British Patient Capital

Annual Report and Accounts 2020

Fuelling innovation, powering growth

britishpatientcapital.co.uk

"By increasing the availability of patient capital to our high-growth businesses, we fuel innovation, heighten ambition and power economic growth."

Russ Cummings
Chair

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Chair's report

Our long-term vision is for more home-grown and fully funded, high-growth companies to fulfil their potential to be significant players on the global stage. By increasing the availability of patient capital to our high-growth businesses, we fuel innovation, heighten ambition and power economic growth.

Enabling potential

Russ Cummings

Russ Cummings
Chair

As the newly appointed Chair of British Patient Capital, I'm pleased to present British Patient Capital's second annual report.

Over the course of the year, we have significantly expanded the level of our commitments, up by more than £400m* in 2019/20, demonstrating the scale at which we can now deploy capital, and a reflection of the market opportunity. I'm especially pleased to report that our total commitments are now more than £1bn, from the £2.5bn of capital available to us. This is a landmark moment in the life of our business, establishing British Patient Capital as the largest domestic investor in UK venture and venture growth capital.

To achieve our vision, we also work to unlock more institutional funding. In addition to the £1bn of commitments that British Patient Capital has made, we have been joined by other institutions committing £4.8bn alongside us. This means £5.8bn of patient capital funding has been delivered to the market.

While it is still early in the life of British Patient Capital and also the funds to which we have made commitments, we have nonetheless achieved a positive return in 2019/20, due to assets transferred in at launch maturing and developments in the broader portfolio. Notwithstanding this positive return for the year, continuing economic uncertainty due to Covid–19 means that the long-term impact on our investment valuations are not yet fully discernible.

Responding to the Covid–19 pandemic

As a result of the sudden disruption caused by Covid–19, we have been particularly keen to reassure our fund managers and the market in general of our continued desire to make commitments. We have engaged heavily with our fund managers and have been impressed by the frequency and quality of that dialogue, as our fund managers have risen to the numerous challenges arising from the impact of Covid–19.

The commitment and responsiveness of our team throughout this very challenging period has also been outstanding. I am truly thankful to everyone for their professionalism, dedication and flexibility.

The Board

As well as Keith Morgan stepping down from his position as Chair of British Patient Capital on 1 September 2020, Catherine Lewis La Torre, Chief Executive Officer, British Patient Capital, was promoted to Chief Executive Officer of our parent company, the British Business Bank, also effective from 1 September 2020.

Catherine remains on the British Patient Capital Board as an Executive Director, providing continuity and support. I would like to thank Keith and Catherine for their outstanding service and exemplary leadership. British Patient Capital's success is their achievement, and they and all the team should be immensely proud.

Judith Hartley was appointed CEO of British Patient Capital on 1 September 2020. I look forward to working with Judith as we build our business, establish our track record and, at an appropriate time in the future, privatise British Patient Capital.

Looking to the future

While the impact of Covid–19 continues to severely affect many parts of the UK economy, the disruption may well accelerate the adoption of innovative new technologies, as society and the general economy move towards a new way of living and working.

With many world-class universities and a strong track record in science and research, the UK is well positioned to found and scale transformative companies based on digitisation, deep technology and life sciences.

With such strong fundamentals, I am optimistic about the future. I expect British Patient Capital to play an increasingly important role in supporting our innovative, fast-growth businesses. We have £1.5bn yet to commit and will continue to back best-in-class fund managers over the coming months and years. It is through this long-term, patient approach that we will enable the high-growth companies in our portfolio to achieve their full potential.

Outgoing Chair's statement

Investing in ambition

As Chair of British Patient Capital since its formation in mid–2018, I have seen the company go from strength to strength, significantly increasing its commitments year on year and championing the UK venture and venture growth asset class. With £2.5bn to invest, the company has significant firepower to help accelerate funding for the UK's high-growth innovative companies.

The team has also gone from strength to strength over the past two years. From an initial group of five individuals, British Patient Capital has now grown to become a diverse team of 16 investment professionals from a wide variety of backgrounds.

I announced in 2019 that I would be leaving my position as Chair of British Patient Capital and CEO of British Business Bank group in Autumn 2020. I leave British Patient Capital in the highly capable hands of Russ Cummings, who, having been a Non-executive Director of the company since 2018, will become its new Chair. I wish everyone in the team the very best for the future as they continue to strengthen the business and in turn the UK innovation economy.

Keith Morgan
Outgoing Chair

£1bn+

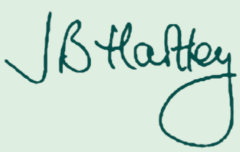
Total commitments to date.

* All commitment figures include British Patient Capital and third party mandates.

Chief Executive's statement

In our second year, we have significantly expanded and diversified our portfolio and our team.

Growing our business



Judith Hartley
Chief Executive Officer

During the 12 months to 31 March 2020, we made 11 commitments to new venture and venture growth funds, increasing our total fund investments to 42. These 42 investments are split equally between venture and venture growth funds.*

In terms of investment amount, we committed £405m† in the year to March 2020, taking our total commitments to just over £1bn. Of the £405m, £350m was to new funds and £55m was to existing funds, as they reached further fundraising targets and/or achieved final close.

This level of investment is a significant achievement for British Patient Capital, bearing in mind the company is only two years old. We are also encouraged that the portfolio is generating positive returns at such an early stage. This is a testament to the hard work and commitment of the team.

Spotlight on our portfolio

During 2019/20, we significantly increased our exposure to life sciences with a $65m commitment to SV Health Investors' first dedicated biotech fund. As a long-term investor, we seek to support best-in-class fund managers as they raise successive funds and build their businesses. Of our 11 new commitments in the year to March 2020, six were to new fund managers and five were to fund managers with whom we had prior commitments.

Aligned with our vision for more home-grown companies to fulfil their potential to be players on the global stage, we also made significant commitments to Balderton Capital's seventh fund, and Atomico's fifth fund. Both fund managers are UK-based VCs with large follow-on reserves, thereby enabling them to continue to support their most promising companies well into the growth stage.

This activity translates into an increase in the number of our underlying portfolio companies from 322 to 503, over the 12-month period.

Managing third-party capital

In April 2019, we announced our first third-party investment mandate: £250m on behalf of the Nuclear Liabilities Fund (NLF). The mandate supports the primary objective of the NLF to achieve sufficiency of the fund to meet certain costs of decommissioning EDF Energy's eight nuclear power stations that are currently operating in the UK.

We look forward to working with a broader range of institutions as we continue to progress our investment strategy.

Enhancing our capabilities and looking to the future

During the year we increased the size of the investment team to 16 professionals, adding investment capacity as well as new capabilities to build our institutional relations and co-investment programmes.

Looking forward, we have a strong pipeline with an increased emphasis on venture growth opportunities.

We will also invest directly, alongside our fund managers, in the most promising later-stage companies in our underlying portfolio, increasing the amount of capital available for the very best later-stage opportunities.

In Life Sciences we will build out our capabilities and appoint a specialist Director.

Catherine Lewis La Torre has been an exceptional leader of the company over the past two years. As I take over the role of CEO from Catherine, I look forward to working with the Board and the team to lead the business and address the challenges and opportunities of the year ahead.

500+

Innovative high-growth companies in our underlying portfolio.

Outgoing CEO's statement

Commitment, collaboration and creativity

When British Patient Capital was first established in 2018, ambitious commitment targets were set for its initial years of operation. I am delighted to report that we have exceeded these targets, with cumulative commitments of now more than £1bn. I am immensely proud of this achievement and to have been its Chief Executive over this period. This would not have been possible without everyone's outstanding contributions and I would therefore like to thank everyone in the team for their commitment, collaboration and creativity over the whole of the past two years.

As I move on to become Chief Executive of the British Business Bank group, I am delighted that Judith Hartley has agreed to take on the role of CEO. I have worked alongside Judith for several years and during that time, she has made a considerable contribution to the work of the British Business Bank, including successfully establishing and leading its UK Network and more recently, leading on new lender accreditation during the Covid-19 response. Judith is a highly respected leader, with more than 30 years' corporate banking experience and a strong track record of commercial success. I look forward to working with her, as we support the UK's high-growth, innovative companies.

Catherine Lewis La Torre
Outgoing Chief Executive Officer

* Venture funds are typically those investing in early funding stages from pre-seed up to Series A, while venture growth funds invest in Series B onwards.

† All commitment figures include British Patient Capital and third party mandates.

Russ Cummings
Chair

Russ joined British Patient Capital as an independent Non-executive Director in June 2018 and was appointed Chair on 1 September 2020.

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

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

Judith Hartley
Chief Executive Officer

Judith is Chief Executive Officer of British Patient Capital and British Business Investments, the British Business Bank's two commercial subsidiaries, and took up the role on 1 September 2020. Judith previously held the position of Managing Director of the Bank's UK Network, a team that is physically located within each of the English regions and the three Devolved Nations.

Judith built a career in corporate banking with Barclays and the Bank of Scotland before becoming involved in the delivery of publicly funded access to finance products. Judith was previously the British Business Bank's Managing Director, Lending Solutions, where she was responsible for the delivery of a number of the Bank's debt-based products, including the Enterprise Finance Guarantee, Help to Grow and Start Up Loans. Judith joined the Bank from Capital for Enterprise where she was Managing Director, Debt Markets.

Our Board

Catherine Lewis La Torre
Executive Director

Catherine was appointed Executive Director of British Patient Capital in September 2020 upon her appointment as CEO of the British Business Bank. Prior to this, since 2016 Catherine has led the Bank's commercial arm as CEO of British Business Investments (BBI), and from October 2018 of both BBI and British Patient Capital.

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

Hazel Moore, OBE
Non-executive Director

Hazel joined British Patient Capital as an independent Non-executive Director in June 2019.

Hazel is the co-founder and Chair of FirstCapital, an investment bank which provides mergers and acquisitions, private equity and growth capital advice to high-growth technology companies. She also currently chairs the Innovation Finance Sub-Committee for Innovate UK, the UK's national innovation agency, having been a Governing Board member of Innovate UK until 2018. Hazel is a member of the Future Fifty advisory panel and was previously on the Investment Advisory Panel of the North West Fund.

