British Patient Capital

Accelerating innovation

Annual Report and Accounts 2021

britishpatientcapital.co.uk

“The patient capital we provide to our innovative high-growth companies is critical to driving the country’s wider economic recovery and future prosperity.”

Russ Cummings
Chair

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Chair's report

Accelerating innovation

While the impact of Covid-19 led to profound difficulties for many individuals and businesses, it also highlighted the importance of innovation and the value of innovative companies to society and the economy.

The pandemic has accelerated several underlying economic trends such as digitalisation, and this, in turn, has accelerated the growth of many innovative companies. From enabling many of us to remain productive and connected from our homes, to developing and supporting the delivery of Covid–19 vaccines, innovative companies have helped sustain the economy and our future wellbeing. UK venture and venture growth have been at the forefront of supporting the companies driving these trends, and as a result has experienced an exceptional year in terms of capital raised and performance.

Russ Cummings
Chair

"From enabling many of us to remain productive from our homes, to developing Covid-19 vaccines, innovative companies have helped sustain the economy and our future wellbeing."

As the pandemic began, it was far from clear how the companies within our portfolio and the wider venture capital sector would fare. We have been particularly impressed with how our fund managers supported portfolio companies. Our portfolio managers helped them adjust their businesses to meet the demands of a highly uncertain economic environment.

Our overall commitments now total almost £1.3bn,* as we continued to expand our fund portfolio during the year. This is just over half the £2.5bn of capital initially made available to us at launch in 2018. The funds in which we have invested have raised a total of £7.3bn, meaning that in addition to our investment of £1.3bn, other third-party investors have committed a further £6bn alongside us, significantly enhancing the availability of long-term patient capital for high-growth innovative companies.

We also made our first two co-investments to later-stage companies in our underlying portfolio. The patient capital we provide to our high-growth innovative companies is critical to driving the country's wider economic recovery and future prosperity.

> “In addition to providing vital investment to innovative companies, we have also generated a strong financial performance over the year.”

Encouraging signs in our performance

In addition to providing vital investment to innovative companies, we have also generated a strong financial performance over the year, with a notable uplift in portfolio returns. This reflects the increasing maturity of our portfolio, the ability of some of our underlying portfolio companies to raise significant amounts of capital at competitive valuations and the momentum in the wider venture capital market.

Our strengthening financial performance is encouraging, and an early indication that a patient capital investment strategy can produce attractive returns. The past year, however, has been exceptional, and markets may be less buoyant in the future. The majority of our investments are also yet to be realised, and as such the long-term performance of our portfolio is not yet evident.

Bringing new products to market

In July 2021, British Patient Capital launched the Life Sciences Investment Programme (LSIP) and Future Fund: Breakthrough.

LSIP has £200m to bring more large-scale, specialist UK-focused fund managers to market, addressing the later-stage equity finance gap faced by high-potential UK life sciences companies. To further support the objectives of LSIP, we have also entered into a collaboration agreement with Abu Dhabi's Mubadala Investment Company.

Future Fund: Breakthrough is a £375m co-investment programme, designed to address the later-stage equity finance gap faced by innovative, R&D-intensive UK companies, and builds on our existing co-investment capabilities.

As we continue to build our business, we remain focused on ensuring UK innovative companies have the patient capital they need to fulfil their potential.

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

£7.3bn

Total capital raised by funds in which we have invested*

Chief Executive's report

Achieving our vision

The balance of our portfolio is now in venture growth*. This is a key milestone in the evolution of our business.

Judith Hartley
Chief Executive Officer

Venture growth gathers pace

During the 12 months to 31 March 2021, we made nine commitments to new venture and venture growth funds*, increasing our total number of fund investments to 51. Throughout the year we continued to focus upon our venture growth investment strategy, including making a $75m commitment to Balderton Capital's inaugural venture growth fund. I am pleased to report that the balance of our portfolio – 26 of our 51 fund investments – is now in the venture growth stage of the market. This is a key milestone in the evolution of the company's portfolio and the delivery of our investment strategy.

"We committed £297m during the past year, taking our total commitments to almost £1.3bn."

* 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.

676

Our underlying portfolio increased from 503 to 676 companies

In terms of investment amount, we committed £297m during the past year, taking our total commitments to almost £1.3bn. Our new commitments included a significant investment in Abingworth Bioventures 8, taking our overall commitments to the UK's life sciences sector to over £150m via five fund investments. While we are sector agnostic in our investment strategy, the increase in our exposure to this sector recognises the many opportunities and strengths of the UK's life sciences industry and its leading position on the global stage.

There was also a net increase in the number of companies within our underlying portfolio from 503 to 676.

Our financial performance during the last year was strong with Portfolio IRR since inception now at 25.3% and an annual PBT of £183.9m. We are however early in the overall life of our portfolio. Therefore, while very encouraging, this should not be regarded as evidence of the long-term performance of the portfolio.

£1.3bn

Our overall commitments now total almost £1.3bn

Co-investing

During the year, we made our first two co-investments, investing alongside our fund managers in two of the most promising companies within our underlying portfolio. These were participations in Quantexa's $65m Series C funding round and Thought Machine's $125m Series B funding round. Co-investments will play an increasingly important role for us, as we work to achieve our vision for more home grown and fully-funded high growth companies to fulfil their potential to be significant players on the global stage.

Rising to the challenge

The past year has been challenging and uncertain, and I am immensely proud of everything the company has achieved. This has only been possible due to the deep commitment of the team and I would like to thank each and every one of my colleagues for their dedication and outstanding contribution during a year without equal.

Looking ahead

As we look to the next financial year, our pipeline of opportunities is strong. We also have two new programmes – the Life Sciences Investment Programme and Future Fund: Breakthrough – to deliver to the market. To facilitate this, we will be strengthening the investment team with additional life sciences and direct investment expertise. We will also further develop our ESG strategy.

I look forward to working with the Board and the team, as we continue our work to fund the innovative UK companies of today so they can become the global success stories of tomorrow.

> "Co-investments will play an increasingly important role for us."

Our board

Russ Cummings
Chair

Russ joined British Patient Capital as 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 was appointed on an interim basis to 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.

Catherine Lewis La Torre

Executive Director

Catherine was appointed Executive Director of British Patient Capital in September 2020 upon her appointment on an interim basis as CEO of the British Business Bank. Previously Catherine led the Bank's commercial arm initially as CEO of British Business Investments (BBI) from 2016 and CEO of both BBI and British Patient Capital from 2018.

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 a 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 is a member of the advisory panel for the Future Fifty, the UK's leading programme for late stage tech companies. Until 2018 Hazel was a Governing Board member of Innovate UK, the UK's national innovation agency, and she was previously on the Investment Advisory Panel of the North West Fund.

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

Our team

The British Patient Capital team is evenly spread across our Sheffield and London offices. The recent addition of our direct and co-investment team has increased the number of investment professionals to 19.

Christine Hockley
Director

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.

Ian Connatty
Managing Director

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.

Natalie Bangay
Director

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.

Robert Greenwood
Investment Director

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.

Tom Haywood
Director, Direct and Co-investments

Tom joined British Patient Capital in 2019 from Foresight Group where he focused on the Foresight Williams fund, an early-stage deep-tech 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.

Anu Adebajo
Senior Investment Manager

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.

Sam Baldry
Investment Manager

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.

Tej Panesar
Investment Director,
Life Sciences

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.

Chloe Arrowsmith Jensen
Senior Manager,
Institutional Relations

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.

Katie Ballands
Personal Assistant

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.

James Burnham
Senior Communications Manager

James joined British Patient Capital in 2020. He previously ran his own communications and investor relations consultancy, and was an 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.

Dr. Charlotte Davison
Analyst, Direct and Co-investments

Charlotte joined British Patient Capital in 2021 following a research role with a European corporate venture capital firm.

