, have seen further fair value decreases in the year of £27.6m.

There has been an increase in the undrawn commitments of £28.9m, giving an undrawn commitment of £405.5m at 31 March 2023.

SUL

During the year Start Up Loans made 9,549 new loans totalling £120.1m, with the portfolio totalling £181.9m at 31 March 2023. The nature of the lending undertaken by Start Up Loans (lending to start-ups without collateral) leads to investments being more vulnerable to any impact of an economic downturn. Owing to Start Up Loans being at a fixed interest rate of 6%, losses on these loans are expected to be between 30% and 40% of the total loans advanced. Despite the macroeconomic environment during the year there has been no significant increase in the fair value or Expected Credit Loss provisions.

BBFSL

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

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

Funding

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

British Business Bank's adjusted return statement of financial position

Year ended 31 March 2023 (£m)	Audited Accounts	Adjustments for SUL*	Adjusted British Business Bank plc*	Programmes administered on behalf of DBT*	Adjusted Net Assets
Investment assets					
BBI – Investment Programme	778.6	-	778.6	-	778.6
BBI – Other programmes	791.7	-	791.7	-	791.7
BPC – Venture/Growth/Co-Investment/FF:B/LSIP	1,395.3	-	1,395.3	-	1,395.3
ECF	452.6	-	452.6	-	452.6
Other Venture Capital	47.0	-	47.0	146.3	193.3
Guarantee and Wholesale**	-	-	-	562.9	562.9
Start Up Loans	181.9	(55.1)	126.8	-	126.8
	3,647.1	**(55.1)**	**3,592.0**	**709.2**	**4,301.2**
Investment liabilities					
Guarantee and Wholesale**	-	-	-	(30.6)	(30.6)
ECF	(209.5)	-	(209.5)	-	(209.5)
	(209.5)	-	(209.5)	(30.6)	(240.1)
Net investment assets	**3,437.6**	**(55.1)**	**3,382.5**	**678.6**	**4,061.1**
Other assets/liabilities					
Cash	116.9	(8.8)	108.1	-	108.1
Tangible and intangible assets	7.2	-	7.2	-	7.2
Loans and borrowings	(193.8)	55.1	(138.7)	-	(138.7)
Net other payables	(185.6)	8.8	(176.8)	-	(176.8)
	(255.3)	55.1	(200.2)	-	(200.2)
Total net assets	**3,182.3**	**-**	**3,182.2**	**678.6**	**3,860.8**

The column 'Audited Accounts' in the table above analyses the investment assets and liabilities in the Consolidated Statement of Financial Position on p139 by business activity. The Regional Funds and the Recovery Loan Scheme do not contribute to our adjusted return and are therefore not included in the above assets and liabilities.

* Unaudited.

** Guarantee and Wholesale includes ENABLE Funding, ENABLE Guarantee and Enterprise Finance Guarantee.

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

Year ended 31 March 2023 (£m)	Audited Accounts	Adjustments for SUL and ECFs*	Adjusted British Business Bank plc*	Programmes administered on behalf of DBT*	Adjusted Return*
Investment income					
BBI – Investment Programme	12.2	-	12.2	-	12.2
BBI – Other programmes	6.4	-	6.4	-	6.4
ECF	-	13.3	13.3	-	13.3
Other Venture Capital	2.1	-	2.1	-	2.1
Guarantee and Wholesale**	-	-	-	22.9	22.9
Start Up Loans	29.3	(29.3)	-	-	-
Investment income	**50.1**	**(16.0)**	**34.1**	**22.9**	**57.0**
Management fee and other income	58.6	-	58.6	(48.3)	10.3
Grant income	3.4	(3.4)	-	-	-
SUL inter-co interest	-	1.3	1.3	-	1.3
Total operating income	**112.2**	**(18.2)**	**94.0**	**(25.4)**	**68.6**
Net investment costs					
BBI – Investment Programme	26.4	-	26.4	-	26.4
BBI – Other programmes	7.8	-	7.8	-	7.8
BPC – Venture/Venture Growth/ Co-Investment/FF:B/LSIP	(90.0)	-	(90.0)	-	(90.0)
ECF	(45.3)	45.3	-	-	-
Other Venture Capital	0.4	-	0.4	-	0.4
Guarantee and Wholesale**	-	-	-	(6.4)	(6.4)
Start Up Loans	(45.5)	45.5	-	-	-
Net investment costs	**(146.1)**	**90.8**	**(55.3)**	**(6.4)**	**(61.7)**
Net gain on write down of repayable capital grant	**32.3**	**(32.3)**	**-**	**-**	**-**
Net operating income	**(1.6)**	**40.3**	**38.7**	**(31.8)**	**6.9**
Other operating costs					
Staff costs	(54.9)	3.3	(51.6)	11.0	(40.7)
Other costs	(72.8)	15.0	(57.8)	32.0	(25.8)
Total operating expenditure	**(127.7)**	**18.3**	**(109.4)**	**43.0**	**(66.4)**
Net operating loss before ECF provisions and interest	**(129.3)**	**58.6**	**(70.7)**	**11.1**	**(59.6)**
ECF derivative gain (cash)	-	0.8	0.8	-	0.8
ECF permanent diminution in value	-	(24.6)	(24.6)	-	(24.6)
Adjusted return	(129.3)	34.9	(94.5)	11.1	(83.3)
Average capital employed					**4,072.4**
Adjusted return on average capital employed					**(2.0%)**

The column 'Audited Accounts' in the table above analyses income and expenditure in the Consolidated Statement of Comprehensive Net Income on p138 by business activity. The Regional Funds and the Recovery Loan Scheme do not contribute to our adjusted return and are therefore not included in the above assets and liabilities.

* Unaudited.

** Guarantee and Wholesale includes ENABLE Funding, ENABLE Guarantee and Enterprise Finance Guarantee.

To fund our capital investments, we generally issue shares to our Shareholder and utilise available cash from our operations, including repayments from investment assets. At 31 March 2023, the UK Government held shares totalling £2,580.3m in British Business Bank plc, comprising the entire share capital of the company. During the year, British Business Bank plc issued £424.0m of additional share capital to the company's sole Shareholder. On 28 December 2022 the outstanding borrowing of £88.4m from the Nuclear Liabilities Fund was repaid in full.

Our operating costs are funded through a combination of investment income, further funding from our Shareholder plus a management fee charged to DBT for managing assets on its behalf. Income received from this charging mechanism was £50.2m in 2022/23.

At 31 March 2023, British Business Bank plc held £116.9m of cash balances. The Bank maintains sufficient cash balances to fund short-term investments and operational expenditure requirements. Most of these funds (£93.7m) are held within the Government Banking Service to ensure that there is minimal cost to the Exchequer.

Adjusted return

As part of measuring the Bank's performance, the Shareholder uses the adjusted return for the five years ending 31 March 2023 which was 6.5%. This is significantly above the threshold return of 1.3%. Our adjusted net operating income for the year was £6.9m. However, the Bank returned a net operating loss before ECF provisions and interest mainly due to fair value decreases on the investment portfolio. Owing to the strengthening of sterling against the US Dollar and the Euro, included within fair value decreases is a £31.3m foreign exchange gain in relation to our non-sterling investment assets. Total operating expenditure was £66.4m, resulting in a 2.0% loss on average capital employed.

The loss before tax shown in the Consolidated Statement of Comprehensive Net Income is £147.3m compared to a profit before tax of £604.8m in the previous year.

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

Louis Taylor
Chief Executive Officer
14 September 2023

Business stories

Thatch & Stone

Programme: Start Up Loans

Funding partner: The Hub

Funding type: Debt

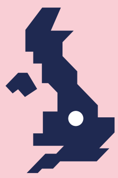
Location: Walsall

Region: West Midlands

Founder Nirmla Warwood took out a Start Up loan of £25,000 in 2020 to set up and operate her interior accessories company Thatch & Stone.

Through it, she assembled a collection of unique products which are designed to be practical, easy to use and built to last a lifetime.

The company is constantly adding new products to their range that they believe will become favourites in every person's home.



Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 March 2023.

The Corporate Governance Statement is set out on p72–92 and forms part of this Directors' Report. The following information required by regulation and the Companies Act 2006, and referenced in this report, can be found in the following sections:

- a description of the principal activities of the Group during 2022/23 is included in the Strategic Report
- details on sustainability and the Bank's approach to ESG and greenhouse gas emission reporting is included in the Task Force on Climate-Related Financial Disclosures (TCFD) section on p48–56
- information on our employment disability policies, gender pay gap, and our actions on colleague engagement is in the 'Supporting colleagues' section on p42–44
- details of significant post-balance sheet events are contained in note 25 to the financial statements
- information about the use of financial instruments by the Company and its subsidiaries is given in note 2 to the financial statements
- the review of Executive Director Performance is contained in the 'Annual report on remuneration' on p117–124.

The Bank has chosen to include information regarding future activities on our four new strategic objectives on p24–37 within the Strategic Report as we believe it is better placed there.

> **"The Board provides leadership within a framework of effective controls which enables risk to be assessed and managed."**

Introduction to role of the Board of Directors, Board Chair, Chief Executive Officer and Accounting Officer

British Business Bank plc is led by its Board of Directors who are collectively responsible for the long-term sustainable success of the Company and its subsidiaries, delivery of sustainable value to its Shareholder and contributing to the development of the economy.

The Board is responsible for setting the overall strategy through the regular consideration and annual approval of the five-year Business Plan, ensuring that the necessary resources are in place to meet its obligations. The Board also oversees and challenges performance, and provides leadership within a framework of effective controls which enables risk to be assessed and managed.

The Chair is responsible for leading the Board and its discussions and for encouraging open debate and challenge. The Chief Executive Officer (CEO) leads the executive in the day-to-day running of the business and the implementation of strategy and is supported in this by the Executive Committee and other executive level management forums.

The CEO is the Accounting Officer. The responsibilities of the Accounting Officer include:

- stewardship of the Bank's resources
- the proprietary, regulatory, value for money and feasibility in the handling of public funds
- the Corporate Governance Statement.

Directors' indemnities

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

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

Going concern

The Directors have assessed the viability of British Business Bank plc and its subsidiaries, up to the year ending 31 March 2028, taking account of its current positions and the potential impact of various scenarios on its principal risks and financial viabilities. The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the course of the next year. They continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the significant accounting policies notes in the financial statements.

Directors' disclosure to auditors

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

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

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

Approved by the Board of Directors

Louis Taylor

Louis Taylor
Chief Executive Officer and Accounting Officer
14 September 2023

Directors' biographies

The biographies of the British Business Bank Board as at 31 March 2023 are provided below.

All Board biographies are also published on the British Business Bank website.

Lord Smith of Kelvin

Chair of Board, and Chair of Governance and Nomination Committee

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

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

Neeta Atkar MBE

Senior Independent Director and Chair of Risk Committee

Neeta has over 30 years' experience in financial services, having held a series of positions at both banks and insurance companies in the private and public sectors, working across all aspects of risk.

Neeta is a NED and Chair of the Risk Committee of Nomura Europe Holdings plc and Nomura Financial Products Europe. She is also a NED of Nomura International plc and Nomura Bank International. She is a NED and Chair of the Risk Committee of Quilter plc. She has been a Magistrate for over 25 years.

Barbara Anderson

Non-executive Director and Chair of People and Remuneration Committee

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

Amongst other roles, Barbara is currently Chair of the Energy Saving Trust, Chair of Saffron Building Society, an Independent Board Member and Chair of Audit and Risk at SmartDCC Ltd and NED at BSC 2 VCT. Her expertise includes innovation for growth and sustainability, including ESG, strategic planning, start-up acceleration and business transformation.

Jamie Carter

Shareholder Representative Director

Jamie is a Director at UK Government Investments (UKGI) where he has worked since October 2016, where he also leads the Corporate Governance practice and management of the portfolio, and until July 2021 was a NED on the Board of the Royal Mint. Prior to joining UKGI, he spent 10 years at HM Treasury where he specialised in public spending, including being involved in several spending reviews and major infrastructure policy. During this period, Jamie took a two-year career break to work as a Governance Specialist at the World Bank based in Jakarta.

James Connelly

Non-executive Director

James started his first company Fetch, a digital growth agency that grew across three continents, surpassing £250m in turnover. At Fetch, James personally advised some of the world's most successful internet companies including Apple, Facebook and Expedia Group before successfully exiting the business to Dentsu Inc. in 2018. James is an active investor in early-stage companies and in 2020 co-founded Charlie Oscar, a digital brands group that invests in and scales breakout digital brands, powered by data science.

Matthew Elderfield

Non-executive Director

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

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

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

Eilish Jamieson

Non-executive Director

Eilish is an experienced Audit and Finance Professional with over 25 years' experience working in financial services and on public and private sector boards.

She has also held two NED roles at the Financial Reporting Council, and Sport England.

She is a trustee at Plan International UK, and is the founder of a leadership development practice working with social impact and female-founded businesses.

Eilish is a qualified chartered accountant and member of the ICAEW.

Jenny Knott

Non-executive Director and Chair of Audit Committee

Jenny has extensive Board experience having served on the Boards of global investment banks, corporates and charitable organisations for over 25 years. As an investment banker, Jenny has served as CEO, CFO and COO for UK and global investment banks.

Jenny is a NED and a Trustee of various companies which include DAVSS, a domestic violence support charity; an independent NED and Chair of the Risk and Capital Committee for Simply Health; and an independent NED and the Chair of the Remuneration Committee of Gresham Technology plc.

Nathaniel (Nat) Sloane

Non-executive Director

Nat worked in the private sector as an entrepreneur, consultant and venture capitalist. He remains an active investor in alternative assets. Since 2002, Nat has been active in the social impact market. He co-founded Impetus Trust, the first UK venture philanthropy trust fund. He is a founding trustee of the Education Endowment Foundation. He is the founding Chair of Social and Sustainable Capital, one of the largest social impact investing funds in the UK.

Louis Taylor

Chief Executive Officer

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

Louis is a trustee of the charity Sightsavers and is Chair of the Audit Committee. He is also a former Chair of trustees of the charity Music in Prisons.

David Hourican

Chief Financial Officer

David Hourican was appointed CFO in December 2022. David is an experienced finance leader having started his career as a Chartered Accountant with Price Waterhouse. After spending his early career in business development for Home Retail Group plc he moved into banking holding senior finance roles with Royal Bank of Scotland Group plc in Dublin and Singapore. Before joining the Bank, David was Chief Operating Officer of the Warburton Group, a private investment group based in Australia.

Elizabeth O'Neill

General Counsel and Company Secretary

Elizabeth joined the Bank in February 2021 as General Counsel and Company Secretary to the plc Board, and General Counsel to British Business Bank. Prior to this she was Head Legal Adviser for the Medicines and Healthcare products Regulatory Agency (MHRA). Elizabeth previously served as General Counsel and Member of the Executive Committee for UK Government Investments Ltd, and Head of State Aid and Commercial Law for the Department of Business, Innovation and Skills.

Corporate governance statement

Legal ownership and structure

The British Business Bank was established by the UK Government with the overarching objective of changing the structure of the business finance markets for UK smaller businesses, so these markets work more effectively and dynamically.

The Bank's sole shareholder is the Secretary of State for Business and Trade (the 'Shareholder'). British Business Bank plc is the holding company of the Group, which comprises four principal subsidiaries. The Shareholder is accountable to Parliament for the Bank's business and retains the publicly accountable role for the overall policy of the British Business Bank Group. The Bank is organised into three 'arms', depending on the type of activity carried out, shown in the corporate structure chart on p73.

The 'Mandated arm' manages the Bank's programmes on its own balance sheet that have an element of state subsidy. The Subsidy Control Act 2022 came into force on 4 January 2023 and the Bank has transitioned to the new regime.

As a result of the corporate structure, the Bank's Key Performance Indicators relate to a wider set of assets and liabilities than those on the Bank's balance sheet as it also has responsibility for managing assets on the Department for Business and Trade's (DBT) balance sheet via the 'Service arm'.

British Business Bank Constitution

The British Business Bank Constitution consists of its Articles of Association and the Shareholder Relationship Framework (SRF) between the Bank and formerly the Department for Business, Energy & Industrial Strategy (BEIS). In February 2023, the Prime Minister announced changes to the machinery of government which involved a transfer of functions for BEIS. The Transfer of Functions Order came into force in early May to give legal effect to DBT as well as the Department for Science, Innovation and Technology and the Department for Energy Security and Net Zero. The British Business Bank has assisted relevant parties in the preparation of the last set of financial statements to inform the 2022/23 BEIS Annual Report and Accounts. As a result of the changes, the Bank has become an arm's length body of DBT and the Secretary of State for DBT has become our sole shareholder.

Department for Business & Trade

British Business Bank
Company number 08616013
(Incorporated on 18 July 2013)

Commercial arm

BBB Patient Capital Holdings Limited
Company number 11270966
(Incorporated on 22 March 2018)

British Business Investments Limited
Company number 09091930
(Incorporated on 18 June 2014)

British Patient Capital Limited
Company number 11271076
(Incorporated on 22 March 2018)

Nations and Regions Investments Limited
Company number 14777628
(Incorporated on 3 April 2023)

Service arm

British Business Financial Services Limited
Company number 09174621
(Incorporated on 13 August 2014)

Mandated arm

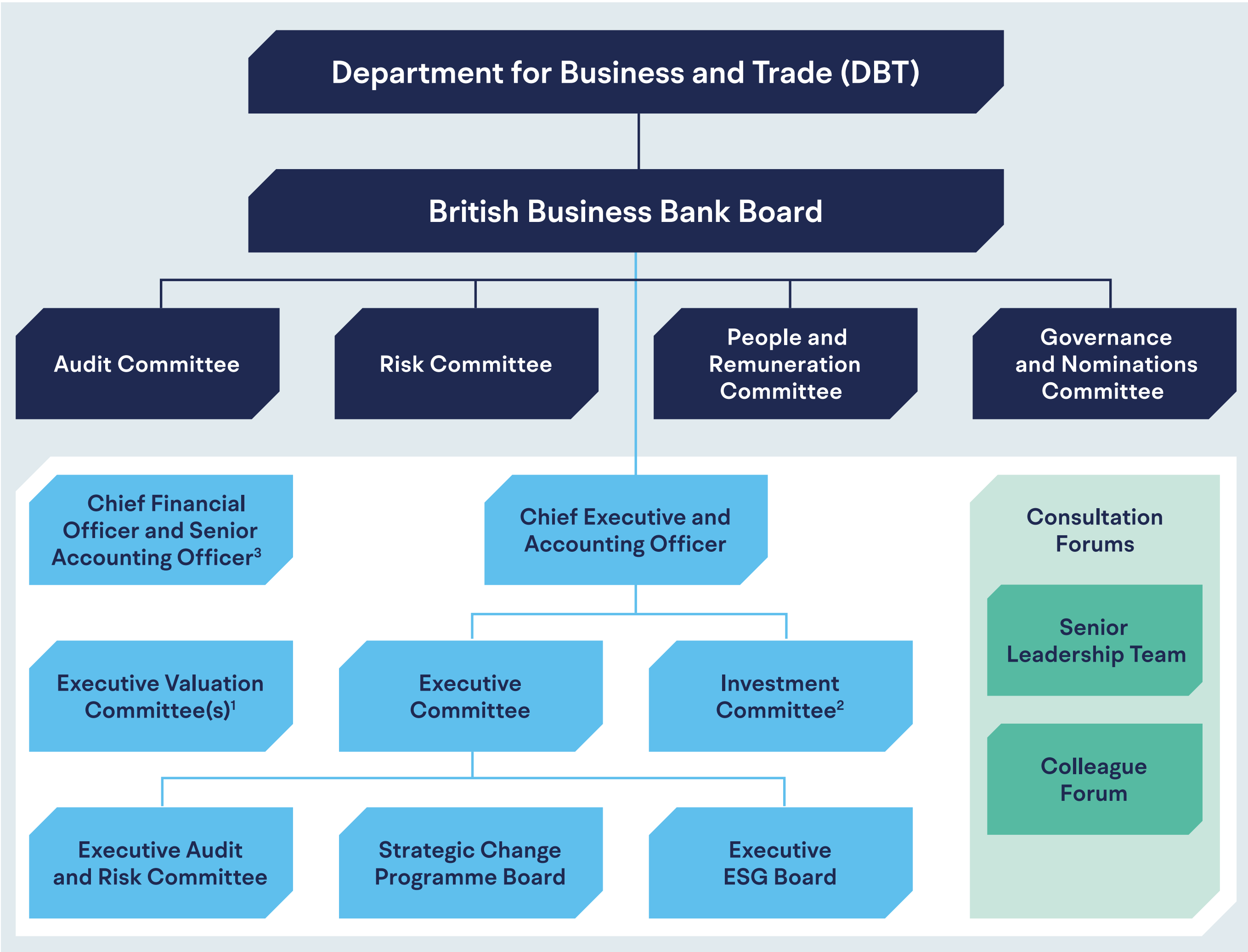
British Business Finance Limited
Company number 09091928
(Incorporated on 18 June 2014)

British Business Aspire Holdco Limited
Company number 09263859
(Incorporated on 14 October 2014)

Capital for Enterprise Limited
Company number 06179047
(Incorporated on 22 March 2007/ Transferred on 1 October 2013)

The Start-Up Loans Company Limited
Company number 08117656
(Incorporated on 25 June 2012)

British Business Bank governance structure



Notes

1. Executive Valuation Committees: Future Fund; DBT; and British Business Bank Group.
2. Investment Committees: BBI, BPC, BPC Direct, NRIF, BBFL and BBFSL.
3. Senior Accounting Officer role, as defined by HMRC, is distinct and separate from the Shareholder Framework Relationship Document defined Accounting Officer role designated to the British Business Bank CEO. The Accounting Officer has delegated the day-to-day responsibility of financial matters to the Chief Financial Officer.

The SRF between the Bank and DBT sets out the Company's Strategic Objectives, Operating Principles and Financial Targets and Principles. The SRF was refreshed following engagement with DBT and approved at the end of 2022 by the Board (and the then Secretary of State for BEIS). The Bank's Strategic Objectives have been reviewed for 2023/24 and further details can be found on p24–37 of the Strategic Report. The Bank has also agreed a Financial Framework with HM Treasury that outlines how the Bank can allocate its resources in aggregate over the medium term and how programmes aim to make a return across the Group in line with the Government's medium-term cost of capital. As an organisation funded by taxpayers' money, the Bank complies, as far as practicable and relevant, with the principles set out in ***Managing Public Money.***

The British Business Bank's relationship with its Shareholder is managed through UK Government Investments (UKGI) with a Shareholder Representative Director from UKGI sitting on the Bank's Board; however, the Bank is operationally independent in its delivery against the strategic objectives and has an independent Board.

As a public limited company, the British Business Bank operates in accordance with the requirements of the Companies Act 2006.

Governance framework

British Business Bank plc has a good practice corporate governance framework appropriate for the organisation. The Bank operates on a 'comply or explain' basis with the UK Corporate Governance Code, published by the Financial Reporting Council, and other provisions connected to our relationship with our Shareholder which are covered by the SRF. Notably, this includes the ***Corporate Governance in Central Government Departments: Code of Good Practice,*** as far as appropriate, given that the Bank is not a Government department. We also adhere to aspects of the Cabinet Office Functional Standards.

The British Business Bank is led by its Chair and Board of Directors (the Board). The Board discharges some of its duties directly and delegates others through its four Committees and to the Chief Executive Officer (CEO). As set out in the SRF, the Board must have no fewer than eight Directors including six Non-executive Directors (NEDs). Independent NEDs must make up the majority of the Board. There are currently nine serving NEDs on the Board. The SRF outlines the responsibilities of the CEO in his capacity as the Accounting Officer and states that the Board will support the CEO in meeting his responsibilities as Accounting Officer. The CEO as Accounting Officer is accountable to Parliament for specific matters in relation to the British Business Bank Group including the use of public money and the stewardship of the Bank's assets.

The Board considers that the Chair was independent on appointment and that all NEDs, other than the Shareholder Representative Director (Jamie Carter), are independent as described under provision 10 of the UK Corporate Governance Code. The Shareholder under the terms of the SRF has appointed a senior UK Government official as its representative director. Although some other NEDs have made declarations of interest during the year, the Board considers them to be independent in character and judgement and therefore independent.

The Board Schedule of Matters Reserved sets out the key areas on which the Board and its Committees receive assurance and was last reviewed in September 2023. The Board regularly meets to discuss matters including strategy and management, company structure and capital, financial reporting and controls, risk management and internal controls, approval of major projects and contracts, communications with our Shareholder, Board membership and other appointments, remuneration, delegation of authority, corporate governance, appointment of professional advisers, litigation and approval of overall levels of insurance. In addition to Board meetings, the British Business Bank Board meets twice a year along with NEDs from our two subsidiary Boards to discuss strategy, the direction of the Group and its key commitments.

The Senior Independent Director is Neeta Atkar. In this role her responsibilities are to work closely with the Chair, act as an intermediary for other Directors as and when necessary and meet with other NEDs to review the Chair's performance each year. The Senior Independent Director has also sat on the advisory assessment panel for the appointment of the new Chair of the British Business Bank. At the time of writing, we are awaiting the announcement of the new Chair appointment by our Shareholder.

Nat Sloane, an Independent NED and member of the People and Remuneration Committee, is the Director for Workforce Engagement and regularly engages with the Colleague Forum, a group formed of elected employee representatives. Nat provides a regular update to the Group Board on matters discussed by the Colleague Forum. Further information on how the British Business Bank supports its employees and bank colleagues can be found in the 'Supporting colleagues' section on p42–44 and 'Our key stakeholders' on p104–107.

The CEO is the senior executive officer at the Bank and has overall accountability for the implementation of the Board's agreed strategy in accordance with the Business Plan and policies. He is supported by his Executive Management Team in the day-to-day operational management of the Bank and maintaining collaborative relationships with stakeholders, partners and Government departments. The CEO as Accounting Officer is personally responsible for safeguarding the public funds for which they have charge and ensuring that the Bank is run on the basis of the standards of governance, decision-making and financial management expected by *Managing Public Money.*

The Company Secretary is a regular attendee at each Board and Committee meeting. Elizabeth O'Neill, General Counsel, served as the Company Secretary of the British Business Bank during the financial year and until 14 July 2023. Elizabeth was replaced as General Counsel and Company Secretary by Alice Carpenter, in an interim capacity, effective 15 July 2023. All Directors have access to the advice and services of the Company Secretariat to support them in their duties on the Board and any Committee of which they are a member.

Business stories

Alchemist Speciality Coffee

Programme: Start Up Loans

Funding partner: Enterprise Northern Ireland

Funding type: Debt

Location: Omagh

Region: Northern Ireland

Pharmacists Tiernan McCann and Gary Mallon have always had a fascination with formulas, potions and coffee.

They set up their coffee shop in 2022, with finance and guidance from the Start Up Loans programme which enabled them to get their business off the ground and running.

Employing six local staff, the business partners with a Coleraine family business, Fidela Coffee Roasters, an ethically-sourced brand which works to support communities in Colombia.