Hazel was awarded an OBE in the 2017 New Years' Honours list for services to entrepreneurship and innovation. She won the CBI/Real Business First Women in Finance award in 2016 and the Women in Private Equity Award for Best Corporate Finance Adviser in 2015.

Our team

The British Patient Capital team is based in Sheffield and London. We have a strong culture of collaboration and inclusive team working, and as a closely integrated team, we capitalise on the diversity and variety of experience among our investment professionals.

1. Ian Connatty
Managing Director – Sheffield

Ian joined in 2018. His previous experience includes working at the British Business Bank and its predecessor, Capital for Enterprise Ltd. He brings with him a wealth of experience in VC fund investing, including close involvement in the deployment of the VC Catalyst which formed the seed portfolio of British Patient Capital. He previously worked in corporate finance at technology company Infinity SDC and in financial modelling at the Royal Bank of Scotland.

2. Natalie Bangay
Director – London

Natalie joined in 2018 from the Private Equity team at Aberdeen Standard Investments. Prior to this, she worked in the investment team at SVG Advisers, a subsidiary of SVG Capital. She brings more than a decade of experience in the private equity market, having worked on both primary and secondary investments in buyout and venture capital funds across Europe. Natalie started her career as a management consultant at Corven and Andersen.

3. Christine Hockley
Director – Sheffield

Christine joined in 2018 from the British Business Bank where she spent four years investing in venture capital funds via the VC Catalyst and Enterprise Capital Fund programmes and leading a pilot programme in the lower mid private equity market for British Business Investments, a subsidiary of the Bank. She has investment, corporate finance and commercial experience, having previously worked at the Bank of Scotland, PwC and BOC Industrial Gases.

4. Robert Greenwood
Investment Director, Portfolio Funds – Sheffield

Rob joined in 2018 having worked at the British Business Bank for six years where he was part of the Lending Solutions team and involved with the design and implementation of a number of debt-related programmes before transitioning to the Venture Solutions team in March 2017. Rob previously spent 12 years in corporate and commercial banking with Clydesdale Bank. He has extensive transaction execution and portfolio management experience.

5. Tej Panesar
Investment Director, Life Sciences – London

Tej joined in 2018 from the British Business Bank where he focused on equity fund investments via the VC Catalyst programme. He was formerly Head of Credit and Equity Risk at Crowdcube and was founder and CEO of a real estate fund based in Poland for over a decade. Tej began his career in Citigroup as a corporate banker before working with Fintech start-up On Bourse and in corporate advisory.

6. Anu Adebajo
Investment Manager – Sheffield

Anu joined British Patient Capital in 2018 from the British Business Bank where she invested in venture capital funds. Prior to this she was an Analyst at the British Business Bank's Angel CoFund for almost five years, making direct equity investments alongside angel syndicates. Previously, Anu worked in a variety of finance roles, including a year and a half in Nigeria at a pan-African bank, Ecobank, and founded and ran an award-winning e-commerce start-up.

> Our collaborative culture allows us to capitalise on the diversity and variety of experience in our team.

7. Chloe Arrowsmith Jensen
Senior Manager, Institutional Relations – London

Chloe joined British Patient Capital in 2019 to head up the Institutional Relations programme. Prior to this, Chloe worked for seven years at Caxton Europe LLP, a global macro hedge fund, where she covered investor relations and business development in EMEA. Before Caxton, she worked for a multi-strategy hedge fund focusing on macro research and global investor relations. Chloe has over 10 years' experience in alternative investments and 12 years' experience servicing clients.

8. Sam Baldry
Investment Analyst – Sheffield

Sam joined in January 2019 from Santander's Credit Risk department where he was involved in managing and updating the monitoring of the credit card portfolio. Prior to that he was a government economist and has experience in financial analysis and modelling.

9. Katie Ballands
Personal Assistant – Sheffield

Katie joined in October 2018. She provides administrative support to the Managing Director and wider team. Previously, Katie worked at the British Business Bank and the NHS where she was an Executive Assistant to the Medical Director. She has a decade of PA experience.

10. James Burnham
Senior Communications Manager – London

James joined British Patient Capital in 2020. He previously ran his own communications and investor relations consultancy, and was an expert advisor to the European Commission covering SME finance policy. Prior to this, James was the External Relations Director at Invest Europe, and before that Head of Marketing and Communications at Climate Change Capital. James has 15 years' experience in private equity and venture capital.

11. Tom Haywood, CFA
Senior Manager, Direct Investments – London

Tom joined British Patient Capital in 2019 from Foresight Group where he focused on the Foresight Williams fund, an early stage deeptech VC fund. Previously, he was an investment manager at EcoMachines Ventures. He co-founded a biotech manufacturing start-up called Puridify that was sold to GE Healthcare and worked in investment banking at Deutsche Bank.

12. Pinky Ghosh
Investment Analyst – Sheffield

Pinky joined in 2018 from a UK-based manufacturing unit where she worked in finance. Prior to this, she was a Senior Investment Analyst at Zacks Investment Research, a leading American firm, where she focused on investment research and financial write-ups on the US equities market. She started her career in leading financial services groups in India, working in portfolio management services in equities and commodities markets.

13. Tatiana Mecattaf
Investment Analyst – London

Tatiana joined British Patient Capital in April 2019. Prior to joining, Tatiana started her career as a business development manager for a Foreign Exchange start-up in Beirut. She has undertaken internships at Blue Cloud Ventures, New York and Credit Suisse, Lebanon.

14. Carol Simon
Senior Business Partner – London

Carol is a qualified accountant and Senior Business Partner in the finance team of the British Business Bank, with over 20 years' experience in financial services. Carol joined the British Business Bank from the Royal Bank of Scotland where she worked as Head of Reporting in the restructuring team. This followed nearly 10 years at JP Morgan Cazenove Investment Bank, where she rose to Deputy Head of Accounting.

15. Chris Smart
Senior Investment Manager – London

Chris joined British Patient Capital in 2018 from the British Business Bank where he worked in Financial Risk supporting the Bank's various equity programmes. Prior to this he worked in a number of roles at the Royal Bank of Scotland, including Financial Sponsor Coverage providing banking products to UK and European mid-market buyout firms.

16. David Woods
Investment Analyst – Sheffield

David joined British Patient Capital in April 2019 from a specialist deal origination firm where he led the private equity department, sourcing investments for institutional firms and family offices. He has four years of financial services experience.

17. Richard O'Brien
Investment Manager – Sheffield

Richard joined the British Business Bank in 2016 and transitioned to British Patient Capital at its formation in 2018. He has led and supported a number of commitments to venture capital funds via the VC Catalyst and Enterprise Capital Fund programmes. Richard previously held roles in the actuarial sector, at a risk arbitrage fund, in foreign currency banking, and at a Fintech start-up, and has investment, analytical and modelling experience.

Strategic report

This section analyses the performance of British Patient Capital's investments in 2020.

Our business in numbers

Commitments

Total value of portfolio commitments

£1,004m

(Last year £599m)

Value of new commitments

£405m

(Last year £334m)

Total number of portfolio commitments

42

(Last year 31)

Number of commitments to new funds

11

(Last year 12)

Performance*

TVPI multiple

1.15

(Last year 1.15)

Portfolio IRR

10.7%

(Last year 13.3%)

Return on capital (gross)

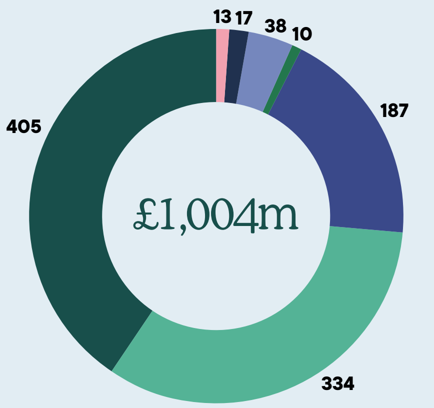
7.4%

(Last year 8.2%)

It is encouraging that BPC has maintained positive returns given it is early in the life of the patient capital portfolio we are building. Due to the significant increase in commitments made during 2019/20, IRR and Return on Capital have naturally dipped.

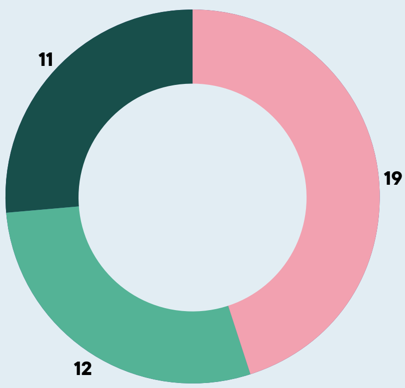
Our portfolio

Total commitments by vintage (£m)



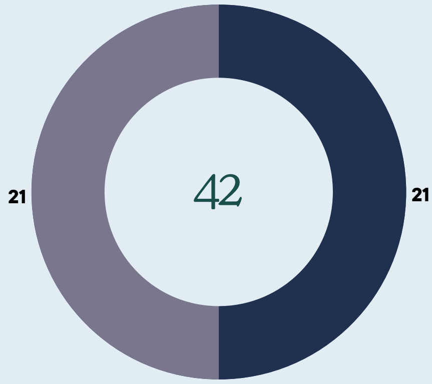
2013/14† 2014/15† 2015/16† 2016/17† 2017/18† 2018/19 2019/20

Total number of commitments by vintage



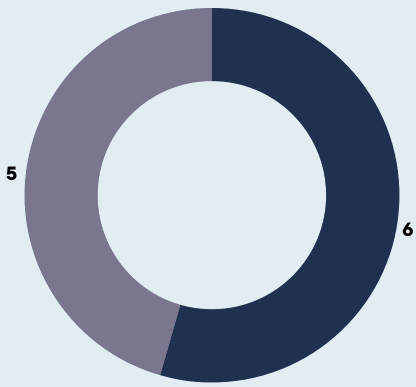
Transferred in assets† FY 2018/19 FY 2019/20