Pinky Ghosh
Investment Analyst

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.

Dr. Carmine Circelli
Senior Manager, Direct and Co-investments

Carmine joined British Patient Capital in January 2021 from the Northern VCTs, a generalist scale-up investor, where he focused on life sciences investments. Prior to the Northern VCTs, Carmine was an Investment Executive in the technology ventures team at the Development Bank of Wales. He also has university intellectual property commercialisation experience from his time with Cambridge Enterprise.

Jake Hobbs
Investment Manager, Life Sciences

Jake joined British Patient Capital in December 2020 from BioCity, a UK life sciences incubator and accelerator, where he focused on early-stage life sciences investments. Previously, he worked as a laboratory scientist at Pfizer, AstraZeneca, and Source Bioscience.

George Mills
Senior Manager, Direct and Co-investments

George joined British Patient Capital in July 2021 from BGF where he worked on early-stage technology investments. Previously, he was an Associate and company founder with Arts Alliance Ventures, and has co-founded three companies.

Amy Mullock
Senior Business Partner

Amy is a Chartered Accountant and Senior Business Partner in the finance team of the British Business Bank. She joined the British Business Bank in 2020. Prior to this she worked in audit in the City of London where the majority of her clients were in financial services.

Chris Smart
Senior Investment Manager

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.

David Woods
Investment Manager

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.

Ajay Patel
Senior Investment Manager

Ajay joined British Patient Capital in 2021 from Direct-to-consumer eCommerce brand noah, where he was the Financial Controller. Prior to his time at noah, Ajay was an Investment Director at M&G Investments within its private equity team focusing on primary, secondary and co-investment opportunities spanning buyout and venture capital across Europe and Asia.

Alexandra Woodman
Analyst, Direct and Co-investments

Alexandra joined British Patient Capital in July 2021 from Speedinvest, a European seed-stage VC, where she was part of the Marketplace and Consumer investment team. She started her career in corporate finance, working on Consumer and TMT M&A deals.

Richard O'Brien
Investment Manager

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

Our business in numbers

Commitments

Total value of portfolio commitments
£1,293m
(Last year £1,004m)

Value of new commitments
£297m
(Last year £405m)

Total number of portfolio fund commitments
51
(Last year 42)

Number of commitments to new funds
9
(Last year 11)

Number of co-investments
2
(Last year 0)

As a result of a number of underlying portfolio companies raising significant amounts of capital at competitive valuations, and the strong momentum in the wider venture capital market positively impacting valuations, we have seen a notable uplift in IRR and Return on Capital. While we are still in the early stages of developing our portfolio, and as the majority of our investments are still to be realised, our long-term performance is not yet evident. Nonetheless, this strengthening financial performance is an encouraging sign.

Performance*

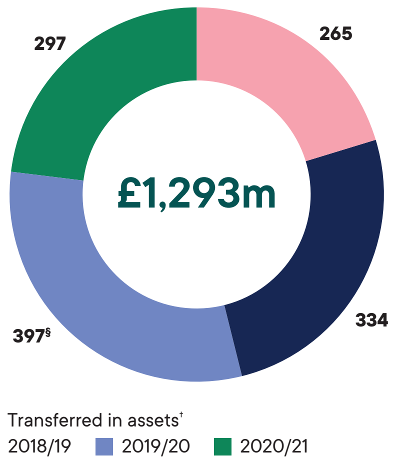
TVPI multiple
1.51
(Last year 1.15)

Portfolio IRR
25.3%
(Last year 10.7%)

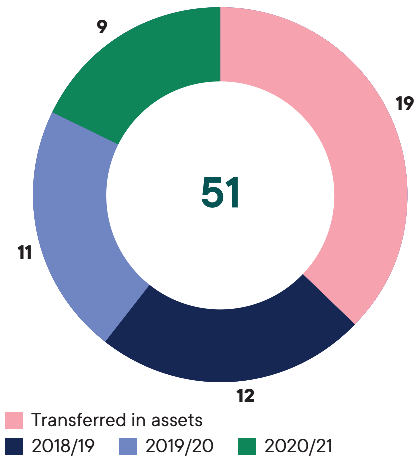
Return on Capital (gross)
42.4%
(Last year 7.4%)

Our portfolio

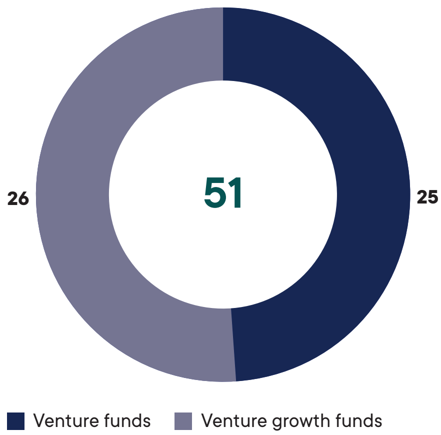
Total commitments by vintage (£m)



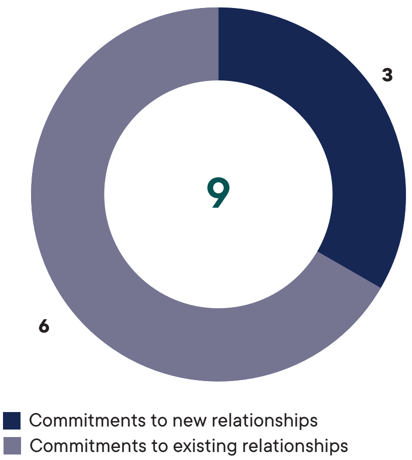
Total number of fund commitments by vintage



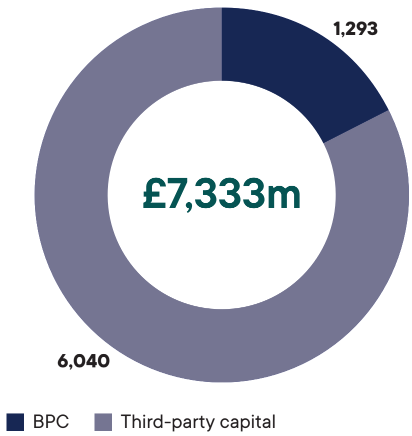
Total number of commitments, venture vs. venture growth funds



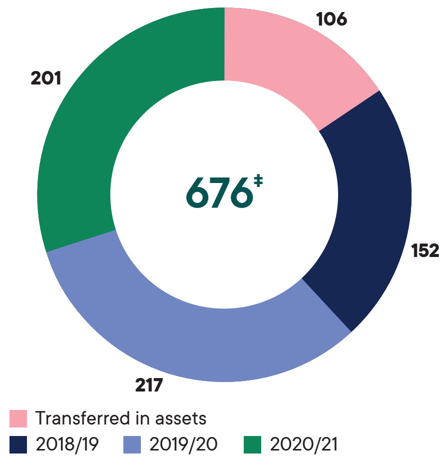
Number of commitments to new funds in 2020/21 by new vs. existing relationships



Total commitments including third-party capital (£m)



Number of underlying company investments by vintage



* Total Value to Paid In (TVPI), Portfolio Internal Rate of Return (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.

‡ 399 of these companies have UK headquarters.

§ The difference between this figure and the one reported in 2019/20 is accounted for by a retired commitment.

Strategic report

Accelerating innovation

The uncertainty that accompanied the initial spread of Covid-19 was felt throughout our business. Fund managers moved quickly to support their portfolio companies and build in resilience to weather the storm.

Impact of Covid–19

While many sectors were badly impacted by the pandemic, as populations adjusted to home working, the long-standing global trend of increased digitalisation rapidly accelerated. This was reflected in a rise of publicly traded technology company stocks with the NASDAQ increasing by 80% over the reporting period.