Statement of compliance

Details of how the principles of the ***Corporate Governance Code*** and ***Corporate Governance in Central Government Departments: Code of Good Practice*** have been applied can be found throughout this corporate governance statement, the Strategic Report, Directors' Report and Committee reports:

UK Corporate Governance Code

1.	**Board leadership and company purpose**	
A.	Effective and entrepreneurial Board	p72–92
B.	Purpose, value, and strategy	p80–81
C.	Resources and controls	p66–67, p80–81 and p94–102
D.	Engagement with stakeholders	p80–81 and p104–107
E.	Workforce policies and practices	p42–44 and p109–124
2.	**Division of responsibilities**	
F.	Role of Chair	p66 and p75–76
G.	Board membership	p80–81 and p83 with specific departure explained on p75
H.	Role of the NEDs	p75–76 and p80–81
I.	Board information, time and resource	p80–82 and p85
3.	**Composition, succession and evaluation**	
J.	Appointment to the Board	p83 with specific departure also explained on p83
K.	Board and Committee composition	p85–89 with specific departure explained on p88
L.	Board evaluation	p89
4.	**Audit, Risk and Internal Control**	
M.	Internal and external audit functions	p85–86 and p94–102 with specific departure explained on p86
N.	Fair, balanced and understandable	p80–81
O.	Risk management	p94–102
5.	**Remuneration**	
P.	Aligning remuneration to strategy	p109–124
Q.	Independent judgement	p111
R.	Policy for executive remuneration	p112–116

Corporate Governance in Central Government Departments: Code of Good Practice

1.	**Parliamentary accountability**	
1.1	Ministerial responsibility to Parliament	p72–75
1.2.	Accounting Officer responsibility	p66–67 and p75–76
2.	**Role of the Board**	
2.1	Board leadership	p66–67 and p80–81
3.	**Board composition**	
3.1	Skills, experience and diversity	p68–71, p85 and p90
4.	**Board effectiveness**	
4.1	Roles and responsibilities	p75–76
4.2.	Effective discharge of its responsibilities	p80–81
5.	**Risk Management**	
5.1	Effective arrangements	p85–88 and p94–102
6.	**Arm's length bodies**	
6.1	Ensuring robust governance arrangements	p75–76, p80–81 and p85–89
6.2.	Governance statement	p72–79

Corporate Governance in Central Government Departments: Code of Good Practice

As the Bank is not a Government department, the principles under Government policy are not applicable. Our SRF, annex 1, provides the Company with an operational independence undertaking.

Cabinet Office Functional Standards

The Bank has embedded the standards proportionally to the size and complexity of the organisation. At the end of March 2023, the Bank either adheres to or has a plan to adhere to all applicable mandatory requirements and the requirements outlined in the applicable released continuous improvement assessment frameworks.

Apart from those set out in this Annual Report, the Board is not aware of any deviations from the relevant aspects of the Code in the period 1 April 2022 to 31 March 2023 insofar as it applies to the British Business Bank.

Our principal decisions

Our Board of Directors have regard to our key stakeholders when making principal decisions which were material in the financial, business, and operational context of the Bank and its subsidiaries. This includes having regard to foster the Bank's business relationships with suppliers, customers and business intermediaries. See the 'Our key stakeholders' section on p104.

At the start of the new financial year, the Board approves on a rolling basis the five-year Business Plan. The document outlines the Bank's operational plan for the delivery of Government-allocated resources and how the Company will meet our set objectives. There is significant Shareholder and stakeholder engagement in the preparation and agreement of the Business Plan.

The Board has maintained focus on how the Bank could be developed towards a target operating model to help achieve its mission, further development towards a fit-for-purpose proportionate control environment, and to identify cost optimisation opportunities through the approval of significant contract spend. There have been regular updates on how the Bank will meet its climate change objective and develop a path to net zero by 2050. In addition, there was focus on strengthening the Bank's ability to interrogate data and support fraud and financial crime activity with partners in Government and our external delivery partners.

The Board made important decisions about leadership and governance such as a new Chief Financial Officer and the appointment of two new NEDs, including to replace those whose terms had come to an end during the year. The extension of two existing Board members, Nat Sloane and Neeta Atkar, has helped to ensure continuity of corporate knowledge. The Board discussed key people stress points within the business and was regularly updated on the recruitment of strategic hires from Managing Director to Executive Management.

The Board remained focused on its governance, its objectives, and risks to the Group's business throughout the year. Various key frameworks, change-led transformation activities, control documents, and core processes were reviewed and approved. There remains a regular oversight of risk including the Group's Risk Management Framework and Risk Appetite Statement. The Board receives on an annual basis, key policy documents such as Conflicts of Interest, Modern Slavery Statement, Standards of Conduct and Health and Safety.

"There have been regular updates on how the Bank will meet its climate change objective and develop a path to net zero by 2050."

Principal decision(s)	Key stakeholders	More information
Four new strategic objectives and a revised performance reporting framework from 2023/24.	The new objectives were created to have a customer-centric focus and purpose to support smaller businesses.	The new strategic objectives aim to better direct the Bank's outcomes, give a clearer sense of purpose and motivation to colleagues, and make it easier for the Board and Government to make judgements and decisions. The organisational enablers also aim to better monitor the operational strength of the organisation. Further details of the new Strategic objectives can be found on p24–37.
A fourth ESG priority of Openness and Transparency to complement the implementation of the Climate Change objective including an updated Board approach to governance oversight on ESG, climate change and net zero.	By the Bank having oversight and meeting ESG industry standards, we can then support smaller businesses to introduce ESG, climate change and net zero across our portfolio of delivery partners and maintain their access to finance.	Signing up to the UN Environment Programme's Principles of Responsible Investment, UN Global Compact and early adoption of ESG-related regulatory requirements such as TCFD will allow the Bank to develop proportionate solutions for our smaller delivery partners.
Approval of the Recovery Loan Scheme (RLS3).	These decisions were made with all our key stakeholders in mind.	The release of the third iteration of the RLS has helped ensure businesses are given more opportunities to access the finance they need to recover and grow in a post-Covid economy. Regular engagement with BEIS/HM Treasury was undertaken on funding for the Schemes to ensure value for money considerations.
Refresh of the Shareholder Relationship Framework.	The adoption of a revised SRF enables the Bank to meet the needs of our Shareholder.	The updated SRF reflects the changes to the Bank and incorporates the various practices that have evolved in agreement with our Shareholder over the course of the last few years. The SRF was subsequently agreed by BEIS and signed on behalf of the Secretary of State for BEIS.
The Board took a number of key decisions in relation to Board and Executive Team membership. These included the appointment of a permanent CEO, Chief Financial Officer, Chief People Officer and two new Non-executive Directors.	These decisions on senior level management and leadership impacted all our stakeholders including our relationships with Government, colleagues, delivery partners, and the smaller businesses we support across the country.	Eilish Jamieson and Matthew Elderfield were appointed as NEDs in 2022/23. The recruitment process was assisted by executive search consultants, Odgers Berndtson. The search firm appointed for the new Chair recruitment was Russell Reynolds Associates. The Bank's Board appointments were approved by Ministers in accordance with the SRF.

Business stories

Chloe Bruce Academy

Programme: Start Up Loans

Funding partner: Let's Do Business Finance

Funding type: Debt

Location: Woking

Region: South East

Chloe Bruce is a businesswoman, former Hollywood stunt woman and youth gold-medallist athlete in martial arts.

She switched careers and qualified as a personal trainer and yoga instructor in 2019. She then took out a Start Up Loan of £12,500 in 2020 and launched the Chloe Bruce Academy, a worldwide business offering virtual martial arts classes and online tutorials.

Since its launch, she has taught hundreds of thousands of people across every level, from beginners to professionals.

The Chloe Bruce Academy is a great example of entrepreneurship and delivering positive health outcomes from a comparatively small financial outlay.

Quality of data used by the Board

At the British Business Bank, the quality of our data is critical to our day-to-day operations and to our stakeholders that use the information. We regularly review our data management arrangements to ensure the integrity of our data via internal controls, which includes a data management policy that sets our data standards for data governance and data quality management. Our Data Management strategy has refined a scalable data management framework which enables us to manage data lineage through the Bank via core systems and delivers valuable business oversight through a centralised Data Management Office.

Every Board meeting receives a Management Information (MI) report presented by the Chief Financial Officer (CFO) to provide oversight on progress against the annual business plan. The MI pack is drawn from several sources including Business Intelligence and tracks performance of KPIs, key business drivers and includes product analysis. The Chair and the CEO provide oversight of all reports provided to the Board to ensure that they are of sufficient quality and clarity. In addition, the Chairs of Board Committees meet regularly with Senior Executives to discuss the information and data being presented or published.

Appointment and removal of Directors

The Secretary of State (SoS) for Business and Trade appoints the British Business Bank Chair in accordance with the Cabinet Office *Governance Code on Public Appointments*. This appointment is regulated by the Commissioner for Public Appointments. All other NEDs are appointed by the Board, subject to approval by the SoS. The Shareholder Representative Director is appointed by the SoS for Business and Trade. All other NEDs are appointed by the Board. The Senior Independent Director is selected from one of the then current NEDs and the Chair of the Governance and Nomination Committee shall consult with the SoS about the identity of the Senior Independent Director before nominating them to the Bank's Board for appointment.

For NEDs, we recruit in accordance with the **Cabinet Office *Governance Code on Public Appointments,*** and our SRF. For Board and Executive level roles, we look to recruitment positions in a way which reaches the broadest range of candidates and most diverse talent pools. We maintain a Board skills matrix to identify the level of relevant experience in key areas including diversity, equity and inclusion.

All Board Directors were subject to annual re-election at the Annual General Meeting in September 2022. The ***UK Corporate Governance Code,*** under provision 18, the requirement to have written support for all director re-election resolutions, is not deemed necessary. The Chair reports directly to the Shareholder on the contribution of individual directors and therefore this is not formally set out in papers accompanying re-election resolutions.

Catherine Lewis La Torre stepped down as Interim CEO during the reporting period and remained in post until 1 October 2022 when Louis Taylor joined as CEO in a permanent capacity. David Hourican joined the Board in early December 2022, replacing Philip Piers as Chief Financial Officer and Executive Director on the Board.

Board and Committee attendance 2022/23

The table below shows details of Board members' tenure and Board and Committee attendance during the year, given as a number out of the total meetings for when they were in post during the year.

Board member	Appointment period	Board attendance	Committee Membership 2022-2023	Attendance at Committee meetings
Lord Smith Independent NED and Chair	5 July 2017 to 4 July 2020, extended to 4 October 2023	10 out of 10	– Governance and Nomination Committee	5 out of 5
Neeta Atkar Independent NED and Senior Independent Director	1 July 2016 to 30 June 2019, extended to 30 June 2025	10 out of 10	– Audit Committee – Risk Committee – Governance and Nomination Committee	6 out of 6 4 out of 4 5 out of 5
Barbara Anderson Independent NED	13 October 2021 to 10 October 2024	8 out of 10	– People and Remuneration Committee	8 out of 8

Board and Committee attendance 2022/23 (continued)

Board member	Appointment period	Board attendance	Committee Membership 2022-2023	Attendance at Committee meetings
Jamie Carter Shareholder Representative Director	19 April 2021 to 18 April 2024	10 out of 10	– Risk Committee – People and Remuneration Committee – Governance and Nomination Committee	3 out of 4 8 out of 8 5 out of 5
James Connelly Independent NED	4 January 2022 to 3 January 2025	10 out of 10	– Risk Committee	4 out of 4
Matthew Elderfield Independent NED	22 November 2022 to 21 November 2025	3 out of 3[4]	– Risk Committee	2 out of 2[4]
Eilish Jamieson Independent NED	21 November 2022 to 20 November 2025	3 out of 3[4]	– Audit Committee	1 out of 1[4]
Jenny Knott Independent NED	14 December 2020 to 13 December 2023	10 out of 10	– Audit Committee – Risk Committee	6 out of 6 4 out of 4
Dharmash Mistry Independent NED	1 May 2019 to 30 April 2022	1 out of 1[3]	– Audit Committee	0 out of 0
Nathaniel (Nat) Sloane Independent NED and Workforce Engagement Director	1 March 2020 to 28 February 2023, extended to 28 February 2026	9 out of 10	– Audit Committee – People and Remuneration Committee	4 out of 5 6 out of 8
Catherine Lewis La Torre Interim Chief Executive Officer	1 September 2020 to 1 October 2022	6 out of 6[1]	n/a	n/a
Louis Taylor Chief Executive Officer	1 October 2022	4 out of 4[1]	n/a	n/a
David Hourican Executive Director	5 December 2022	2 out of 2[2]	n/a	n/a
Patrick Magee Executive Director	10 March 2015 to 1 July 2022	2 out of 2[5]	n/a	n/a
Philip Piers Executive Director	1 May 2021 to 4 December 2022	8 out of 8[5]	n/a	n/a

1 Catherine Lewis La Torre stood down as Interim CEO on 1 October and Louis Taylor was appointed as permanent CEO.

2 David Hourican was appointed interim CFO on 1 November 2022. He was formally appointed CFO and Executive Director on 5 December 2022.

3 Dharmash Mistry stood down as Director during the year.

4 Eilish Jamieson and Matthew Elderfield were appointed as Non-executive Directors during the year.

5 Patrick Magee and Philip Piers stood down as Executive Directors during the year.

Board induction, training and succession

The Board's Governance and Nomination Committee monitors the composition of the Board and its Committees, as well as Board members' skills and experience. We maintain a Board skills matrix to identify the appropriate balance and level of relevant experience in key areas. This helps inform future training needs at both Director and Board level and where gaps may exist to inform future recruitment and appointments and identify any areas for continuous professional development. More widely, we have developed a talent and succession framework to help identify and foster a pipeline of talent through the organisation.

All newly appointed NEDs undergo a tailor-made induction programme and sessions arranged to orientate them to the organisation. The programme includes meetings with peers on the Board and senior members of the Executive team across the Company. In addition, regular continuous development sessions are held covering topical issues.

> **"The Board has established four Board Committees to ensure robust and effective decision-making within the Group structure."**

Board committees

The Board has established four Board Committees to ensure robust and effective decision-making within the Group structure. These are the Audit Committee, People and Remuneration Committee, Risk Committee, and Governance and Nomination Committee. The British Business Bank Board has approved terms of reference for each committee which detail their relevant roles and responsibilities. Attendance at committees can be found on p84. The Chair regularly attends the Audit, People and Remuneration, and Risk Committees.

Audit Committee

The Audit Committee was chaired by Jenny Knott. Neeta Atkar, Eilish Jamieson (from 21 November 2022), Nathaniel Sloane (between May 2022 to January 2023) and Dharmash Mistry (until 30 April) were members of the Committee during the year. The CEO, Chief Financial Officer, Chief Risk Officer, General Counsel and Company Secretary, Managing Director of Internal Audit, and a Shareholder Representative attend Committee meetings, along with the external auditors who are invited to attend and report at all meetings. The Chair of the Board attends the Committee regularly. The CEO's of British Business Investments Ltd and British Patient Capital Ltd as well as the Managing Directors of the Business areas regularly attend Committee meetings to present their views on carrying values of investment assets and liabilities on both the Bank's and DBT's balance sheets.

The Committee also meets privately with both internal and external audit representatives at the end of every meeting.

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

During the financial year 2022/23, the Committee considered:

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

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

- the internal audit plan for 2022/23 and review of progress against this plan
- the findings of internal audit reviews
- Group and subsidiary audit exemptions
- the external audit management letter

- reviewing the effectiveness of the National Audit Office's (NAO) audit process relating to the quality of the audit, the handling of key judgements and the responses to questions from the Committee
- reviewing the effectiveness of the Internal Audit function to satisfy itself that the quality, experience and expertise of the function is appropriate for the business by assessing the quality of audits, delivery against key timescales, and how the implementation of actions is monitored and the responses to questions from the Committee
- The Head of the Internal Audit Year End Opinion for 2022/23 reported a 'Moderate' assurance rating for the overall appropriateness and effectiveness of the Bank's governance and risk management process. The overall findings from the 2022/23 audits demonstrated no fundamental weakness in control, progress made on upskilling risk management, and scope to ensure the control framework was sustainable to manage the risks that the Bank is exposed to.

The ***UK Corporate Governance Code, provision 26,*** requires the Audit Committee to make a recommendation on the appointment of the external auditor. However, the SRF specifies that the Bank is audited by the Comptroller and Auditor General through the NAO. The NAO did not provide any non-audit services during the year.

The Bank's Managing Director of Internal Audit reports directly to the Chief Executive Officer and Chair of the Audit Committee to ensure independence of the Bank's Internal Audit function. The Internal Audit function carries out its work in accordance with appropriate professional auditing practice and has regard to both Treasury and the Chartered Institute of Internal Auditors' standards.

The Audit Committee participated in the independent external evaluation of the Board and it was not necessary to undertake a separate performance evaluation.

The significant issues considered by the Committee during Financial Year 2022/23, with input from the external auditor, during the year included:

- methodologies and procedures for determining investment assets and liabilities valuations and provisions, including the Covid response schemes and Future Fund
- monitoring the integrity of the financial statements
- reviewing significant financial reporting judgements contained within the financial statements
- decisions and judgements in relation to the accounts and the financial modelling that inputs into the accounts
- the contents of the Annual Report and Accounts.

The external auditors brought three main themes to the Audit Committee's attention in their 2022/23 management letter relating to:

- the completeness and accuracy of legacy loan data used as input to one of the Group's Expected Credit Loss models
- credit risk monitoring of a subsidiary portfolio and informing the change in credit risk evaluations
- the calculation of capital commitments disclosure in the notes to the financial statements.

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

Signed for and on behalf of the Audit Committee

Jenny Knott
Chair of the Audit Committee

People and Remuneration Committee

The People and Remuneration Committee was chaired by Barbara Anderson. The other members of the Committee were Jamie Carter, Shareholder Representative and Nathaniel Sloane. The Chair of the Board regularly attends the Committee.

The Committee's role is to set the remuneration policy for all Executive Directors, the Chair (subject to approval by the Secretary of State), and other members of the Executive Committee. This includes pension rights and any compensation payments. The Committee aims to ensure that reward packages offered by the Bank are fair and balanced so as to enable the Bank to deliver its strategy whilst ensuring value for money. The Committee sets the terms of the Long-Term Incentive Plans and any incentive schemes that the Bank and its subsidiaries may run in line with the SRF.

During the financial year 2022/23, key items considered by the People and Remuneration Committee, included the:

- Committee's terms of reference including agreement to rename the Committee from the Remuneration Committee to the People and Remuneration Committee to reflect the Committee's broader role in considering people policies and people strategy as well as remuneration and reward issues
- Progress on reviewing and updating the Bank's People and Reward Strategies
- Annual pay review (agreeing there would be an average salary increase for all staff in 2022/23 of 2.8%)
- Annual confirmation to the Shareholder as to how the Bank satisfies the terms of the SRF
- Annual market benchmarking of remuneration
- Annual corporate performance ratings, bonus proposal, and additional one-off bonus proposal for lower paid colleagues
- Long-Term Incentive Plan awards
- Annual gender pay gap data
- Annual Workplace Pension Governance report
- Annual review of external roles held by senior colleagues
- Annual objectives for each of the Executive Directors
- Salary proposals for Executive Committee members
- Salary proposals for five newly-created roles above the HM Treasury Senior Pay Threshold.

Signed for and on behalf of the People and Remuneration Committee

Barbara Anderson
Chair of the People and Remuneration Committee

Risk Committee

The Risk Committee was chaired by Neeta Atkar. The other members of the Committee during the year were Jenny Knott, James Connelly, Jamie Carter, Shareholder Representative, and from November 2022, Matthew Elderfield. The Chair of the Board attends the Committee regularly.

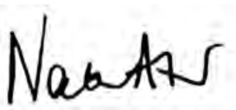
The Committee's role is to advise the Board on the key risks to the Bank in delivering its objectives, including whether the Bank is operating within its risk appetite, and the appropriateness of the Bank's Risk Management Framework (RMF). It reviews the RMF taking into account that the Bank is in the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

During the financial year 2022/23, the Risk Committee considered the following matters:

- ongoing appropriateness of the RMF, the Risk Taxonomy and Risk Strategy and approval of a simplified and rationalised Risk Taxonomy and RMF to ensure risk management is proportionate, applicable, clear and effective
- identification and mitigation of material, emerging and horizon risks including any forecast losses across the Bank's portfolio in light of the economic outlook
- continued applicability of the Risk Appetite Policy and Risk Appetite Statements for the Bank, British Business Investments and British Patient Capital

- approach to and updates on Strategic and Business Risk, Operational Risk, Financial Risk, Information Risk, Reputational Risk, Legal and Compliance Risk, Fraud and Financial Crime Risk and People Risk
- regular updates on the key risks faced by our product areas and plans to bring any areas operating outside risk appetite levels back to within tolerance
- adequacy of the risk management capabilities in all three of the lines of defence
- the annual Money Laundering Reporting Officer's report
- approval of a new Legal and Compliance RMF
- approval of an updated Fraud and Financial Crime RMF
- a review and update of the Risk Committee's Terms of Reference.

Signed for and on behalf of the Risk Committee



Neeta Atkar MBE
Chair of the Risk Committee

Governance and Nomination Committee

The Governance and Nomination Committee was chaired by Lord Smith. Neeta Atkar and Jamie Carter, Shareholder Representative were members of the Committee throughout the year. The Corporate Governance Code provision 17 requires that a majority of the Governance and Nomination Committee are Independent NEDs in order to safeguard the interests of shareholders. Our Governance and Nomination Committee does not comply with this as the Chair is considered independent only on appointment, and Jamie Carter was appointed by the Shareholder and is therefore not independent. However, we believe our sole Shareholder's interests are safeguarded as both the Shareholder Representative and the Chair are appointed by the Shareholder.

The role of the Governance and Nomination Committee is to review the leadership needs of the organisation, consider succession planning, and nominate NEDs to the Company's Boards.

During the financial year 2022/23, the Committee:

- agreed to rename the Committee from the Nomination Committee to the Governance and Nomination Committee to reflect the full remit of the Committee's duties
- considered succession planning for Executive and Non-executive Directors and for members of the Executive Management Team including the recruitment of a permanent Chief Executive Officer
- appointed NEDs to the Boards of the British Business Bank and its subsidiaries (British Business Finance Limited and British Business Financial Services Limited), and to the Board's Audit and Risk Committees
- commissioned an external Board Effectiveness Review
- supported DBT in initiating the recruitment of a new Chair.

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

The Board is committed to ensuring the diversity of its membership. The Governance and Nomination Committee's duties include regularly reviewing the structure, size and composition (including diversity) of the Board and making recommendations to the Board about any changes. Before the recruitment process, the Committee evaluates the balance of skills, knowledge, experience and diversity and identifies any gaps.

Further details of our policy on diversity and inclusion and the gender balance of our senior management and their direct reports can be found under 'Supporting colleagues' on p42–44.

Signed for and on behalf of the Governance and Nomination Committee

Lord Smith of Kelvin
Chair of the Governance and Nomination Committee

Other committees

The Bank has a number of management committees including an Executive Committee, an Executive Audit and Risk Committee, Investment Committees, a Strategic Change Oversight Board, Executive ESG Board and Executive Valuation Committees.

Board performance

Good governance practice considers there should be an annual evaluation of Board performance and recommends an independent evaluation of Board performance every three years. An independent external evaluation of the British Business Bank Board and its Committees was conducted in early 2023 by Clare Chalmers Ltd following the last independent evaluation in 2020.

The focus of the evaluation report was on Board composition and culture, Board oversight, Stakeholders, Board Efficiency, the Board Committees, and Board and Committee papers. The evaluation reviewed Board and Committee papers (as well as other relevant materials), observed meetings in Q4 2022/23 and interviewed all Directors and a number of regular attendees. Overall, the review concluded that the Board and its Committees were operating effectively and made a number of recommendations to enhance the arrangements further. The conclusions and recommendations were set against the wider context of the Board being in the middle of a period of personnel change – most notably with the recent change of Chief Executive Officer and upcoming change of Chair.

The report was accepted by the Board, and it was agreed an action plan should be implemented during 2023/24, when the new Chair was onboarded, to address the recommendations. An internal evaluation of performance will take place during 2023/24.

Clare Chalmers Ltd was selected to undertake the external Board evaluation following a process in line with public sector procurement guidance. When announced, our NED Eilish Jamieson declared both she and members of staff at Clare Chalmers Ltd had done advisory work for a third-party company in the past. Eilish Jamieson was not involved in the appointment process for Clare Chalmers Ltd which was underway by the time of Eilish's appointment to the Board. There was no other existing connection to Clare Chalmers Ltd on appointment.

In addition to Board evaluations, the Chair has carried out regular reviews of Directors' performance, with the Senior Independent Director carrying out a review of the Chair's performance.

Board diversity

We want to reflect the diversity of our customers and the UK population by making sure the workforce within the Bank is representative of all sections of society. Our Diversity, Equity and Inclusion policy helps us ensure there is no unlawful discrimination, as well as promoting equality, fairness, dignity and respect for all within the employment of the Bank. We ask all new staff including NEDs to provide diversity data, which helps provide visibility of the overall make-up of the organisation at any given time, to identify opportunities to ensure diversity over time. More information on what diversity, equity and inclusion means for the Bank can be found in the 'Supporting colleagues' section on p42–44.

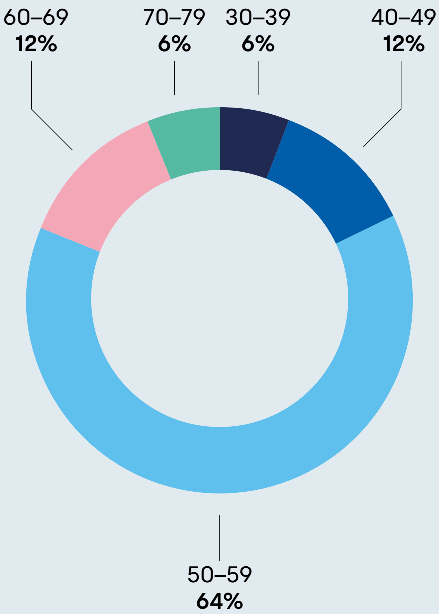
At a consolidated British Business Bank Group level, comprising the Directors on our plc Board and our two subsidiary Boards, we have a diverse Director membership in terms of age, ethnicity and gender, as shown in the charts below, and which meets the Listing Rule target. At a British Business Bank plc Board level, however, we have a 36% female representation which is below the regulatory recommended target of having at least 40% female. The British Business Bank Board adheres to best practice in two other areas, having a female Senior Independent Director and a Board Director from an ethnic minority background.

British Business Bank Group includes the Directors on the plc Board, British Business Investments Ltd and British Patient Capital Limited. New Directors are provided with a diversity data form to complete on a voluntary basis as part of their onboarding for collation by HR. Directors can amend their records via a self-service portal at any time.

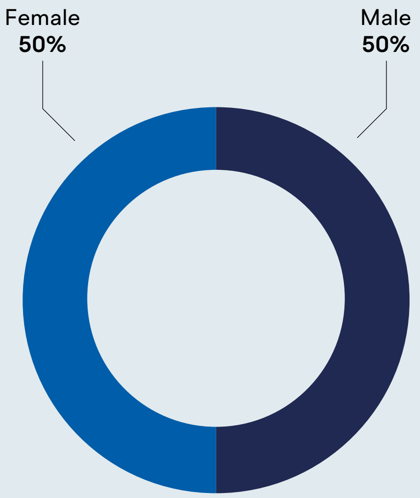
> **"The British Business Bank is committed to maintaining a culture of openness and transparency with the highest standards of honesty and accountability."**

British Business Bank Group Board diversity as at 31 March 2023

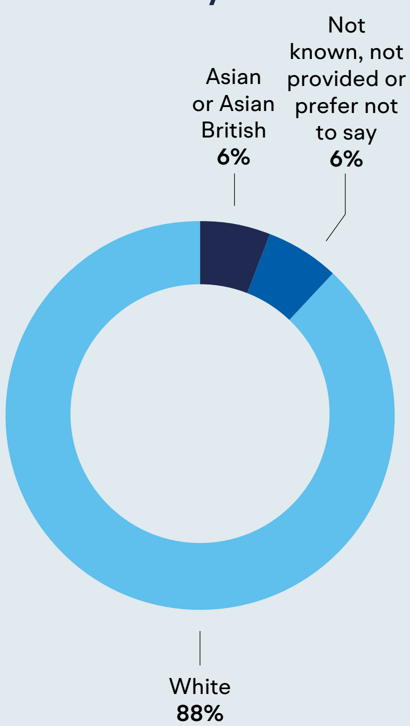
Board age



Board gender



Board ethnicity



Speak Up policy

The British Business Bank is committed to maintaining a culture of openness and transparency with the highest standards of honesty and accountability. Speaking up is essential for us to maintain our reputation and success.

Also known as whistleblowing, our Speak Up policy seeks to ensure that all colleagues feel empowered to raise concerns about improper, unethical, dangerous, underhand, or illegal practices in the workplace, at the earliest opportunity and in confidence. The Board reviews the Speak Up policy on an annual basis.