Total number of commitments, venture v. venture growth funds



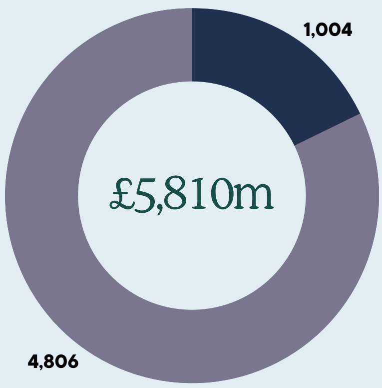
Venture capital funds Venture growth funds

Number of commitments to new funds in 2019/20 by new v. existing relationships



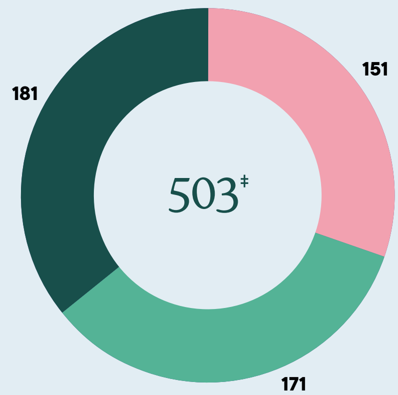
Commitments to new relationships
Commitments to existing relationships

Commitments including third party capital (£m)



BPC Third-party capital

Number of underlying company investments by vintage



Transferred in assets FY 2018/19 FY 2019/20

* TVPI, Portfolio IRR and Return on capital refer to British Patient Capital only, all other metrics refer to British Patient Capital and third-party mandates.
† Transferred in assets refers to a portfolio of investments acquired from British Business Investments during British Patient Capital's first year of trading.
‡ 286 of these companies have UK headquarters.

Strategic report

The Covid-19 pandemic has accelerated the adoption of digital technologies changing the way we work, learn and are entertained. The race to find a vaccine has focused attention, and capital, on improving healthcare across the globe.

Fuelling innovation, powering growth

As we adapt to the impact of Covid–19, breakthrough innovations based on digitisation, deep technology and life sciences are set to create a wave of transformative, high-growth companies.

With many world-class universities, a strong track record in science and research, and a technology sector now regularly producing global champions, the UK is well positioned to be a leader of this wave.

Over the past decade the UK's technology sector has grown to become a global powerhouse, growing six times as fast as the wider economy. At the forefront of new breakthrough treatments for disease and injury, the UK now has the largest group of life sciences companies outside of the US.

Our mission and vision

Our vision is for more home-grown and fully-funded, high-growth companies to emerge as significant players on the global stage. And while the UK has long been recognised as a great place to start a business, historically a lack of patient capital has seen some firms sold too early to trade buyers, instead of continuing their own positive and sustained growth trajectory.

Increasing the amount of later-stage funding available to our high-growth innovative companies is a key part of our work, enabling our most promising companies to achieve scale as independent businesses within the UK. That is why our investment focus is on venture growth opportunities.

As well as providing our own funding, attracting more institutional capital to the asset class is critical to increase the diversity, and size, of our venture growth managers.

At an appropriate time in the future we intend to privatise British Patient Capital, so that it becomes a permanent and integral part of the UK's financing landscape.

*British Business Bank Small Business Equity Tracker

There is significant progress, but challenges remain

UK venture and venture growth fund managers are increasingly well capitalised and experienced. For the first time in 2019, the number of follow-on funding rounds outstripped first-time deals.* We know that for our innovative companies to be successful they need multiple funding rounds, and this is a strong signal that our private small business equity markets are maturing. While great progress has been made, significant gaps remain.

In the last 10 years the average size of later-stage UK venture capital deals has tripled. However, the US has seen the same increase over the same time period. After a decade, later-stage venture capital deals in the US remain over twice as large as those undertaken in the UK at £24m compared to £11m. See figure 1.

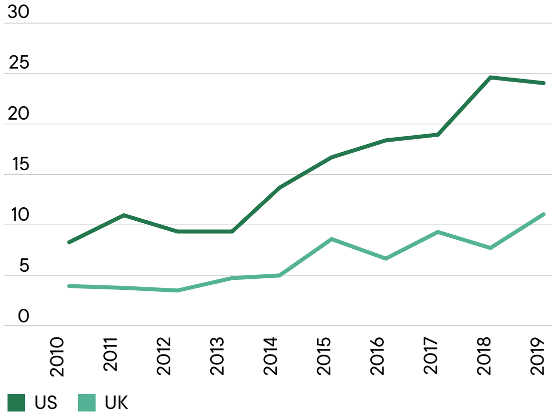
While the UK has closed the gap with the US in terms of average fund size, a closer examination reveals the US has a significantly more distributed concentration of capital. Only 6% of all venture capital raised in the UK was by funds greater than £600m, compared to 37% in the US, as per Figure 1.

Given the strong relationship between fund size and the size of funding rounds, this puts UK companies at a disadvantage to their US counterparts, allowing US venture-backed companies that do go public to both remain private for longer and achieve significant valuations – and market penetration – before listing.

By increasing the number of funds of sufficient scale with enough firepower to support larger, later-stage funding rounds, British Patient Capital will enable more companies to achieve their growth ambitions and boost the UK's economy.

Figure 1

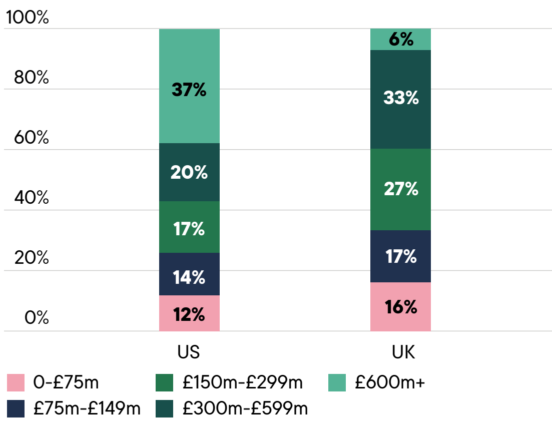
Average size of later-stage venture capital deals (£m)



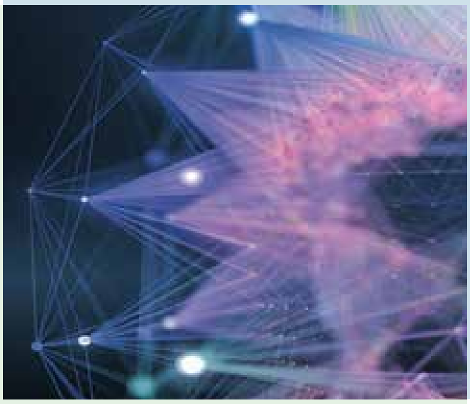
Source: British Business Bank analysis of PitchBook

Figure 2

Proportion of VC fund capital raised by fund size category (2017–2019)



Source: British Business Bank analysis of PitchBook



> We are here to enable high-growth innovative companies to scale-up to become global champions.

Strategic report

Our focus is on the venture growth stage of the market.

Investment strategy

Committing to best-in-class fund managers

We seek best-in-class fund managers with a strong UK focus.

We look to build long-term relationships. When working with emerging managers, we seek out those with the long-term vision and potential to raise successor funds.

Through our investments we enable the best managers to execute their planned strategy more effectively, and often to a greater scale. We achieve this by making a cornerstone commitment to enable a first close, or by boosting a fund to achieve optimal size.

Portfolio construction

We are building a diversified portfolio by sector, stage and vintage. We invest in both venture and venture growth funds. Venture funds are typically those investing in early funding stages from pre-seed up to Series A, while venture growth funds invest in Series B onwards.

The majority of our investments are in fixed-term vehicles, a reflection of market availability, though we are open to more innovative structures, particularly those providing evergreen or perpetual capital.

A focus on venture growth

Our focus is on the venture growth stage of the market. Over time, we expect our portfolio, in terms of both funds and underlying companies, to increasingly reflect this. We are now invested in 21 venture funds and 21 venture growth funds.

We will continue to make some investments to funds focused at the earlier stage, however but these are to help build a pipeline of later-stage investment opportunities. We also look to managers with the track record and scale to raise large, multi-stage funds with sufficient reserves to support companies through multiple funding rounds.

As part of this focus on venture growth we have also invested in a number of Opportunities Funds – funds which invest further capital into existing portfolio winners. We will also invest directly, alongside our fund managers, in the most promising later-stage companies in our underlying portfolio.

Our fund managers

Active Partners
atomico
Advent Life Sciences
Alpina Partners
Amadeus Capital Partners
Atlantic Bridge
Balderton Capital
connect — where product founders fit
Crane
dawn.
Dementia Discovery Fund
Draper Esprit
etf partners
FPE Capital
frog capital
hoxton ventures
IQ Capital
Kennet
Kester Capital
Kindred
MVM — MVM Partners LLP
Nauta Capital
Notion
nvm private equity
OXX
panoramic
Prime Ventures
Seedcamp
sep Scottish Equity Partners
SV Health Investors
WestBridge

Strategic report

We now have relationships with 32 fund managers and are invested in 42 funds. As we seek out later-stage opportunities, our current pipeline has an increased emphasis on venture growth opportunities.

Funding the scale-up: our portfolio

In 2019/20 we made 11 commitments to new funds. As we seek to support best-in-class fund managers as they raise successive funds and build their businesses, five of our commitments were to managers with which we had an established relationship. To further diversify our portfolio, six of our new fund commitments were to fund managers with which we had not previously invested.

We now have relationships with 32 fund managers and are invested in 42 funds. As we seek out later-stage opportunities, our current pipeline has an increased emphasis on venture growth opportunities.

We significantly increased our commitments in venture growth during the year. Via our commitment to Oxx's debut fund, we increased our exposure to SaaS opportunities; we also augmented our support for deep tech through IQ Capital's Growth Opportunities Fund and broadened our consumer investments with a commitment to Active Partners' third fund.

Other venture growth funds in the portfolio include ETF Partners' third fund, which invests in companies through the lens of sustainability, and Kennet V, which specialises in capital efficient SaaS companies.

During the year we made significant commitments to Balderton Capital's seventh fund, and Atomico's fifth fund. Both fund managers have large follow-on reserves, enabling them to continue to support their most promising companies well into the growth stage.