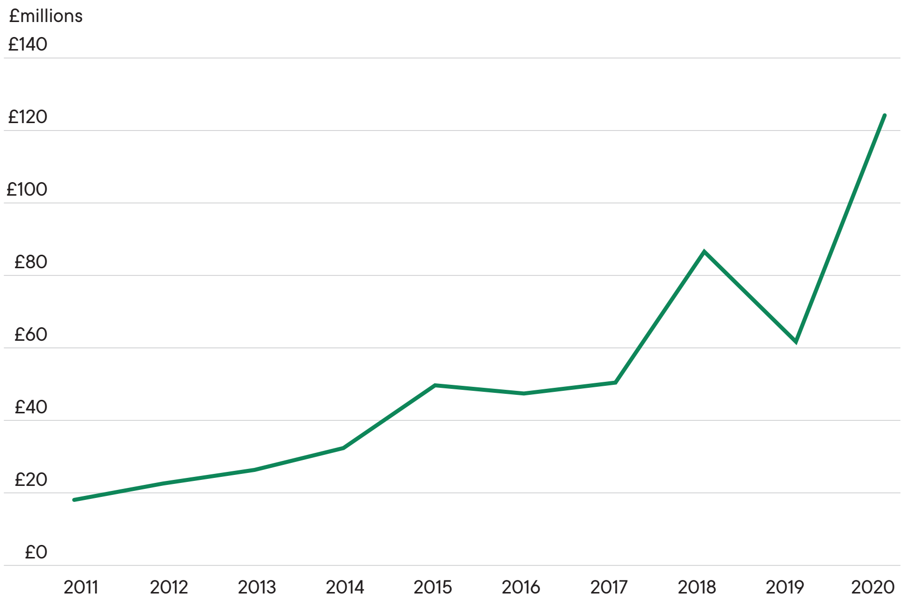
There was strong investor appetite for companies positioned to prosper during and beyond the pandemic. This meant some growth-stage UK technology companies were able to raise significant amounts of capital at competitive valuations. This translated into a material uplift in average pre-money valuations for UK growth-stage tech companies (Fig. 1).

We have also seen our own financial performance strengthen, with a notable uplift in portfolio IRR and TVPI, although the majority of our investments are still to be realised.

A number of companies in our underlying portfolio saw an increased demand for their products and services, while others pivoted to address the challenges that arose from social distancing. Some companies in our portfolio directly supported the health services, such as healthcare communication specialist accuRx, profiled on page 20 of this report.

Three UK companies in our underlying portfolio become new unicorns – virtual events platform Hopin, used vehicles sales disrupter Cazoo, and insurtech breakout company Zego. Hopin is profiled on page 23 of this report.

Figure 1. Mean average pre-money valuation of UK growth-stage tech companies



Source: British Business Bank analysis of Beauhurst data

The UK venture growth opportunity

Over the last five years, the UK venture capital market has continued to mature. Over this period the overall level of venture capital investment in the UK has increased by 204%, driven by increased investment in Fintech and SaaS sectors. This compares to a 141% increase in the US.

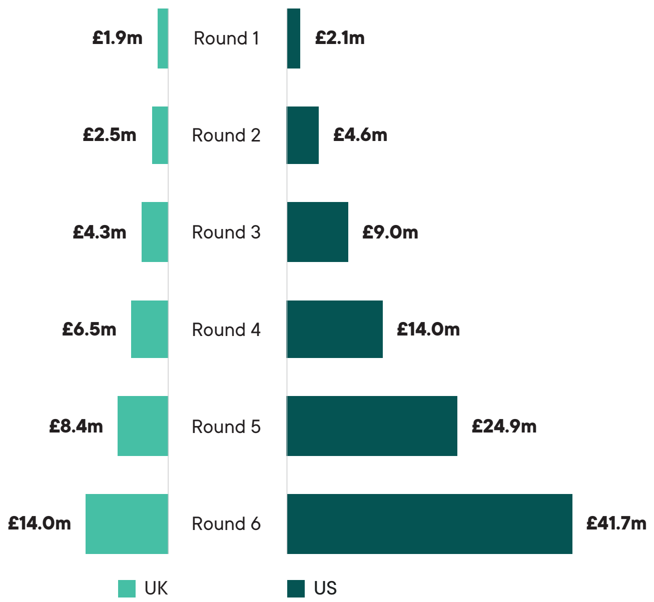
However, despite deal sizes increasing in recent years, UK equity deal sizes are still smaller than their equivalents in US companies at each funding round. The difference remains particularly pronounced at the later-stage, and UK deal sizes are three times smaller than their US counterparts at funding rounds five and six. (Fig. 2).

Non-UK investors (Fig. 3) also account for significant amounts of capital in larger, later-stage funding rounds. Although this is a clear endorsement of the opportunities for investors in UK tech and life sciences, it is vital that we continue to strengthen the UK market for venture growth funds.

By bringing more venture growth funds to market, ambitious growth-stage founders have a diverse source of patient capital when global markets may be less buoyant. UK institutional investors such as pension funds, and the individual savers they serve, also have an increased opportunity to both drive and benefit from the success of our most innovative high-growth companies.

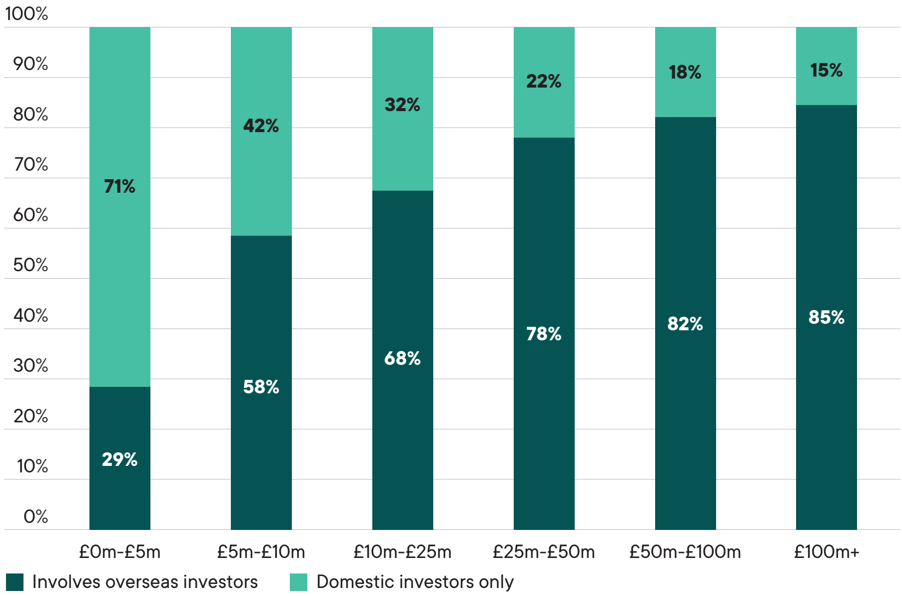
> "Over the last five years, the overall level of venture capital investment in the UK has increased by 204%."

Figure 2. Average venture capital deal size for companies initially raising in 2012–13 by round size



Source: British Business Bank analysis of PitchBook data

Figure 3. Proportion of VC investment (2018–2020) from deals involving overseas investors, by deal size



Source: British Business Bank user defined search of PitchBook. Results may differ from PitchBook's own published figures

Our business

Funds

Fund investment strategy

We seek best-in-class fund managers with a strong UK focus, and aim to build a diversified portfolio by sector, stage and vintage. Our focus is on the venture growth stage of the market, where we continue to see a market gap, including in the provision of later-stage capital from domestic investors.

We also make investments to funds focused at the earlier stage, however these are to help build a pipeline of later-stage investment opportunities.

Establishing new relationships

In 2020/21 we made nine commitments to new funds, of which three were to managers with which we had previously not invested. As at 31 March 2021 we have relationships with 35 fund managers and are invested in 51 funds.