Colleagues can and do raise concerns with their line manager or with one of our Speak Up Champions: the Managing Director, Internal Audit; or the Chair of the Board's Audit Committee. We also provide a full list of prescribed persons and bodies if a colleague wishes to raise their concerns externally. No disclosures were made under the Speak Up policy in 2022/23.

Business stories

Forktruck Solutions Ltd

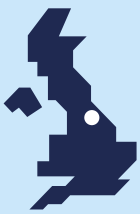
Programme: ENABLE Guarantees

Funding partner: DF Capital

Funding type: Debt

Location: Dewsbury

Region: Yorkshire and the Humber



Forktruck Solutions supplies lithium electric forklift trucks, replacing gas and diesel forklifts with clean electric.

The business accessed finance provided by ENABLE Guarantee delivery partner DF Capital, enabling them to increase imports of their forklift trucks to keep up with demand and grow their business from £1.7m turnover to £7m in three years.

They are aiming to grow further as more businesses transition away from gas and diesel to lithium electric.

Modern Slavery Statement

The British Business Bank is committed to the abolition of modern slavery and human trafficking. The Bank issued a Modern Slavery Act statement in 2017, demonstrating its commitment to meeting section 54 of the Modern Slavery Act 2015. The statement is reviewed annually and was most recently approved by the Board in September 2023. The Modern Slavery Statement outlines steps taken to support the Bank's commitment and activities to combat the risk of modern slavery in our organisation and supply chain.

Reference to the statement can be found in the Transparency section of our website.

Conflicts of interest

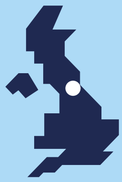
Each Director has a duty under the Companies Act 2006 to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. As part of our Conflicts of Interest Policy, the Bank has adopted a formal procedure for disclosure,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

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

Political donations

As a Government-owned body, political donations are not permitted, and the Bank has not made any political donations or incurred any political expenditure in 2022/23.

Business stories
Collected



Programme: Start Up Loans

Funding partner: Transmit Start-Ups

Funding type: Debt

Location: Durham

Region: North East

Collected is an independent bookshop in Durham, which specialises in works written by women.

Founded by self-described bookworm Emma Hamlett in late 2021, she left her career as a museum curator in 2020 and explored what else might be possible for her in life. Collected was the answer.

Starting out as an online and mobile shop, the business grew and became a fully fledged bookshop by September 2022.

Risk management and internal control

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

This includes executive-level investment committees for each subsidiary that makes investment decisions, and valuation committees in respect of investments held on the Bank's Consolidated Statement of Financial Position, as well as in respect of investments held on the Department for Business and Trade (DBT) balance sheet where the Bank is acting as agent for and on behalf of the DBT.

> **"The Board has overall accountability and responsibility for the management of risk within the British Business Bank."**

The Board has overall accountability and responsibility for the management of risk within the British Business Bank. The Bank's Chief Executive Officer (as the designated Accounting Officer) is accountable to Parliament for specific matters in relation to the British Business Bank Group which include, among others, the ability to demonstrate that an effective assurance framework is in place which facilitates clear accountability and efficient decision-making, being open and transparent about internal operational processes and procedures, timely escalation of issues in a manner appropriate to their magnitude and ensuring guidance is disseminated amongst the British Business Bank Group as appropriate.

Our Risk Management Framework has been designed to align with the size, scale and complexity of the British Business Bank. It has been benchmarked against other financial services institutions and aligns with the HM Treasury Orange Book.

The British Business Bank does not hold regulatory capital and is not regulated by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA). However, two of British Business Bank's commercial entities, namely British Business Investments Ltd and British Patient Capital Ltd, are registered with the FCA for the purposes of supervision under the money laundering regulations.

Whilst registration with the FCA does not require an entity to comply with the FCA Senior Management Arrangements, Systems and Controls, the Bank is, however, subject to other applicable laws and regulations and has policies and procedures in place designed to ensure compliance with applicable laws and regulations, including anti-money laundering, data protection and freedom of information. The Bank follows relevant and applicable good practice.

Risk Management Framework

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

The RMF:

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

A discussion of how the Bank manages its risks in relation to financial instruments is set out in note 23 of the financial statements.

The RMF is subject to regular review to assess its effectiveness within the British Business Bank, including an external review every two to three years.

An internal review was carried out by the Risk and Compliance function in January 2023. The design of the core components of the RMF has not been changed and remains in line with previous external benchmarking and Orange Book principles. The RMF now includes the Risk Appetite Policy and Risk Appetite Statement.

The findings of this review were presented to the Risk Committee in March 2023 along with some proposed changes to the RMF. The next review of the RMF will take place in the fourth quarter of the 2023/24 financial year.

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

Risk definition and categorisation

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

As part of the annual review, we have taken the opportunity to simplify and rationalise the taxonomy which will flow through our risk methodologies and support our objective to ensure risk management is proportionate, applicable, clear and effective. The review has considered external benchmarking against similar-sized financial services organisations, utilised best practice from industry-wide forums and ensured that we still maintain full coverage of the risks we are exposed to, whilst improving our focus on key areas.

> **"Over the last financial year, the Bank has successfully executed a programme of work designed specifically to mitigate its position against risk appetite."**

Risk appetite

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

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

The Board uses the Risk Taxonomy to set appetite against our six principal risks and the 23 underpinning risk types in our Risk Appetite Statement.

Over the last financial year, the Bank has successfully executed a programme of work designed specifically to mitigate its position against risk appetite, having been deemed as moved outside of risk appetite as a result of the significant impact of implementing the Covid-19 response schemes. This has resulted in a number of its principal risks returning to within risk appetite during the period.

Separately, through our business planning process the Board reviewed an assessment of the quantification of the monetary value of potential downside risks of a severe downturn against our business plan. This assessed the unlikely but plausible losses on our portfolio assuming a 1-in-20-year downside scenario or macroeconomic downside scenario across the various programmes.

For the financial year 2022/23, we utilised forecasts and reports from an external economic forecasting firm in addition to the Bank of England Stress Test for the Bank's programmes excluding the Covid-19 schemes. We also assessed the unlikely but plausible financial losses arising from negative fluctuations in foreign exchange currency prices and UK interest rates. Separate stress test scenarios were also applied to the Covid-19 response schemes.

All stress test loss outcomes were shared with our Shareholder/DBT through the business plan.

The table below reflects the Bank's principal risk categories following the 2022/23 exercise to simplify and rationalise our Risk Taxonomy.

The Risk Appetite Statement

Principal Risk	Definition	Example categories	Example mitigants
Strategic and Business Risk **Risk appetite:** Medium	The risks of direct or indirect financial losses arising from a suboptimal business strategy or business model and the risk of failure to meet internal and/or public policy objectives.	– The risks to objectives arising from adverse business decisions, improper implementation of strategic initiatives, or inadequate responses to the external operating environment. – The risk that the Bank fails to meet strategic objectives and/or internal and external commitments on the environmental and social agenda. – The risk that the business takes on too much change or inadequately manages current change programmes. – The potential for negative publicity, public or stakeholder perception, or uncontrollable economic, political, public policy, regulatory or operational events or issues to have an adverse impact on the Bank's reputation, thereby resulting in potential damage to internal and external stakeholder relationships, financial loss and market credibility.	– Both a clearly defined set of objectives and a robust governance model are in place. – Regular review of our principal risks by the senior team and Board members. – Assessing the risks and mitigants to meeting our objectives during the business planning process. – Establishing and embedding the Bank's ESG strategy to meet its commitments, including sustainability considerations in due diligence. – Change function and Change Programme Boards to manage the growth of the organisation. – A Reputational Risk Management Policy is in place. – The Bank has a robust Complaints Policy in place.

Principal Risk	Definition	Example categories	Example mitigants
Financial Risk **Risk appetite:** Medium – High	The risk of direct or indirect financial losses in on and off-balance sheet positions as a result of the failure of an end-borrower or counterparty to meet its obligations in accordance with agreed terms or that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates or credit spreads.	– The delivery partners or underlying borrowers could fail to meet their transactional obligations according to our expectations. – Loss from lack of diversification, investing too heavily in one sector, geographic area or type of security, notwithstanding a desire to address market failures. The ROI is not lower than the predicted ROI. – The risk of direct or indirect financial losses that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates.	– Delivery partner selection process includes robust due diligence, assessment of underwriting and sanctioning processes, and thereafter is subject to portfolio monitoring and regular review. – The credit quality of exposures is monitored closely. – The Bank aims to continue to invest throughout the economic cycle, therefore minimising the vintage risk. – The portfolio is monitored closely for concentration risk. – The Bank conducts scenario testing of exposures sensitive to interest rate market valuation or foreign exchange movements. – The Bank requires some delivery partners to manage market risk directly within the terms of the investment.
Operational Risk **Risk appetite:** Low – Medium	The risk of direct or indirect losses resulting from inadequate or failed internal processes, technology, supplier management, or from external events.	– Failure to process, manage and execute transactions and/or other processes correctly and/or appropriately, or the failure of the Business Continuity management framework when needed. – The risk that the Bank's IT and communication system(s), including outsourced services, do not operate as expected or do not operate at all, are compromised by malicious acts such as cyber attacks or are unable to recover following a disruptive act or incident.	– Risk and Control Assessments with functional teams are held to assess risks and associated internal controls. – IT security controls. – Cyber Essentials Plus accreditation. – Information technology systems disaster recovery testing. – Operational Incidents management process in place. – Business Continuity plans and incident scenario exercises.

The Risk Appetite Statement (continued)

Principal Risk	Definition	Example categories	Example mitigants
Operational Risk (continued) **Risk appetite:** Low – Medium	The risk of direct or indirect losses resulting from inadequate or failed internal processes, technology, supplier management, or from external events.	– The risk that the Bank does not maintain a safe and secure workplace to protect its employees, visitors, information or other assets. – The risk of adverse consequences (e.g. financial loss, poor business or strategic decisions, reputational damage) arising from decisions based on incorrect or misused model or spreadsheet outputs. – The risk of failing to manage third-party relationships and risks appropriately, e.g. not taking reasonable steps to identify and mitigate additional operational risks resulting from the outsourcing of services or functions. – The risk of failing to appropriately manage and maintain the organisation's data. This encompasses core data (e.g. delivery partner, smaller business, investment and employee data) and generated information and records. – The risk of information security incidents, including the loss, theft or misuse of data/information; this covers all types of data, e.g. client data, employee data, and the organisation's proprietary data, and can include the failure to comply with rules concerning information security.	– Procurement and Finance contract and invoice oversight. – Implementation of Business Information systems and data governance across the Bank, including GDPR. – Model governance processes to ensure data integrity. – A comprehensive suite of Procurement Policies and Standards are in place.

Principal Risk	Definition	Example categories	Example mitigants
People Risk **Risk appetite:** Low – Medium	The risk that the Bank does not attract, develop and retain the right mix of talent, skills and capabilities (people) to meet its objectives and/or does not create a working environment and culture to motivate and retain an effective workforce.	– The risk that the Bank does not effectively manage the available resource (FTE and Contingent Labour), to be agile to changing business and workforce demands, and create an environment for colleagues to do engaging work and develop our pipeline of talent. The risk that the Bank does not have a fair and transparent 'colleague offer' and Employee Value Proposition (EVP) to attract, motivate and engage an effective workforce. – The risk that our culture does not support and drive the appropriate colleague behaviours and decision-making, negatively impacting our ability to deliver our objectives.	– The Bank has recruitment processes in place to attract talent aligned to its values. – The Bank has an established reward strategy with the aim to attract and retain talent. – The Bank invests in ongoing training and development for its staff. – Succession planning is in place for the Senior Leadership Team. – The Bank has an established Code of Conduct to support its culture and values.
Fraud and Financial Crime **Risk Appetite** Very Low – Low	The risk that the Bank does not have effective systems and internal controls to meet its obligations to prevent, detect and deter internal or external fraud and/or financial crime.	– External fraud perpetrated against the Bank or our schemes. – The Bank or its delivery partners and suppliers are used to facilitate financial crime, e.g. money laundering, terrorist financing or contravention of sanctions. – Internal fraud by employees at the Bank.	– Customer Due Diligence at onboarding, e.g. KYC/KYB. – Risk assessment during scheme design/launch and throughout the lifecycle. – Delivery partner accreditation and periodic reviews. – Suspicious activity reporting procedure. – Close liaison with DBT and Cabinet Office counter fraud network. Regular interaction with other fraud prevention organisations, e.g. CIFAS, NCIS, NCA. – Close liaison with Covid-19 scheme delivery partners on counter fraud measures. – Fraud and Financial Crime Risk Forum and other governance forums providing oversight, monitoring and control. – All Bank employees are subject to mandatory employee training on AML, Sanctions and Fraud risk, a Code of Conduct and annual Compliance Declaration covering conflict of interest and market abuse.

The Risk Appetite Statement (continued)

Principal Risk	Definition	Example categories	Example mitigants
Legal and External Obligations Risk **Risk appetite:** Low	The risk of breaching applicable UK law (or other relevant law), regulation, standards or legal obligations, which exposes the Bank to fines, penalties or claims as well as other associated financial losses and non-financial consequences.	– The risk of execution errors in legal procedures and processes. – The risk that the Bank does not meet standards in relation to relevant Government guidelines applicable to a non-departmental public body. – Failure to comply with any legal or regulatory obligations that are not captured through other level 1 risks. – The risk of failing to meet statutory reporting and tax payments/filing requirements. – The risk that disputes with delivery partners or other third parties are not managed effectively.	– New products and programmes are assessed against the appropriate regulatory environments. – The Bank has a suite of policies to direct governance, e.g. Tax Policy, Procurement How to Buy Guide. – Regular dialogue with the Shareholder State Aid teams. – Legal Team review of transaction structuring. – The Bank undertakes extensive due diligence on new delivery partners and monitors existing delivery partners and their performance against contractual requirements or Service Level Agreements.

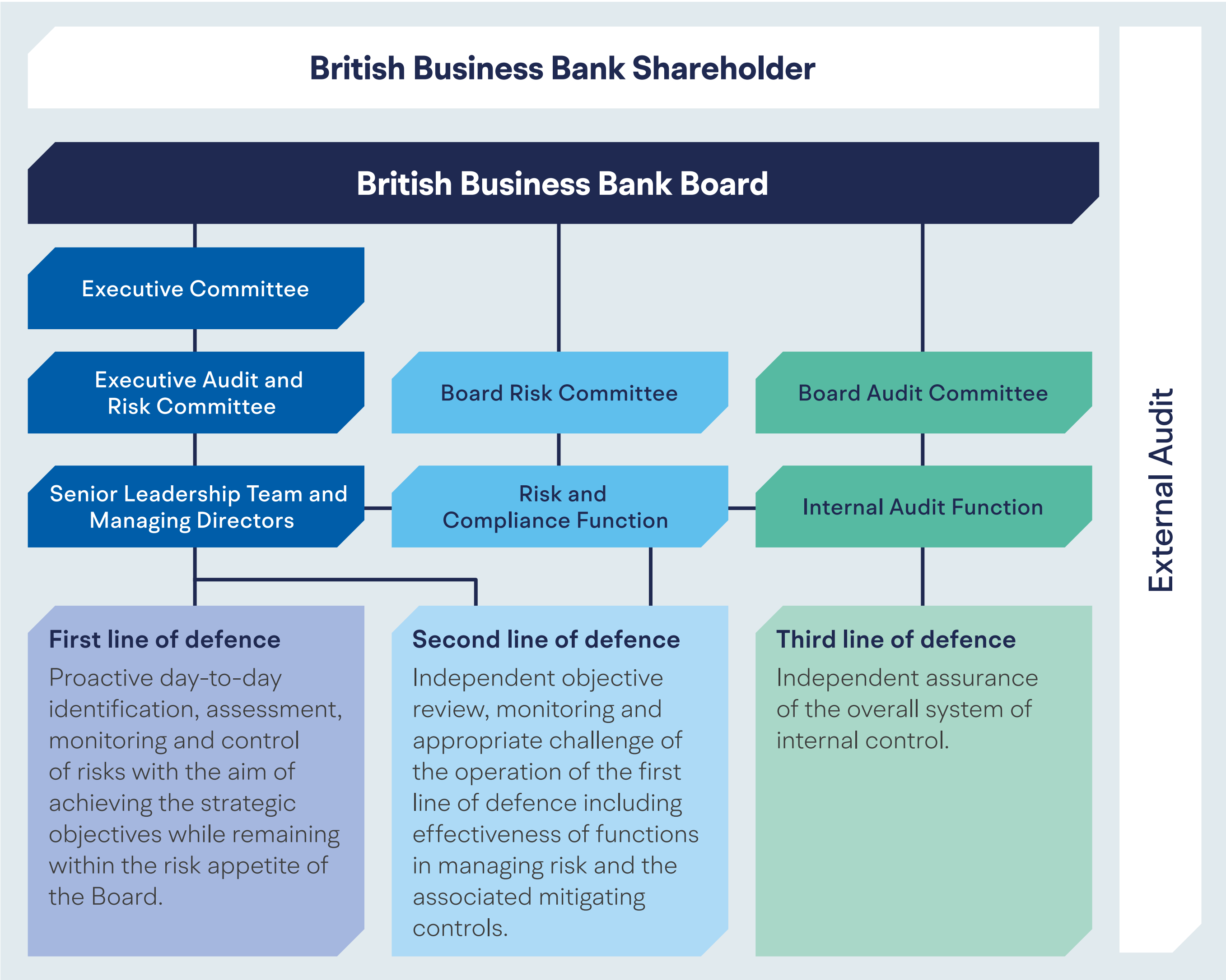
Financial reporting risk management systems and internal controls

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

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

Risk governance

The British Business Bank's risk governance structure is shown below:



The Bank applies the financial services industry standard three lines of defence model to ensure risk is managed and governed appropriately, that the second and third lines of defence are independent and any potential conflicts of interest are avoided or managed appropriately.

To ensure that our colleagues understand their roles and responsibilities under the three lines of defence model, a RACI (Responsible, Accountable, Consulted, Informed) matrix has been revised and included in our Risk Management Framework.

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

- the Board has overall accountability and responsibility for the management of risk within the Bank
- the Board delegates specific risk management roles and responsibilities to the Board Risk Committee, the Board Audit Committee, the CEO and the Chief Risk Officer (CRO)
- the CEO is supported in delivery of these responsibilities through direct reports from the Executive Committee and the Executive Audit and Risk Committee
- the CRO is a member of the Executive Committee and Executive Audit and Risk Committee and is also supported by the Risk and Compliance function in the delivery of their responsibilities
- the Risk and Compliance function works collaboratively with the product teams and other central control functions
- the Internal Audit function operates independently of both the business and the Risk and Compliance function, reporting directly to the Board Audit Committee, highlighting key areas of weakness relating to governance, risk management or internal control.

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

- the first line of defence is responsible for day-to-day management of risk and control. Function heads have primary accountability for the performance, operation, compliance and effective control of risks affecting their business area
- the second line of defence is made up of an independent risk management capability that provides objective independent review, monitoring, and appropriate challenge of the operation of the first line of defence, including the effectiveness of functions in managing risk, and the controls in place to mitigate any risks
- the third line of defence provides independent assurance of the overall system of internal control through a programme of risk-based audits covering all aspects of both first and second lines of defence risk management and control activity.

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

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

Policies form an integral part of managing risk within the British Business Bank. We have in place an enterprise-wide set of policies, frameworks and procedures covering the major parts of our business. They outline how we intend to function, taking account of regulatory or legal requirements and industry best practice. Policies are approved by the appropriate committees and communicated to staff. Colleagues are also subject to the British Business Bank Code of Conduct and annual compliance declarations.

Business stories

Peace & Pure

Programme: Start Up Loans

Funding partner: Virgin StartUp

Funding type: Debt

Location: Cambridge

Region: East of England

Alice Wu, Founder and Director of Peace & Pure, founded the business after a period of mental health difficulties, including grief, depression and loneliness.

During this period, she learned about the benefits of self-care, mindfulness and wellbeing. Alongside her passion for natural skincare, Peace & Pure was born.

Alice took out a Start Up Loan of £19,000 to start the business in 2020 and since then has built a brand that is truly supportive of women's journey to beauty and wellness.

Our key stakeholders

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

Example

Our UK Network has actively worked to help support smaller businesses in a targeted manner to be better prepared to attract investment. For example, working through Funding London, targeting underrepresented entrepreneurs in the 'harder to reach' areas of London, 59 entrepreneurs have gone through an intensive 6-week programme to help them be investor ready. 85% of the entrepreneurs were underrepresented entrepreneurs. In total, so far, these entrepreneurs have gone on to raise £7.5m, £6.9m by underrepresented groups.

British Business Bank

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

Smaller businesses

Why we engage

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

Priorities

– Help smaller businesses to access the right opportunities to succeed and support them as they recover in a post-pandemic economy and cost of living crisis.

– Advise on the best finance options at a regional level.

– Gather information on current priorities for smaller businesses within the economy and publish regular topical reports.

– Help to enable the transition to a net zero economy by supporting access to finance for smaller businesses including the working towards net zero targets.

Actions

– Introduced a third iteration of the Recovery Loans Scheme to support smaller businesses to recover and grow in a post-pandemic economy.

– Increased the supply and diversity of finance options across the UK's smaller businesses by delivering an expanded programme of activity; for example, we worked to develop the new Nations and Regions Investment Funds.

– Raised awareness of available support through campaigns, including on digital and social media channels, as well as supported the publication of regular reports such as our *Small Business Finance Markets 2022/23* report and 2022 *Business Finance Survey*.

Delivery partners

Why we engage

Our delivery partners (DPs) operate in partnership between us and the smaller businesses and have a central role in our business success. We rely on their performance to assist the Bank in driving sustainable growth, backing innovation and unlocking potential in smaller businesses across the UK.

Priorities

– Build on relationships with existing and new DPs to understand how our products can best help them to serve their smaller business customers.

– Ensure we have the right balance and mix of DPs operating at a local level offering a range of financial products.

– Ensure DPs are fit for purpose with the right mix of capabilities and capacities to be a trusted partner.

Example

To support Business Finance Week we engaged with our DPs to introduce the concept, and then created marketing packs to help them share with their networks. Our marketing packs included background information to the campaign, how it could help their members/smaller businesses, and the email/newsletter/tools they needed to help them do so.

Actions

– Continue to evolve our engagement with DPs to work with them in a more collaborative manner including through dedicated Relationship Managers. We inform our position in the market as a centre for expertise based on feedback from participants and engage with our HMG stakeholders to address market gaps that affect our strategic priorities.

– Provided greater clarity on our requirements for DPs in relation to fraud risk management.

– As part of a first step to support DPs on ESG, we created a marketing toolkit for our DPs to enable them to amplify and share new sustainability content under the #GreenToGrow campaign which ran during the year, aimed to demystify and alert smaller businesses to the commercial benefits of investing in decarbonisation.

More information can be found on our website.

Government and Parliament

Why we engage

We are the UK's economic development bank, operating independently, but wholly owned by the Government and accountable to Parliament through our sponsor department, DBT. We want to ensure the Bank is centrally positioned within key policy discussions, in line with our strategic objectives.

Priorities

– Maintain the highest standards of probity in administering public funds.

– Contribute to national economic development.

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

– Ensure the role of the Bank and its programmes are understood in order to gain feedback and support for our role as a centre of expertise.

Example

Mobilising Green investment in the 2023 *Green Finance Strategy* published in March 2023. We also arranged two 'green finance' roundtables, at the request of DBT in July, which were attended by 20 of the UK Network's key stakeholders from across the UK Nations and regions.

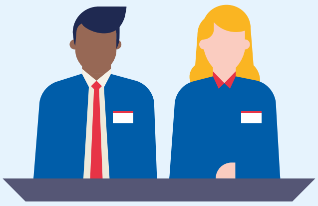
Actions

– Our policy and product teams worked with Government officials to agree how we would deliver ongoing support to smaller businesses.

– Our public affairs team engaged with Parliament, including by supporting responses to Parliamentary Questions and Select Committees. The public affairs team also: engage with backbench MPs, for example, organising for them to visit Bank supported businesses in their constituency; and organise meetings with Ministers on delivery of Government priorities.

– The formation of collaborative discussion at cross-Government forums such as the Lender Performance Advisory Board provided additional visibility on certain aspects of the work that we are doing.

"We are the UK's economic development bank, operating independently, but wholly owned by the Government and accountable to Parliament through our sponsor department, DBT."



Bank colleagues

Why we engage

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

Priorities

- Support colleagues' transition to hybrid working.
- Foster an inclusive learning culture in which all colleagues know they are valued and supported in order to succeed.
- Support their work/life balance, well-being, and individual needs.
- Retain and develop the skills and expertise we need to deliver our business activities.

Actions

- We continue to offer the majority of our colleagues a flexible, hybrid way of working which empowers our people to make the right decisions about where, when, and how to approach their work, to best meet the needs of the business, optimising the use of workplaces and technology.
- A hybrid working arrangement enables the collaborative benefits of working remotely and the positives about being in the office.
- To continue to support colleagues we have introduced a policy covering temporary working outside the UK.
- Colleagues have access to a wide range of wellbeing support and activities, which are regularly communicated through themed events and internal communications.
- We have enhanced our family-friendly policies such as maternity and shared parental leave as part of our Employee Value Proposition.
- We provided more opportunities for training and development to upskill colleagues and managers and support their professional qualification and growth. For example, 38% of our leaders in Bands 4-6 attended our Leadership Development Programme and we are focusing on ESG training and courses to inform our support for smaller businesses' transition to net zero.

More information can be found on p42–44 on supporting colleagues.

Suppliers

Why we engage

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

Priorities

- Develop relationships with suppliers that enable us to effectively support new programmes and increased volumes.
- Ensure our suppliers are aligned to our policies, including on modern slavery and ESG priorities.

Actions

- Our Supplier Relationship Management Team and supplier ecosystem help maintain deeper and more effective relationships, drive innovation and identify collaboration opportunities.
- Rolled out Supplier Treatment Standards to ensure suppliers are managed and monitored effectively. The standards are designed proportionately with reference to the supplier category and represent the minimum expectations.
- Our Supplier Management Policy was updated to reflect the requirement for sustainable procurement in achieving the Bank's net zero ambitions and IT Outsourcing standards.

"Our colleagues are essential to delivering our vision, mission and strategy."

Business intermediaries

Why we engage

Business intermediaries and business support partners, such as accountants, lawyers, trade bodies and business/finance representative organisations, provide opportunities for valuable information exchange on our services and policy issues to inform the Bank as a centre of excellence.

Priorities

- Ensure the role and value of the Bank, to support smaller businesses, are understood and welcomed by business/finance representative organisations in order to gain useful insights and feedback.
- Ensure the regular cascade of relevant information about Bank programmes and publications to business/finance representative organisations to foster close collaboration and support the Bank's role to contribute to national economic development.
- Ensure engagement with a wide spread of business/finance representative organisations that covers the full breadth of sectors and policy spheres in which the Bank operates.
- Build longer-term relationships with national and regional intermediaries to enable us to reach more smaller businesses to help inform, support and guide them on their access to finance journey.

Example

Business Finance Week in November 2022 was a series of nation-wide and regional in-person events held over five days to help smaller businesses learn about all the different finance options available to them to support their individual needs. 1,508 people attended 39 virtual and in-person access to finance events. Six months on, we have tracked eight businesses that have gone on to raise £6.7m of investment.

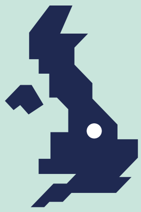
Actions

- Held numerous high-level roundtables and events with senior stakeholders in business/finance representative organisations to explore and gain feedback on the Bank's programmes and purpose.
- Engaged closely with key business/finance representative organisations in the lead-up to key governmental policy events such as the Spending Review.
- Raised awareness of finance options and available support for smaller businesses via both direct and indirect marketing campaigns such as #GreenToGrow. Several virtual roundtables were held on the Bank's research into smaller businesses and their transition to net zero.
- Attend and speak at flagship events organised by business/finance representative organisations to highlight the work of the Bank in supporting smaller businesses.
- Launched a partnership with SignLive, an organisation we will be working with to help the Bank become more accessible to deaf people by providing British Sign Language interpretation services. Further details of the free service can be found at https://www.startuploans.co.uk/sign-live/
- Selected new Business Support Partners to support our Start Up Loans programme, including three national partners and a number of regional support partners. They will help deliver funding and support for small businesses across the UK.