In our portfolio we now have four life sciences funds, which includes our commitment this year to SV Health Investors' first fund focused solely on biotech investments, the SV7 Impact Medicine Fund which aims to turn scientific breakthroughs into biotech companies producing high-impact, precision medicine drugs for poorly treated diseases.

By number of funds, half our portfolio is now in venture growth, as we execute our strategy in line with the opportunity that we see in the market. As a legacy of the seed portfolio of 19 funds, transferred from British Business Investments at our foundation, we naturally have a number of funds outside our venture growth focus. We will continue to actively manage all our portfolio to maximise investment returns, while expecting the proportion of non-venture growth funds in our portfolio to reduce over time.

Case Study
Oxx Fund I

£25m investment

August 2019

Oxx is a UK-based venture growth investor, backing software-as-a-service (SaaS) companies at the scale-up stage. Oxx has a particular interest in five key themes: data convergence and refinery, the future of work, financial services infrastructure, user empowerment, and sustainable business. Oxx currently manages £100m in total, including co-investment funds.

Launching as a spin-out from Amadeus Capital in 2017 with a veteran founding team, Oxx faced fundraising challenges common to emerging managers. As a first-time fund manager, Oxx fell outside the remit of most institutional investors in the venture capital asset class.

British Patient Capital's rigorous due diligence and deep understanding of the venture capital landscape allowed it and Oxx to facilitate a strong partnership. The process resulted in a refined business plan and investment strategy, and a due diligence set that Oxx could replicate with other prospective investors.

"British Patient Capital's cornerstone investment in our first fund was critical, as it ensured we achieved a speedy first close, and were able to quickly capitalise on the venture growth opportunity. The British Patient Capital team has been at the front-line of venture capital and growth investing for years, and therefore bring a lot more than just money to the table."

Case Study
Atomico V

$50m investment

January 2020

Atomico is a venture capital firm backing ambitious mission-driven European founders at Series A, with the fund size to follow on in subsequent growth rounds. With a team of founders, investors and operations specialists, and founded in 2006, Atomico has partnered with over 100 teams. The firm currently has $2.7bn in assets under management.

Atomico V raised $820m, receiving backing from a global institutional investor base; British Patient Capital played an important role with a significant commitment of $50m.

Atomico seeks to be an active proponent of the UK and European technology ecosystem. Its Conscious Scaling programme, an open-sourced framework for founders to identify and mitigate long-term risks, requires companies to commit to implementing a Diversity and Inclusion policy as part of their investment term sheets.

As a limited partner, British Patient Capital provides Atomico with an investor aligned with its mission, principles and values, particularly on important issues such as diversity. In addition, it can be a strong partner to continue to support UK-based technology successes through direct investment, providing further capital to support these companies on their journeys to success.

"LP support is vital to the success of a strong and healthy tech ecosystem. British Patient Capital has been a critical component of this in the UK. British Patient Capital's focus on diversity and inclusion is well aligned with Atomico's mission and values, making it a strong partner for us."

Strategic report

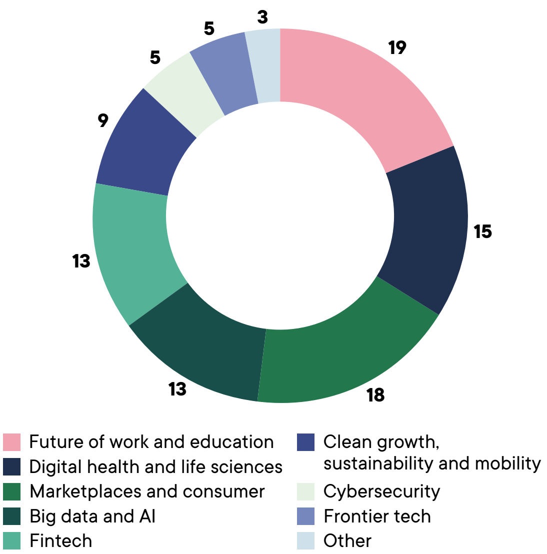
British Patient Capital is invested in 503 portfolio businesses through our portfolio of fund managers. Through our capital we are helping build the next generation of global tech leaders.

A focus on innovation

Although we are not prescriptive about sectors for our investment, from our vantage point we see trends emerging across the portfolios of our venture and venture growth partners. And within these portfolio themes we are now starting to see companies moving well into the growth stage of their journey.

By looking at the individual businesses within our portfolio we have identified eight key themes.

Underlying companies by theme - 31 March 2020 (%)



Future of work and education

Given the current disruption due to Covid–19, many companies are exploring new ways of working, using technology to enable remote engagement. We see this as a long-term trend; today's employees are increasingly demanding agility and flexibility from their employers. Companies in this category are providing tools to facilitate remote working, learning and collaboration.

Successful companies, from SMEs to multi-nationals, are constantly working to improve their processes and efficiency; this theme also includes the companies providing the next generation of enterprise tools giving businesses the information they need to innovate, improve and grow.

Finally, technology such as cloud computing has been a driver of change in multiple industries over the last decade. This theme also includes companies that support others with that transition, providing tools that enable workers in traditionally low-tech industries to use technology efficiently and effectively.

Case Study
Dotmatics

Fund Manager: Scottish Equity Partners

Dotmatics is a leading scientific informatics subscription software and services (SaaS) company, with a mission to give scientists access to all of their data, all of the time. By driving the automation of laboratory workflows for discovery and innovation research, it is accelerating the journey towards full digitalisation and the, 'Lab of the Future'.

Having grown organically and established itself as a key player within the Discovery Science market, the company was keen to accelerate product innovation and strengthen operations across key geographies. SEP was an ideal partner to help it do this, with a clear understanding of the sector and significant experience of scaling SaaS businesses internationally.

Since SEP's growth equity investment, the firm has continued to develop its chemistry solutions, further expanded into biologics and made strategic hires in application science, product development and professional services. In the first 12 months after investment, headcount increased from 90 staff to over 150. Systems and processes have been upgraded to give operational scalability.

SEP's network also helped the company add to its international and operational capabilities at Board level, introducing a Non-executive Chairman, a Non-executive Director, and a Chief Financial Officer. These appointments have brought a depth of experience in scaling life sciences focused software companies, helping to refine the company's international growth strategy and build on its expanding base of 400 global customers.

SEP supported in the evaluation of acquisition opportunities and in 2020 Dotmatics acquired US-based BioBright, furthering its mission to deliver the 'Lab of the Future', and enabling scientists to make decisions aided by next-generation AI and Machine Learning.

In 2019, Dotmatics won the Queen's Award for Enterprise for International Trade.

dotmatics
knowledge solutions

Digital health and life sciences

While medical science has made huge advances in the past century, many challenges remain. Companies in this category are often on the cutting edge of the latest global research. Many are leveraging the UK's leading position in life sciences research, and developments in fields such as precision medicine to find better treatments for rare or previously untreatable diseases. The race to find a vaccine for Covid–19 has heightened attention not only on the companies directly addressing this challenge, but also on the sector as a whole.

This category is not limited to new therapeutics; some companies are using technology in innovative ways to devise new solutions or improve the efficacy of existing treatments.

The latest innovation is useful only if it is accessible. Other companies in this category are using technology to improve access to medicine for people around the globe, helping to ensure that the right treatment is available for those that need it the most.

Case Study

Push Doctor

Fund Manager: Draper Esprit

Manchester-based Push Doctor wants to make healthcare more accessible and convenient for patients and clinicians alike. Patients are able to book an appointment online, or through the app, and be seen by an online doctor whenever they feel comfortable, whenever suits them.

As the largest NHS digital partner, and with Covid–19 having a huge impact on patients being seen within the NHS, Push Doctor is in a strong position to support the NHS during the pandemic and beyond.

Financing has allowed Push Doctor to expand its digital proposition within the UK and invest in creating new products to support the NHS, bringing further efficiency to the sector. The sector is moving extremely quickly towards digital, and it is crucial this is done safely. Push Doctor is passionate about creating the gold standard for this.

Push Doctor

Marketplaces and consumer

Today's customers are faced with an abundance of choice and information. Companies that our portfolio managers back are working to provide tools to make sense of vast volumes of information, helping customers to make better decisions.

Companies in this category are innovating entirely new products and consumer verticals or creating new consumer habits through social networks.

Retail is also undergoing transformative change as consumer habits and tastes evolve. British Patient Capital portfolio companies in this category include those using technology to provide customers with a personalised, seamless and convenient shopping experience, either as part of their own retail offering or by providing infrastructure to enable others to serve the needs of their customers.

Case Study
Farewell

Fund Manager: Kindred Capital

Farewill's mission is to change the way the world deals with death. It started by revolutionising the Wills market, and in the last year has expanded beyond this to offer probate services and fixed price cremations.

The company achieved this through a mix of partnerships, working with charities, retail banks, mortgage brokers and insurers, and building a strategy to win on both organic and paid search, across all products.

Kindred Capital led the first investment round to launch Farewill. Its technology allows the automation of a historically bureaucratic process, offers services for a fraction of the price of others, and focuses attention on delivering best-in-class, personal experiences for every customer. The financing round was instrumental in allowing Farewill to grow its team and develop the proprietary technology behind its platform.

The company now writes five times more wills than its closest competitor, has grown to be one of the UK's largest funeral providers within eight months of launch, and has become the second-largest probate provider in the UK. With over 6,500 Trustpilot reviews at 4.9/5, it is the highest rated legal/financial services company in the world. In 2020, Farewill closed a £20m Series B round.

Revenue has grown by seven times over the last year, and the team has expanded from 55 to 98, and raised over £100m in pledged income for UK charities.

Over the coming 12–18 months, the company intends to broaden the reach of its services, expand its funeral offering, and develop telephone wills and telephone lasting Power of Attorney products.

Farewill sees a substantial and unusual opportunity to reimagine an industry for the better – to impact the lives of millions of people when they need it most and help to change the way the world deals with death.

Farewill

Big data and AI

As the world becomes increasingly connected, we produce exponentially more data. The successful companies of tomorrow will be those that are best placed to make sense of and, most importantly, make use of this data to drive innovation.

Using large datasets can reveal unseen patterns and trends and make better predictions. This often requires considerable computing resource as well as sophisticated interpretation techniques. Companies in this category are using real-time data from multiple sources, turning this into structured information providing actionable insight.