We made a cornerstone commitment to UCL Technology Fund II, which aims to bring the academic research of world renowned university, UCL, to commercial reality. Our commitment to Abingworth's 13th life sciences fund, which targets companies developing novel therapeutics, saw us continue our support for UK life sciences companies. Through our commitment to Evolution Equity Partners' latest fund, we increased our exposure to growth-stage companies utilising big data and AI to tackle increasing cybersecurity challenges.

Venture growth gathers pace

In line with our long-term strategy to address the later-stage funding gap, 2020/21 saw the balance of our fund portfolio tip to venture growth. By number, we are now invested in 26 venture growth funds, as we execute our long-term strategy to increase the provision of later-stage capital to our innovative high-growth companies. In addition to our commitment to Evolution Equity Partners, other investments at the growth stage included our commitment to Balderton Capital's inaugural venture growth fund.

Our fund managers

Abingworth
Active Partners
Atomico
Advent Life Sciences
Alpina Partners
Amadeus Capital Partners
Atlantic Bridge
Balderton Capital
Connect
Crane
dawn.
Dementia Discovery Fund
etf partners
Evolution Equity Partners
FPE Capital
frog capital
hoxton ventures
IQ Capital
Kennet
Kester Capital
Kindred
Molten
MVM Partners LLP
Nauta Capital
Notion
nvm private equity
OXX
panoramic
passion capital
Prime Ventures
Seedcamp
SEP Scottish Equity Partners
SV Health Investors
UCL Technology Fund
WestBridge

Our business

Co-investments

As companies in our underlying portfolio mature and scale, we see increasing opportunities to invest directly in the later-stage funding rounds of the most promising UK companies. As a material fund investor, we have a deep relationship with our 35 portfolio managers, and are well positioned to identify and execute high-quality co-investments, acting as a long-term collaborative partner.

Co-investment strategy

Our co-investment strategy enables us to increase the size of later-stage UK funding rounds and is a significant part of our work to achieve our long-term vision for more home-grown and fully-funded high growth companies to fulfil their potential. As a commercial investor, this approach enables us to increase our exposure to the most promising UK companies in our portfolio in a capital efficient manner, providing the potential to increase our return profile.

Establishing our co-investment portfolio

Working with fund managers, we achieved a significant milestone this year, making our first two co-investments. We participated in Quantexa's $65m Series C funding round and Thought Machine's $125m Series B funding round. As companies in our underlying portfolio continue to mature, we expect the pace of our co-investment activity to increase.

Looking ahead

We will expand the capability and capacity of the investment team, so we are able to increase our co-investment activity and to facilitate the delivery of Future Fund: Breakthrough. Co-investments will play an increasingly important role for us in the future.

> “We are well positioned to identify and execute high-quality co-investments, acting as a long-term collaborative partner.”

Co-investment case study
Quantexa

Fund Managers: Dawn Capital, Evolution Equity Partners

Quantexa is a data and analytics software company pioneering contextual decision intelligence that allows organisations to make trusted operational decisions by making data meaningful. Their platform uncovers hidden risk and new opportunities by providing a connected view of internal and external data in a single place, solving major challenges across data management, financial crime, customer intelligence, credit risk and fraud.

British Patient Capital co-invested in the company's Series C investment round alongside existing investor and portfolio fund manager Dawn Capital. British Patient Capital further increased its investment in Quantexa via its commitment to Evolution Equity Partners.

This new funding will help accelerate the company's product innovation roadmap, develop new vertical industry sectors and support further growth across Europe, North America and Asia-Pacific regions. The finance has been critical in enabling Quantexa to achieve a year of significant growth despite the pandemic, enabling the business to grow 100% during the 2021 financial year and reaching the milestone of 300 employees across the globe.

"This investment has been key in driving the next phase of Quantexa's growth. We are seeing a huge demand for our platform to support multiple applications across our core markets in financial services and within new industry sectors."

Co-investment case study
Thought Machine

Fund Managers: Draper Esprit, IQ Capital

Thought Machine is providing the next generation of core banking platforms using software it has built natively for cloud infrastructure to help banks move away from a reliance on outdated IT infrastructure. By running this technology in the cloud, through the company's core banking engine called 'Vault', banks benefit from increased reliability, innovation potential, security and scalability. Using this technology, banks do not need to install any software or hardware on premises and the software can be maintained, upgraded and delivered remotely.

In July 2020, British Patient Capital co-invested in a Series B funding round of $125m which helped to fund Thought Machine's rapid growth including adding over 200 staff to its UK operations. British Patient Capital had prior exposure to Thought Machine via its investments in Draper Esprit, which led the Series B round, and the IQ Capital Growth Fund. IQ Capital led the seed round in the company in 2016.

Thought Machine has now opened an office in New York and aims for further international expansion as the company executes its global strategy while continuing to develop Vault, with a focus on expanding its product set and target markets.

"The most recent round of funding is being used to drive product development and global expansion. Thought Machine has hired engineers into the UK team to add new features, enhance Vault's capabilities and satisfy client requests. Commercial roles have been added globally to meet increasing demand from banks around the world."

Thought Machine

A focus on innovation

Digital health and life sciences

At the forefront of breakthrough treatments of disease, the UK is a world leader in life sciences. The discovery and development of new drugs, vaccines and cell/gene therapies have placed the UK at the frontier of responses to global challenges. Covid–19, ageing populations and the sustainability of healthcare provision are just some of the areas where innovative UK companies are having significant impact.

The continuing development of fields such as 'precision medicine', from both a regulatory and technological viewpoint, hold the promise of drugs that will target the specific disease mechanism of individual patients using their genetic profiles.

Case study
accuRx

Fund Manager: Atomico

accuRx is on a mission to improve communication in healthcare, giving everyone involved in a patient's care the ability to easily communicate with each other. At present, the NHS and health systems around the world are in a constant struggle to improve coordination of care and help patients stay healthy or manage their long-term conditions, manage costs and improve outcomes. accuRx is tackling this issue.

Since raising a Series A funding round led by Atomico in 2019, the company has built out its core SMS messaging platform, where 30 million individual patients, over half the population in England, have received messages sent using accuRx software. Each week, over 2 million messages are sent using its software, joining patients and the professionals that care for them. The team has grown from eight to 80, and the percentage of female employees increased from 25% to 55%.

The platform was the first 'bottom up' freemium model seen in the NHS and pre-pandemic it was already used by 50% of GP practices. After building video into its platform in a weekend at the start of the pandemic, it has now reached 99% of those practices.

In November, GPs were told they would be delivering a major tranche of the vaccine programme but were worried that outdated booking software in their practices would massively slow them down or make their rollout impossible. accuRx stepped up and by December had rolled out accuBook, a service to invite patients via SMS to self-book their appointments. Of the first 33 million vaccinations delivered in England, 11 million were booked via accuRx.

Future plans for accuRx will now see the company focusing on building a system-wide communication platform that anyone in any care setting can use. This will offer the health system greater efficiencies and better outcomes for patients.

"Financing has enabled accuRx to invest in building a world-class team and respond quickly to the needs of the health system during Covid–19."

accuRx

Case study

Alchemab Therapeutics

Fund Managers: SV Health Investors, Dementia Discovery Fund

Alchemab Therapeutics is a healthcare company that is harnessing the power of naturally protective antibodies to develop novel products for patients with hard-to-treat diseases. The company is building a pipeline of therapeutics in the areas of neurodegeneration and oncology by using computational analysis to identify novel antibody candidates for hard-to-treat neurodegenerative diseases and cancers.

The SV Health Investors led seed round was necessary to transform the novel, ground-breaking work of Alchemab's scientific founders at the University of Oxford, Johns Hopkins University and Mount Sinai Hospital into a leading company. Alchemab is now able to advance programmes into the clinic, address a variety of critical unmet medical needs, and potentially change the practice of medicine.