Approved by the Board of Directors

Louis Taylor
Chief Executive Officer
14 September 2023

Business stories
Alpkit



Programme: Midlands Engine Investment Fund (MEIF)

Funding partner: The FSE Group

Funding type: Equity

Location: Nottingham

Region: East Midlands

Founded in 2004 by friends Col, Nick, Jim and Kenny, Alpkit designs, manufactures and sells a range of specialist outdoor apparel, equipment and bicycles suitable for challenging environments and extreme activities.

Alpkit sells this equipment at a significantly lower price point than their competitors in the market, with 30% of their products made in Britain, in the Peak District.

Chair's foreword

Directors' remuneration report

On behalf of the Board, I am pleased to present the Remuneration Report for the British Business Bank for the year ended 31 March 2023.

The recently renamed People and Remuneration Committee's overriding aim is to ensure that the reward packages that the Bank offers are competitive and balanced. We need to be able to hire and retain talent effectively to deliver our mission while exercising the restraint expected of a publicly owned body. The People and Remuneration Committee considers this reward in its broadest sense in the context of our Employee Value Proposition (EVP).

It remains critical to get the balance right. The Bank has grown and broadened its offer significantly in recent years in the face of external events such as the pandemic and global political events which have impacted both the UK economy and the priorities of the workforce. For example, the economic climate with inflationary pressures has created challenges and meant a workforce focused increasingly on compensation and career progression but also reassessing work-life balance. Although our EVP is strong, this has nonetheless resulted in increased staff turnover in some areas of the organisation.

The ongoing economic pressures being experienced mean that the Committee has had work to do to ensure our reward packages continue to be competitive. Continuing to identify and prioritise critical roles and functions and further developing our broader EVP remain critical to our ability to bring experienced senior hires into the organisation to deliver these objectives. Work is ongoing to refine our EVP and to improve our market data and segmentation to ensure we can meet the challenges being faced.

In summary, we recognise our key challenge is to attract and retain talented and experienced individuals who might choose to work elsewhere. To enable us to respond constructively to this challenge and consider matters 'in the round', we have this year broadened the Committee's line-of-sight to cover aspects of the people strategy. We also continue to evolve the Committee's forward planning processes to ensure we can respond more effectively to the changing environment. Looking ahead to 2023/24, we will keep the remuneration strategy under review to ensure that the Bank is able to maximise the value of its existing reward arrangements.

Key considerations and decisions taken by the Committee this year

Base pay

The Committee approved across the Board salary increases for all eligible colleagues in 2022/23 of at least 2.8% in line with the budget. The year 2022/23 was the first year of the Bank's current three-year Spending Review.

For reference, our median CEO pay ratio for 2022/23 is 5:1, very much at the lower end of the range of ratios reported by other organisations.

Long-Term Incentive Plan

In accordance with the rules of the Long-Term Incentive Plan (LTIP), awards were assessed for the corporate performance element of the scheme over the three-year cycle ending 31 March 2023. Based on the performance of the Bank against its Key Performance Indicators (KPIs) and taking into account broader context, the Committee concluded an award of 80% of the maximum was appropriate. Further details of awards for the Senior Executives are set out later in this report.

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

- progress on reviewing and updating the Bank's People and Reward Strategies in line with the broadened remit of the People and Remuneration Committee
- financial intervention payments to particularly recognise the performance and contribution of colleagues in lower bands (paid in December 2022)
- pay-out level determined for the Bank's Performance Bonus Plan (year ended 31 March 2023)
- awards under the personal element of the Bank's Long-Term Incentive Plan (LTIP) agreed for members of the Bank's Executive Committee (year ended 31 March 2023)
- corporate performance targets and participants agreed for the LTIP Cycle 9.

Barbara Anderson
Chair of the People and Remuneration Committee

"**The Committee approved across the Board salary increases for all eligible colleagues in 2022/23 of at least 2.8% in line with the budget.**"

Overview

The Remuneration Report is divided into two parts:

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

Those sections of the report that have been audited by the National Audit Office have been identified as such.

The role of the People and Remuneration Committee

The Committee's primary role is to provide robust, independent governance for executive remuneration, to ensure that reward for the Bank's Executive Team:

- supports the Bank's long-term business strategy and values
- enables the Bank to recruit, motivate and retain talented individuals with appropriate skills and experience, and
- links executive reward to the Bank's performance against its long-term business plan.

Membership of the People and Remuneration Committee

Barbara Anderson	Chair since October 2021
Jamie Carter	Member since April 2021
Nathaniel Sloane	Member since March 2020

The Committee members bring with them a range of expertise from diverse backgrounds, designed both to support the Bank in its governance framework and to facilitate the relationship with the Shareholder. Informal discussion between Committee members and the Executive has also added value to the Bank's remuneration policy and practice. Only members of the Committee and the Chair of the Board have the right to attend Committee meetings.

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

A member of the Company Secretary Team acts as Secretary to the Committee.

"The Committee members bring with them a range of expertise from diverse backgrounds, designed both to support the Bank in its governance framework and to facilitate the relationship with the Shareholder."

Remuneration policy

Table 1: Remuneration policy

The table below sets out the Bank's remuneration policy for 2023/24:

Element	Operation, opportunity, and performance framework
Base salary	
Objective To provide a competitive level of pay sufficient to attract and retain talent, and reflecting the skills and experience required for the role	Base salaries are reviewed annually considering the nature of the role and responsibilities. Roles are benchmarked against relevant comparator organisations in the public and private sectors. The People and Remuneration Committee also considers the external environment and views of the Shareholder. Any Executive Director salary increases in percentage terms will normally be in line with increases awarded to other colleagues but may be higher in certain circumstances, such as where: – there has been an increase in the scope or responsibility of an Executive Director's role – a salary or overall reward is out of line with market positioning, given the size and scale of the Bank – a role is pivotal for delivery of the objectives of the Bank – retention of an individual is determined to be key, e.g. for reasons of business continuity or corporate knowledge.
Long-Term Incentive Plan (LTIP)	
Objective To reward colleagues in leadership roles for their personal performance against objectives and our values, as well as their shared accountability for the Bank's sustained performance against its strategic goals	Executive Directors and certain other senior executives are eligible to participate in a Long-Term Incentive Plan (LTIP). The LTIP operates as a series of three-year cycles. Awards are comprised of two elements: Group and Personal. The weighting between these elements may be varied over time, at the discretion of the Committee, considering the requirements of the business and any relevant external factors.

Element	Operation, opportunity, and performance framework
Long-Term Incentive Plan (LTIP) (continued)	
	Targets for the Group element are set separately for each of the three years of the LTIP cycle, aligned with the business plan targets agreed by the Board. At the end of each year, the Board determines the corporate performance factor (the percentage of the maximum Group award that will vest) for the year. The overall corporate performance factor is then determined as the average of the three individual years of the cycle. However, the Committee retains the discretion to recommend to the Board a corporate performance factor that is higher or lower than the calculated average, to reflect any circumstances which in its judgement have had a significant impact on the Bank's performance during the three-year performance period. Targets for the Personal element are set for the first year of each LTIP cycle, and are designed to consider the specific responsibilities of individual senior leaders in the Bank. The current incentive is a maximum cash award of 50% of base salary. In the case of Executive Directors, awards are paid at the end of the relevant three-year cycle. In the case of other recipients of the LTIP, any awards in respect of the Personal element may be paid after two years and the Group element after three years. Recovery and withholding provisions apply for a period of seven years from the start of the performance period. The provisions apply in a range of adverse circumstances, at the Committee's discretion, including financial accounts misstatement, significant failure of risk management, regulatory censure or breach of policy and procedures. If a participant's employment within the Group ends before an award is paid, the award opportunity is normally forfeit and lapses in full, although there are exceptions that may be agreed by the Committee for participants categorised as 'good leavers'. The People and Remuneration Committee has ultimate discretion over the payment of any awards, taking into account factors it considers relevant including the overall performance of the Bank.
Annual bonus	
Objective To reward colleagues for their personal performance against objectives and our values, and to enable all colleagues to share in the Bank's success	All permanent colleagues who are not members of the LTIP participate in the British Business Bank Performance Bonus Plan. The plan provides an opportunity for eligible colleagues to be rewarded for their personal contribution during the bonus year, as well as to participate in the Bank's corporate success over the same period. Bonus payments are made up of a Personal and a Corporate element, and are calculated as follows: – the Personal element reflects personal contribution during the year and is determined by the performance rating agreed as part of the year-end performance review – the Corporate element is based on an assessment by the Board of the Bank's achievement against its strategic objectives during the bonus year. This element represents a recognition of the commitment and effort that colleagues collectively have put into delivering the Bank's objectives – individual award levels are calculated by reference to salary and vary according to seniority. Colleagues must have worked for at least three months of the bonus year.

Table 1: Remuneration policy (continued)

Element	Operation, opportunity, and performance framework
Pension and other benefits	
Objective To provide a range of flexible and market competitive benefits that are valued and support colleague wellbeing. To encourage planning for retirement and long-term savings	The Bank contributes up to a maximum 15% of base salary to its defined contribution scheme, subject to a minimum colleague contribution of 3%. Colleagues below Executive Director level who have reached their pension Lifetime Allowance may also receive a cash-in-lieu allowance of 10%. All colleagues benefit from health and wellbeing support through a healthcare cash plan, income protection and an employee assistance programme. Colleagues are able to buy or sell up to five days' holiday and can select from a range of benefits including childcare vouchers and cycle to work through the Bank's 'mylifestyle' flexible benefits portal. Benefits are reviewed annually to ensure they remain appropriate in light of the Bank's public ownership and competitiveness in relation to the market.
Loss of office payments	
Objective To provide fair but not excessive contract features	The Bank does not offer any terms other than, where applicable, statutory redundancy for loss of office within service contracts. Executive Directors and the senior team are on six months' notice either side. Provision may be made for payment in lieu of notice, where this is deemed to be in the interest of the business. Any situation will be considered by the Committee on its merits. Should an individual be considered a 'good leaver' under the LTIP rules, an appropriate portion of their LTIPs may, at the discretion of the People and Remuneration Committee, be retained. All termination payments are subject to Cabinet Office Guidance.
New Executive Director remuneration	
Objective To attract and retain high-calibre senior leaders	Remuneration for any new appointments is determined in accordance with the policy set out in this table. The same approach will be taken with respect to any internal appointments. The Bank does not offer any sign-on payments.
Colleague recognition	
Objective To celebrate and reinforce actions and behaviours aligned to the Bank's values	MyRecognition is an online recognition platform that facilitates recognition between colleagues for actions and behaviours that typify the Bank's values: Collaborative, Committed, and Creative. A nominal financial recognition can be awarded in exceptional cases, delivered in the form of e-vouchers. All nominations are subject to line manager approval.

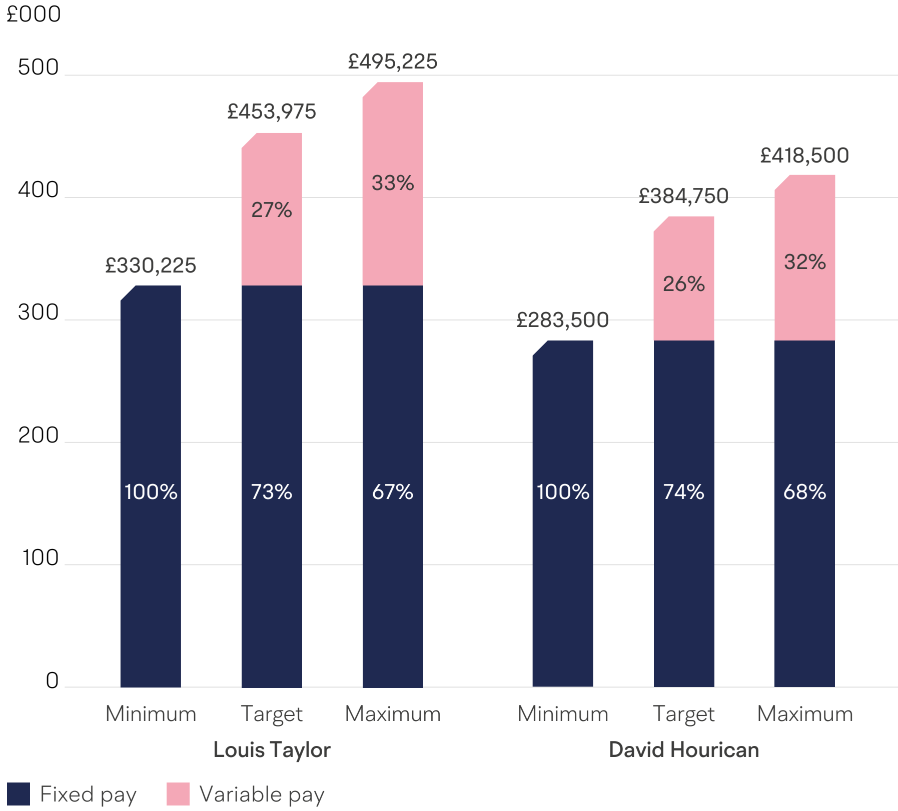
Table 2: Scenarios chart: Ranges for Executive Director remuneration

The following chart shows how Executive Directors' remuneration could vary according to performance and assumes that the Directors are employed by the Bank for a whole financial year. The variable pay element is measured over a three-year period and is paid out after the end of the third year, subject to continued employment or 'good leaver' status.

Notes

1. Minimum = fixed pay only (salary and current cost of benefits and pension*).
2. Target = fixed pay and 75% vesting of the LTIP.
3. Maximum = fixed pay and 100% vesting of the LTIP.

* Pension excluded for Louis Taylor as he was not in the scheme in 2022/23.



External appointments

Executive Directors may be invited to become Non-executive Directors in other companies. These appointments can enhance their knowledge and experience to the benefit of the Bank. It is the Bank's policy that Board approval is required before any external appointment may be accepted by an Executive Director. During the year, Louis Taylor served on the Board of Trustees at Sightsavers International and was a member of its Audit Committee. Louis was not remunerated for the activity.

Non-executive Directors

The Chair and the Non-executive Directors do not have service agreements with the Bank. Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years. The appointment of a Non-executive Director can be terminated by either party, giving written notice. Any increases in fees are subject to Shareholder approval. There is no provision for compensation for loss of office.

The current dates of appointment for the Non-executive Directors are shown in the Corporate Governance Statement.

The terms and conditions of appointment of the Non-executive Directors are available for inspection at the Bank's registered office.

The fee levels paid to the Non-executive Directors reflect the time commitment and responsibilities and are approved by the Shareholder.

The Board reviews the amount of each component of the fees on a periodic basis to assess whether they remain competitive and appropriate considering changes in roles, responsibilities or time commitment of the Non-executive Directors. In accordance with common practice, Non-executive Directors are reimbursed expenses incurred in performing their role.

Table 3 sets out the key elements of the Bank's remuneration policy for the Chair and other Non-executive Directors.

Table 3: Remuneration policy for Non-executive Directors

Element	Operation, opportunity, and performance framework
Basic fee – Chair	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	The Chair's fee will be reviewed from time to time by the People and Remuneration Committee.
Basic fee – Non-executive Directors	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	Non-executive Director remuneration is kept under review by the Chair and Executive Directors. Any recommendations are subject to Board approval, with Non-executive Directors not voting on their own remuneration. Additional fees are paid to the Senior Independent Director and Chairs of the Audit and Risk, and People and Remuneration Committees, in recognition of the additional time spent on their committee activities. This is in line with UK practice generally.

Further approval

The approval of, or material variation to, the remuneration, the terms and conditions on which such remuneration is to be paid, or the terms of employment or engagement of any Director of the Bank or any Non-executive Director of any other of the British Business Bank Group entities requires the prior written consent of the Secretary of State for DBT.

Consideration of employment conditions elsewhere in the Company

The People and Remuneration Committee has responsibility for the remuneration policy for all employees of the Bank. As a general rule, employment conditions for Directors are no more favourable than for other employees, although where appropriate to the scope and nature of their responsibilities, or to prevailing practice in the external market, elements of the reward package or other employment terms may be different: for example, the LTIP structure in place for Directors and other members of the Executive Committee, or the longer notice periods for Directors. With the exception of pension arrangements, the Bank does not formally consult with its employees on remuneration or employment conditions.

Annual report on remuneration

This part of the report sets out how the Bank's remuneration policy has been implemented during 2022/23 and has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013.

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

Single total figure of remuneration

Details of the total remuneration paid to Executive Directors for each of the years 2021/22 and 2022/23 are shown in separate tables below.

Table 4: Executive Director remuneration (audited)

	Year ended 31 March 2023					
	Salary £000	Taxable Benefits £000	Pension Payments (including cash supplements) £000	Total Fixed Pay £000	Long-Term incentive £000	Total £000
Catherine Lewis La Torre	152.7	0.5	15.3	168.5	126.2	294.7
Patrick Magee	52.6	0.2	5.5	58.3	80.2	138.5
Philip Piers	197.9	0.1	9.9	207.9	0.0	207.9
Louis Taylor	164.8	0.1	0.0	164.9	0.0	164.9
David Hourican	85.6	0.0	4.4	90.0	0.0	90.0
Total	653.6	0.9	35.1	689.6	206.4	896.0

Notes

1. For the year ended 31 March 2023, the salary, pension and taxable benefits, as shown in the table, show pay received for the period for which each of the Executive Directors was a member of the Bank. As it was not practical to apportion LTIP payments in the same way, the figures in the table reflect the total amounts that vested in the year. Patrick Magee left the Bank on 30 June 2022. Philip Piers left the Bank on 23 December 2022. Catherine Lewis La Torre left her role as Executive Director on 1 October 2022, reverting back to her previous role as Chief Executive Officer for British Patient Capital.
2. LTIP payments relate to the three-year period ending 31 March of the year being reported on. Philip Piers, Louis Taylor and David Hourican were not eligible for the LTIP cycle that vested on 31 March 2023.
3. Executive Directors are not eligible for annual incentive payments.
4. The Executive Directors receive death-in-service and illness income protection benefits which are non-taxable.
5. A health cash plan benefit was introduced on 1 July 2020 and is included under taxable benefits for the relevant portion of the year.

Total pension entitlements

The pension payments shown in Table 4 are the total employer contributions made on behalf of each Director during the year. All Directors are eligible for the Bank's defined contribution pension plan. The maximum employer contribution is set individually for each Director and is no higher than the maximum employer contribution available to employees below Board level. On leaving the Bank's service for any reason, Directors are eligible to retain their accrued benefits within the scheme on the same basis as all other employees.

Performance assessment

LTIP Cycle 7 vested on 31 March 2023, covering the three-year period from 1 April 2020 to 31 March 2023. Awards under the scheme were based on both Corporate performance (60% of the total potential award) and Personal performance (40% of the total potential award).

Considering performance against KPIs (shown in Table 6), the Bank's Board has determined that a Corporate performance pay-out of 80% of the maximum award is appropriate.

The table below provides a breakdown of the LTIP payments included in the single total figure of remuneration for the year ended 31 March 2023.

Table 5: LTIP awards made to Executive Directors that became fully vested during 2022/23

	Potential Award £000	Performance Award	Amount £000
Catherine Lewis La Torre			
Max amount: £000	**148.6**		
Personal Performance	74.3	90%	66.8
Corporate Performance	74.3	80%	59.4
Total Award	**148.6**		**126.2**
Patrick Magee			
Max amount: £000	**93.5**		
Personal Performance	53.4	90%	48.1
Corporate Performance	40.1	80%	32.1
Total Award	**93.5**		**80.2**

Notes

1. For both Catherine Lewis La Torre and Patrick Magee, the Personal and Corporate awards relate to LTIP Cycle 7.
2. The Personal awards relate to 2020/21 performance.
3. The Corporate awards relate to the three-year period ending 31 March 2023.

Table 6: Original KPI targets and actual outcomes (LTIP Cycle 7 Corporate performance)

Strategic Objective	Revised 2020/21 KPIs	Threshold	On-target/ Stretch	Challenge	Outcome
1 To increase the supply of finance to smaller businesses where markets do not work well	Quantitative: Stock of finance supported: – KPI excludes Covid-19 programmes.	£9.6bn	£12.0bn	£13.2bn	£12.4bn
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – Advice on, and delivery of, Covid-19 response programmes as the main focus of the objective: it will describe in-year activities of advice and support, as well as relevant product statistics on programme outputs and outcomes – Changes to existing products and activities due to Covid-19.	Threshold	On-target/ Stretch	Challenge	Exceeded target
2 To help create a more diverse finance market for smaller businesses, with greater choice of options and provider	Quantitative: percentage of stock outside of the 'Big 5': – KPI will exclude Covid-19 programmes – Covid-19 programme stock distribution percentages are provided for information.	87%	91.9%	96%	99.0% Exceeded challenge

Table 6: Original KPI targets and actual outcomes (LTIP Cycle 7 Corporate performance) (continued)

Strategic Objective	Revised 2020/21 KPIs	Threshold	On-target/ Stretch	Challenge	Outcome
3 To identify and help to reduce regional imbalances in access to finance for smaller businesses across the UK	Quantitative: flow of gross deployment outside of London: – KPI will exclude Covid-19 programmes – Covid-19 programme gross deployment provided for information.	£952.8m	£1,191.0m	£1,310.1m	£1,267m
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – Activities contributing to the objective, incorporating internal data and the reputation survey of intermediaries.	Threshold	On-target/ Stretch	Challenge	Exceeded target
4 To encourage and enable SMEs to seek the finance best suited to their needs	Quantitative: The KPI will include both Awareness and Consideration targets.	Stretch target minus 2% (Awareness) or 1% (Consideration)	For 2020/21: Awareness 25%, Consideration 42%. Targets for subsequent years subject to agreement by the Board	Stretch target plus 2% (Awareness) or 1% (Consideration)	KPI paused
	Qualitative report (Threshold/ Stretch/Challenge rating to be determined by the Board): – On the commitments within the new, broader strategy, drawing on a range of data sources (RepTrak, HotJar, media scorecards, etc.). The results of the reputation survey will provide a datapoint in the report, not a KPI itself.	Threshold	On-target/ Stretch	Challenge	KPI paused

Strategic Objective	Revised 2020/21 KPIs	Threshold	On-target/ Stretch	Challenge	Outcome
5 To be the centre of expertise on smaller business finance in the UK, providing advice and support to the Government	Qualitative report: Board assessment of qualitative reports on performance from UK Government Investments (UKGI) only, foremost on Priority Activities, as well as on other Supporting and Unanticipated Activities achieved in the year: – The UKGI means of assessment to be transparent to the Bank – Results of the reputation survey as a datapoint in the report, not a KPI itself.	Threshold	On-target/ Stretch	Challenge	Key milestones met
6 To achieve the Bank's other objectives whilst managing taxpayers' money efficiently within a robust risk management framework	Quantitative: The Bank will be held to the forecast adjusted Return on Capital Employed: – KPI will exclude Covid-19 programmes – Covid-19 programme returns provided for information.	0.67%	1.07%	1.67%	-2.0%
	Qualitative report: on risk activities during the year (Threshold/Stretch/Challenge rating to be determined by the Board).	Threshold	On-target/ Stretch	Challenge	Missed threshold

Notes

1. On-target/Stretch levels for quantitative KPIs represent forecast outcomes for 2022/23 from the November 2020 Business Plan.
2. Threshold and Challenge targets for KPI1 (Stock of finance) and KPI2 (Diverse supply) have been set at the same relationship to On-target/Stretch level as in LTIP Cycle 6.
3. Threshold and Challenge targets for quantitative metric for KPI3 (Regionality) have been based on the same relationship to On-target/Stretch level as KPI1.
4. For the qualitative KPIs, the Board will be asked to determine at the end of each financial year whether the Bank's performance for the year is at Threshold, On-target/Stretch, or Challenge level. These outcomes will be minuted, and at the end of the three-year LTIP cycle, considered collectively by the Board in forming its overall assessment of the Bank's performance outturn against the targets set at the beginning of the LTIP cycle.

Non-executive Directors' remuneration

Non-executive Directors receive remuneration in the form of a fee. Details for each of the years 2021/22 and 2022/23 are shown in Table 7.

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

However, Non-executive Directors are reimbursed expenses incurred in performing their role, and where applicable these amounts are included as fees in the table below.

Table 7: Non-executive Directors' remuneration (audited)

	Total Fees 2022/23 £000	Total Fees 2021/22 £000
Lord Smith (Chair)	123.8	120.0
Neeta Atkar	45.0	45.6
Barbara Anderson	30.1	14.2
Jamie Carter	NIL	NIL
James Connelly	25.3	6.1
Matthew Elderfield	9.0	NIL
Eilish Jamieson	9.1	NIL
Jennifer Knott	30.4	30.0
Dharmash Mistry	2.1	25.0
Nathaniel Sloane	25.0	25.0

Notes

1. Dharmash Mistry resigned with effect from 30 April 2022.
2. Matthew Elderfield was appointed on 22 November 2022.
3. Eilish Jamieson was appointed on 21 November 2022.

Scheme interests awarded during the financial year

Executive Directors and other senior colleagues are invited to participate in the Bank's Long-Term Incentive Plan. There is no annual bonus plan for this group. The table on the following page shows interests awarded to Executive Directors during 2022/23. Awards are worth up to a maximum of 50% of salary. Any pay-outs are in the form of cash and are subject to performance and other conditions.

The Personal element of the award was assessed over the 2022/23 performance year, with payment deferred for 24 months. The Corporate element will be assessed over the three-year period ending 31 March 2025. For Executive Directors, the Personal and Corporate elements of this award will both normally be paid in August 2025, subject to vesting conditions being satisfied.

Table 8: LTIP Cycle 9 awards to Executive Directors

	Year ended 31 March 2023						
	Type of interest	Total face value of award (% of salary)	Total face value of Personal award £000	Total face value of Corporate award £000	Total face value of award £000	Percentage of Corporate award for reaching threshold targets	End of Corporate performance period
Catherine Lewis La Torre	Cash LTIP	50%	76.3	44.5	120.8	50%	31 March 2025
Patrick Magee	Cash LTIP	50%	13.4	4.5	17.9	50%	31 March 2025
Philip Piers	Cash LTIP	50%	52.0	17.3	69.3	50%	31 March 2025
Louis Taylor	Cash LTIP	50%	41.3	68.8	110.1	50%	31 March 2025
David Hourican	Cash LTIP	50%	22.5	52.5	75.0	50%	31 March 2025

Group targets for LTIP Cycle 9 (April 2022 – March 2025)

To ensure that targets for the Group element of LTIP Cycle 9 remain relevant and challenging throughout the three-year business plan cycle, the Board's agreed Stretch targets for each of the Bank's KPIs from the 2022/23 Business Plan form the basis of the targets set for the first year of the three-year corporate performance period for this LTIP cycle. Targets for the second and third years of this LTIP cycle will be set at the beginning of each of these years. The business plan targets for 2022/23 can be found on p22–23 of the Annual Report and Accounts.

Payments to past Directors

There were no payments to past Directors.

Percentage changes in CEO/colleague pay

Catherine Lewis La Torre received a salary increase of 2.8% in 2022/23 in line with the base salary increase applied to eligible colleagues under the annual salary review process. No salary increase was processed for Louis Taylor as he was not eligible owing to his commencement date.

Table 9: Pay ratio of the CEO's total remuneration compared to other colleagues

The table and accompanying notes on the following page set out, for the year ended 31 March 2023, the ratio between the CEO's total single figure of remuneration and total remuneration for all colleagues at the lower quartile, median and upper quartile.