As this category evolves, we are increasingly seeing sector specialism, with AI/Machine Learning incorporated into regular workflows in some industries such as financial services and cybersecurity. At the same time, the sector continues to innovate, applying AI/Machine Learning to more difficult, qualitative datasets as the underlying technology improves.

Case Study
Cleo

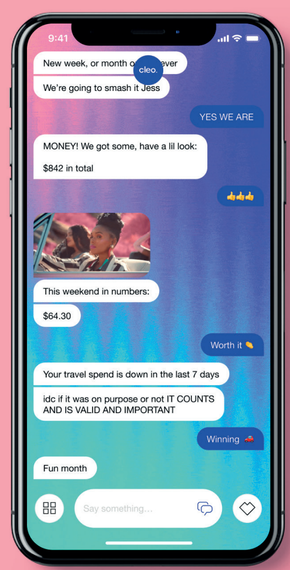
Fund Manager: Balderton Capital

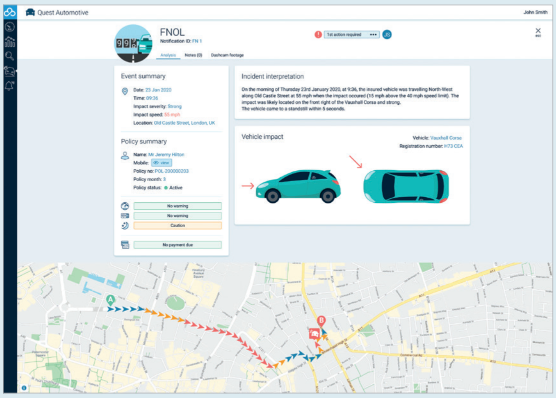
Cleo is on a mission to fight for the world's financial health, by getting people to make strong money decisions. From day one. Through an AI-powered chatbot, Cleo provides deep, simplified insights about each customer's money with a range of features such as spending trackers and budget setters.

Sitting above users' bank accounts, and using a humorous, warm and friendly tone of voice, and by analysing spending patterns, it also gives advice on how to get specific goods and services at lower prices. Founded in 2016, London-based Cleo has now scaled to over 3 million users in the UK and North America.

Its financing, led by British Patient Capital partner Balderton Capital, has allowed Cleo to invest in staff to increase speed of development and drive greater growth for both free and subscription products. The financing has also enabled research into new innovative products, while giving the team the financial security to plan for the long term.

Future developments include supporting rapid growth in the US with the Cleo+ subscription service, and the launch of new credit products.





Case Study
Concirrus

Fund Manager: IQ Capital

Concirrus's AI-powered platform – Quest – is used to predict and manage risk in the Specialty Insurance markets.

The insurance industry is being transformed by the availability of large amounts of data and the emergence of AI/Machine Learning which can be used to power a new class of risk assessment and risk management tools.

By using Quest products, insurers are able to improve the profitability of their book of business through enhanced risk selection, active risk management and accumulation management.

Concirrus saw an opportunity to lead the market by rapidly developing and launching the product, yet the investment required to do this exceeded the company's own resources. Its Series B financing from British Patient Capital fund manager IQ Capital, and others, enabled the company to expand its sales and development, capturing a market opportunity that it can build on for years to come.

Concirrus has transformed from local niche business and is well on the way to becoming a global business leader. It now plans to expand into new geographies, with new products, and serve an increasingly wide set of insurance markets.

Fintech

The UK has a deep background of expertise in financial services. When this is combined with technological innovation, we believe that UK companies are well placed to successfully provide the next generation of financial services for both consumers and enterprises.

While the sector is typically associated with neo banks and payment services, it is maturing and expanding, with companies in our portfolio sitting at the nexus of other investment themes such as Cybersecurity, Big data and AI and Marketplaces and consumer. Cleo profiled in this report as Big data and AI, is one example as it is also a fast growing consumer Fintech company.

Companies in this category are also providing back-end technology to improve the underlying infrastructure and legacy systems of established providers.

This category also includes those offering blockchain-related products and services, either for consumers looking to use blockchain currencies or to leverage the underlying technology to find innovative ways to provide financial services or infrastructure.

> "While the sector is typically associated with neo banks and payment services, it is maturing and expanding, with companies in our portfolio sitting at the nexus of other investment themes such as Cybersecurity, Big data and AI, and Marketplaces and consumer."

Cybersecurity

Keeping companies, people and data secure is vital, and this security is constantly in danger of being undermined. As such, this category is growing fast, especially for those providing services to help companies adjusting to a digital, remote first world.

Successful companies in this category are agile and technologically advanced, using innovative techniques to fight back, such as AI/Machine Learning techniques, to provide real-time monitoring and identification of fraud, helping to keep data safe.

Case Study
Tessian

Fund Managers: Balderton, Crane

Tessian's software acts as in-the-moment remediation and training to make people the strongest defence against social engineering attacks, accidental data loss, and data exfiltration over email. By building the world's first Human Layer Security platform, Tessian software is able to detect and protect in real time, and stop breaches before they happen

Founded in 2013 and headquartered in the UK, Tessian sought investment to accelerate the growth of the business from both a product and talent perspective. Equity finance allowed the firm to grow at an exceptional rate. Headcount has grown from 4 to 150 in four years, with a team combining up-and-coming talent and experienced SaaS leaders. The firm has established itself in the US, expanded its product suite, and is on a glide path to becoming a UK tech unicorn.

In the last 12 months, Tessian has also attained various accolades, including listing as a Gartner Cool Vendor, a 451 Research Firestarter, and a Forrester Now Tech vendor for Enterprise Email Security.

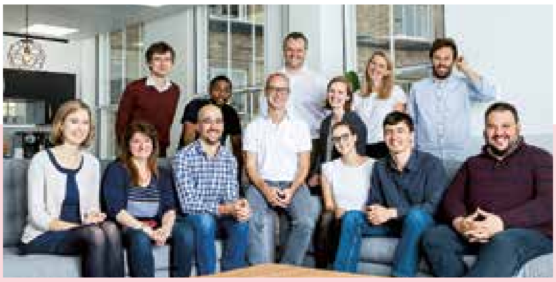
TESSIAN

Frontier tech

All our fund managers constantly invest in innovation as part of their work to find the next breakout company or category leader. Companies in this category go one step further, working on next-generation technology with the potential to transform major industries.

This theme covers broad fields, one of which is quantum computing. Companies in our underlying portfolio are working to harness this emerging technology through new software and algorithms.

Other companies in this category are developing the technologies of 'Industry 4.0', where intelligent machines will perform complex tasks without human intervention. There is enormous potential in these technologies at the very frontiers of innovation and we are excited to see what emerges in the coming years.



Case Study
Riverlane

Fund Manager: Amadeus Capital

Riverlane develops software that transforms quantum computers from experimental technology into commercial products.

Finance was required primarily to grow its R&D team – recruiting quantum scientists and system-on-a-chip engineers – to accelerate product innovation. The firm made key senior hires to strengthen company operations and extend its networking reach in key markets.

By expanding its R&D team and engineering expertise, Riverlane has been able to develop Deltaflow.OS, seeking to become the dominant operating system for quantum computers. Riverlane's technology aims to solve intractable problems that will change the way the chemical and pharmaceutical industry carries out R&D.

river lane

Clean growth, sustainability and mobility

Managing global growth in a sustainable way is the overarching challenge of our time, with governments across the globe committing to ambitious targets to reduce pollution and carbon emissions. While many companies across all investment themes are inherently working on sustainability through improving efficiency and productivity, this category includes all companies explicitly working to make economic growth sustainable.

Companies in our underlying portfolio are innovating in multiple sectors to find sustainable solutions, from agriculture to electric vehicles. Others are targeting changing consumer habits, reducing waste through reusing existing materials, or producing new, sustainable products and packaging.

Companies in this category, such as those providing the technology to enable autonomous vehicles, are also tackling the way we move through the world, enabling people to navigate modern urban environments efficiently, and in an environmentally friendly way.

Case Study
Five

Fund Managers: Kindred Capital, Notion

Five is building technology so that self-driving vehicles can be developed and tested for safe use on public roads. It is one of a few companies across the globe that holds the keys to achieving safe self-driving in meaningful timeframes and affordable costs.

Founded in 2015, Five has developed a fully working reference software system and demonstrated its safety to members of the public on London's complex streets. It has now incorporated its engineering and science insights into a cloud-based platform, in order to scale from prototype to production. Financing from British Patient Capital partner, Kindred Capital, among others, was the catalyst for this growth. It enabled Five to build a team of stellar engineers and computer vision experts, and to begin building its technology stack. Since then, Five has raised two further rounds of financing, including a $41m Series B round. British Patient Capital partner, Notion, participated in both those rounds, alongside Kindred. The team of 135 computer scientists, engineers, mathematicians, physicists and roboticists are based in Cambridge, Bristol, Edinburgh, Oxford, London and Millbrook.

Generating revenues through a combination of usage-based subscription and licensing, over the next year the company will expand its commercial partnerships in the race to deliver safe self-driving vehicles.

FIVE AI

British Patient Capital operates within the Risk Management and Governance Framework of the British Business Bank.

Managing our risks and corporate governance

Risk management and internal control

A full description of the Risk Management Framework of the British Business Bank is included within its Annual Report. The main aspects of the framework are:

- a collection of tools, processes and methodologies to identify, assess, monitor and control risks
- a Risk Appetite Policy which British Patient Capital is subject to; however, the British Patient Capital Board approves the company's own Risk Appetite Statement
- risk governance based on the 'three lines of defence' model
- a wide range of policies, frameworks and procedures which take account of regulatory or legal requirements and industry best practice.

The key operational risks the company is exposed to are:

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

The key financial risks the company is exposed to are detailed in note 13(iii) of the accompanying Financial statements.

While British Patient Capital is not required to comply with Section 172 of the Companies Act 2006, all decisions taken by the Board during the reporting period took into account Section 172 duties.

Corporate governance

British Business Bank plc is the ultimate parent of British Patient Capital Ltd and the policies and procedures that apply to the British Business Bank also apply to British Patient Capital.