The company's most recent £60m Series A round will be used to advance its unique target-agnostic drug discovery platform. The approach interrogates the entire antibody repertoires of individuals from well-defined groups who show unexpected resistance to disease in order to identify naturally protective antibodies with therapeutic potential.

This financing will enable the company to expand its platform and further advance its discovery programmes to clinic. It currently has a library of over 1,500 patient samples accessed through highly valued collaborations with academics, biobanks and industry partners. Building out access to those samples while developing its platform capability will help Alchemab progress additional first-in-class therapeutics.

"The substantial financial commitment by SV Health Investors and other investors is a strong endorsement of our science, diverse team and UK entrepreneurialism. It supports us in our aim to become a major player in the identification of novel targets and antibodies in the areas of neurodegeneration and cancer and offers a great opportunity to accelerate our efforts to positively impact the lives of patients."

ALCHEMAB THERAPEUTICS

Advances in areas such as artificial intelligence/machine learning, computational biology and bioinformatics are blurring the lines between technology and health-related fields. This is reflected in our portfolio, where life sciences and digital health businesses are found in both technology funds and dedicated life sciences funds. As a result, 18% of our underlying portfolio companies by number fall within the Digital Health and Life Sciences category.

UK universities continue to pioneer innovation. Venture capital funds in our portfolio are facilitating the transfer of their technology to the commercial market by actively creating companies and enabling university spin-outs. By backing promising companies through multiple funding rounds, they provide continued support to their expansion.

The latest innovation is useful only if it is accessible. Other companies in our portfolio are using technology to improve access to medical professionals, helping to ensure that the right treatment is available for those that need it the most.

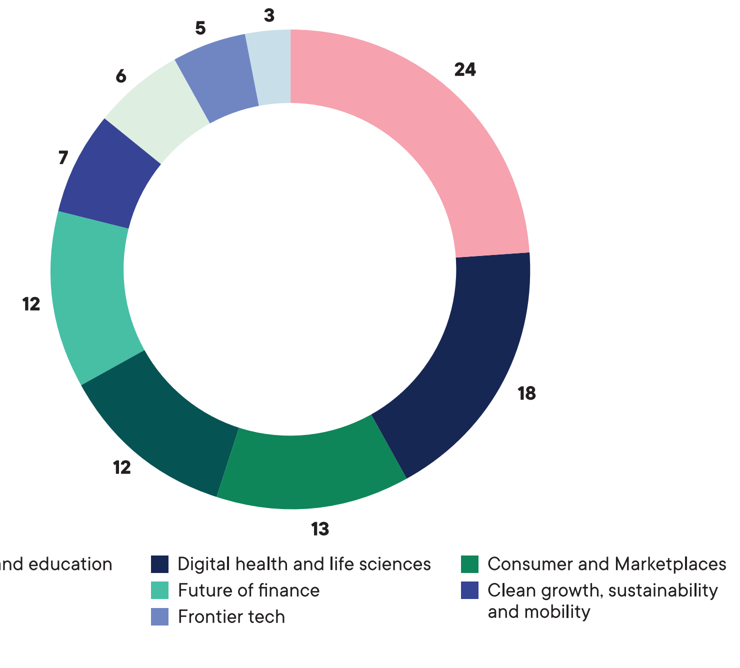
Our key portfolio themes

British Patient Capital is invested in 676 portfolio businesses via our portfolio of fund managers and co-investments. Through our capital, we are accelerating innovation and enabling ambitious entrepreneurs to fulfil their potential.

While we are sector agnostic in terms of our investment strategy, we do see consistent themes emerging across the portfolios of our venture and venture growth managers. There are eight portfolio themes evident in our portfolio and these are the same as those identified in our last annual report. Within these eight portfolio themes we are now starting to see companies moving well into the growth stage of their journey.

> "While we are sector agnostic in terms of our investment strategy, we do see consistent themes emerging across our portfolio."

Underlying companies by theme – March 2021 (%)



Future of work and education

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

Companies in this category are also providing the tools to facilitate remote working, learning and collaboration.

Portfolio company case study

Hopin

Fund Manager: Seedcamp

Hopin's mission is to provide a safe, sustainable, and accessible way for people to host and attend events by building the best online events platform in the world.

Finance has helped Hopin scale from six employees in 2020 to more than 900+ employees in 47 countries today. It has also grown from a few hundred event creators using its platform to more than 100,000 organisations as well as millions of attendees showing up for events each month.

Since February 2020, Hopin has raised more than $1 billion. The funds have been used to expand and scale the platform and invest in the development of its multi-product platform technologies, including building new product suites.

"Financing has allowed us to serve the demand for our platform, scale our team at a phenomenal rate and to make strategic acquisitions."

Oribiotech

Portfolio company case study

Ori Biotech

Fund Managers: Amadeus Capital, Kindred Capital

Ori Biotech's mission is to eliminate barriers to patient access of cell and gene therapies (CGTs) through the use of innovation and by rethinking how those therapies are manufactured.

The company is developing a platform for the bespoke and flexible manufacture of CGTs and is deploying both automation and standardisation in manufacturing to help the pharma industry bring their products to market at true commercial scale. The company has partnered with Hitachi Chemical and G-con for development of its hardware platform, as well as Achilles Therapeutics for testing of the platform for manufacturing of a novel cell therapy.

Ori Biotech's platform will help increase throughput, improve quality and decrease costs in order to enable widespread patient access to life-saving cell and gene therapies.

At present, these types of therapies such as Kymriah and Yescarta are prohibitively expensive for both payers and healthcare systems.

Investment from Amadeus Capital and Kindred Capital in January 2020 has enabled Ori Biotech to move product development further and faster than the company could have done on its own. The company has since raised an additional $30m in an October 2020 Series A round. The company is targeting a full commercial launch of the platform scheduled in the second half of 2022.

"Financing accelerated our development. We brought additional key team members on earlier, helping bring the Ori platform to market as quickly as possible."

Digital health and life sciences

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. 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.

Marketplaces and consumer

Today's customers are faced with an abundance of choice and information. Companies backed by our portfolio managers 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 are creating new consumer habits through social networks.

Retail is also undergoing long-term transformative change, with online penetration further increased by the impact of the pandemic. 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.

Portfolio company case study

LoveCrafts

Fund Manager: Scottish Equity Partners

LoveCrafts is an online digital marketplace and retailer of craft supplies, providing a combination of content and inspiration, commerce and community.

With low online penetration, there were few direct competitors and small offline retailers represented more than half the market and typically did not have the scale, skills, or resources to compete effectively online.

By offering social media interaction alongside customised online content and access to over 200 third-party and private label brands, LoveCrafts could demonstrate a growing, repeatable base of customers spending more each year. Growth equity from Scottish Equity Partners and others enabled the company to invest further in its core technology platform, expand the sales and marketing functions and launch additional crafts – all of which increased LoveCrafts' market share.

Growth equity also allowed the company to acquire Massachusetts-based WEBS (America's Yarn Store), the online knitting, crochet and weaving business, and to become the online market leader in North America in needlecraft. The combination of LoveCrafts' strong technology platform and global community with WEBS' talent and industry expertise, positions LoveCrafts strongly to rapidly grow its global customer base. The company's future focus will be on reinventing traditional crafts for a digital age and on becoming the end-to-end destination for crafting enthusiasts across the globe.

"Growth equity has been transformational for LoveCrafts' business, increasing our share in a global market worth over $100 billion. It has enabled us to strengthen our technology and our team and to expand into new craft categories and new territories at a time when interest in crafting is surging globally."

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.

> “Companies in this category turn vast amounts of data into structured information providing actionable insight.”