Year	Method	Lower quartile pay ratio	Median pay ratio	Upper quartile pay ratio
2023	Option A	7:1	5:1	3:1
2022	Option A	9:1	6:1	4:1
2021	Option A	12:1	8:1	5:1
2020	Option A	10:1	6:1	4:1

Option A has been used to calculate the lower quartile, median and upper quartile total remuneration for all colleagues, excluding the CEO. The elements of remuneration used for this calculation were as follows:

- Full-time-equivalent (FTE) salary as at 1 January 2023
- Total bonus awarded or total LTIP awards payable in respect of the year ended 31 March 2023
- Total employer pension contribution (calculated as the % in payment as at 1 January 2023 and applied to FTE salary)
- Taxable value of the private medical insurance and health cash plan benefit for eligible colleagues.

CEO total remuneration has been calculated by reference to the combined single total figure of remuneration for the year ended 31 March 2023.

The ratio of median pay ratio of 5:1 is low compared to other organisations, consistent with the Bank's obligation to deliver value-for-money as a public sector body.

Table 10: Relative importance of spend on pay

No dividends have been paid by the Bank, so we have set out below the percentage of total net operating income represented by total remuneration compared to 2021/22, to illustrate the relative importance of spend on pay.

Year	Total revenue £000	Total remuneration £000	%
2022/23	(1,614)	59,945	0%
2021/22	786,562	49,924	6%
2020/21	413,514	36,931	9%

Turnover represents net operating income which is largely driven by fair value movements on investments in the year. The year 2022/23 was negative, reflecting the reversal of previous unrealised gains, hence a figure of nil is used in the table above.

Implementation of the remuneration policy for 2022/23

For 2022/23, the Bank processed salary increases for all eligible colleagues in line with the salary budget outlined in the Bank's business plan.

In 2022/23, the Bank processed financial intervention payments to particularly recognise the performance and contribution of colleagues in lower bands (paid in December 2022).

The Bank's performance-related bonus and LTIP arrangements accrued in respect of the year 2022/23 have been paid as normal.

The Committee discussed reviewing and updating the Bank's People and Reward Strategies in line with the broadened remit of the People and Remuneration Committee.

External advisers

The People and Remuneration Committee uses advisers for the provision of remuneration advice. During the year, Mercer provided advice to the Committee on executive remuneration matters for a fee of £3,735, and Aon McLagan and Willis Towers Watson provided benchmarking data for fees of £45,600 and £25,100, respectively. None of these advisers has any connection with the Bank.

Directors' responsibilities

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

In accordance with UK Company Law, the Directors have elected to prepare both the Group financial statements and the parent Company financial statements under International Financial Reporting Standards (IFRS).

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Companies Act 2006 requires that Directors:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. We confirm that to the best of our knowledge:

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

By order of the Board

Louis Taylor
Chief Executive Officer

David Hourican
Chief Financial Officer
14 September 2023

Independent auditor's report

to the members of British Business Bank plc

Opinion on financial statements

I have audited the financial statements of British Business Bank plc group (BBB) for the year ended 31 March 2023 which comprise the:

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

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

In my opinion the financial statements:

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

Basis for opinion

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

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

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

Conclusions relating to going concern

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

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- considering the group's Business Plan for 2023-24 relevant to its operating expenditure;
- reviewing letters of comfort issued by the Department for Business and Trade to the group in support of the group's activities and the provision of funding; and
- considering if any other events or conditions have occurred which may cast doubt on the group's ability to continue as a going concern.

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

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls (other than to the extent where this was part of my work on the measurement of expected credit losses and fair value measurement of financial assets as set out below) where my work has not identified any matters to report.

The key audit matters were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on p85–86.

Key audit matter: Fair value measurement of financial instruments

Description of risk

The most significant balance in the financial statements of the British Business Bank plc group is investments. The majority of these investments are held and measured at fair values which are subjective and based on methods which rely on a range of unobservable inputs. These investments are held in the significant components British Business Finance Limited (BBF), British Business Investments Limited (BBI), and British Patient Capital Limited (BPC). The assumptions and judgements applied by management are disclosed in Note 3 to the financial statements (under the headings Judgements and Estimates).

Investments held at fair value had a total estimated fair value of £3.1bn at 31 March 2023 (£2.9bn at 31 March 2022). During the year the group: made new investments held at fair value totalling £579m; received £242m back from investments in funds; recognised realised gains of £76m; and recognised estimated unrealised fair value losses of £171m. Having previously invested solely through delivery partners, BPC is increasingly entering into direct investments. At 31 March 2023 the subsidiary directly held private equity investments with a total fair value of £154m (£80m at 31 March 2022). There continues to be a high level of estimation uncertainty inherent in the fair value measurement of the group's investments due to significant and persisting economic uncertainty.

Whilst loans issued by the Start-Up Loans Company (SUL) are held and measured at amortised cost, their fair value measurement is required for the purpose of initial recognition and disclosure. The assumptions and judgements applied by management are disclosed in Note 2 to the financial statements (under the heading *Fair at initial recognition – SUL*)

The investments held in SUL are loans to entrepreneurs provided on non-commercial terms, where losses of 30% to 40% are expected across the scheme. Investments in Enterprise Capital Funds (ECFs), held in BBF, are also provided on non-commercial terms and valued using complex models and subjective inputs where a reasonable variation has a material impact on the valuation derived. The level of write down required to account for these non-commercial terms is highly material and is subject to a significant estimate based on management's judgement, which is derived from a number of non-observable inputs.

How the scope of my audit responded to the risk

In auditing the fair value measurement of financial assets, I have performed the following procedures:

- I have tested the design and implementation of the controls applied by the group over the valuation processes for financial assets. This included attendance at key internal meetings where I observed management's review and challenge of valuations provided by fund managers. Where valuations are produced through models, I have tested the design and implementation of controls over the fair value models used.
- Where management relies on valuations provided by fund managers to estimate the value of its investments, I have considered the governance arrangements in place and the process undertaken by management to review and challenge the valuations prior to their inclusion in the accounts. I have performed detailed procedures to enable me to gain assurance from the work of the fund managers. This has included comparison of the most recent audited accounts of the fund against the fund manager valuation report for the same period and consideration of additional evidence where the accounting period of the fund and BBB are not coterminous. I considered the overall competence, capability and objectivity of the fund managers, as well as the scope of their work and its relevance to the accounts and my opinion.

Key audit matter: Fair value measurement of financial instruments (continued)

- Where management uses models to estimate the value of its loans and investments, I considered the selection and application of methods applied, the design of the valuation models, the validity of the data inputs to those models, and the appropriateness of the key assumptions on which the estimates were based. For the ECF valuation model I sought confirmation that management had reassessed the assumptions made in the prior year which underpin the valuation model, to confirm that they remain appropriate at year end, and challenged management on how it has addressed estimation uncertainty. For the SUL model I engaged an economic expert to support my assessment of the key assumptions used and obtained assurance over the completeness and accuracy of the input data used in the model by testing a sample of loan balances.
- In respect of the unlisted equity investments held directly by BPC, I have reviewed the group's valuation methodology to ensure that it continues to be align with International Private Equity and Venture Capital Valuation (IPEV) guidelines. I reviewed publicly available information about the performance of each of the companies BPC has invested in and compared this to the information used in valuing the investments to consider whether the best available information had been used in forming the fair value.
  - For co-investments, where BPC invested alongside with one of its delivery partners, I confirmed that the valuation methodology applied by BPC was reasonable in the context of the valuation applied by the delivery partner (fund manager).
  - For those investments valued using a revenue-multiple approach, I considered the reasonableness of the revenue multiples applied by management and the forecast revenues they were applied to. This included: assessing the reasonableness of management's selection of comparable companies; evaluating whether management had accurately determined the revenue multiple of comparable companies identified; and assessing the rationale for any discounts or premiums applied. I also evaluated the range of plausible valuations and verified revenue multiples to independent sources.
- I have assessed the accuracy and completeness of the review for potential impairments that management have performed in relation to their loans and investments.

  I have undertaken a review of a sample of loans and investments and considered whether management's judgements on appropriate accounting treatments are consistent with the relevant accounting standards and the underlying substance and form of legal agreements.

Key observations

Based on the evidence I obtained I found that the quarterly investment valuations provided by fund managers are a reliable basis for estimating the fair value of the groups' investments in funds.

My work over the direct investments held by BBB found that they were valued in line with the requirements of IFRS 13.

Where the fair values were outputs from models, I found that these outputs, and the underlying models' design, were in line with the requirements of IFRS 13.

The economic environment remains uncertain and there continues to be high levels of estimation uncertainty inherent in the fair value measurement of investments, especially for investments held in externally managed debt and equity funds. Note 12 to the financial statements (under the heading *Ongoing impact of market conditions on investment valuations*) adequately discloses the additional uncertainty in these fair values.

Key audit matter: Measurement of expected credit losses

Description of risk

For investments held at amortised cost, the determination of expected credit losses (ECL) continues to be an area of significant estimation. The assumptions and judgements applied by management are disclosed in Note 2 to the financial statements (under the heading *Impairment of financial assets*) and in Note 3 to the financial statements (under the headings *Economic scenarios and associated probability weightings and Post-model overlays*). This includes assumption and judgement in respect of: the application of IFRS 9 staging criteria; calculation of probability of default; and the use of forward looking macroeconomic forecasts.

BBB calculates ECLs using models developed by independent analytics and risk management experts. Additional overlays were made by management to reflect the underlying behaviours of the respective investment schemes.

The forward-looking macroeconomic scenarios are generated from key economic indicators provided by independent forecasters, comprising different economic outlooks. There is a high level of estimation uncertainty in the base case scenarios due to the inherent complexities in forecasting future economic outcomes, which are impacted by ongoing economic uncertainty. BBB run regression analysis on these variables to determine multipliers to apply to probabilities of default. These outlooks are weighted based on analysis and reviewed quarterly by management. Note 2 to the financial statements sets out the approach to calculating PD for each loan under the heading *The calculation of probability of default (PD)*. This is broadly based on credit ratings determined on inception and estimation of behaviour of loans over their lives.

The allowance for ECL at 31 March 2023 is £48.2m (£48.5m at 31 March 2022). There have been decreases in the ECL allowance due to: reduced BBI exposures (as a result of interest repayments and amortisation of portfolios that are in their run-off); an improved economic outlook; and an increase in the discount rate used to calculate the present value of ECLs, which have been largely offset by increases associated with the slightly worsened performance of the Start Up Loans portfolio and portfolio specific overlays. Although the improved economic outlook has resulted in a reduced level of estimation uncertainty in the provision as compared to the prior year, a significant level of uncertainty continues to exist. Management have presented additional quantitative and qualitative disclosure (Note 23.3 – Financial Risk Management) regarding this estimation uncertainty in BBB's financial statements.

Key audit matter: Measurement of expected credit losses (continued)

How the scope of my audit responded to the risk

I have understood and evaluated the design and implementation of key controls, including the governance in place, in relation to the measurement of expected credit losses.

I also performed the following procedures:

- I assessed the design of the ECL models and assessed management's rationale for the assumptions and methods used to confirm that these would produce estimates which are appropriate to the underlying financial instruments and compliant with the requirements of IFRS 9.
- I obtained assurance over the completeness and accuracy of the input data used in the ECL models by testing a sample of loan balances and verifying investment data against underlying contractual documentation and other information.
- I assessed the methodology for determining the Significant Increase in Credit Risk (SICR) criteria and independently tested the staging allocation by reperforming this across BBB's amortised cost loan portfolios.
- I reviewed the reasonableness of key assumptions, including comparison of economic assumptions to relevant publicly available information and to the scenarios provided by BBB's independent risk specialists. I assessed the specialists as management's external information source under ISA 500.
- I reviewed the sensitivity analysis undertaken by management to identify the most sensitive assumptions used in the models to focus our testing, and to evaluate how management had addressed estimation uncertainty in producing the accounting estimate. I evaluated the reasonableness of those assumptions and performed additional sensitivity analysis as appropriate.
- I tested all post-model adjustments to confirm that management's judgements in determining the need for these was appropriate and that the adjustments had been calculated using appropriate and supportable assumptions.

Key observations

Based on the evidence I obtained I found that the methodology, input data and assumptions used to calculate the ECLs were supported by appropriate evidence and were in line with the requirements of IFRS 9.

There remains significant estimation uncertainty in the measurement of loss allowances due to continued uncertainty in the UK economy and downside pressures on UK businesses from the emerging impact of high inflation from higher energy and cost of living prices. The financial statements (Note 23.3 – Financial risk management) describe the uncertainty in the measurement of the ECL and its sensitivity to key assumptions, which I am content is adequately disclosed.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the British Business Bank plc group's financial statements as a whole as follows:

	Group
Materiality	£33m
Basis for determining materiality	1% of net investment assets (PY £33m, 1% of net investment assets)
Rationale for the benchmark applied	BBB develops and manages finance programmes that are intended to enhance the working of financial markets and improve access to finance for smaller businesses. These programmes involve the making of debt and equity investments, (through partner organisations and directly). I therefore chose net investment assets as the benchmark for determining materiality because I consider it to be the principal consideration for users in assessing the financial performance of the group. I determined that this was more appropriate than using revenue or net profit as a benchmark as these are not the main factors that would influence the decisions of users of the financial statements.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2022-23 audit (2021-22: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

If corrected, the unadjusted audit differences reported to the Audit Committee would decrease reported net assets by £14k.

Audit scope

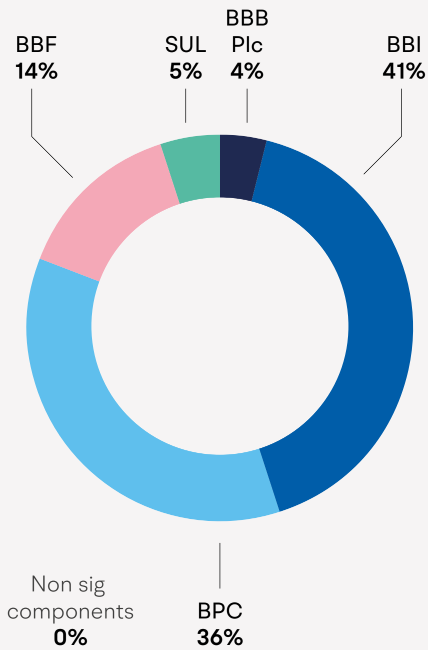
The scope of my British Business Bank plc group audit was determined by obtaining an understanding of the Group and its environment, including the group wide controls, and assessing the risks of material misstatement at the Group level.

The group comprises British Business Bank plc, BBB Patient Capital Holdings Limited, British Business Financial Services Limited, British Business Finance Limited and the subsidiaries of these companies: British Business Investments Limited, British Patient Capital Limited, The Start-Up Loans Company, British Business Aspire Holdco Limited, Capital for Enterprise Limited, Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited. The group financial statements are a consolidation of these companies.

I identified the following as significant components of the group: British Business Bank plc, British Business Investments Limited, British Patient Capital Limited, British Business Finance Limited and The Start-Up Loans Company (a subsidiary of British Business Finance Limited). British Business Investments Limited and British Patient Capital Limited require statutory audits and the work in this respect is carried out separately. The work on the other significant components is performed by the group audit engagement team.

This work, together with additional procedures performed on balances arising as a result of the group's consolidation process, gave me the evidence I needed for my opinion on the group financial statements as a whole. The significant components of the group account for over 99% of the group's assets. Together with the procedures performed at group level, this gave me the evidence I needed for my opinion on the group financial statements as a whole.

Gross assets of the British Business Bank plc group (as at 31 March 2023)



Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the group's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

I have reported separately, on p193–196, on the Parent Company Financial Statements of British Business Bank plc for the year ended 31 March 2023 and on the information in the Directors' Remuneration Report that is described as having been audited.

Matters on which I report by exception

In the light of the knowledge and understanding of the British Business Bank plc group and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

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

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

Corporate governance statement

I am required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the British Business Bank plc group's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on p67;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on p67;
- Directors' statement on fair, balanced and understandable set out on p125;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on p94–102;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems p94–102; and
- The section describing the work of the audit committee set out on p85–86.

Responsibilities of the Directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the British Business Bank plc group from whom the auditor determines it necessary to obtain audit evidence.
- preparing Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the British Business Bank plc group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either 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 Bank plc group's accounting policies.
- inquired of management, the group's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the group's controls relating to the British Business Bank plc group's compliance with the Companies Act 2006;
- inquired of management, the group's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

I considered the significant estimates made by management in the production of the financial statements, in particular the measurement of expected credit losses and fair value measurement of financial instruments.

Audit response to identified risk

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

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

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

Other auditor's responsibilities

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

Susan Clark
Senior Statutory Auditor
18 September 2023

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

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

Consolidated financial statements

Consolidated statement of comprehensive net income

For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Income			
Interest income	4.1	50,130	47,651
Grant income	4.2	3,443	4,224
Management fee income	4.3	57,037	62,507
Other income		1,587	1,166
Gross operating income		**112,197**	**115,548**
Expected credit loss on amortised cost assets	12.1	234	29,283
Net (losses)/gains on investment assets	5	(146,325)	619,123
Net gain on write down of repayable capital grant	6	32,280	22,608
Net operating (loss)/income		**(1,614)**	**786,562**
Expenditure			
Staff costs	7.1	(59,945)	(49,924)
Other operating expenditure	7.2	(65,941)	(76,070)
Depreciation and amortisation		(1,802)	(2,474)
Operating expenditure		**(127,688)**	**(128,468)**
Net operating (loss)/profit before ECF loan commitment financial liability, interest payable and finance costs		**(129,302)**	**658,094**
ECF loan commitment financial liability			
Provided in the year on new commitments	15	(54,665)	(110,003)
Released in the year	15	37,580	58,571
Finance costs on lease liabilities		(237)	(274)
Interest payable	16	(635)	(1,600)
(Loss)/profit before tax		**(147,259)**	**604,788**
Tax	8.1	12,000	(151,895)
(Loss)/profit for the year after tax		**(135,259)**	**452,893**
Other comprehensive income		-	-
Total comprehensive income for the year		**(135,259)**	**452,893**

All operations are continuing.

The notes on p142–192 form an integral part of the financial statements.

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

Consolidated statement of financial position

As at 31 March 2023

	Note	2023 £000	2022 £000
Assets			
Cash and cash equivalents	10	116,927	101,553
Trade and other receivables	11	13,370	17,669
Amortised cost investments	12.1	503,092	526,625
Investments held at fair value through profit or loss	12.2	3,143,996	2,902,510
Property, plant and equipment		258	671
Right-of-use assets	13	6,908	7,967
Intangible assets		-	12
Total assets		**3,784,551**	**3,557,007**
Liabilities			
Trade and other payables	14	(30,782)	(35,408)
Corporation Tax payable		(9,232)	(7,957)
ECF loan commitment financial liability	15	(209,496)	(192,411)
Loans and other borrowings	16	(193,774)	(232,459)
Lease liabilities	17	(8,994)	(10,371)
Deferred tax liability	8.2	(150,012)	(184,881)
Total liabilities		**(602,290)**	**(663,487)**
Net assets		**3,182,261**	**2,893,520**
Equity			
Issued share capital	20.2	2,580,311	2,156,311
Retained earnings		601,950	737,209
Total equity		**3,182,261**	**2,893,520**

The financial statements of the Group (parent company number 08616013) were approved by the Board of Directors on 14 September 2023 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chief Executive Officer

The notes on p142–192 form an integral part of the financial statements.

Consolidated statement of changes in equity

As at 31 March 2023

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2021		**1,860,711**	**284,316**	**2,145,027**
Net income after tax		-	452,893	452,893
Total comprehensive income		**-**	**452,893**	**452,893**
Issue of ordinary shares	20.2	295,600	-	295,600
Balance at 31 March 2022		**2,156,311**	**737,209**	**2,893,520**
Balance as at 1 April 2022		**2,156,311**	**737,209**	**2,893,520**
Net loss after tax		-	(135,259)	(135,259)
Total comprehensive income		**-**	**(135,259)**	**(135,259)**
Issue of ordinary shares	20.2	424,000	-	424,000
Balance at 31 March 2023		**2,580,311**	**601,950**	**3,182,261**

Consolidated cash flow statement

As at 31 March 2023

	Note	2023 £000	2022 £000 Restated
(Loss)/Profit before tax		**(147,259)**	**604,788**
Cashflows from operating activities			
Adjustments for non-cash items:			
Net gain on write down of repayable capital grant	6	(32,280)	(22,608)
Depreciation and amortisation		1,802	2,474
Interest payable		635	1,600
ECF loan commitment financial liability	15	17,085	51,432
Changes in operating assets and liabilities:			
Net decrease/(increase) in amortised cost investments	12.1	23,533	(64,329)
Net increase in assets at fair value through profit or loss	12.2	(241,486)	(920,965)
Decrease/(increase) in trade and other receivables	11	4,299	(2,486)
(Decrease)/increase in trade and other payables	14	(4,626)	6,017
(Payment)/receipt of Corporation Tax		(21,593)	13,428
Payment of interest payable		(635)	(1,600)
Net cash used in operating activities		**(400,525)**	**(332,249)**
Cashflows from financing activities			
Capital grants received	16	36,000	60,000
Payments of lease liabilities	17	(1,933)	(1,898)
Finance costs on lease liabilities	17	237	274
Net increase in Shareholder funding	16	470,000	285,106
Net decrease in loans from Nuclear Liabilities Fund	16	(88,405)	(48,002)
Net cash from financing activities		**415,899**	**295,480**
Net increase/(decrease) in cash and cash equivalents		**15,374**	**(37,769)**
Cash and cash equivalents at beginning of the year		101,553	138,322
Cash and cash equivalents at end of the year		**116,927**	**101,553**

Interest received was £74.3m (2022: £86.2m).

In the prior year there was a separate line item of £295,600k relating to issue of new shares. This is now consolidated into Net increase in Shareholder funding, which was previously stated at £(10,464k).

The notes on p142–192 form an integral part of the financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2023

1. General information

The British Business Bank plc (the 'Company' or 'Group') is incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield, S1 2GQ. The nature of the British Business Bank Group's operations and its principal activities are set out in the Strategic Report on p2-65.

2. Significant accounting policies

Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at amortised cost and financial instruments that are measured at fair value or revalued amounts at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2023.

Control is achieved when the Company:

- has the power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Determining whether a Company has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over relevant activities. This judgement may involve assessing the purpose and design of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Net Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed in full to the owners of the Company in the absence of non-controlling interests. Total comprehensive income of the subsidiaries is also attributed in full to the owners of the Company in the absence of non-controlling interests.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Company and the Group have undertaken an assessment up to the year ending 31 March 2028. The basis of this assessment takes into account the outcome of the three-year Spending Review for the period between 1 April 2022 to 31 March 2025 as announced in November 2021. Post the Spending Review period the Company and Group have used similar assumptions in its assessment for the period between 1 April 2027 and 31 March 2028. In addition, the Group has received a letter of support from the Secretary of State for DBT stating it will provide sufficient funding to enable the Group to meet its liabilities as and when they fall due for a period of not less than 12 months from the date of approval of these financial statements. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of new and revised standards

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

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

Income recognition – Management income and Other income

Under IFRS 15 'Revenue from contracts with customers', income is recognised when a recipient obtains control of goods or service and thus has the ability to direct the use and obtain benefits from the goods or service. Management fee income and Other income are recognised when a recipient obtains control of the service.

The Group provides services to DBT and other entities (as detailed in note 4.3). These services include managing the initial issuance and ongoing administration of assets held by those entities, along with performing certain central administrative functions where those entities do not have their own capabilities. The amount of income is typically based on the costs incurred by the Group in performing those services whether externally incurred or an allocation of internal costs; as such, these can be dependent on length of time or linked to specific activities.

The income related to these services is recognised when a recipient obtains control of the service and thus has the ability to direct the use and obtain benefits from the service. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales-related taxes.

Interest income

Interest income and expense on all amortised cost financial instruments is recognised on an effective interest rate (EIR) basis.

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

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

When the Group revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the Consolidated Statement of Comprehensive Net Income.

Grant income

Grant income is recognised under IAS 20 and relates to a Resource Grant and represents funding from the Company's Shareholder to cover the operating costs of The Start Up Loans Company (SUL).

Any grant income in excess of operating cost is treated as deferred resource grant income and has been included in Trade and other payables as a liability in the Consolidated Statement of Financial Position.

Tax

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits in future years will be available against which deductible temporary differences can be utilised.

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

Financial assets and liabilities

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

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

Classification of financial instruments

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

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

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

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

Individual investment programmes are detailed further in note 12.

Fair value at initial recognition – SUL

Loans originated through the Group's Start Up Loans (SUL) programme have been classified as amortised cost financial instruments. The Group charges a single rate of interest (6%) to SUL customers that is independent of the credit quality of the customer.

This interest rate is not sufficient to compensate for the expected losses for the SUL scheme which are forecast to be between 30% and 40%, reflecting the non-commercial nature of the scheme. Therefore, the transaction value of a Start Up Loan will not equal its fair value.

The future expected cashflows are risk adjusted and discounted using an appropriate discount rate, which has been calculated by taking the average five-year median corporate debt rate for Caa/C rated loans, in order to calculate the fair value.

In accordance with IFRS 9, the fair value adjustment at initial recognition, which is the difference between the transaction value of the loans and their fair value, would usually be deferred and either amortised or recognised when a gain or loss was crystallised.

However, the Directors have determined that it is appropriate in this circumstance to apply a true and fair override, and consequently, any fair value adjustment arising on the SUL loan book will be recognised immediately through the Consolidated Statement of Comprehensive Net Income because this reflects the commercial position more appropriately.

Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and with exposures arising from loan commitments and financial guarantee contracts.

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

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

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

Financial assets are included in 'stage 3' when there is objective evidence that the asset is credit impaired, with expected credit losses still calculated on a lifetime basis. Accounts which are more than 90 days past due are considered to be in default and credit impaired. Once an account is recognised as being in 'stage 3', interest income is recognised by applying the effective interest rate to the amortised cost carrying amount.

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

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

The calculation of probability of default (PD)

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

The calculation of loss given default (LGD)

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

The calculation of exposure at default (EAD)

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

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

Investments in Associates

IAS 28 Investments in Associates applies to all investments in which the Group has significant influence but not control. A holding of 20% or more of the voting power of an investment would normally indicate significant influence and require these investments to be accounted for as associates using the equity method of accounting.

Where the Group holds greater than 20% of the ordinary share capital of an entity but there is no significant influence, these entities are not accounted for as associates. Instead, these entities are classified and accounted for as a financial asset in accordance with IFRS 9 Financial Instruments. These investments are held at FVTPL and initially recorded at cost and subsequently re-valued based on fund net asset values (NAVs). Details of the Group's significant holdings are shown in note 21, none of which the Group has significant influence over as they are not involved in management decisions and do not have seats on the Board.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Financial liabilities

In both the current and prior period, financial liabilities are classified at initial recognition and subsequently measured at amortised cost, except for:

– financial liabilities at fair value through profit or loss: This classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented in the Consolidated Statement of Comprehensive Net Income.

Loan commitments at below market rate

The Group accepts a lower than market rate of return from Enterprise Capital Funds (ECF) investments in order to encourage private sector investors to invest alongside. Although the Group expects to make a positive return from these investments, this return is less than that required by the private sector. The Group has loan commitments for each of these investments and at initial recognition elected to irrevocably designate the liability related to these loan commitments as measured at FVTPL.

This group of financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis in accordance with a documented investment strategy, and information about these assets and liabilities is provided internally on that basis to the Group's key management personnel.

When a commitment is drawn, the loan commitment is released and a separate fair value adjustment on the resulting investment is recognised in net losses on investments in the Consolidated Statement of Comprehensive Net Income, to reflect the difference between the fair value and the amount drawn.

Loans and other borrowings

The Group has a loan facility from the Secretary of State for DBT which is classified and measured as amortised cost financial liabilities.

In addition, it has received a capital grant in respect of the SUL scheme. The agreement does not have a maturity date and carries an interest rate of zero. The capital grant is repayable on demand, in whole or in part, if at the absolute discretion of DBT certain conditions arise that affect the scheme adversely.

The Group classifies and initially measures the capital grant as an amortised cost financial liability. Subsequently, the Group measures the liability as amortised cost but adjusts the carrying value by any amounts it believes will not be recoverable from the loans made to entrepreneurs under the scheme. Further details relating to the capital grant are shown in note 6.