British Patient Capital's constitution consists of its Articles of Association and a set of key principles adopted by the Board to govern the relationship between the British Business Bank and British Patient Capital.

The Board of Directors of the Company

The composition of the Board is set out in the Directors' Report on page 30. The Company's Articles of Association require that no more than one-third of the Board may consist of members of the British Business Bank plc Board.

The CEO of the British Business Bank (who is the Accounting Officer of the British Business Bank group for the purposes of HM Treasury's 'Managing Public Money' handbook) is an Executive Director of the Board of British Patient Capital. She has direct accountability to British Patient Capital's ultimate shareholder, Department for Business, Energy & Industrial Strategy (BEIS). The responsibilities of an Accounting Officer include the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding the British Business Bank's assets.

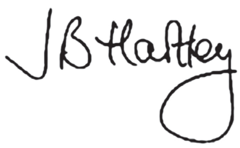
Audit and risk

The new Chair, Russell Cummings, formerly a Non-executive Director of British Patient Capital Ltd, serves as Audit and Risk Champion, attending meetings of the Audit and Risk Committees of British Business Bank plc, as needed, to discuss relevant matters.

Investment Committee

The members of the Investment Committee are the British Patient Capital CEO, Judith Hartley, and the British Patient Capital Executive Director, Catherine Lewis La Torre. The Chief Risk Officer, the Chief Financial Officer and the General Counsel of the British Business Bank (or their delegates) attend all meetings of the Investment Committee. Certain investments also require the approval of the Board and/or the Board of British Business Bank plc.

Approved by the Board of Directors.



Judith Hartley
Chief Executive Officer

29 October 2020

The Directors present their Annual Report on the affairs of the company, together with the Financial statements and auditor's report, for the period ended 31 March 2020.

Directors' report

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

- a description of the principal activities of the company during the course of the period, an indication of likely future developments in the business and the key operational and financial risks the company is exposed to are all included in the Strategic Report
- details of significant events since the balance sheet date are contained in note 16 to the Financial statements
- information about the use of Financial Instruments by the Company is given in note 13 to the Financial statements
- BPC, due to its size, is not required to publish a Section 172 statement about how its directors have fulfilled their duties
- however, in their normal course of action the Directors of BPC act in the way they consider is in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

  (a) the likely consequences of any decision in the long term

  (b) the interests of the Company's employees

  (c) the need to foster the Company's business relationships with suppliers, customers and others

  (d) the impact of the Company's operations on the community and the environment

  (e) the desirability of the Company maintaining a reputation for high standards of business conduct, and

  (f) the need to act fairly as between members of the Company.

Furthermore, the parent company of British Business Bank plc has included in its Annual Report and Accounts a full S 172 statement, and the types of considerations and evidence contained in here apply to governance standards across the Group.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, 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

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

- Keith Morgan (appointed 22 March 2018) – Chair
- Catherine Lewis La Torre (appointed 22 March 2018)
- Russ Cummings (appointed 13 June 2018)
- Hazel Moore (appointed 1 June 2019).

With effect from 1 September 2020, Keith Morgan resigned from his position within the British Business Bank plc Group, including from BPC. Catherine Lewis La Torre was appointed CEO of the group with effect from 1 September 2020. She remains on the Board of BPC but stepped down as CEO. Judith Hartley was appointed to the Board and assumed the role of CEO on 1 September 2020. In addition, Russell Cummings was appointed Chair, with effect from 1 September 2020.

British Patient Capital has not made any political donations or incurred any political expenditure during the financial year.

Appointment and removal of Directors

The Articles of Association provide that any appointment of a Director to the Board of British Patient Capital requires the prior consent of the shareholder. Additionally, where the appointee is not already an employee of the group, the prior written consent of the Secretary of State for Business, Energy & Industrial Strategy is required. No person may be removed as a Director without the prior written consent of the Secretary of State for Business, Energy & Industrial Strategy.

Directors' indemnities

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

Directors' confirmations in relation to the audit

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S 418 of the Companies Act 2006.

Approved by the Board of Directors.

JB Hartley

Judith Hartley
Chief Executive Officer

29 October 2020

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

Statement of Directors' responsibilities

Under company law, the Directors are required to prepare the Financial statements in accordance with recognised accounting standards. The Directors have chosen to adopt International Financial Reporting Standards (IFRS) as adopted by the European Union which is consistent with the accounting treatment adopted by the parent company. Under company law, the Directors must not approve the Financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial statements, the Directors are required to:

— properly select and apply accounting policies

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

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

— make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial statements comply with the Companies Act 2006.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

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

— the Annual Report and Financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board of Directors.

JB Hartley

Judith Hartley
Chief Executive Officer

29 October 2020

Independent auditor's report

to the members of British Patient Capital Limited

Opinion on financial statements

I have audited the financial statements of British Patient Capital Limited for the year ended 31 March 2020 which comprise the Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union.

In my opinion the financial statements:

— give a true and fair view of the state of the company's affairs as at 31 March 2020 and result for the year then ended; and

— have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and

— have been prepared in accordance with the Companies Act 2006.

Emphasis of matter

I draw attention to the Impact of Covid–19 on Investment Valuations section of note 9, which describes the extent of estimation uncertainty in measuring the fair value of investments as at 31 March 2020 as a result of the macroeconomic consequences of the pandemic. My opinion is not modified in this respect.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of British Patient Capital Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

— the British Patient Capital Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

— the British Patient Capital Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the British Patient Capital Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the directors for the financial statements

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

— the preparation of the financial statements and for being satisfied that they give a true and fair view

— such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

— assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of British Patient Capital Limited's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- conclude on the appropriateness of the British Patient Capital Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the British Patient Capital Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause British Patient Capital Limited to cease to continue as a going concern.

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

Other Information

The directors are responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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:

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Hilary Lower
Senior Statutory Auditor

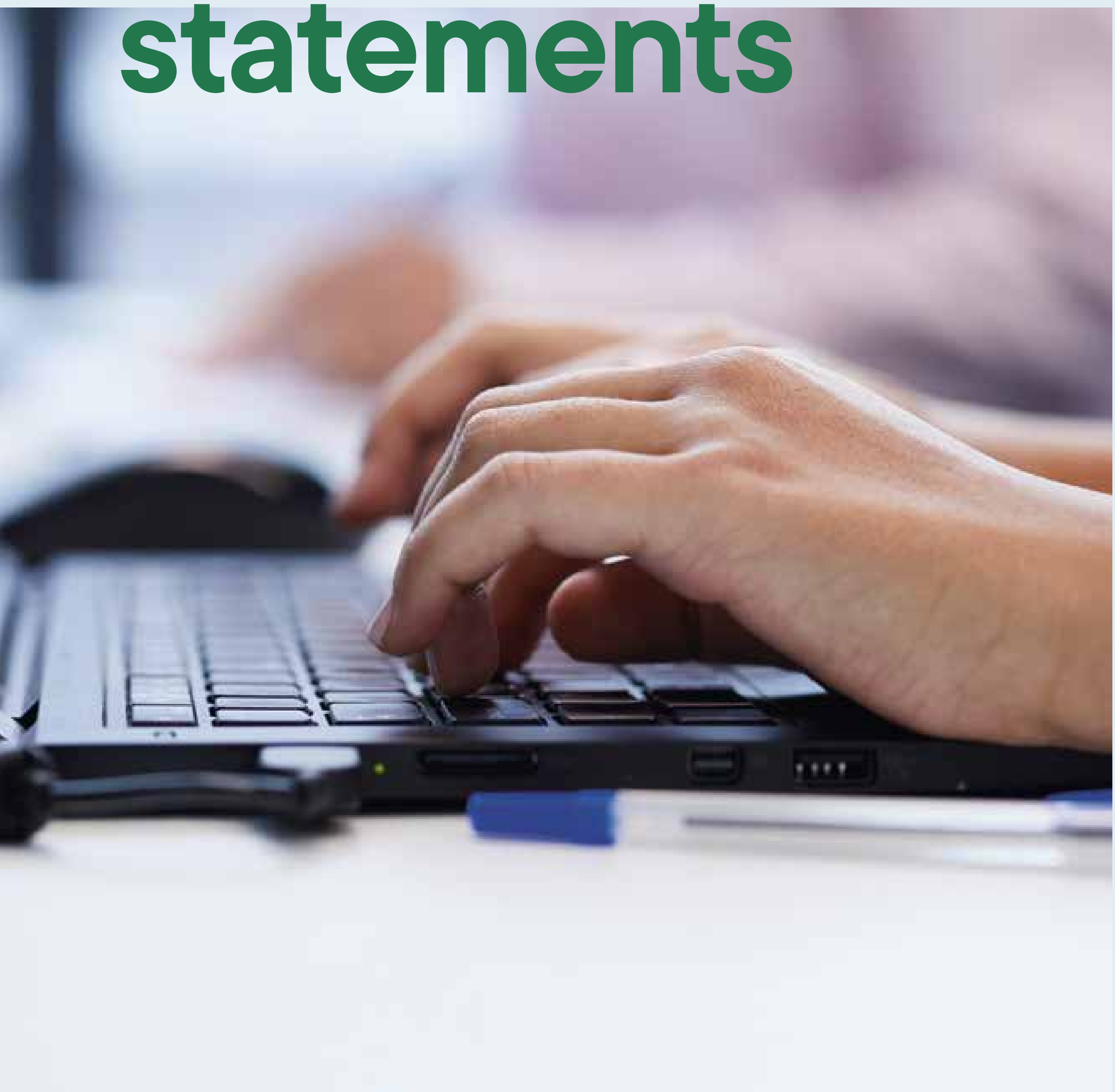
29 October 2020

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

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

For the period ended
31 March 2020

Financial statements



Financial statements

Statement of comprehensive net income

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Income			
Net gains on investment assets	9	17,951	9,447
Management fee income	15	1,612	-
Net operating income		**19,563**	**9,447**
Expenditure			
Staff costs	4.1	(1,482)	(827)
Other operating expenditure	5.1	(1,380)	(697)
Management fee expense	5.2	(9,749)	(6,387)
Operating expenditure		**(12,611)**	**(7,911)**
Profit before tax		**6,952**	**1,536**
Tax	6.1	(2,178)	(325)
Profit for the year after tax		**4,774**	**1,211**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**4,774**	**1,211**

All operations are continuing.