Portfolio company case study

Peak

Fund Manager: Oxx

Manchester-based Peak’s Decision Intelligence software platform enables companies to embed AI into the core of their decision making and operations.

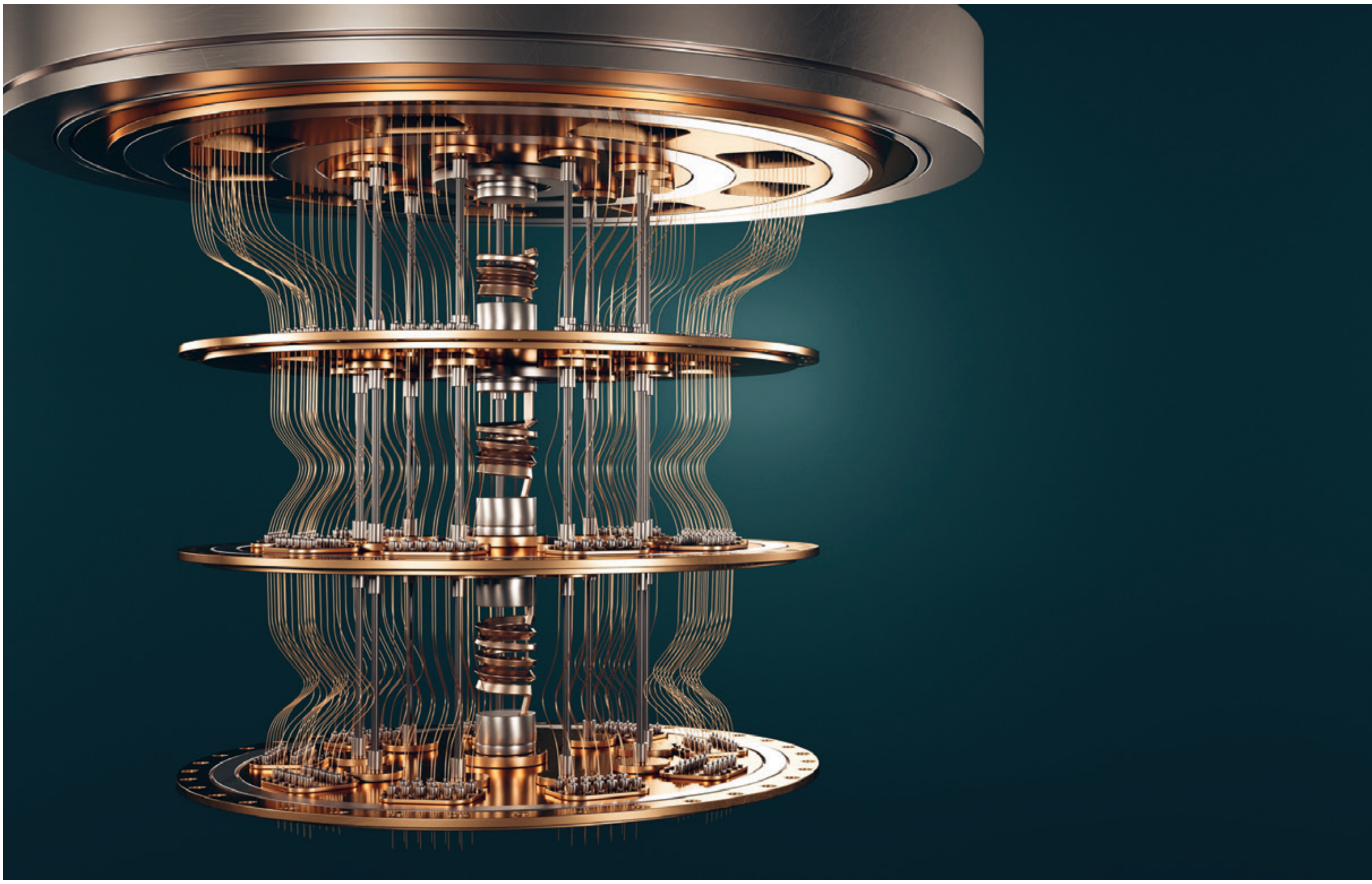
Peak’s customers include companies operating in retail, consumer packaged goods, direct-to-consumer and manufacturing. Examples of the impact of the use of Peak’s platform include a 5% increase in total company revenues, a doubling of return on advertising spend, a 12% reduction in inventory holdings and a 5% reduction in supply chain costs.

By making AI accessible to more businesses, Peak has seen strong demand over the past 12 months, with revenues more than doubling due to expansion in Europe, the USA, Middle East, and India.

Oxx led Peak’s Series B funding round in February 2021 and continued its support for the business, investing in its latest Series C funding round. Funding will be used to support global expansion, with new offices opening in both the USA and India, as well as increasing R&D investment in Peak’s Decision Intelligence software.

“At Peak we simplify the task of data scientists and engineers, who use our platform to rapidly create and deploy AI applications. These applications empower day-to-day decision-makers across businesses to achieve transformational gains. This funding will further catalyse our growth and global expansion plans.”

PEAK



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, such as the development and application of new materials with far reaching potential in fields such as clean energy. Other companies in this category are developing the technologies of 'Industry 4.0', where intelligent machines will perform complex tasks without human intervention.

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 first, remote 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.

Quantexa, profiled on page 19 of this report, is one example. Its platform uncovers hidden risk and new opportunities by providing a connected view of internal and external data in a single place, solving major challenges across data management, financial crime, customer intelligence, credit risk and fraud.

"Cybersecurity is growing fast, especially for those providing services to help companies adjusting to a digital first, remote world."

Future of finance

The UK has a background of deep 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 has previously been 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.

Companies in this category are also providing back-end technology to improve the underlying infrastructure and legacy systems of established providers. Thought Machine, profiled on page 19 of this report, is one example helping banks move away from a reliance on outdated IT infrastructure.

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.

> "Future of finance companies are providing the technology to improve the underlying infrastructure and legacy systems of established providers."

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. Consumers are also increasingly aware of the importance of tackling climate change and reducing environmental impact, putting pressure on companies to adapt. The application of digital, scalable tech solutions to address the climate challenge has the potential to provide venture and venture growth funds with opportunities aligned with their return expectations.

Companies within this category 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 materials, products and packaging.

Portfolio company case study

Xampla

Fund Manager: Amadeus Capital

Xampla has developed an entirely new generation of materials, made from plants, that replaces plastics. Based on 10 years of research at the University of Cambridge, Xampla's core technology is a patented process for engineering materials from sustainably sourced, widely available, plant proteins such as peas. Launch products are replacements for microplastics in homecare products, a major source of marine plastic pollution.

The company is the UK's first university spin-out to become an accredited B Corporation, with its materials having no harmful impact on the environment.

Securing equity investment from Amadeus Capital and others has enabled Xampla to progress from world-leading science to a credible, professional company offering real-world solutions to real-world problems. The investment enables the team to make an impact on one of the world's most serious environmental problems – plastic pollution.

Following its first funding round, Xampla has expanded to a team of 25, filed further patents, secured lead customer development projects, finalised three priority launch products, secured supply chain partners, and developed an ambitious commercial strategy.

"Xampla has a huge opportunity, as consumers and brands shift away from polluting plastics, both to create commercial value and to address a major issue for our planet. Securing finance has given us the momentum and means to build our business and take advantage of that opportunity."

Xampla

Managing our risks and corporate governance

Risk management and internal control

British Patient Capital does not hold regulatory capital and is not regulated by the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA). However, British Patient Capital is registered with the FCA (FRN 930732) and supervised for anti-money laundering purposes. Registration was completed on the 11 November 2020. Whilst registration with the FCA does not require an entity to comply with the FCA Senior Management Arrangements, Systems and Controls (SYSC), British Patient Capital is, however, subject to other applicable laws and regulations and is committed to ensuring high standards of corporate governance.