Contingent liabilities

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

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable, or the amount cannot be measured reliably.

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

– the amount of the impairment loss allowance

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

Foreign exchange

The Group applies IAS 21 The Effects of Changes in Foreign Exchange Rates and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are re-translated at the rates of exchange ruling at that date. Translation differences are recognised in the Consolidated Statement of Comprehensive Net Income.

Leases

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to borrow at over a similar term and with a similar security the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. A corresponding right of-use asset is also recognised.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset, or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the Consolidated Financial Statements, the Directors are required to make judgements and estimates. Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item. Estimates arise from using assumptions which result in a range of possible outcomes. The most important judgements and estimates used in preparing these Financial Statements are described below. Actual results may differ from these estimates.

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

Judgements

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

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

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

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

The Group's investments in Co-Investment, Future Fund: Breakthrough, and Enterprise Capital Funds – Direct Investments are not considered fund investments and therefore not based on fund NAVs. Further details of the valuation of these investments are shown in notes 12 and 23.2.

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

Estimates

a. Inputs to the Enterprise Capital Funds valuation models

The Group has modelled the estimated future cashflows generated from its Enterprise Capital Funds (ECF) in order to derive the fair value of its investments, and financial liabilities relating to its loan commitments. The models use inputs, some of which rely on estimates and assumptions made by management that risk causing a material adjustment to the carrying amounts of the assets and liabilities.

Within the ECF investment calculation the Group uses multiple inputs and assumptions to determine the four components (Accrued Return, Loan, Option and Additional Upside) that comprise the fair value. The profile of expected cashflows generated by the ECFs is derived from the current NAV of the individual funds. The key assumptions which involve a significant degree of management estimate are:

- the risk-adjusted discount rate used in the valuation of expected future cashflows
- the volatility percentage, which is a benchmark for the volatility of the market price of comparable investments over time.

Risk adjusted discount rate and market return rate

The ECF discount rates used in the model are as follows:

- ECFs classified as low risk: 11%
- ECFs classified as medium risk: 13.5%
- ECFs classified as high risk: 17.5%.

The discount rates are reviewed annually and in practice have remained at constant levels in recent years. The weighted average discount rates applied to the investments and commitments as at year-end were 15.5% and 17.3%, respectively. This is due to a larger number of funds being classified as high risk compared to those classified as low risk.

As an indication of sensitivity on the drawn investments, if all the funds had a 2% increase in discount rate applied this would decrease the fair value of the investments by £16.3m. Alternatively, if all the funds had a 2% decrease in discount rate applied this would increase the fair value of the portfolio by £18.5m.

As an indication of sensitivity on the commitments, if all the funds had a 2% increase in discount rate applied this would increase the loan commitment provision by £17.5m. Alternatively, if all the funds had a 2% decrease in discount rate applied this would decrease the loan commitment provision by £19.7m.

As a further indication of sensitivity on the drawn investments and commitments, if all the funds were treated as high risk with a 17.5% discount rate applied this would decrease the fair value of the investments by £8.4m. Alternatively, if all the funds were treated as low risk with an 11% discount rate applied this would increase the fair value of the portfolio by £56.0m.

If all the funds were treated as high risk with a 17.5% discount rate applied this would increase the loan commitment provision by £1.5m. Alternatively, if all the funds were treated as low risk with an 11% discount rate applied this would decrease the loan commitment provision by £71.0m.

Volatility percentage

The volatility assumptions are based on equity indices that are considered most closely aligned to the ECF portfolio companies and consider the sector-specific focus and maturity of each fund. The volatility assumptions used in the model vary from 11.4% to 86.6%.

A 10% relative decrease in the volatility percentage used across the ECF portfolio would lead to a £3.9m decrease in the fair value of the investments. Likewise, a 10% relative increase in the volatility percentage used across the ECF portfolio would increase the value of the investments by £3.8m.

b. The assessment of fair value at initial recognition for SUL

There is uncertainty in both the expected cashflows and the discount rate used to calculate the fair value at initial recognition for SUL.

The EIR is subsequently used in the calculation of interest income recognised in the Consolidated Statement of Comprehensive Net Income as the fair value adjustment amortises.

The cashflows comprise four main components: principal, interest, expected loss on principal and expected loss on interest. For each individual account and for each period, the expected loss on principal and the expected loss on interest are assessed by taking the outstanding contractual amounts and adjusting for the marginal probability of default and loss given default.

EIR is calculated using the risk-adjusted cashflows discounted using a derived market rate which references to the five-year median yield for Caa/C rated corporate debt applicable at the year of origination.

The fair value of SUL is sensitive to changes in the discount rate and to changes in expected cashflows arising from the actual and future expected performance of the loans. A 3% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or SONIA would lead to an approximate £1.6m decrease in the fair value recognised at inception for the loans newly originated during the year.

The impact of high inflation has raised further matters for consideration in assessing the Group's amortised cost financial assets. This has been incorporated into the fair value adjustment calculations for SUL through the increase in the discount rate and the post-model overlay process.

c. The assessment of ECL impairment allowances against amortised cost financial assets

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

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

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

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

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

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

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

Economic scenarios and associated probability weightings

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

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

Post-model overlays

The Group uses models in the calculation of its expected credit loss provisions and as in prior years has applied post-model overlays to reflect the increase in credit risk that is not accounted for due to any model limitations or the rigidity of model recovery assumptions.

The most significant post-model overlay that the Group makes is in relation to the management overlay applied to a Tier II Bank BBI investment to account for the increased difficulty associated with the potential liquidation of the underlying assets, leading to lower recoveries. Overlays are applied to the BBI and SUL portfolios, including the peer-to-peer lending portfolios. The overlays have resulted in an overall increase in the ECL provision of £8.3m which is 1.5% of total exposure.

d. The assessment of fair value of direct investments

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

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

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

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

The equity values of our portfolio companies are generally assessed via the methodologies described above. To determine the value of our investments, the relevant capital waterfalls are applied to the equity values to determine the fair value of the specific class of shares held under the current value methodology. Other methodologies would be considered if appropriate.

4. Income

4.1 Interest income

	Note	2023 £000	2022 £000
Contractual interest from amortised cost investments	12.1	34,032	31,274
Amortisation of fair value adjustment on initial recognition	12.1	16,098	16,377
Total interest income		**50,130**	**47,651**

The amortisation of the fair value adjustment on initial recognition represents the difference between the contractual interest rate and the effective interest rate applicable for the financial asset.

4.2 Grant income

	2023 £000	2022 £000
Grant received from Shareholder	3,443	4,224
Total grant income	**3,443**	**4,224**

Grant income relates to the Resource Grant received from DBT under the terms of the 'Grant Offer Letter' between DBT and SUL. The grant income funds some operating expenses of SUL and any amount in excess is recorded as deferred scheme income in the Consolidated Statement of Financial Position.

4.3 Management fee income

	2023 £000	2022 £000
Management fee income earned from:		
Department for Business and Trade	50,183	59,741
Northern Powerhouse Investments Limited	2,496	4
Midlands Engine Investments Limited	1,244	556
Cornwall and Isles of Scilly Investments Limited	3	117
Nuclear Liabilities Fund	1,821	1,490
Other	1,290	599
Total management fee income	**57,037**	**62,507**

During the 2020/21 financial year, the Group began administering the Covid-19 emergency finance schemes on behalf of DBT. The management fee income relating to Covid-19 emergency finance schemes recharge is £43.0m (2022: £50.6m) and the costs are reflected in note 7.3.

Management fee income from the Regional Funds as detailed in the above table is, in some instances, capped to the available Resource Grant of the chargeable company.

5. Net (losses)/gains on investment assets

	Note	2023 £000	2022 £000
Fair value adjustment on initial recognition of amortised cost assets	12.1	(29,341)	(31,002)
Derecognition of amortised cost assets	12.1	(21,809)	(27,690)
Recovery of previously derecognised amortised cost assets		26	42
Fair value adjustment on initial recognition of assets held at fair value through profit or loss	12.2	(37,484)	(49,997)
Realised fair value gains on assets held at fair value through profit or loss	12.2	11,519	38,547
Unrealised fair value (losses)/gains on assets held at fair value through profit or loss	12.2	(69,236)	689,223
Total fair value (losses)/gains on assets held at fair value through profit and loss	**12.2**	**(57,717)**	**727,770**
Total net (losses)/gains on investment assets		**(146,325)**	**619,123**

6. Net gain on write down of repayable capital grant

	2023 £000	2022 £000
Write down of repayable capital grant received	32,280	22,608
Total net gain on write down of repayable capital grant	**32,280**	**22,608**

The Group receives a capital grant from DBT under the terms of the 'Grant Offer Letter' between DBT and SUL for the purpose of extending loans to entrepreneurs at below market rate (see note 16). On expiry of the grant period (31 March 2027), SUL will repay to DBT the amount of cash held in its bank accounts representing capital and interest repayments from entrepreneurs. The repayable capital grant will be reduced by any unrecovered amounts from the beneficiaries of the loans. The gain on write-down of repayable capital grant represents the reduction in the capital grant liability for the write-offs and impairment losses incurred on the loans to entrepreneurs in the period as well as the reduction/increase in the capital grant liability for the fair value adjustment on initial recognition and the subsequent amortisation of this adjustment.

7. Operating expenditure

7.1 Staff numbers and staff costs

The average monthly number of employees including Directors was:

	2023	2022
On payroll	562	508
Secondees and agency staff	39	30
Non-executive Directors	8	8
Total staff numbers	**609**	**546**

Aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries:		
On payroll including Executive Directors	33,650	28,479
Secondees and agency staff	8,316	6,360
Non-executive Directors' fees	478	442
Short- and long-term incentive plans and bonus scheme	7,549	6,581
Social security costs	5,093	4,047
Pension costs	4,859	4,015
Total staff costs	**59,945**	**49,924**

The above staff costs include an amount of £9.7m (2022: £7.2m) that has been recharged to DBT in relation to the Covid-19 emergency finance schemes as detailed in note 7.3.

The details of the highest paid Director are included in the Directors' remuneration report on p109–124.

7.2 Other operating expenditure

	Note	2023 £000	2022 £000
Professional fees:			
Investment scheme design and transactions		5,347	3,633
Operational fees		6,062	2,463
Accommodation and office services		1,614	1,565
Information technology		6,118	8,268
Marketing		3,386	4,993
SUL delivery partner fees		7,318	8,282
Auditor's remuneration		507	465
Staff related costs, including training and travel		1,502	2,029
Other purchase of goods and services		805	948
Covid-19 emergency finance schemes direct operating expenditure	7.3	33,282	43,424
Total other operating expenditure		**65,941**	**76,070**

The above operating expenditure includes an amount of £33.3m (2022: £43.4m) that has been recharged to DBT in relation to the Covid-19 emergency finance schemes as detailed in note 7.3.

Auditor's remuneration is stated net of VAT and represents the total fee payable by the Group for all statutory audit services. A fee of £289,000 plus VAT was charged for the audit of the Group's Annual Report and Accounts.

7.3 Covid-19 scheme direct expenditure

	Note	2023 £000	2022 £000
Staff costs	7.1	9,684	7,150
Covid-19 emergency finance schemes direct operating expenditure	7.2	33,282	43,424
Total Covid-19 scheme expenditure		**42,966**	**50,574**

The Group administers the Covid-19 emergency finance schemes on behalf of DBT and as such incurred direct costs on their behalf as shown in note 7.2. In addition, there was a recharge of staff costs attributable to the Covid-19 emergency finance schemes of £9.7m (2022: £7.2m) included within note 7.1. The direct expenditure was fully recharged to DBT and staff costs were recharged on a proportional basis, with the total recharged being included in the management fee income note 4.3.

8. Tax

8.1 Tax on profit on continuing activities

	2023 £000	2022 £000
Current tax		
Current year	330	1,089
Adjustment in respect of prior years	22,538	19,099
Total current tax	**22,868**	**20,188**
Deferred tax		
Current year	(46,863)	131,413
Adjustment in respect of prior years	11,995	294
Total deferred tax	**(34,868)**	**131,707**
Total tax recognised through comprehensive income	**(12,000)**	**151,895**

Factors affecting the tax expense for the period

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

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

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

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

8. Tax (continued)

The tables below reconcile the tax charge for the year:

	2023 £000	2022 £000
(Loss)/profit before tax	(147,259)	604,788
Tax on (loss)/profit at standard UK tax rate 19% (2022: 19%)	(27,979)	114,910
Effects of:		
Permanent disallowances relating to:		
Other permanent disallowances	–	102
Timing differences relating to:		
Tax effects of fair value movements	(7,273)	(25,132)
Adjustments in respect of prior periods	34,693	19,085
Effects of rate change	(11,247)	44,371
Movement in unrecognised deferred tax	(1)	(1,649)
Other timing differences	(193)	208
Total tax (income)/charge	**(12,000)**	**151,895**

	Unrealised losses		Deferred tax	
	2023 £000	2022 £000	2023 £000	2022 £000
Unrealised losses	(36,072)	(50,644)	(9,018)	(12,661)
Other timing differences*	636,120	790,168	159,030	197,542
Other timing differences subject to deferred tax	**600,048**	**739,524**	**150,012**	**184,881**

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

8. Tax (continued)

8.2 Deferred tax liability

	2023 £000	2022 £000
Deferred tax liability at 1 April	184,881	53,174
Movement in the year	(34,869)	131,707
Deferred tax liability at 31 March	**150,012**	**184,881**

9. Operating segments

The Group's performance and results are managed internally as follows:

– British Business Bank entities: these are split into British Business Finance Limited (BBFL), British Patient Capital Limited (BPC), British Business Investments Ltd (BBI), The Start Up Loans Company (SUL) and the overall Group results

– Programmes administered on behalf of DBT: In addition to its own operations, the British Business Bank, through its subsidiary British Business Financial Services Ltd (BBFSL), administers assets on behalf of DBT. These assets do not form part of the British Business Bank plc Group financial statements but are reported to management. The financial performance and position of these programmes is included within the Strategic Report. These figures are not part of the audited financial statements

– Business units: The Group's business units span the different subsidiaries to pool expertise.

9. Operating segments (continued)

Consolidated statement of comprehensive net income for the year ending 31 March 2023

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income							
Investment Programmes	-	18,680	-	-	-	-	18,680
Venture Solutions	3,394	-	-	-	-	(1,270)	2,124
Start Up Loans	-	-	-	29,326	-	-	29,326
Management fee and other income	815	771	1,821	-	104,126	(48,909)	58,624
Grant income	-	-	-	3,443	-	-	3,443
	4,209	**19,451**	**1,821**	**32,769**	**104,126**	**(50,179)**	**112,197**
Net (losses)/gains on investment assets							
Investment Programmes	-	34,247	-	-	-	-	34,247
Venture Solutions	(44,889)	-	(89,958)	-	-	-	(134,847)
Start Up Loans	-	-	-	(45,491)	-	-	(45,491)
	(44,889)	**34,247**	**(89,958)**	**(45,491)**	**-**	**-**	**(146,091)**
Net gain on write down of repayable capital grant	**-**	**-**	**-**	**32,280**	**-**	**-**	**32,280**
Operational expenditure							
Staff costs	(2,695)	(2,234)	(3,447)	(3,311)	(48,258)	-	(59,945)
Professional services	(337)	(2,684)	(888)	(1,180)	(19,379)	-	(24,468)
General operations	(19,414)	(10,702)	(12,654)	(13,797)	(35,617)	48,909	(43,275)
	(22,446)	**(15,620)**	**(16,989)**	**(18,288)**	**(103,254)**	**48,909**	**(127,688)**
Net operating (loss)/profit before ECF loan commitment financial liability and interest payable	**(63,126)**	**38,078**	**(105,126)**	**1,270**	**872**	**(1,270)**	**(129,302)**
ECF fair value provision expense	37,580	-	-	-	-	-	37,580
ECF fair value provision on new commitments	(54,665)	-	-	-	-	-	(54,665)
Finance costs	-	-	-	-	(237)	-	(237)
Interest payable	-	-	-	(1,270)	(635)	1,270	(635)
(Loss)/profit before tax	**(80,211)**	**38,078**	**(105,126)**	**-**	**-**	**-**	**(147,259)**

All transactions between Group companies take place on an arm's length basis. There are no differences between the entities' reportable profit or loss and the results in the note above.

9. Operating segments (continued)

Consolidated statement of comprehensive net income for the year ending 31 March 2022

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Intra-group eliminations £000	Total Group £000
Income							
Investment Programmes	–	17,865	–	–	–	–	17,865
Venture Solutions	2,471	–	–	–	–	(1,270)	1,201
Start Up Loans	–	–	–	28,585	–	–	28,585
Management fee and other income	403	430	1,490	–	106,387	(45,037)	63,673
Grant income	–	–	–	4,224	–	–	4,224
	2,874	**18,295**	**1,490**	**32,809**	**106,387**	**(46,307)**	**115,548**
Net gains/(losses) on investment assets							
Investment Programmes	–	185,101	–	–	–	–	185,101
Venture Solutions	144,851	–	354,046	–	–	–	498,897
Start Up Loans	–	–	–	(35,592)	–	–	(35,592)
	144,851	**185,101**	**354,046**	**(35,592)**	**-**	**-**	**648,406**
Net gain on write down of repayable capital grant	**-**	**-**	**-**	**22,608**	**-**	**-**	**22,608**
Operational expenditure							
Staff costs	(1,688)	(1,782)	(2,717)	(3,088)	(40,649)	–	(49,924)
Professional services	(328)	(1,478)	(787)	(557)	(40,014)	–	(43,164)
General operations	(18,106)	(10,718)	(12,783)	(14,960)	(23,850)	45,037	(35,380)
	(20,122)	**(13,978)**	**(16,287)**	**(18,605)**	**(104,513)**	**45,037**	**(128,468)**
Net operating profit/(loss) before ECF loan commitment financial liability and interest payable	**127,603**	**189,418**	**339,249**	**1,220**	**1,874**	**(1,270)**	**658,094**
ECF fair value provision expense	58,571	–	–	–	–	–	58,571
ECF fair value provision on new commitments	(110,003)	–	–	–	–	–	(110,003)
Finance costs	–	–	–	–	(274)	–	(274)
Interest payable	–	–	–	(1,270)	(1,600)	1,270	(1,600)
Profit/(loss) before tax	**76,171**	**189,418**	**339,249**	**(50)**	**-**	**-**	**604,788**

All transactions between Group companies take place on an arm's length basis. There are no differences between the entities' reportable profit or loss and the results in the note above.

9. Operating segments (continued)

The ECF portfolio is classified as FVTPL. For the measurement of the Group's financial target, interest income, which is part of the fair value movement, is included, and all other accounting impacts as shown in the table below are excluded.

The table summarises the amounts relating to the ECFs that have been recognised in arriving at the Group profit before tax in the Consolidated Statement of Comprehensive Net Income.

	Note	2023 £000	2022 £000
Fair value adjustment on initial recognition	12.2	(37,484)	(49,997)
Fair valuation movements	12.2	19,770	202,110
Provision released in year	15	37,580	58,571
Net gain on Enterprise Capital Funds		**19,866**	**210,684**

Start Up Loans

The Group accepts a lower than market rate of return from Start Up Loans to entrepreneurs as explained in note 2 to the financial statements. Accounting standards require the Group to recognise a fair value adjustment on initial recognition when it makes a Start Up Loan.

	Note	2023 £000	2022 £000
Gross lending advanced in the year	12.1	120,067	130,748
Fair value adjustment on initial recognition	12.1	(29,341)	(31,002)
Fair value on initial recognition		**90,726**	**99,746**

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2023

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets						
Amortised cost						
BFP Mid Cap	-	125,209	-	-	-	125,209
Investment Programme	-	155,347	-	-	-	155,347
Loan to Midlands Engine Investments	14,973	-	-	-	-	14,973
Start Up Loans	-	-	-	181,910	-	181,910
Loan to Northern Powerhouse Investments	25,653	-	-	-	-	25,653
Assets held at FVTPL						
BFP Mid Cap	-	224,273	-	-	-	224,273
Investment Programme	-	623,253	-	-	-	623,253
Enterprise Capital Funds	439,573	-	-	-	-	439,573
Enterprise Capital Funds – Direct Investments	13,058	-	-	-	-	13,058
Venture/Venture Growth	-	-	1,230,107	-	-	1,230,107
Co-Investment	-	-	62,991	-	-	62,991
UKIIF	-	132,946	-	-	-	132,946
Managed Funds	-	207,350	-	-	-	207,350
Future Fund: Breakthrough	-	-	90,851	-	-	90,851
Life Sciences Investment Programme	-	-	11,314	-	-	11,314
Regional Angels Programme	-	101,896	-	-	-	101,896
Other Venture Capital Investments	6,384	-	-	-	-	6,384
Total investment assets	**499,641**	**1,570,274**	**1,395,263**	**181,910**	**-**	**3,647,088**
ECF loan commitments financial liability	(209,496)	-	-	-	-	(209,496)
Net investment assets	**290,145**	**1,570,274**	**1,395,263**	**181,910**	**-**	**3,437,592**
Other assets/(liabilities)						
Other assets	12,169	31,144	7,677	9,045	84,466	144,501
Loans and other borrowings	-	-	-	(133,774)	(60,000)	(193,774)
Amounts owed from Group undertakings	35,584	(4,934)	(31,252)	(55,636)	56,238	-
Other liabilities	(4,854)	(66,887)	(110,993)	(1,379)	(21,945)	(206,058)
Total net assets	**333,044**	**1,529,597**	**1,260,695**	**166**	**58,759**	**3,182,261**

At 31 March 2023 the Company held investments in subsidiaries of £2,583.9m which are eliminated in full on consolidation.

9. Operating segments (continued)

Consolidated statement of financial position as at 31 March 2022

	BBFL £000	BBI £000	BPC £000	SUL £000	Company plc and BBFSL £000	Total Group £000
Investment assets						
Amortised cost						
BFP Mid Cap	-	131,081	-	-	-	131,081
Investment Programme	-	176,122	-	-	-	176,122
Loan to Midlands Engine Investments	14,958	-	-	-	-	14,958
Start Up Loans	-	-	-	178,831	-	178,831
Loan to Northern Powerhouse Investments	25,633	-	-	-	-	25,633
Assets held at FVTPL						
BFP Mid Cap	-	247,735	-	-	-	247,735
Investment Programme	-	542,243	-	-	-	542,243
Enterprise Capital Funds	435,826	-	-	-	-	435,826
Enterprise Capital Funds – Direct Investments	40,627	-	-	-	-	40,627
Venture/Venture Growth	-	-	1,171,009	-	-	1,171,009
Co-Investment	-	-	55,159	-	-	55,159
UKIIF	-	153,328	-	-	-	153,328
Managed Funds	-	164,129	-	-	-	164,129
Future Fund: Breakthrough	-	-	25,307	-	-	25,307
Life Sciences Investment Programme	-	-	1,914	-	-	1,914
Regional Angels Programme	-	57,221	-	-	-	57,221
Other Venture Capital Investments	8,015	-	-	-	-	8,015
Total investment assets	**525,059**	**1,471,859**	**1,253,389**	**178,831**	**-**	**3,429,138**
ECF loan commitments financial liability	(192,411)	-	-	-	-	(192,411)
Net investment assets	**332,648**	**1,471,859**	**1,253,389**	**178,831**	**-**	**3,236,727**
Other assets/(liabilities)						
Other assets	4,068	29,065	14,765	8,522	54,825	111,245
Loans and other borrowings	-	-	-	(130,054)	(102,405)	(232,459)
Amounts owed from Group undertakings	52,306	71,494	(65,569)	(54,798)	(3,433)	-
Other liabilities	-	(71,504)	(131,301)	(2,335)	(16,853)	(221,993)
Total net assets	**389,022**	**1,500,914**	**1,071,284**	**166**	**(67,866)**	**2,893,520**

At 31 March 2022 the Company held investments in subsidiaries of £2,271.6m which are eliminated in full on consolidation.

10. Cash and cash equivalents

	2023 £000	2022 £000
Government Banking Service	93,727	73,814
Commercial banks	23,200	27,739
Total cash and cash equivalents	**116,927**	**101,553**

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

11. Trade and other receivables

	2023 £000	2022 £000
Amounts receivable within one year		
Trade receivables	953	7,618
Accrued income	8,909	7,976
Prepayments and other receivables	3,508	2,075
Total trade and other receivables	**13,370**	**17,669**

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

12. Investments

12.1 Amortised cost investments

As at 31 March 2023

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Accrued Interest £000	Amortisation of fair value adjustment on initial recognition £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	131,081	6,936	–	(18,998)	6,434	–	–	(244)	125,209
Investment Programme	176,122	152,759	–	(180,568)	12,247	–	(318)	(4,895)	155,347
Start Up Loans	178,831	120,067	(29,341)	(100,819)	13,227	16,098	(21,491)	5,338	181,910
Loan to Northern Powerhouse Investments	25,633	–	–	(1,348)	1,348	–	–	20	25,653
Loan to Midlands Engine Investments	14,958	–	–	(776)	776	–	–	15	14,973
Total	**526,625**	**279,762**	**(29,341)**	**(302,509)**	**34,032**	**16,098**	**(21,809)**	**234**	**503,092**

As at 31 March 2022

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Accrued Interest £000	Amortisation of fair value adjustment on initial recognition £000	Derecognition[1] £000	Expected credit loss allowance £000	Closing balance £000
BFP Mid Cap	92,609	56,959	–	(24,159)	5,161	–	–	511	131,081
Investment Programme	176,813	106,948	–	(125,933)	12,704	–	(6,836)	12,426	176,122
Start Up Loans	157,366	130,748	(31,002)	(102,275)	12,208	16,377	(20,854)	16,263	178,831
Loan to Northern Powerhouse Investments	20,585	5,000	–	(731)	731	–	–	48	25,633
Loan to Midlands Engine Investments	14,923	–	–	(470)	470	–	–	35	14,958
Total	**462,296**	**299,655**	**(31,002)**	**(253,568)**	**31,274**	**16,377**	**(27,690)**	**29,283**	**526,625**

The amortisation of the fair value adjustment on initial recognition represents the difference between the contractual interest rate and the effective interest rate applicable for the financial asset.

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

12. Investments (continued)

12.2 Investments held at fair value through profit or loss

As at 31 March 2023

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £000	Closing balance £000
BFP Mid Cap	247,735	2,000	-	(35,882)	10,420	224,273
Investment Programme	542,243	143,692	-	(94,282)	31,600	623,253
UKIIF	153,328	3,163	-	(8,237)	(15,308)	132,946
Managed Funds	164,129	40,334	-	(4,683)	7,570	207,350
Regional Angels Programme	57,219	39,473	-	(195)	5,399	101,896
Venture/Venture Growth	1,171,009	192,680	-	(32,059)	(101,523)	1,230,107
Co-Investment	55,159	7,000	-	-	832	62,991
Future Fund: Breakthrough	25,307	65,521	-	-	23	90,851
Life Sciences Investment Programme	1,913	9,135	-	(10,443)	10,709	11,314
Enterprise Capital Funds	435,826	74,118	(37,484)	(52,657)	19,770	439,573
Enterprise Capital Funds – Direct Investments	40,627	-	-	-	(27,569)	13,058
Legacy Venture Capital Investments	8,015	1,400	-	(3,391)	360	6,384
Total	**2,902,510**	**578,516**	**(37,484)**	**(241,829)**	**(57,717)**	**3,143,996**

As at 31 March 2022

	Opening balance £000	Additions £000	Fair value adjustment on initial recognition £000	Repayments £000	Fair value movements £000	Closing balance £000
BFP Mid Cap	312,190	5,008	-	(94,063)	24,600	247,735
Investment Programme	441,906	139,976	-	(99,621)	59,982	542,243
UKIIF	141,725	3,084	-	(37,232)	45,751	153,328
Managed Funds	59,640	66,457	-	(2,408)	40,440	164,129
Regional Angels Programme	16,065	34,884	-	(1,916)	8,186	57,219
Venture/Venture Growth	653,795	257,513	-	(66,789)	326,490	1,171,009
Co-Investment	12,149	15,293	-	-	27,717	55,159
Future Fund: Breakthrough	-	25,330	-	-	(23)	25,307
Life Sciences Investment Programme	-	2,055	-	(4)	(138)	1,913
Enterprise Capital Funds	334,536	100,644	(49,997)	(151,467)	202,110	435,826
Enterprise Capital Funds – Direct Investments	-	46,151	-	-	(5,524)	40,627
Legacy Venture Capital Investments	9,539	2,056	-	(1,759)	(1,821)	8,015
Total	**1,981,545**	**698,451**	**(49,997)**	**(455,259)**	**727,770**	**2,902,510**

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

Repayments received during the year of £nil (2022: £46.2m) from Enterprise Capital Funds were used to acquire the Enterprise Capital Funds – Direct Investments.