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

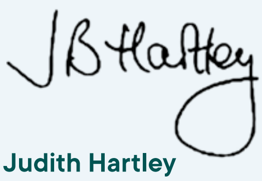
The notes on pages 42 to 54 form an integral part of the financial statements.

Statement of financial position

As at 31 March 2020

	Note	2020 £000	2019 £000
Assets			
Cash and cash equivalents	7	13,201	2,856
Trade and other receivables	8	591	-
Investments held at fair value through profit or loss	9	325,069	162,439
Assets held for sale	9	-	40,610
Deferred tax assets	6.3	14	-
Total assets		**338,875**	**205,905**
Liabilities			
Trade and other payables	10	(134,650)	(8,646)
Corporation Tax payable	6.2	(2,517)	(325)
Total liabilities		**(137,167)**	**(8,971)**
Net assets		**201,708**	**196,934**
Equity			
Issued share capital	12	195,723	195,723
Retained earnings		5,985	1,211
Total equity		**201,708**	**196,934**

The financial statements of the Company (company number 11271076) were approved by the Board of Directors and authorised for issue on 29 October 2020. They were signed on its behalf by:



Judith Hartley
Chief Executive Officer

The notes on pages 42 to 54 form an integral part of the financial statements.

Statement of changes in equity

As at 31 March 2020

	Note	Issued capital £000	Retained earnings £000	Total £000
Balance at 1 April 2019		**195,723**	**1,211**	**196,934**
Net income after tax		-	4,774	4,774
Total comprehensive income		**-**	**5,985**	**201,708**
Issue of ordinary shares	12	-	-	-
Balance at 31 March 2020		**195,723**	**5,985**	**201,708**
Balance at 22 March 2018		**-**	**-**	**-**
Net income after tax		-	1,211	1,211
Total comprehensive income		**-**	**1,211**	**1,211**
Issue of ordinary shares	12	195,723	-	195,723
Balance at 31 March 2019		**195,723**	**1,211**	**196,934**

Cash flow statement

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Profit before tax		**6,952**	**1,536**
Cash flows from operating activities			
Changes in operating assets and liabilities:			
Net increase in assets at fair value through profit or loss	9	(162,630)	(162,439)
Increase/(Decrease) in assets held for sale	9	40,610	(40,610)
Increase in trade and other receivables	8	(591)	-
Increase in trade and other payables	10	126,004	8,646
Net cash used in operating activities		**10,345**	**(192,867)**
Cash flows from financing activities			
Issue of new shares	12	-	195,723
Net cash from financing activities		**-**	**195,723**
Net increase in cash and cash equivalents		**10,345**	**2,856**
Cash and cash equivalents at beginning of the year		2,856	-
Cash and cash equivalents at end of the year		**13,201**	**2,856**

The notes on pages 42 to 54 form an integral part of the financial statements.

Notes to the Financial statements

For the year ended 31 March 2020

1. General information

British Patient Capital Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield, S1 2GQ. The Company was incorporated in the United Kingdom on 22 March 2018. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 12 to 27.

2. Significant accounting policies

Basis of preparation

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

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

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

Going concern

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

Adoption of new and revised Standards

Except for IFRS 16, which was adopted for the first time in the current year, but does not have an impact on the financial statements as the Company is not party to any leases, there were no new or amended standards applied for the first time and therefore no restatements of the previous Financial statements required.

At the date of authorisation of these Financial statements, the following Standards and Interpretations which have not been applied in these Financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 17, 'Insurance Contracts'
- IAS 1 (amendments) Presentation of Financial statements
- Amendments to IFRS 3, 'Business Combinations', definition of a business
- Amendments to the Conceptual framework.

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the Financial statements of the Company in future years.

Income recognition – management fee income

Following the adoption of IFRS 15, 'Revenue from Contracts with Customers', income is recognised when a recipient obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the goods or service. Management fee income is recognised when a recipient obtains control of the service.

Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales-related taxes.

Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Net Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

VAT

VAT is accounted for in the accounts, in that amounts are shown net of VAT except:

– irrecoverable VAT is charged to the Statement of Comprehensive Net Income and included under the relevant expenditure heading

– irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within payables or receivables on the Statement of Financial Position.

Financial assets and liabilities

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

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

Classification of financial instruments

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

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

The Company's financial assets comprise debt and equity instruments, classified as such under IAS 32. Debt instruments are classified both at initial recognition and subsequently, as amortised cost instruments, where the contractual cash flows represent solely payments of principal and interest (SPPI). If the cash flows do not represent SPPI, the instrument is measured at FVTPL.

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

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

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the asset is actively marketed for sale. Management must be committed to the sale which should be expected to qualify as recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Trade and other payables

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

Foreign exchange

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

Retirement costs

Payments to defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Any unpaid contributions are recognised as a liability.

Employee benefits

In accordance with IAS 19 Employee Benefits, the Company recognises short-term employee benefits when an employee has rendered service in exchange for those benefits.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects current and future years.

Judgements

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

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

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

The Covid–19 pandemic has given rise to significant additional uncertainty as to investment valuations and the Company has taken account of this in its assessment of the March 2020 valuations by giving particular scrutiny to the valuation methodologies adopted by its fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant guidelines.

b. Classification of financial assets

In accordance with IFRS 9, the Company makes an assessment as to the classification of its financial assets depending on its business model in relation to groups of assets and the contractual cash flow characteristics of individual instruments.

Business models are assessed in respect of groups of financial assets according to how they are collectively managed both in order to achieve a particular business objective, and in order to generate cash flows. The assessments are to determine whether cash flows generated by the assets result from contractual collections, the sale of financial assets or both. The business model assessment determines how the Company classifies its financial instruments as follows:

- hold to collect contractual cash flows – Amortised cost or FVTPL
- hold to collect and sell – FVTOCI
- neither Hold to collect nor sell – FVTPL.

For financial assets that have a business model which is one of hold to collect contractual cash flows, the Company then makes an assessment as to the classification between amortised cost or FVTPL based on a detailed review of the contractual documentation in relation to the individual instrument. Financial assets are classified as amortised cost if the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding, consistent with a basic lending arrangement.

In making its assessment, the Company applies judgement as to whether there are contractual terms which can give rise to modification of the time value of money element of the contractual cash flows, or to changes in the timing or amount of contractual cash flows, which could result in significantly different cash flows arising.

4. Staff numbers, staff costs and Directors' remuneration

4.1 Staff numbers and staff costs

The average monthly number of employees including Executive Directors was:

	2020	2019
Permanent staff	14	10
Non-executive Directors	2	1
Total	**16**	**11**

Aggregate remuneration comprised

	2020 £000	2019 £000
Wages and salaries		
– Permanent staff	988	414
– Temporary and agency staff	-	199
Non-executive Directors' fees	42	17
Short and Long-Term Incentive Plans and annual bonus scheme	183	79
Social security costs	140	57
Pension costs	129	61
Total	**1,482**	**827**

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

4.2 Directors' remuneration

Directors' remuneration during the year was £230,000 (2019: £199,000). Remuneration for the highest paid Director during the year is covered under Executive Directors' remuneration below.

Executive Directors' remuneration

Catherine Lewis La Torre received a salary of £135,000 (2019: £118,500), a payment under the LTIP for the period ended 31 March 2020 of £39,472 (2019: £39,000), company pension contributions of £13,500 (2019: £11,850) and £337 (2019: £350) taxable benefits. She also participates in the British Business Bank plc Long-Term Incentive Plan (LTIP) and in the year under review was granted awards with a maximum potential value of £67,500 (2019: £54,728). Any payments made under the LTIP will be determined by the Remuneration Committee at their discretion and were dependent on personal and corporate performance over a three-year period ending 31 March 2020. Catherine's remuneration is split on a 50:50 basis with British Business Investments Limited and disclosure of her remuneration in that role is dealt with in the Directors' remuneration note of British Business Investments Limited.

Non-executive Directors' remuneration

Non-executive Directors' remuneration for 2020 and 2019 is made up as follows:

	2020		2019	
	Total fees £000	Annual equivalent £000	Total fees £000	Annual equivalent £000
Keith Morgan (appointed 22 March 2018)	-	-	-	-
Russell Cummings (appointed 13 June 2018)	25	25	17	20
Hazel Moore (appointed 1 June 2019)	17	20	-	-
Total	**42**	**45**	**17**	**20**

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

Keith Morgan is paid directly by the Company's parent company and this is recharged to the Company within the management charge.

No post-employment benefits, termination benefits or share-based payments were made to Directors in the year (2019: none).

5. Operating costs

5.1 Other operating expenditure

	2020 £000	2019 £000
Audit fee	70	65
Investment costs	589	349
Other operating expenditure	721	283
Total	**1,380**	**697**

Auditor's remuneration of £70,000 (2019: £65,000) is stated exclusive of VAT and relates to fees payable for the audit of the Company's Financial statements. The Company's auditors did not provide any non-audit services.

5.2 Management fee expense

	2020 £000	2019 £000
Allocated staff costs	3,779	2,585
Allocated other operating expenditure	5,970	3,802
Total	**9,749**	**6,387**

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

6. Tax

6.1 Tax on profit on continuing activities

	2020 £000	2019 £000
Current tax		
Current year	2,517	325
Adjustment in respect of prior years	(325)	
Total current tax	**2,192**	**325**
Deferred tax		
Current year	(14)	-
Total deferred tax	**(14)**	**-**
Total tax on continuing activities	**2,178**	**325**

Factors affecting the tax expense for the year

The tax expense for the year is different from the standard rate of Corporation Tax in the UK as explained in the table below. The Corporation Tax rate used is based on the enacted Corporation Tax rate for the year commencing 6 April 2019.

The table below reconciles the tax charge for the year:

	2020 £000	2019 £000
Profit before tax	6,952	1,536
Tax on profit at standard UK tax rate 19%	1,321	292
Short-term timing differences	-	33
Chargeable gains	948	-
Adjustments in respect of prior period	(91)	-
Total tax charge	**2,178**	**325**

Deferred Corporation Tax

A deferred tax rate of 19% has been used for 2020 (2019: 17%).