British Patient Capital operates within the Risk Management and Governance Framework of the British Business Bank and has its own Investment Committee.

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 that support British Patient Capital in identifying, assessing, monitoring and controlling the risks it faces in delivery of its strategic objectives

— 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.

Judith Hartley
Chief Executive Officer

10 November 2021

Directors' report

The Directors present their Annual Report on the affairs of the company, together with the Financial statements and auditor's report, for the period ended 31 March 2021.

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 Section 172 statement, and the types of considerations and evidence contained in here apply to governance standards across the Group.

Dividends and reserves

No dividends have been paid or proposed for the year ended 31 March 2021.

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, CEO (BBB plc) and Chair until 31 August 2020

— Russell Cummings, Chair from 1 September 2020 and Non-executive Director prior to that

— Judith Hartley, CEO from 1 September 2020

— Catherine Lewis La Torre, Chief Executive Officer to 31 August 2020. Appointed 1 September 2020 Executive Director

— Hazel Moore, Non-executive Director.

Keith Morgan resigned from his position within the British Business Bank plc Group on 31 August 2020, including from BPC. Catherine Lewis La Torre was appointed CEO of the Group on an interim basis with effect from 1 September 2020. She remains on the Board of BPC but stepped down as CEO. Judith Hartley assumed the role of CEO on an interim basis on 1 September 2020 and was appointed to the Board. In addition, Russell Cummings' term of appointment was extended to 12 June 2024 and he 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.

Attendance at Board meetings

Keith Morgan	3/3
Russell Cummings	8/8
Judith Hartley	6/6
Catherine Lewis La Torre	8/8
Hazel Moore	8/8

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

10 November 2021

Statement of Directors' responsibilities

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

Under company law, the Directors are required to prepare the Financial statements in accordance with recognised accounting standards. The Directors have chosen to adopt International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, which is consistent with the accounting treatment adopted by the parent company. Under company law, the Directors must not approve the Financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial statements, the Directors are required to:

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

Approved by the Board of Directors.

Judith Hartley
Chief Executive Officer

10 November 2021

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 2021 which comprise the Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

In my opinion the financial statements:

— give a true and fair view of the state of the company's affairs as at 31 March 2021 and of the profit for the year then ended;

— have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act; and

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

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the British Patient Capital Limited use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the British Patient Capital Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises information included in the annual report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or in my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

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

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

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

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of director's remuneration specified by law are not made; or

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

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- internal control as the directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the British Patient Capital Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- Inquiring of management, the head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the British Patient Capital Limited policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the British Patient Capital Limited controls relating to the Companies Act 2006.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: the posting of unusual journals and bias in management's estimates;
- obtaining an understanding of British Patient Capital Limited framework of authority as well as other legal and regulatory frameworks that the British Patient Capital Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the British Patient Capital Limited. The key laws and regulations I considered in this context included the Companies Act 2006, Employment Law and tax legislation.
- evaluating significant estimates made by management in the production of the financial statements, in particular the fair value measurement of financial instruments.

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

- reviewing the financial statement disclosures and testing these against supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board and;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

Susan Clark
Senior Statutory Auditor
10 November 2021

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

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

Financial statements

Statement of comprehensive net income

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Income			
Net gains on investment assets	9	195,751	17,951
Management fee income		1,430	1,612
Net operating income		**197,181**	**19,563**
Expenditure			
Staff costs	4.1	(1,841)	(1,482)
Other operating expenditure	5.1	(791)	(1,380)
Management fee expense	5.2	(10,609)	(9,749)
Operating expenditure		**(13,241)**	**(12,611)**
Profit before tax		**183,940**	**6,952**
Tax	6.1	(38,344)	(2,178)
Profit for the year after tax		**145,596**	**4,774**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**145,596**	**4,774**

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 2021

	Note	2021 £000	2020 £000
Assets			
Cash and cash equivalents	7	13,369	13,201
Trade and other receivables	8	46	591
Investments held at fair value through profit or loss	9	665,944	325,069
Corporation Tax receivable	6.2	1,486	-
Deferred tax asset	6.3	-	14
Total assets		**680,845**	**338,875**
Liabilities			
Trade and other payables	10	(24,208)	(134,650)
Corporation Tax payable	6.2	-	(2,517)
Deferred tax liability	6.3	(42,333)	-
Total liabilities		**(66,541)**	**(137,167)**
Net assets		**614,304**	**201,708**
Equity			
Issued share capital	12	462,723	195,723
Retained earnings		151,581	5,985
Total equity		**614,304**	**201,708**

The Financial statements of the Company (company number 11271076) were approved by the Board of Directors and authorised for issue on 10 November 2021. 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 2021

	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		**-**	**4,774**	**4,774**
Balance at 31 March 2020		**195,723**	**5,985**	**201,708**
Balance at 1 April 2020		**195,723**	**5,985**	**201,708**
Net income after tax		-	145,596	145,596
Total comprehensive income		**-**	**145,596**	**145,596**
Issue of ordinary shares	12	267,000	-	267,000
Balance at 31 March 2021		**462,723**	**151,581**	**614,304**

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

Cash flow statement

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
Profit before tax		**183,940**	**6,952**
Cash flows from operating activities			
Changes in operating assets and liabilities:			
Net increase in assets at fair value through profit or loss	9	(340,875)	(162,630)
Decrease in assets held for sale	9	-	40,610
Decrease/(Increase) in trade and other receivables	8	545	(591)
(Decrease)/Increase in trade and other payables	10	(110,442)	126,004
Net cash used in operating activities		**(266,832)**	**10,345**
Cash flows from financing activities			
Issue of new shares	12	267,000	-
Net cash from financing activities		**267,000**	**-**
Net increase in cash and cash equivalents		**168**	**10,345**
Cash and cash equivalents at beginning of the year		13,201	2,856
Cash and cash equivalents at end of the year		**13,369**	**13,201**

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 2021

1. General information

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 12 to 21.

2. Significant accounting policies

Basis of preparation

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

The Financial statements have been prepared on the historical cost basis, except for certain financial 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

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 Directors do not expect that the adoption of Standards and Interpretations in issue but not yet effective will have a material impact on the Financial statements of the 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.

Financial assets and liabilities

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

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

Classification of financial instruments

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

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are measured at amortised cost.

Trade and other payables

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

Foreign exchange

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

3. Critical accounting judgements and key sources of estimation uncertainty

In 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

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

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

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

The Covid–19 pandemic has given rise to significant additional uncertainty as to investment valuations as the extent of the impact of Covid–19 is still not clear. The Company has taken account of this in its assessment of the March 2021 valuations by giving particular scrutiny to the valuation methodologies adopted by its fund managers, ensuring that they are appropriate and consistent with IFRS, IPEV or other relevant guidelines.

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:

	2021	2020
Permanent staff	17	14
Non-executive Directors	2	2
Total	**19**	**16**

Aggregate remuneration comprised

	2021 £000	2020 £000
Wages and salaries		
– Permanent staff	1,204	988
Non-executive Directors' fees	45	42
Short and Long-Term Incentive Plans and annual bonus scheme	249	183
Social security costs	174	140
Pension costs	169	129
Total	**1,841**	**1,482**

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

4.2 Directors' remuneration

Directors' remuneration during the year was £205,900 (2020: £230,000). Remuneration for the highest paid Director during the year is covered under Executive Directors' remuneration below.

Executive Directors' remuneration

On 1 September 2020, Catherine Lewis La Torre stepped down from the role of Chief Executive Officer and became an Executive Director. From 1 September 2020, Catherine Lewis La Torre was paid directly by British Business Bank plc which is recharged to the Company within the management charge as disclosed in note 5.2.