12. Investments (continued)

Business Finance Partnership

British Business Investments Limited (BBI) manages the Business Finance Partnership programme.

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

Investment Programme

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

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

Through the Investment Programme, BBI is a participant in Tier 2 fixed rate reset callable subordinated loan notes by Shawbrook Bank plc with an initial semi-annual coupon of 9%, Atom Bank with a fixed coupon of 10% p.a., Secure Trust Bank with an interest rate of 6.75% p.a., and PCF Bank Ltd with a fixed coupon of 8% p.a.

These investments are classified as amortised cost under IFRS 9.

UK Innovation Investment Fund

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

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

Managed Funds

The BBI Managed Funds programme's mandate is to channel institutional capital to innovative, high-growth companies so they might meet their full growth potential. Through this programme, the Group expects to become a significant, cornerstone investor in funds of funds with a patient capital mandate. The £500m initial allocation which has been made to the programme represents a significant commitment in the years ahead. The investments in Managed Funds are classified as FVTPL under IFRS 9.

Regional Angels Programme

The Regional Angels Programme, managed by BBI, is designed to address regional imbalances in the availability of angel finance, and to increase the amount of capital available to smaller businesses with high-growth potential through angel networks, particularly in areas where this type of finance is less readily available. These investments are accounted for and measured at FVTPL under IFRS 9.

Venture/Venture Growth

Through the Venture/Venture Growth programme, BPC invests in commercially viable venture and venture growth capital funds, including evergreen structures, to support UK companies with high-growth potential to access the long-term financing they need to scale up.

Co-Investment

BPC will also invest in co-investment opportunities arising through its portfolio.

Through Co-Investment BPC invests in late-stage UK scale-up companies. Currently it co-invests alongside BPC fund General Partners into their existing portfolio companies. This allows BPC to increase its exposure to the best portfolio companies in its best funds.

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

Future Fund: Breakthrough

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

Life Sciences Investment Programme

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

Enterprise Capital Funds

British Business Finance Limited (BBFL) invests in Enterprise Capital Funds (ECFs). ECFs are commercially-focused funds that bring together private and public money to make equity investments in high-growth businesses.

BBFL invests into funds on terms that improve the outcome for private sector investors when those funds are successful. It does this by taking an agreed prioritised return of 3%–4.5%. In return, BBFL is entitled to less of any upside gain in excess of the agreed return.

BBFL intentionally makes a trade-off between the prioritised return and potential upside gains. Overall, the terms mean that BBFL expects the ECFs to provide a positive return to Government, but this return will be lower than that typically sought by a private sector investor. This is in line with the Group's strategic objectives.

The investments in ECFs are classified as FVTPL under IFRS 9.

Accounting standards require that financial assets are recognised at fair value, which is the amount that a private sector investor would pay for the investments. This means that for every ECF investment, a fair value adjustment on initial recognition is recorded to reflect the fact that it will not provide the level of return sought by a private sector investor, even if it is providing a positive return. ECF investments are measured at fair value on an ongoing basis.

BBFL signs ECF agreements committing to the prioritised return and reduced upside gain in advance of drawdowns. At the point that BBFL enters into a new commitment to provide a loan at below market rate, it recognises a provision which it accounts for as an FVTPL financial liability. The provision is released when a commitment is drawn to recognise a reduction in the liability. The provision is measured as the NPV of the commitment using a combination of the expected market return, minus prioritised return and the weighted average life of the portfolio. See note 15 for further commitment details.

Enterprise Capital Funds – Direct Investments

During the prior year, one of the ECF investments was disposed for listed shares as part of the fund being listed. The two investments held are still considered to form part of the ECF programme but are distinctly different in their accounting treatment. These investments are Level 1 investments and measured at FVTPL under IFRS 9 based on the listed share price.

Legacy Venture Capital Investments

BBFL also has three other smaller schemes: Help to Grow funds, Aspire and Direct Investments. These investments are accounted for and measured at FVTPL under IFRS 9.

Start Up Loans

SUL lends to entrepreneurs via a number of delivery partners at an interest rate of 6%. Losses on these loans are expected to be between 30% and 40% of the total loans advanced, reflecting the non-commercial nature of the scheme. This lending is classified as amortised cost under IFRS 9.

Accounting standards require that these loans are measured at fair value on initial recognition and subsequently measured at amortised cost. The fair value adjustment on initial recognition represents the difference between the face value of loans written and the present value of future expected cashflows discounted using an appropriate discount rate.

Accrued interest income and amortisation of the fair value adjustment on initial recognition are calculated for each individual loan. For presentation purposes these are disclosed separately as the accrued interest income is the contractual interest that will be collected whilst the fair value adjustment on initial recognition will be amortised over the life of the loans.

Ongoing impact of market conditions on investment valuations

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

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

However, all Start Up Loans have a fixed rate of interest of 6%, which remained unchanged during the year. The impact on investments will vary depending on individual business models and the success of any mitigating market interventions. Valuation methodologies include market multiples, industry benchmarks and discounted cashflows, all of which are inherently more uncertain as marketplaces change and so forecasts and historical reference points become less reliable.

Withdrawal from programmes*

As reported in the prior years, in this, and future Annual Reports, to maintain transparency on this topic, we commit to reporting on any material changes to the summary statements previously reported (such as withdrawal completing, or conversely, if programmes are refinanced). There is nothing of this nature to report in the year ending 31 March 2023.

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

13. Right-of-use assets

	Right-of-use Property £000
Cost or valuation	
At 1 April 2022	13,377
Additions	318
At 31 March 2023	**13,695**
Accumulated depreciation and impairment	
At 1 April 2022	(5,410)
Charge for the year	(1,377)
At 31 March 2023	**(6,787)**
Carrying amount	
At 31 March 2023	**6,908**
At 31 March 2022	7,967

Right-of-use Property is the value of the leased property recognised upon implementation of IFRS 16. The corresponding lease liability is disclosed in note 17.

14. Trade and other payables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade payables	3,190	5,824
VAT and social security	1,416	1,025
Accrued expenditure	18,471	21,239
Other payables	6,974	6,346
Deferred resource grant income	731	974
Total trade and other payables	**30,782**	**35,408**

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

15. ECF loan commitment financial liability

	2023 £000	2022 £000
Balance at 1 April	192,411	140,979
Provided in year on new ECFs	54,665	110,003
Released in year	(37,580)	(58,571)
Balance at 31 March	**209,496**	**192,411**
Of which:		
Current	57,777	46,420
Non-current	151,719	145,991
	209,496	**192,411**

Non-current amounts relate to undrawn loan commitments where, based on historical and forecast information, it is not anticipated the commitments will be utilised within the next 12 months. Given the uncertain nature of timings of the drawdowns from ECFs, the Directors believe this is the best estimate at the Consolidated Statement of Financial Position date.

As permitted under IFRS 9, an election has been made to measure the financial liability arising from the undrawn loan commitments at FVTPL.

Included within the 2022 'Released in year' value of £58.6m in the table above is an amount of £8.4m relating to a release of provision following a de-commitment as a result of an investment disposal. The remaining value of £50.2m relates to the release on drawdown of the commitments and is directly comparable with the sum of £37.6m in 2023.

16. Loans and other borrowings

	2023 £000	2022 £000
Repayable within one year		
Unsecured loans provided by DBT	60,000	14,000
Unsecured loans provided by the Nuclear Liabilities Fund	-	88,405
Repayable capital grants	133,774	130,054
Total loans and other borrowings	**193,774**	**232,459**

The capital grants have been classified as a current liability as they are repayable on demand, in whole or in part, under certain conditions.

During the year the Group received capital grants of £36.0m (2022: £60.0m) and wrote down the value of capital grants by £32.3m (2022: £22.6m).

The Group has received further loans of £470.0m from DBT, of which £424.0m has been settled by share issue. The balance of £60.0m (2022: £14.0m) is repayable on demand and carries a zero-interest rate.

On 28 December 2018 the Group received a loan of £250m from the Nuclear Liabilities Fund which was used for making investments on behalf of the Nuclear Liabilities Fund after 1 April 2019. The term of this loan was 4 years with the value reducing in £5m tranches as the Group makes investment payments on behalf of the Nuclear Liabilities Fund. Any amount unutilised at 28 December 2022 was repaid in full on this date. This loan accrued interest at a rate of 2% per annum up to and including 31 March 2021, then decreasing to 1.5% for the remaining life of the loan. £0.6m (2022: £1.6m) of interest was accrued in the year. During the year, repayments of £88.4m (2022: £48.0m) were made against the unsecured loans and interest of £0.6m (2022: £1.6m) was repaid. The balance of this loan at 31 March 2023 was £nil (2022: £88.4m).

17. Lease liabilities

	2023 £000	2022 £000
Maturity analysis – contractual undiscounted cashflow		
Less than one year	1,965	1,898
One to five years	7,582	7,591
More than five years	-	1,653
Total undiscounted lease liabilities at 31 March	**9,547**	**11,142**

Lease liabilities included in the Consolidated Statement of Financial Position at 31 March	**8,994**	**10,371**
Current	1,766	1,664
Non-current	7,228	8,707

During the year the Group made lease payments of £1.9m (2022: £1.9m) and recognised interest of £0.2m (2022: £0.3m) on the lease liability.

18. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Short-term borrowings £000	Lease liabilities £000	ECF loan commitments £000	Total £000
Balance at 1 April 2022	232,459	10,371	192,411	435,241
Cashflows:				
Repayments	(89,040)	(1,932)	-	(90,972)
Proceeds	506,000	-	-	506,000
Non-cash:				
Shares issued	(424,000)	-	-	(424,000)
IFRS 16 Addition	-	318	-	318
Interest	635	237	-	872
Provision movement	-	-	17,086	17,086
Write off	(32,280)	-	-	(32,280)
Balance at 31 March 2023	**193,774**	**8,994**	**209,497**	**412,265**

18. Reconciliation of liabilities arising from financing activities (continued)

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	ECF loan commitments £000	Total £000
Balance at 1 April 2021	136,407	117,156	11,995	140,979	406,537
Cashflows:					
Repayments	-	(360,099)	(1,898)	-	(361,997)
Proceeds	-	655,600	-	-	655,600
Non-cash:					
Transfers	(136,407)	136,407	-	-	-
Shares issued	-	(295,600)	-	-	(295,600)
Interest	-	1,602	274	-	1,876
Provision movement	-	-	-	51,432	51,432
Write off	-	(22,607)	-	-	(22,607)
Balance at 31 March 2022	**-**	**232,459**	**10,371**	**192,411**	**435,241**

The above table has been restated to reflect that Shares issued are a non-cash item. The sum of £295.6m was previously recorded as an offsetting item of Proceeds and as such Proceeds has increased from £360m to £655.6m

19. Contingent liabilities and indemnities

Under the Bank's Help to Grow financial guarantee programme, the Bank has entered into financial guarantee agreements of £nil (2022: £nil). The Bank has guaranteed 75% of eligible lending to smaller businesses under these agreements and a counter guarantee is in place that guarantees 50% of the Bank's 75% of eligible lending.

As at 31 March 2023 the amount lent under these financial guarantee agreements was £nil (2022: £3m). The programme is now closed and there will be no further lending.

20. Capital and other commitments

20.1 Capital commitments

The British Business Bank Group plc had the following undrawn commitments at the balance sheet date in relation to its existing investment portfolio:

	2023 £000	2022 £000 Restated
British Business Investments Limited		
BFP Mid Cap	120,268	150,303
Investment Programme	647,862	497,216
UKIIF	-	9,938
Regional Angels Programme	95,360	79,692
Managed Funds	246,475	290,521
British Patient Capital Limited		
Venture Growth	293,141	279,446
Venture	282,829	257,424
Life Sciences Investment Programme	30,769	27,625
Future Fund: Breakthrough	9,679	6,017
Venture Solutions		
Enterprise Capital Funds	405,541	376,688
Other		
Northern Powerhouse Investments Ltd	24,300	24,300
Midlands Engine Investments Ltd	17,500	17,500
Total	**2,173,724**	**2,016,670**

During the year it was discovered that the 2022 BFP Mid Cap, Investment Programme, Managed Funds and Future Fund: Breakthrough capital commitments were incorrect. These capital commitments have been restated as at March 2022, increasing by £35.5m BFP MidCap, £18.0m Investment Programme, £8.8m Managed Funds and £6.0m Future Fund: Breakthrough. Note 23.3 has also been updated to reflect this restatement.

20.2 Share capital

	2023	2022
Authorised, issued and fully paid ordinary shares of £1 each:	2,580,311,268	2,156,311,268

	£000	£000
Brought forward	2,156,311	1,860,711
Shares issued	424,000	295,600
Carried forward	**2,580,311**	**2,156,311**

The Company has one class of ordinary shares which carry no right to fixed income. During the year the company issued 424,000,000 ordinary £1 shares at par value (2022: 295,600,000).

21. Subsidiaries and other significant undertakings

The Group consists of a parent company, British Business Bank plc, incorporated in the UK, and a number of subsidiaries held directly by the British Business Bank plc, which operate and are incorporated in the UK.

The subsidiary undertakings of the parent company are shown below. The capital of each entity depends on its nature and consists of ordinary shares. All the subsidiary undertakings have the same registered address being, Steel City House, West Street, Sheffield S1 2GQ.

Subsidiary	Country of Incorporation	Nature of Business	Shares held by the Group
British Business Investments Limited*	UK	Makes commercial investments into providers of finance to smaller businesses plus venture capital fund investments	100%
BBB Patient Capital Holdings	UK	Holding company	100%
British Patient Capital Limited*	UK	Makes commercial investments into venture and growth capital	100%
British Business Finance Limited	UK	Manages and invests into schemes on behalf of the Group	100%
British Business Financial Services Limited	UK	Administers investment schemes on behalf of the Department for Business and Trade	100%
British Business Aspire Holdco Limited*	UK	Provides equity investments to female-led SMEs	100%
Capital for Enterprise Limited*	UK	Holding company	100%
The Start Up Loans Company*	UK	Provides loans to entrepreneurs	100%

* Indicates investments are not directly held in these companies.

The Start Up Loans Company is a company limited by guarantee of which British Business Finance Limited is the sole member.

During the year Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited were dissolved and no longer form part of the Group.

Details of the subsidiaries' results either individually or as part of a consolidated group, including their net assets as at the balance sheet date and their profit or loss for the year ended 31 March 2023, are provided in the segmental reporting note 9. All Group subsidiaries have co-terminus year-ends.

As required by the Companies Act 2006, the British Business Bank plc:

- guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year to which the guarantee relates, and until they are satisfied in full
- asserts that the guarantee is enforceable against the British Business Bank plc by any person to whom the subsidiary companies are liable in respect of those liabilities.

21. Subsidiaries and other significant undertakings (continued)

The Group has taken advantage of the exemption available under section 479A Subsidiary companies: conditions for exemption from audit of the Companies Act 2006 which exempts qualifying companies from the audit of their individual accounts for a financial year. The exemption is in respect of the following subsidiaries:

Subsidiary name	Registered No.
British Business Finance Limited	09091928
British Business Financial Services Limited	09174621
Capital for Enterprise Limited	06179047
British Business Aspire Holdco Limited	09263859
The Start Up Loans Company	08117656

The British Business Bank Group plc also has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20%. The Group does not exert significant influence over these undertakings. These are held at fair value through the profit or loss in the Statement of Financial Position.

Significant undertakings	Country of Incorporation	Nature of Holding	Shares held by the Group
BMS Finance S.A.R.L. Registered address: 55 Avenue Pasteur, L-2311, Luxembourg	Luxembourg	Not classified	49.8%
Industrial Lending 1 (Boost Fund) Registered address: 6 Rue Adolphe, L-1116, Luxembourg	Luxembourg	Class A shares	46.6%
Pricoa Sterling Corporate Bond Fund Registered address: 70 Sir John Rogerson's Quay, Dublin, Ireland	Ireland	Not classified	67.7%
Crown Growth Europe Expansion S.C.S. Registered address: 8 Rue Lou Hemmer, L-1748 Senningerberg, Luxembourg	Luxembourg	Class A and Class O-P shares	33.3%
Pyropure Limited Registered address: Vestry House, Laurence Pountney Hill, London, EC4R 0EH	UK	Class A shares	25.9%
Muzinich UK Private Debt Fund Registered address: 49 Avenue J.F.K, L-1855, Luxembourg	Luxembourg	Not classified	20.7%

22. Structured entities

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

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

Depending on the Group's power over the activities of the entity and its exposure to, and ability to influence, its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it. As at 31 March 2023 and 31 March 2022 the Group does not consolidate any interests in structured entities as the Group is not considered to have control or significant influence over these entities due to the way these entities are structured.

The Group has £2,953m (2022: £2,786m) of interests in limited partnerships considered to be structured entities that are held as fair value through profit and loss. These limited partnerships are managed by delivery partners on behalf of the Group and the Group does not exercise control.

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

23. Financial instruments

23.1 Categories of financial instruments

The following table analyses the Group's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Trade and other receivables excludes prepayments of £2.8m (2022: £1.2m), as these are not classified as financial assets, therefore the value in the below table will differ to the Consolidated statement of financial position. Similarly, Trade and other payables will also differ as it excludes VAT and social security of £1.4m (2022: £1.0m).

At 31 March 2023	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Liabilities held at FVTPL £000	Total £000
Assets						
Amortised cost investment assets	12.1	-	503,092	-	-	503,092
Investment assets held at FVTPL	12.2	3,143,996	-	-	-	3,143,996
Trade and other receivables	11	-	10,565	-	-	10,565
Cash and cash equivalents	10	-	116,927	-	-	116,927
Total assets		**3,143,996**	**630,584**	**-**	**-**	**3,774,580**
Liabilities						
Trade and other payables	14	-	-	(29,365)	-	(29,365)
Loans and other borrowings	16	-	-	(133,774)	(60,000)	(193,774)
ECF loan commitments	15	-	-	-	(209,496)	(209,496)
Lease liabilities	17	-	-	(8,994)	-	(8,994)
Total liabilities		**-**	**-**	**(172,733)**	**(269,496)**	**(441,629)**
Net assets		**3,143,996**	**630,584**	**(172,733)**	**(269,496)**	**3,332,951**

At 31 March 2022	Note	Assets held at FVTPL £000	Assets held at amortised cost £000	Liabilities held at amortised cost £000	Liabilities held at FVTPL £000	Total £000
Assets						
Amortised cost investment assets	12.1	-	526,625	-	-	526,625
Investment assets held at FVTPL	12.2	2,902,510	-	-	-	2,902,510
Trade and other receivables	11	-	16,441	-	-	16,441
Cash and cash equivalents	10	-	101,553	-	-	101,553
Total assets		**2,902,510**	**644,619**	**-**	**-**	**3,547,129**
Liabilities						
Trade and other payables	14	-	-	(34,083)	-	(34,083)
Loans and other borrowings	16	-	-	(218,459)	(14,000)	(232,459)
ECF loan commitments	15	-	-	-	(192,411)	(192,411)
Lease liabilities	17	-	-	(10,371)	-	(10,371)
Total liabilities		**-**	**-**	**(262,913)**	**(206,411)**	**(469,324)**
Net assets		**2,902,510**	**644,619**	**(262,913)**	**(206,411)**	**3,077,805**

Loans and other borrowing have been restated above to correct a misclassification in the prior year and Repayable capital grants of £130m are now recorded as Liabilities held at amortised cost as opposed to Liabilities held at FVTPL.

23.2 Fair value measurements

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

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

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

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

31 March 2023

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
BFP Mid Cap	12.2	-	-	224,273	224,273
Investment Programme	12.2	-	-	623,253	623,253
UKIIF	12.2	-	-	132,946	132,946
Managed Funds	12.2	-	-	207,350	207,350
Regional Angels Programme	12.2	-	-	101,896	101,896
Venture/Venture Growth	12.2	15,634	-	1,214,253	1,229,887
Co-Investment	12.2	-	-	63,211	63,211
Future Fund: Breakthrough	12.2	-	-	90,851	90,851
Life Sciences Investment Programme	12.2	-	-	11,314	11,314
Enterprise Capital Funds	12.2	-	-	439,573	439,573
Enterprise Capital Funds – Direct Investments	12.2	13,058	-	-	13,058
Legacy Venture Capital Investments	12.2	777	-	5,607	6,384
Total financial assets at FVTPL mandatory		**29,469**	**-**	**3,114,527**	**3,143,996**
Total financial assets measured at fair value		**29,469**	**-**	**3,114,527**	**3,143,996**
Financial liabilities					
FVTPL mandatory					
Repayable capital grants	16	-	-	(133,774)	(133,774)
Total liabilities at FVTPL mandatory		**-**	**-**	**(133,774)**	**(133,774)**
FVTPL designated					
ECF loan commitment financial liability	15	-	-	(209,496)	(209,496)
Total liabilities at FVTPL designated		**-**	**-**	**(209,496)**	**(209,496)**
Total financial liabilities measured at fair value		**-**	**-**	**(343,270)**	**(343,270)**

31 March 2022

	Note	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets					
FVTPL mandatory					
BFP Mid Cap	12.2	-	-	247,735	247,735
Investment Programme	12.2	-	-	542,243	542,243
UKIIF	12.2	-	-	153,328	153,328
Managed Funds	12.2	-	-	164,129	164,129
Regional Angels Programme	12.2	-	-	57,219	57,219
Venture/Venture Growth	12.2	44,343	-	1,126,666	1,171,009
Co-Investment	12.2	-	-	55,159	55,159
Future Fund: Breakthrough	12.2	-	-	25,307	25,307
Life Sciences Investment Programme	12.2	-	-	1,913	1,913
Enterprise Capital Funds	12.2	-	-	435,826	435,826
Enterprise Capital Funds – Direct Investments	12.2	40,627	-	-	40,627
Legacy Venture Capital Investments	12.2	908	-	7,107	8,015
Total financial assets at FVTPL mandatory		**85,878**	**-**	**2,816,632**	**2,902,510**
Total financial assets measured at fair value		**85,878**	**-**	**2,816,632**	**2,902,510**
Financial Liabilities					
FVTPL mandatory					
Repayable capital grants	16	-	-	(130,054)	(130,054)
Total liabilities at FVTPL mandatory		**-**	**-**	**(130,054)**	**(130,054)**
FVTPL designated					
ECF loan commitment financial liability	15	-	-	(192,411)	(192,411)
Total liabilities at FVTPL designated		**-**	**-**	**(192,411)**	**(192,411)**
Total financial liabilities measured at fair value		**-**	**-**	**(322,465)**	**(322,465)**

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. There were no transfers between levels during the year.

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

23.2 Fair value measurements (continued)

	Investments in funds and unlisted private equities £000
As at 1 April 2022	**2,816,632**
Additions	578,516
Fair value adjustment on initial recognition	(37,484)
Repayments	(241,343)
Fair value movements	(1,793)
As at 31 March 2023	**3,114,528**

	Investments in funds and unlisted private equities £000
As at 1 April 2021	**1,932,547**
Additions	652,300
Fair value adjustment on initial recognition	(49,997)
Repayments	(454,907)
Fair value movements	736,689
As at 31 March 2022	**2,816,632**

The Group's investment portfolio consists of assets carried at amortised cost and fair value.

The Group's financial assets are all classified as Level 3 assets, except for two amortised cost assets and six FVTPL investments which are classified as Level 1.

During the year ending 31 March 2023 the fair value of investment assets held at fair value through profit or loss decreased by £57.7m (2022: increased by £727.8m) taken to the Consolidated Statement of Comprehensive Net Income. In addition, there was a fair value decrease of £37.5m (2022: £50.0m) as a result of fair value on initial recognition taken to the Consolidated Statement of Comprehensive Net Income. Fair value adjustments on initial recognition of amortised cost investments of £29.3m (2022: £31.0m) were taken to the Consolidated Statement of Comprehensive Net Income.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Investments held at fair value through profit or loss (FVTPL)

For all FVTPL assets, except for the Enterprise Capital Funds, Co-Investment, Future Fund: Breakthrough and Regional Angels Programme, the investment valuation, a net asset valuation (NAV) which is determined on a fair value basis, is determined by investment managers on a regular basis (monthly or quarterly).

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

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

Enterprise Capital Funds

Although accounted for as a single instrument, for valuation purposes, the Enterprise Capital Funds investments are bifurcated into a debt and a derivative element. The primary valuation methodology used for the debt element of investments is the discounted cashflow method. Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cashflows and the estimated repayment value and date, discounted at the appropriate risk-adjusted discount rate.

The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has an annually reviewed model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes.

Future Fund: Breakthrough and Co-Investment

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

Regional Angels Programme

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

Enterprise Capital Funds also contain an equity derivative. The derivatives are valued using the Black-Scholes model. The key inputs used in the derivative valuation are:

Input	Assumptions in determining the input
Net amount drawn and fund valuation as at 31 March 2023	Net amounts drawn are cashflows from the business. Fund valuations are reported by fund managers.
Time to fund exit – ranging from 0–10 years	Assessed separately for each fund based on remaining investment period and estimated timescale for fund exits.
Volatility – ranging from 11.4% to 86.6%	The FTSE AIM All Shares sector indices have been used as a source for calculating volatility. The volatility applied to each fund varies according to the sector focus of the fund and its expected maturity.
Prioritised return – ranging from 3.0% to 4.5%	Set to equal the contractual return which funds must pay before any upside on the option is realised.
Risk-free rate	Derived from UK Government bonds.

23.2 Fair value measurements (continued)

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

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

	Carrying Value 2023 £000	Fair Value 2023 £000	Carrying Value 2022 £000	Fair Value 2022 £000
Financial assets at amortised cost				
BFP Mid Cap	125,209	125,209	131,081	131,081
Investment Programme	155,347	161,568	176,122	182,251
Start Up Loans	181,910	196,093	178,831	192,266
Midlands Engine Investments	14,973	15,000	14,958	15,000
Northern Powerhouse Investments	25,653	25,700	20,633	25,700
	503,092	**523,570**	**526,625**	**546,298**
Financial liabilities at amortised cost				
Unsecured loans	60,000	60,000	88,405	88,405
Capital grants	133,774	133,774	130,054	130,054
	193,774	**193,774**	**218,459**	**218,459**

Financial assets at amortised cost are classed as Level 3 assets. Unsecured loans and capital grants are classed as Level 3 liabilities.

Start Up Loans

For the estimation of fair value at the reporting date, the Group has utilised a future expected cashflow model which is based on the recent past performance for similar loans.

The future expected cashflows derived from the model are discounted using an appropriate discount rate which has been calculated by taking the 5-year median corporate debt rates for Caa/C rated loans. This information has been sourced from Moody's market analysis. SUL are classed as Level 3 assets based on the valuation techniques used to determine the fair value at the reporting date. The fair value of SUL is sensitive to changes in the discount rate and to changes in expected cashflows arising from the actual and future expected performance of the loans. A 3% increase in the discount rate as a result of movements in corporate debt rates for Caa/C rated loans or SONIA would have led to an approximately £1.6m decrease in the fair value recognised at inception for the loans newly originated during the year.

Midlands Engine Investments and Northern Powerhouse Investments

Loans at amortised cost provided to Midlands Engine Investments and Northern Powerhouse Investments are fixed rate investments classed as Level 3 assets in the fair value hierarchy. The Directors have assessed that the changes in interest rates and in credit spreads and the associated impact on the fair value of these assets since they were originated are not material to the Group's results. The previous table shows the Director's estimates of the fair value of these assets at 31 March 2023 and 31 March 2022.