6.2 Corporation Tax payable

	2020 £000	2019 £000
Corporation Tax payable at 1 April / 22 March	325	-
Tax expense for the year	2,192	325
Corporation Tax payable at 31 March	**2,517**	**325**

6.3 Deferred tax asset

	2020 £000	2019 £000
Deferred tax asset at 1 April	-	-
Movement in the year	14	-
Deferred tax asset at 31 March	**14**	**-**

7. Cash and cash equivalents

	2020 £000	2019 £000
Government Banking Service	13,201	2,856
Total	**13,201**	**2,856**

8. Trade and other receivables

	2020 £000	2019 £000
Trade and other receivables	591	-
Total	**591**	**-**

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

9. Investments

Venture Growth and Venture

Through the Venture Growth and Venture programmes, the Company 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. The Company will also invest in co-investment opportunities arising through its portfolio. These investments are accounted for and measured at FVTPL under IFRS 9.

Impact of Covid–19 on Investment Valuations

The Covid–19 pandemic caused a significant slow-down in economic activity in the final quarter of 2019/20, which in turn had an impact on the Company's investment valuations at the reporting date. In assessing the impact, the Company has closely followed the guidance issued by the Financial Conduct Authority, the Financial Reporting Council and the Prudential Regulatory Authority regarding the approach to assessing valuations.

The Company has significant investments in high-growth, early-stage technology-led businesses that have been relatively resilient to the impact of Covid–19. The net impact on the valuations, which could be attributed to Covid–19, is estimated by management to be a reduction of around £0.7m in the final quarter.

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

9. Investments (continued)

Investments held at fair value through profit or loss

As at 31 March 2020

	Opening balance £000	Transfers £000	Additions £000	Repayments £000	FV Movements £000	Closing balance £000
Venture Growth	115,521	(22,268)	74,695	(5,393)	5,390	167,945
Venture	87,528	(16,058)	75,219	(2,126)	12,561	157,124
Total	**203,049**	**(38,326)**	**149,914**	**(7,519)**	**17,951**	**325,069**

As at 31 March 2019 the Company recognised £40.6m as "Assets held for sale" in the Statement of Financial Position. This related to investments that were subsequently sold to the Nuclear Liabilities Fund on 1 April 2019. One fund did not transfer and as such £2.3m has remained FVTPL Investments under Venture Growth. The proceeds on disposal were £38.3m which equalled the investment value transferred.

In the prior year, the investments were disclosed under a single programme "Venture/Growth". This financial year, the disclosure has been updated to split the commitment into two separate components and the comparative has been updated accordingly.

As at 31 March 2019

	Opening balance £000	Additions £000	Repayments £000	Fair value movement £000	Closing balance £000
Venture Growth	-	117,486	(4,688)	2,723	115,521
Venture	-	86,578	(5,774)	6,724	87,528
Total	**-**	**204,064**	**(10,462)**	**9,447**	**203,049**

On 26 March 2019, the Company agreed to sell to the Nuclear Liabilities Fund 20% of its holding in Venture Growth and Venture assets with an effective date of sale of 1 April 2019. As required under IFRS 5, the Directors have assessed that this proportion of these assets were held for sale at the balance sheet date and have disclosed them separately on the face of the Statement of Financial Position. Assets held for sale at 31 March 2019 are £40.6m. These assets are all measured at fair value less costs to sell.

10. Trade and other payables

Amounts falling due within one year

	2020 £000	2019 £000
Trade payables	53	18
Accrued expenditure	507	394
Amounts due to Group companies	134,014	8,212
Total	**134,574**	**8,624**

Amounts falling due after more than one year

	2020 £000	2019 £000
Accrued expenditure	76	22
	76	**22**
Total	**134,650**	**8,646**

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

11. Capital commitments

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

	2020 £000	2019 £000
Venture Growth	199,129	214,881
Venture	291,784	202,792
Total	**490,913**	**417,673**

The Company disposed of 20% of its prior year investments in the sum of £38.3m on 1 April 2019, as such the undrawn commitment on those investments has been deducted from the current year value.

In the prior year, the capital commitment was disclosed under a single programme “Venture/Growth”. This financial year, the disclosure has been updated to split the commitment into two separate components and the comparative has been updated accordingly.

12. Share capital

	2020	2019
Issued and fully paid ordinary shares of £1 each:	195,722,540	195,722,540

	2020 £000	2019 £000
Brought forward	195,723	-
Shares issued for cash	-	195,723
Carried forward	**195,723**	**195,723**

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

13. Financial Instruments

(i) Categories of financial instruments

The following table analyses the Company's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

At 31 March 2020

	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000	Total £000
Assets				
Cash and cash equivalents	7	-	13,201	**13,201**
Trade and other receivables	8	-	591	**591**
Investments held at FVTPL	9	325,069	-	**325,069**
Total assets		**325,069**	**13,792**	**338,861**
Liabilities				
Trade and other payables	10	-	(134,650)	**(134,650)**
Total liabilities		**-**	**(134,650)**	**(134,650)**
Net assets		**325,069**	**(120,858)**	**204,211**

At 31 March 2019

	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000	Total £000
Assets				
Cash and cash equivalents	7	-	2,856	**2,856**
Investments held at FVTPL	9	162,439	-	**162,439**
Assets held for sale	9	40,610	-	**40,610**
Total assets		**203,049**	**2,856**	**205,905**
Liabilities				
Trade and other payables	10	-	(8,646)	**(8,646)**
Total liabilities		**-**	**(8,646)**	**(8,646)**
Net assets		**203,049**	**(5,790)**	**197,259**

(ii) Fair value measurements

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

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

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

For the year covered by these Financial statements all fair value through profit or loss financial instruments are considered Level 3 assets, except for one which is classified as a Level 1 asset. Financial instruments classified within Level 3 have significant unobservable inputs and include investments in private funds. As observable prices are not available for these financial instruments, the Company has applied the following valuations.

For all FVTPL assets 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.

(iii) Financial risk management

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

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

- Credit & investment risk
- Market risk
- Liquidity risk.

Credit and investment risk

Credit and investment risk is the risk of loss to the Company from the failure of clients, customers or counterparties to fully honour their obligations to the Company, including the whole and timely payment of principal, interest, collateral and other receivables and the risk of loss due to a fall in the value of equity investments or adverse credit spread movements. Credit risk includes settlement risk, when a counterparty fails to settle their side of a transaction, and concentration risk.

Credit risk may arise in any of the Company's assets where there is the potential for default which includes any investments with a contractual repayment.

The degree to which the Company is exposed to credit risk depends on the individual characteristics of the contract counterparty and the nature of the investment. The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time. The Company is exposed to investment risk through its Venture/Growth investments. This risk is mitigated by holding a portfolio that is diverse by stage, sector and vintage.

Credit risk rating and loss allowance

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

Cash and cash equivalents

The Company held cash and cash equivalents of £13.2m as at 31 March 2020 (2019: £2.9m). The cash and cash equivalents are held with the Government Banking Service.

The Company considers that cash and cash equivalents have a low credit risk based on the external credit ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

Trade and other receivables

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

13. Financial Instruments (continued)

Market risk

Market risk is the risk of direct or indirect losses that arise from fluctuations in the values of, or income from, assets or in movements in interest or exchange rates or credit spreads. The Company recognises market risk arising from an inability to exit an investment within the intended timeframe.

Currency risk

The Company primarily invests in its functional currency, pounds sterling. There are some investments in funds which have a Europe-wide investment mandate, and are denominated in euros. A condition of investment in these funds is that they invest into the UK at a fund level a larger amount than our financial investment. Approximately 35% of the Company's portfolio is in non-pounds sterling denominated investments. There is currently no policy to hedge this currency risk.

Liquidity risk

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

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

14. Structured entities

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

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

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

Interest in Limited Partnerships

	2020 £000	2019 £000
Assets at fair value through profit or loss	325,069	203,049
Total	**325,069**	**203,049**

15. Related party transactions

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

	2020 £000	2019 £000
Income		
Management fee		
NLF	1,612	-
	1,612	**-**

	2020 £000	2019 £000
Expenditure		
British Business Bank plc	9,094	6,111
British Business Investments Limited (BBI)	-	125
British Business Financial Services Limited	655	150
Total	**9,749**	**6,386**
Investment transactions		
Purchase of Venture/Venture Growth assets from BBI	-	131,128
Disposal of Venture/Venture Growth assets to NLF	38,326	-
Total	**38,326**	**131,128**

Amounts outstanding at year end

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

	2020 £000	2019 £000
Receivables		
NLF	564	-
Total	**564**	**-**
Payables		
British Business Bank plc	1,917	1,187
BBB Patient Capital Holdings Limited	132,000	7,000
British Business Financial Services Limited	97	26
Total	**134,014**	**8,213**

On 1 April 2019, the Company disposed of 20% of its holding in Venture/Venture Growth to the Nuclear Liability Fund, which was held in the Statement of Financial Position at £40.6m. The proceeds of disposal were £38.3m. One fund did not transfer and as such £2.3m has been transferred back into FVTPL Investments under Venture/Venture Growth; there was no gain/(loss) on disposal.

The Company is acting as agent for the NLF portion of investments and the above management charge reflects their charge for the year.

During the year, the Company received working capital loans from its parent company, which totalled £125m with a balance of £132m (2019: £7m) owing to its parent. This loan is expected to be repaid within one year by issuing shares to the parent company.

16. Events after the reporting date

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

17. Controlling party

The Company's parent is BBB Patient Capital Holdings Limited, which in turn is a wholly owned subsidiary of the British Business Bank plc. In the opinion of the Directors, the Company's controlling party is the British Business Bank plc's shareholder, the Secretary of State for BEIS. The consolidated Financial statements of BEIS are available from the Government departments' website at GOV.UK. Copies of the Group consolidated Financial statements of the British Business Bank plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

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Some stock photography has had to be used in this year's report due to Covid–19 restrictions.

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All figures source British Patient Capital Limited 31 March 2020 unless otherwise stated.