In the five months to 1 September 2020, Catherine Lewis La Torre received a salary of £56,250 (2020: £135,000), a payment under the LTIP for the year ended 31 March 2021 of £104,442 (2020: £39,472), company pension contributions of £5,625 (2020: £13,500) and £145 (2020: £337) 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 £148,500 (2020: £67,500). The LTIP granted and paid for year ended 31 March 2021 as disclosed above is the full value for Catherine's three roles in British Business Bank plc, British Business Investments Limited and British Patient Capital Limited. It is not possible to split this element of remuneration and therefore it is not directly comparable with the 31 March 2020 values. 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 2021. With the exception of LTIP, 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.

In the seven months from 1 September 2020, Judith Hartley was appointed to the role of Chief Executive Officer. Judith received a salary of £49,583 (2020: £nil), a payment under the British Business Bank plc Performance Bonus Plan for the period ended 31 March 2021 of £18,346 (2020: £nil), company pension contributions of £7,438 (2020: £nil) and £204 (2020: £nil) taxable benefits. Judith also received a payment under the British Business Bank plc LTIP for the three-year period ended 31 March 2021 of £32,218 (2020: £nil). Judith did not participate in any new long-term incentive arrangement for the year 2020/21, however she continues to be eligible for an LTIP award for the three-year period ending 31 March 2022 to a maximum value of £39,425 . Judith'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.

4.2 Directors' remuneration (continued)

Non-executive Directors' remuneration

Non-executive Directors' remuneration for 2021 and 2020 is made up as follows:

	2021		2020	
	Total fees £000	Annual equivalent £000	Total fees £000	Annual equivalent £000
Keith Morgan	-	-	-	-
Russell Cummings	25	25	25	25
Hazel Moore	20	20	17	20
Total	**45**	**45**	**42**	**45**

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.

Up until his resignation on 31 August 2020, Keith Morgan was paid directly by British Business Bank plc which was 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 (2020: none).

5. Operating costs

5.1 Other operating expenditure

	2021 £000	2020 £000
Audit fee	70	70
Investment costs	344	589
Other operating expenditure	377	721
Total	**791**	**1,380**

A fee of £70,000 (2020: £70,000) plus VAT was charged for the audit of the Company's Financial statements. The Company's auditors did not provide any non-audit services.

5.2 Management fee expense

	2021 £000	2020 £000
Allocated staff costs	4,315	3,779
Allocated other operating expenditure	6,294	5,970
Total	**10,609**	**9,749**

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

	2021 £000	2020 £000
Current tax		
Current year	(412)	2,517
Adjustment in respect of prior years	(3,591)	(325)
Total current tax	**(4,003)**	**2,192**
Deferred tax		
Current year	37,142	(14)
Adjustment in respect of prior years	5,205	-
Total deferred tax	**42,347**	**(14)**
Total tax on continuing activities	**38,344**	**2,178**

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 2020.

The table below reconciles the tax charge for the year:

	2021 £000	2020 £000
Profit before tax	183,940	6,952
Tax on profit at standard UK tax rate 19%	34,949	1,321
Chargeable gains	1,781	948
Adjustments in respect of prior year	1,614	(91)
Total tax charge	**38,344**	**2,178**

Deferred Corporation Tax

	Unrealised losses		Deferred tax	
	2021 £000	2020 £000	2021 £000	2020 £000
Other timing differences*	(223,153)	-	(42,399)	-
Short-term temporary differences	274	74	52	14
Other timing differences subject to deferred tax	**(222,879)**	**74**	**(42,347)**	**14**

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

6.2 Corporation Tax (receivable)/payable

	2021 £000	2020 £000
Corporation Tax payable at 1 April	2,517	325
Tax expense for the year	(4,003)	2,192
Corporation Tax (receivable)/payable at 31 March	**(1,486)**	**2,517**

6. Tax (continued)

6.3 Deferred tax (liability)/asset

	2021 £000	2020 £000
Deferred tax asset at 1 April	14	-
Movement in the year	(42,347)	14
Deferred tax (liability)asset at 31 March	**(42,333)**	**14**

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

In the March 2021 UK Budget, it was announced that the UK rate of Corporation Tax will increase from 19% to 25% effective 1 April 2023. The change was enacted on 10 June 2021. The change was not substantively enacted or enacted at the Statement of Financial Position date, as a result the closing deferred tax assets and liabilities have been measured at a rate of 19%. The impact on the change in tax rate is expected to occur when the deferred tax balances unwind. Assessing the impact of the change in rate on its deferred tax assets and liabilities, the impact would be to increase the net deferred tax liability at the balance sheet date by £13.4m.

7. Cash and cash equivalents

	2021 £000	2020 £000
Government Banking Service	13,369	13,201
Total	**13,369**	**13,201**

8. Trade and other receivables

	2021 £000	2020 £000
Trade and other receivables	46	591
Total	**46**	**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.

Direct Investments

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

9. Investments (continued)

Impact of Covid–19 on Investment Valuations

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

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 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.

Investments held at fair value through profit or loss

As at 31 March 2021

	Opening balance £000	Transfers £000	Additions £000	Repayments £000	FV Movements £000	Closing balance £000
Venture Growth	167,945	-	64,409	(17,451)	94,218	309,121
Venture	157,124	-	93,714	(5,548)	99,384	344,674
Direct Investments	-	-	10,000	-	2,149	12,149
Total	**325,069**	**-**	**168,123**	**(22,999)**	**195,751**	**665,944**

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**

10. Trade and other payables

Amounts falling due within one year

	2021 £000	2020 £000
Trade payables	-	53
Accrued expenditure	760	507
Amounts due to Group companies	23,411	134,014
Total	**24,171**	**134,574**

Amounts falling due after more than one year

	2021 £000	2020 £000
Accrued expenditure	37	76
	37	**76**
Total	**24,208**	**134,650**

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:

	2021 £000	2020 £000
Venture Growth	250,590	199,129
Venture	267,534	291,784
Total	**518,124**	**490,913**

12. Share capital

	2021	2020
Issued and fully paid ordinary shares of £1 each:	462,722,540	195,722,540

	2021 £000	2020 £000
Brought forward	195,723	195,723
Shares issued for cash	267,000	-
Carried forward	**462,723**	**195,723**

The Company has one class of ordinary shares which carry no right to fixed income. During the year the company issued 267,000,000 ordinary £1 shares at par value.

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 2021	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000	Total £000
Assets				
Cash and cash equivalents	7	-	13,369	13,369
Trade and other receivables	8	-	46	46
Investments held at FVTPL	9	665,944	-	665,944
Total assets		**665,944**	**13,415**	**679,359**
Liabilities				
Trade and other payables	10	-	(24,208)	(24,208)
Total liabilities		**-**	**(24,208)**	**(24,208)**
Net assets		**665,944**	**(10,793)**	**655,151**

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**

(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 and 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/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 £13.4m as at 31 March 2021 (2020: £13.2m). 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 26% 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

	2021 £000	2020 £000
Assets at fair value through profit or loss	665,944	325,069
Total	**665,944**	**325,069**

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:

	2021 £000	2020 £000
Income		
Management fee		
NLF	1,430	1,612
	1,430	**1,612**

	2021 £000	2020 £000
Expenditure		
British Business Bank plc	9,420	9,094
British Business Financial Services Limited	1,189	655
Total	**10,609**	**9,749**

Amounts outstanding at year-end

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

	2021 £000	2020 £000
Receivables		
NLF	-	564
British Business Bank plc	31	-
Total	**31**	**564**
Payables		
British Business Bank plc	1,315	1,917
BBB Patient Capital Holdings Limited	22,000	132,000
British Business Financial Services Limited	96	97
Total	**23,411**	**134,014**

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 £157m and made repayments of £267m via share issue, leaving a balance of £22m (2020: £132m) owing to its parent company. 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.

Alternative formats

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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 2021 unless otherwise stated.