BFP Mid Cap and Investment Programme

Loans at amortised cost provided through the BFP Mid Cap and the Investment Programme comprise both fixed rate and floating rate investments with an average duration of not more than five years. The Directors have assessed that the changes in interest rates and in credit spreads and the associated impact on the fair value of these assets since they were originated are not material to the Group's results. The previous table shows the Director's estimates of the fair value of these assets at 31 March 2023 and 31 March 2022. BFP Mid Cap and the Investment Programme amortised cost assets are classed as Level 3 assets in the fair value hierarchy except for two amortised cost investments which are classified as Level 1 assets.

Unsecured loans and capital grants

The carrying value and fair value of unsecured loans reflect the amount at which the Group expects to settle its liabilities with DBT and the Nuclear Liabilities Fund, respectively. The carrying value and fair value of the DBT capital grant are equivalent because the grant has no maturity and is repayable on demand, in whole or in part, under certain conditions.

Liabilities held at FVTPL

The ECF loan commitments are part of a group of financial assets and financial liabilities that are managed, and their performance evaluated on a fair value basis, and information about the group is provided internally on that basis to the entity's key management personnel. As permitted under IFRS 9, an election has been made to measure the financial liability arising from the loan commitments at FVTPL. The fair value of each commitment is calculated by discounting future cashflows using a discount rate which is adjusted to take account of the credit risk.

23.3 Financial risk management

The Group has exposure to a number of financial risks through the conduct of its operations. Details of the Group's risk management structure are provided in the Risk Management section of the Strategic Report. This note presents information about the nature and extent of risks arising from the financial instruments. There have been no changes to the principal types of risks faced by the Group.

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

– Credit and Investment risk

– Market risk

– Liquidity risk.

Credit risk and investment risk

Credit risk is the risk of loss to the Group from the failure of delivery partners or underlying borrowers to meet their transactional facility repayment obligations according to our expectations. This includes concentration risk which may arise from a lack of portfolio diversification, either in a sector, geographic area or type of security, notwithstanding a desire to address market failures. Investment risk is the risk of loss due to a fall in the fair value of equity investments.

Assessment of credit and investment risk is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Group's portfolio management process. With respect to SUL, all loans to entrepreneurs are on an unsecured basis and the credit risk is the risk that an entrepreneur will default on their contractual obligations to make repayments, resulting in financial loss to the Group.

To manage this, the Chief Risk Officer approves all material changes to the lending policy for SUL. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently, loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. During the year, Key Risk Indicators (KRIs) have been expanded to provide greater visibility of fraud and delivery partner risk. These form part of a wider suite of KRIs which are reviewed and discussed on a monthly basis with SUL Management.

23.3 Financial risk management (continued)

As part of the annual Business Planning process, the Group undertakes stress testing on its portfolio. This was completed by analysing which UK macroeconomic variables would have an impact on the Bank's credit and investment risk exposures. Ahead of the financial year 2022/23, the Group undertook a macroeconomic downside stress test which assessed the unlikely but plausible losses on our portfolio over a five-year time horizon. The revised stress tests utilised the March 2023 macroeconomic downside scenarios from our third-party forecaster which are updated on a quarterly basis to take into account the actual economic conditions in 2022. Under the macroeconomic downside scenario, it was assessed that the Group could incur additional credit and investment losses of £564m (10% of the Bank's adjusted average capital deployed) on the Group's programmes excluding Covid-19 schemes. The macroeconomic downside scenario considers an increase in defaults and a fall in equity valuation occurring within the next five years and reflects the risk appetite undertaken by the Group operating in under-served finance markets. The Bank also assesses unlikely but plausible losses assuming a severe 1-in-20-year downside (i.e. the worst year in the past 20 years). All stress test losses are considered by the Board and communicated to our stakeholders.

The Group has undertaken sensitivity analysis on the key inputs to ECL impairment provision models. Owing to the previously benign economic environment and the recent deterioration in economic conditions, this analysis has concentrated on the downside impact on ECL provision levels on the Group's balance sheet assets:

- The potential impact of ascribing 100% probability to the worst-case economic scenario could increase provisions by £2.4m
- The potential impact of a deteriorated PD input with a sensitivity of a 1-notch downgrade on a granular PD rating scale, equating to 1.5x multiple on all the performing loan PD inputs, could increase provisions by £6.6m
- The potential impact of inaccurately modelled LGD input for the ECL calculations with a sensitivity of a 1-notch downgrade on a granular LGD rating scale, equating to a range of LGD input increases from 5% to 40% depending on the portfolio, could increase provisions by £2.4m.

Maximum credit risk exposure

	Maximum Exposure to loss 2023 £000	Collateral 2023 £000	Net Exposure 2023 £000	Maximum Exposure to loss 2022 £000	Collateral 2022 £000	Net Exposure 2022 £000
Cash and cash equivalents	116,927	-	116,927	101,553	-	101,553
Trade and other receivables	13,370	-	13,370	17,669	-	17,669
Amortised cost investments	551,326	80,927	470,399	575,091	97,345	477,746
Investments held at FVTPL	3,143,996	-	3,143,996	2,902,510	-	2,902,510
Total	**3,825,619**	**80,927**	**3,744,692**	**3,596,823**	**97,345**	**3,499,478**

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

The maximum exposure to loss is the gross carrying value of the financial assets in the Consolidated Statement of Financial Position. The carrying value of the investments in each class of financial asset is detailed in section 23.3 of this note and in note 12.

Credit risk rating and loss allowance

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

- Trade and other receivables
- Assets held at amortised cost
- Cash and cash equivalents.

Trade and other receivables

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

Assets held at amortised cost

The Group's investments are assessed by the Group's Investment Committee. The Group produces credit risk ratings for its investments based upon the estimated PD and LGD of that investment.

The following table presents an analysis of credit quality of assets held at amortised cost.

As at 31 March 2023

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	-	-	-	-
Medium	309,481	-	-	309,481
High	179,295	38,081	-	217,376
Defaulted financial assets	-	-	24,469	24,469
Total gross carrying amounts	488,776	38,081	24,469	551,326
Loss allowance	(14,445)	(13,791)	(19,998)	(48,234)
Carrying amount	**474,331**	**24,290**	**4,471**	**503,092**

As at 31 March 2022

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Low	-	-	-	-
Medium	300,368	26,943	-	327,311
High	174,814	45,398	-	220,212
Defaulted financial assets	-	-	27,568	27,568
Total gross carrying amounts	475,182	72,341	27,568	575,091
Loss allowance	(13,225)	(11,417)	(23,824)	(48,466)
Carrying amount	**461,957**	**60,924**	**3,744**	**526,625**

23.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000
As at 1 April 2022	**475,182**	**(13,225)**	**72,341**	**(11,417)**	**27,568**	**(23,824)**	**575,091**	**(48,466)**
Transfer to 12-month ECL	28,329	(627)	(28,314)	621	(15)	6	-	-
Transfer to lifetime ECL	(14,739)	3,122	15,007	(3,308)	(268)	186	-	-
Transfer to credit-impaired financial asset	(6,352)	1,526	(2,870)	1,331	9,222	(2,857)	-	-
New financial assets originated or purchased	279,762	(10,227)	-	-	-	-	279,762	(10,227)
Fair value adjustment on initial recognition (new lending)	(29,341)	-	-	-	-	-	(29,341)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(256,626)	513	(20,211)	433	(13,447)	1,417	(290,284)	2,363
Changes to risk parameters	-	4,473	-	(1,451)	-	5,074	-	8,096
Amortisation	12,561	-	2,128	-	1,409	-	16,098	-
As at 31 March 2023	**488,776**	**(14,445)**	**38,081**	**(13,791)**	**24,469**	**(19,998)**	**551,326**	**(48,234)**
Carrying amount as at 31 March 2023		**474,331**		**24,290**		**4,471**		**503,092**

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

23.3 Financial risk management (continued)

	Not credit-impaired				Credit impaired			
	Subject to 12-month ECL		Subject to lifetime ECL		Subject to lifetime ECL		Total	
	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000	Gross carrying amount £000	Allowance for ECL £000
As at 1 April 2021	**430,008**	**(13,297)**	**59,967**	**(17,730)**	**50,070**	**(46,722)**	**540,045**	**(77,749)**
Transfer to 12-month ECL	8,625	(4,275)	(6,394)	2,681	(2,231)	1,594	-	-
Transfer to lifetime ECL	(42,305)	5,234	46,414	(6,598)	(4,109)	1,364	-	-
Transfer to credit-impaired financial asset	(6,138)	599	(4,104)	2,322	10,242	(2,921)	-	-
New financial assets originated or purchased	299,656	(11,256)	-	-	-	-	299,656	(11,256)
Fair value adjustment on initial recognition (new lending)	(31,002)	-	-	-	-	-	(31,002)	-
Financial assets that have been derecognised[1] during the period (including write-off)	(196,242)	439	(26,310)	788	(27,433)	8,728	(249,985)	9,955
Changes to risk parameters	-	9,331	-	7,120	-	14,133	-	30,584
Amortisation	12,580	-	2,768	-	1,029	-	16,377	-
As at 31 March 2022	**475,182**	**(13,225)**	**72,341**	**(11,417)**	**27,568**	**(23,824)**	**575,091**	**(48,466)**
Carrying amount as at 31 March 2022		**461,957**		**60,924**		**3,744**		**526,625**

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

23.3 Financial risk management (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of £116.9m as at 31 March 2023 (2022: £101.6m). The cash and cash equivalents are held with banks and financial institutions which are rated AA- to AA+ based on S&P ratings.

The Group considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties. As such, an expected credit loss has not been disclosed due to it being an insignificant amount.

Market risk

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

Interest rate risk

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

SONIA sensitivity of the Group's investments is estimated as follows:

- The impact of a 3 percentage point increase in the interest rate applicable to investments would be an approximate increase in income of £15m over a one-year period
- The impact of a 0.25 percentage point decrease in the interest rate applicable to investments would be an approximate decrease in income of £1m over a one-year period. Some of the decrease is mitigated by SONIA floors.

Currency risk

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

Approximately 18.9% of the Group's portfolio is in non-pounds sterling denominated investments in the BBI and BPC portfolios. The currency impact included in the overall FVTPL investments fair value movement for the year ended 31 March 2023 was £31.3m. There is no policy to hedge this currency risk, however there is natural vintage diversification as the fund investments are made over different years. The sensitivity of currency risk losses from the Group's non-sterling investments is estimated with a scenario assuming GBP-EUR and GBP-USD exchange rate prices moved at the 75th percentile of its historical one-year volatility distribution. The impact of this would be an approximate loss of £32m over a one-year period.

Liquidity risk

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

The Group manages its liquidity risk management as part of its cash and operational risk management processes and ensures that sufficient funds in liquid form are maintained at all times to meet liabilities as they fall due.

In relation to the capital grants provided to the Group, they may become repayable on demand, in whole or in part, if at the absolute discretion of DBT, certain conditions arise that affect the Start Up Loans Company adversely. The Group is dependent on continuing support from DBT that the grants will not be recalled for a period of at least 12 months from the date of approval of these financial statements.

Other than the capital grants and term facilities, liquidity risk is not deemed significant to the Group as it is 100% Government funded, with all programmes pre-approved and committed to, and it does not have a leveraged balance sheet.

23.3 Financial risk management (continued)

Liquidity risk analysis

The tables below show cashflows payable up to a period of 10 years on an undiscounted basis.

These differ from the Consolidated Statement of Financial Position values due to the effects of discounting on certain Statement of Financial Position items, the inclusion of contractual lending commitments and non-cash items being excluded.

As at 31 March 2023

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	60,000	133,774	-	193,774
Lease liabilities	1,965	7,582	-	9,547
Other liabilities	30,049	-	-	30,049
Total financial liabilities	**92,014**	**141,356**	**-**	**233,370**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	477,146	855,866	32,394	402,777	1,768,183
ECF loan commitments	111,844	211,986	28,831	52,880	405,541
Total off balance sheet	**588,990**	**1,067,852**	**61,225**	**455,657**	**2,173,724**

In relation to our contractual lending commitments, it is not anticipated that these will be drawn in full. The above table reflects the anticipated drawdown based on cashflow forecast and also reflects the element of the total commitment that is expected to expire without being drawn 'Undrawn'.

As at 31 March 2022

	Within 1 year £000	2–5 years £000	5yrs+ £000	Total £000
Financial liabilities				
Loans and other borrowings	102,405	130,054	-	232,459
Lease liabilities	1,898	7,591	1,653	11,142
Other liabilities	34,434	-	-	34,434
Total financial liabilities	**138,737**	**137,645**	**1,653**	**278,035**

	Within 1 year £000	2–5 years £000	5yrs+ £000	Undrawn £000	Total £000
Off balance sheet					
Contractual lending commitments	485,207	788,451	44,564	321,760	1,639,982
ECF loan commitments	90,487	220,704	28,706	36,791	376,688
Total off balance sheet	**575,694**	**1,009,155**	**73,270**	**358,551**	**2,016,670**

As detailed in note 20.1, the 2022 contractual lending commitments detailed above have increased by £68.3m, all of which is classed as Undrawn.

Capital

The British Business Bank plc's share capital comprises 2,580,311,268 of issued and fully paid ordinary shares of £1. The Bank is not subject to external regulatory capital requirements under the Basel III regulatory capital framework and therefore does not manage its capital according to the Pillar 1 and Pillar 2 requirements set out in that framework. Where appropriate, the Bank uses internal models for measuring economic capital in the assessment of new investment transactions. The Bank's Adjusted Return on Capital Employed is governed by DBT and defined in a Shareholder Framework Document. The Adjusted Return on Capital Employed is a Key Performance Indicator that is set for the Bank by its Shareholder as part of the annual planning cycle and a 2.0% loss was recorded for the financial year ending 31 March 2023. The Bank's adjusted return for the 5 years ending 31 March 2023 was 6.5% which is significantly above the threshold return of 1.3%.

The Bank monitors its performance against this indicator as part of its monthly performance management and for the financial year ending 31 March 2023 performance was ahead of target throughout. This was driven largely by strong prior year valuation gains as detailed in note 12, with the current year showing moderate valuation losses. Further details on the Adjusted Return on Capital Employed are disclosed in the 2022/23 Financial performance and calculation of adjusted return section.

24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Key Management Personnel

Key Management Personnel refers to the Executive Committee of the Group, BBI, BPC and Non-executive Directors.

	2023 £000	2022 £000
Compensation		
Salaries and other short-term benefits	1,437	1,313
Long-term benefits	206	186
Post-employment benefits	76	90
	1,719	**1,589**

Aggregated contributions in respect of Key Management Personnel to defined contribution pension schemes for the year ending 31 March 2023 were £76,097 (2022: £89,793). There are no further related party transactions to disclose in regards to Executive and Non-executive Directors.

Trading transactions

The Department for Business and Trade (DBT) is the principal shareholder and parent of the British Business Bank plc. British Business Bank plc provides services to DBT in relation to some financial assets held by DBT. In return, British Business Bank plc recognises management fee income in relation to the services provided. In addition, DBT provided temporary staff to the Group for which there are recharges. Nuclear Liabilities Fund Limited (NLF) is a related party by virtue of being controlled by the Group's ultimate shareholder. All entities under the DBT group are considered to be related parties.

Northern Powerhouse Investments Limited (NPIL), Midlands Engine Investments Limited (MEIL) and Cornwall and Isles of Scilly Investments Limited (CIOSIL) are related parties by virtue of having directors who are also directors of British Business Bank plc and because they are companies owned by the ultimate shareholder.

The Group has provided services in the year to these companies and recognises management fee income in relation to the services provided.

During the year, Group companies entered into the following transactions with related parties:

24. Related party transactions (continued)

	2023 £000	2022 £000
Income		
Management fee		
DBT	50,183	59,741
NPIL	2,496	4
MEIL	1,244	556
CIOSIL	3	117
Nuclear Decommissioning Authority	-	317
NLF	1,821	1,490
East Midlands Early Growth Fund Limited	-	58
Grant income – DBT	3,443	4,224
Write down of repayable grant received – DBT	32,280	22,607
	91,470	**99,176**

	2023 £000	2022 £000
Capital Transactions		
Shares issued to DBT	424,000	295,600
Grants received from DBT	36,000	60,000
Loans issued from DBT	46,000	14,000
Repayment of loans from DBT	-	14,894
	506,000	**384,494**

BPC is acting as agent for the NLF portion of investments and the above management charge reflects its charge for the year.

24. Related party transactions (continued)

Amounts outstanding at year-end

As at 31 March 2023, the Group was owed £7.3m from DBT relating to the management fee (2022: £4.9m).

As at 31 March 2023, the Group was owed £2.5m from NPIL (2022: £nil), £1.8m from MEIL (2022: £0.6m), and £0.1m from CIOSIL (2022: £0.1m) relating to the management fee.

The Group owed £133.8m (2022: £130.1m) in capital grants to DBT and owed £nil (2022: £14.0m) in unsecured loans to DBT.

As at 31 March 2023, the Group owed £nil (2022: £88.4m) in unsecured loans to NLF.

As at 31 March 2023, the Group has made loan commitments to NPIL of £50m (2022: £50m) and MEIL of £32.5m (2022: £32.5m).

During the year ending 31 March 2023, NPIL had drawn down a further £nil (2022: £5.0m) of its loan commitment.

25. Events after the reporting date

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

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

Independent auditor's report

to the members of British Business Bank plc

Opinion on financial statements

I have audited the financial statements of British Business Bank plc for the year ended 31 March 2023.

The financial statements comprise the:

– Company's Statement of Financial Position as at 31 March 2023;

– Company Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and

– the related notes including the significant accounting policies.

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

In my opinion the financial statements:

– give a true and fair view of the state of the parent company's affairs as at 31 March 2023 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) and Practice Note 10 *'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

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

Conclusions relating to going concern

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which I report by exception

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of the directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;

- providing the C&AG with unrestricted access to persons within the British Business Bank plc from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the British Business Bank plc's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- inquired of management, the head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Audit response to identified risk

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

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

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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
18 September 2023

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

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

Company financial statements

Company statement of financial position

As at 31 March 2023

	Note	2023 £000	2022 £000
Assets			
Cash and cash equivalents		55,896	40,433
Trade and other receivables	2	104,791	71,103
Investments	3	2,589,684	2,271,625
Property, plant and equipment		258	669
Right-of-use assets		6,908	7,966
Corporation Tax receivable		14,482	7,118
Deferred tax		132	64
Total assets		**2,772,151**	**2,398,978**
Liabilities			
Trade and other payables	4	(36,371)	(33,196)
Lease liabilities		(8,994)	(10,371)
Loans and other borrowings	5	(60,000)	(102,405)
Provisions		(300)	(300)
Total liabilities		**(105,665)**	**(146,272)**
Net assets		**2,666,486**	**2,252,706**
Equity			
Issued share capital		2,580,311	2,156,311
Retained earnings		86,175	96,395
Total equity		**2,666,486**	**2,252,706**

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the Statement of Comprehensive Income (including the profit and loss account) of the parent company is not presented as part of these financial statements. The loss of the parent company for the financial period amounted to £10.2m (2022: £nil).

The financial statements of the Company were approved by the Board of Directors on 14 September 2023 and authorised for issue on the date of the independent auditor's report. They were signed on its behalf by:

Louis Taylor
Chief Executive Officer

The notes on p200–202 form an integral part of the financial statements.
Company number 08616013

Company statement of changes in equity

As at 31 March 2023

	Issued capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2021	**1,860,711**	**101,483**	**1,962,194**
Net income after tax	-	(5,088)	(5,088)
Total comprehensive income	**-**	**(5,088)**	**(5,088)**
Issue of ordinary shares	295,600	-	295,600
Balance at 31 March 2022	**2,156,311**	**96,395**	**2,252,706**
Balance as at 1 April 2022	**2,156,311**	**96,395**	**2,252,706**
Net income after tax	-	(10,220)	(10,220)
Total comprehensive income	**-**	**(10,220)**	**(10,220)**
Issue of ordinary shares	424,000	-	424,000
Balance at 31 March 2023	**2,580,311**	**86,175**	**2,666,486**

Company cash flow statement

As at 31 March 2023

	Note	2023 £000	2022 £000
Loss before tax		**(10,220)**	**-**
Cashflows from operating activities			
Adjustments for:			
Depreciation, bad debt and impairments		1,787	2,242
Interest expense		635	1,602
Purchase of investments in subsidiary undertakings	3	(328,000)	(234,900)
Impairment of investment in subsidiary	3	9,941	-
Interest paid		(635)	(1,602)
Increase in trade and other receivables	2	(33,688)	(16,054)
Increase in trade and other payables		3,175	17,951
Corporation Tax (paid)/received		(7,432)	1,827
Net cash used in operating activities		**(364,437)**	**(228,934)**
Cashflows from financing activities			
Payments of lease liabilities		(1,932)	(1,898)
Finance costs on lease liabilities		237	274
Net increase in Shareholder funding	5	270,000	300,000
Net decrease in loan from Nuclear Liabilities Fund	5	(88,405)	(48,002)
Net cash from financing activities		**379,900**	**250,374**
Net increase in cash and cash equivalents		**15,463**	**21,440**
Cash and cash equivalents at beginning of year		**40,433**	**18,993**
Cash and cash equivalents at end of year		**55,896**	**40,433**

In the prior year there was a separate line item of 295,600 relating to issue of new shares. This is now consolidated into Net increase in shareholder funding, which was previously stated at 4,400.

The notes on p200–202 form an integral part of the financial statements.

Notes to the Company financial statements

As at 31 March 2023

1. Significant accounting policies

Basis of accounting

The Company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in conformity with section 408 of the Companies Act 2006. The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The Company's financial accounting policies are consistent with those described in the consolidated accounts of the British Business Bank plc. Disclosures in relation to share capital have not been repeated here as there are no differences to those provided in the consolidated accounts (note 21).

Investments in subsidiary undertakings are measured at cost less impairment in accordance with IAS 27.

These financial statements have been prepared on the going concern basis as described in the consolidated financial statements of the British Business Bank plc, and under the historical cost convention. The financial statements are presented in pounds sterling, which is the Company's functional currency.

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

2. Trade and other receivables

	2023 £000	2022 £000
Amounts receivable within one year		
Trade receivables	29	268
Prepayments	1,272	749
Amounts due from Group companies	103,468	70,060
Other receivables	22	26
Total trade and other receivables	**104,791**	**71,103**

3. Investments

The Company acts as a holding company for the Group and has the following principal subsidiary undertakings which affected the Group's results or net assets:

Subsidiary	Nature of Business
BBB Patient Capital Holdings Limited	Holding company.
British Business Finance Limited (BBFL)	Manages investment schemes on behalf of the Group. The Start Up Loans Company (SUL) which provides loans to entrepreneurs is a subsidiary of BBFL.
British Business Financial Services Limited (BBFSL)	Manages investment schemes on behalf of the Department for Business and Trade.

All subsidiary undertakings are wholly-owned and incorporated in the UK, all shareholdings are in the name of British Business Bank plc.

See note 21 of the consolidated financial statements for details of all subsidiary holdings of the Company.

At 31 March 2023

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	1,951,639	319,986	2,271,625
Investment in year	305,000	23,000	328,000
Impairment in year	-	(9,941)	(9,941)
Closing Balance	**2,256,639**	**333,045**	**2,589,684**

At 31 March 2022

Investment in	Holdings £000	BBFL £000	Total £000
Opening balance	1,737,839	298,886	2,036,725
Investment in year	213,800	21,100	234,900
Closing Balance	**1,951,639**	**319,986**	**2,271,625**

The Company received no dividends in the year (2022: £nil).

4. Trade and other payables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade payables	1,645	2,692
VAT and social security	739	964
Accrued expenditure	8,726	9,409
Amounts due to Group companies	21,777	16,964
Other payables	3,484	3,167
Total trade and other payables	**36,371**	**33,196**

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

5. Loans and other borrowings

	2023 £000	2022 £000
Unsecured loans	60,000	102,405
Total loans and other borrowings	**60,000**	**102,405**

The Company has received further loans of £470.0m from DBT, of which £424.0m has been settled by share issue. The balance of £60.0m (2022: £14.0m) is repayable on demand and carries a zero-interest rate.

On 28 December 2018 the Group received a loan of £250m from the Nuclear Liabilities Fund which was used for making investments on behalf of the Nuclear Liabilities Fund after 1 April 2019. The term of this loan was 4 years with the value reducing in £5m tranches as the Group makes investment payments on behalf of the Nuclear Liabilities Fund. Any amount unutilised at 28 December 2022 was repaid in full on this date. This loan accrued interest at a rate of 2% per annum up to and including 31 March 2021, then decreasing to 1.5% for the remaining life of the loan. £0.6m (2022: £1.6m) of interest was accrued in the year. During the year, repayments of £88.4m (2022: £48.0m) were made against the unsecured loans and interest of £0.6m (2022: £1.6m) was repaid. The balance of this loan at 31 March 2023 was £nil (2022: £88.4m).

6. Related party transactions

During the year under review British Business Bank plc was 100% owned by the UK Government, with the shareholder being the Secretary of State for the Department for Business and Trade (DBT). The Company has elected to take the exemption under IAS 24 regarding disclosure of transactions with related parties because the UK Government has control over both the Company and other related entities. Compensation paid to key management personnel is disclosed in the Directors' Remuneration Report.

The Company trades with Government bodies on an arm's length basis on commercial terms in line with contractual agreements. The main Government bodies transacted with are DBT and the Company's principal subsidiary undertakings BBB Patient Capital Holdings Limited, British Business Finance Limited (BBFL) and British Business Financial Services Limited (BBFSL).

The Group's trading and other capital transactions with DBT were all effected through the Company and are disclosed in note 24 of the consolidated financial statements. The Company made charges to its principal subsidiary undertakings in respect of services provided on their behalf amounting to £48.9m (2022: £45.0m).

7. Controlling party

In the opinion of the Directors, the Company's ultimate controlling party is the Secretary of State for the Department for Business and Trade. The consolidated financial statements of the Department for Business and Trade are available from the Government departments' website at GOV.UK. Copies of the Group financial statements of the British Business Bank plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ

End Notes

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- Please see: Small Business Finance Markets Report 2023 – Small Business Finance Markets Report 2023 – https://www.british-business-bank.co.uk/research/small-business-finance-markets-report-2023/

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- Please see: Small Business Finance Markets report – Small Business Finance Markets Report 2023 – https://www.british-business-bank.co.uk/research/small-business-finance-markets-report-2023/

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- Please see: MISSION ZERO: Independent Review of Net Zero – Review of Net Zero – https://www.gov.uk/government/publications/review-of-net-zero
- Please see: Green Finance Strategy – Green finance strategy – https://www.gov.uk/government/publications/green-finance-strategy

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- Please see: Small Business Finance Markets report – https://www.british-business-bank.co.uk/research/small-business-finance-markets-report-2023/

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- Please see: Business Finance Week – Update on the Business Finance Week campaign – https://intranet.british-business-bank.co.uk/blog/business-finance-week-2022/

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- Please see: Gender Pay Gap Report 2022 – https://www.british-business-bank.co.uk/about-us/our-values-and-culture/transparency/gender-pay-gap-reports/gender-pay-gap-2022/

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- Please see: Green Finance Strategy – Green finance strategy – https://www.gov.uk/government/publications/green-finance-strategy
- Please see: Skidmore Review of Net Zero – https://www.gov.uk/government/publications/review-of-net-zero

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- Please see: Small Business Finance Markets Report 2023 – https://www.british-business-bank.co.uk/research/small-business-finance-markets-report-2023/
- Please see: Business Finance Survey – https://www.british-business-bank.co.uk/wp-content/uploads/2023/02/J0222_BBB_SMEFinanceSurveyReport_2022_V3.pdf

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Design: red-stone.com

Photography (excluding front cover and pages 24, 28, 29, 35, 37, 38, 39, 40, 41, 45, 51, 53, 54, 57, 65, 67, 77, 82, 91, 92, 93, 103, 108): Tom Donald and Oliver Goodrich.

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All figures source British Business Bank 31 March 2023 unless otherwise stated.