

Registered number  
09091928

British Business Finance Ltd  
Annual Report and Financial Statements  
for the year ended 31 March 2019



**British Business Finance Ltd**  
**Annual Report and Financial Statements**  
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**British Business Finance Ltd  
Company Information**

**Directors**

Neeta Atkar  
Jonathan Britton  
Christopher Fox  
Jonathan Linney  
Patrick Magee  
Christina McComb  
Dharmash Mistry  
Keith Morgan  
Amanda Rendle  
Ceri Smith  
Lord Smith of Kelvin

**Bankers**

National Westminster Bank plc  
250 Bishopgate  
London  
EC2M 4AA

**Registered office**

Steel City House  
West Street  
Sheffield  
S1 2GQ

**Registered number**

09091928

## **British Business Finance Ltd Strategic Report**

### **Review of business and future developments**

British Business Finance Ltd has responsibility for some of the British Business Bank's core programmes, including the flagship venture capital programme, Enterprise Capital Funds, which supports equity investments into smaller businesses with high-growth potential.

The internal control procedures implemented by the Company and the remuneration paid to the Directors of this Company are disclosed in the consolidated accounts of British Business Bank plc which are available from Companies House.

The key operational risks the Company is exposed to are: maintaining a suitably qualified investment team to deliver the Company's investment strategy within the State Aid frameworks; and ensuring systems and processes support investment decision making, reporting and portfolio management.

The Company continues to review potential new investments and has a pipeline that the Investment team are working with to identify new partners for the Enterprise Capital Funds programme.

### **Results and dividend**

The total comprehensive profit for the year after taxation was £11,775,000 (2018: loss £48,541,000). The Company did not pay a dividend.

### **Principal risks and uncertainties**

The Company uses financial instruments, including cash and various other items such as trade payables that arise directly from its operations. The main risks arising from the Company's financial instruments are credit and investment risk, market and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

#### **Credit and investment risk**

Credit and investment risk is the risk of a loss due to the failure of a counterparty of a financial instrument to meet its obligations to pay the Company in accordance with agreed terms, or due to the risk of loss due to inappropriate investment decisions. Credit risk also includes settlement risk when a counterparty fails to settle their side of a transaction and concentration risk. The Company's credit risk is also influenced by general macroeconomic conditions.

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

The degree to which the Company is exposed to this 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 concentration of credit risk is limited due to the investment base being large and spread across the Company's operating segments.

Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Company's portfolio management process.

## **British Business Finance Ltd Strategic Report**

### **Market risk**

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

### **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.

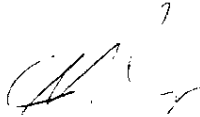
Liquidity risk is not deemed significantly relevant to the Company. The Company is part of the British Business Bank plc group which is 100% Government funded, with all programmes pre-approved and committed to, and it does not have a leveraged balance sheet.

### **Key Performance Indicators**

The Directors use the performance of the underlying investments as the main indicator of how well the Company is performing. The key performance indicator that management use is the fair value movement on the portfolio investments. In the year to 31 March 2019, there were total fair value losses on the underlying portfolio amounting to £49.7m (2018: £28.4m). This includes impairments arising on the initial recognition of new investments amounting to £45.9m (2018: £32.3m), which is unrelated to the performance of the investments and arises from an increase in commitments made in the year.

The underlying investments generated a loss of £3.9m compared with a gain of £3.9m in the year ended 31 March 2018. Excluding one of the ECF investments for which an impairment of £17.1m was required, the portfolio generated fair value gains of £13.2m.

This report was approved by the board on 10 October 2019 and signed on its behalf by:



Christopher Fox  
Director

## **British Business Finance Ltd**

**Registered number:** 09091928

### **Directors' Report**

The Directors present their report and financial statements for the year ended 31 March 2019.

#### **Principal activities**

The Company manages British Business Bank programmes that have an element of State Aid. It invests on a non-commercial basis, and is not expected to make returns in line with those the private sector would expect. Its programmes tackle specific market failures affecting the finance markets for smaller business; either those pre-defined by State Aid frameworks, or otherwise identified through market analysis and notified to the European Commission.

#### **Directors**

The following persons served as directors during the year:

Neeta Atkar  
Jonathan Britton  
Christopher Fox  
Caroline Green (resigned on 19 January 2019)  
Jonathan Linney  
Patrick Magee  
Christina McComb  
Keith Morgan  
Amanda Rendle  
Ceri Smith  
Lord Smith of Kelvin

Following the year end Dharmash Mistry was appointed as a Director on 1 May 2019.

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the report and 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 (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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; and
- make an assessment of the Company's ability to continue as a going concern.

**British Business Finance Ltd****Registered number:** 09091928**Directors' Report**

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.

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:

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. 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.

**Appointment and removal of directors**

The Board of Directors is responsible for the appointments to the Board.

**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.

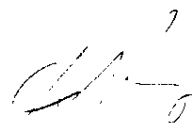
**Going concern**

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 principal accounting policies notes in the financial statements.

**Events after the reporting date**

As at the approval date of these financial statements there are no post balance sheet events that require disclosure.

This report was approved by the Board on 10 October 2019 and signed on its behalf by:



Christopher Fox  
Director

**British Business Finance Ltd**  
**Statement of Comprehensive Net Income**  
**for the year ended 31 March 2019**

	Notes	2019 £000	2018 £000
Interest income		840	23,595
Other income		52	-
Management fees		-	258
<b>Gross operating income</b>		892	23,853
Net losses on investment assets	7	(23,781)	(28,923)
<b>Net operating loss</b>		(22,889)	(5,070)
Administrative expenses		(12,634)	(4,889)
<b>Net operating loss before ECF loan commitments provision</b>		(35,523)	(9,959)
ECF loan commitments provision		44,364	(36,998)
<b>Profit/(loss) on ordinary activities before taxation</b>		8,841	(46,957)
Tax charge on profit/(loss) on ordinary activities	6	2,934	(1,402)
<b>Profit/(loss) for the year</b>		<u>11,775</u>	<u>(48,359)</u>
<b>Other comprehensive income net of tax</b>			
Net loss on investments recognised in reserves	9.1	-	(182)
<b>Comprehensive net profit/(loss) for the period</b>		<u>11,775</u>	<u>(48,541)</u>

All amounts relate to continuing operations.

The notes on pages 10 to 31 form part of these financial statements.




**British Business Finance Ltd**  
**Statement of Financial Position**  
**as at 31 March 2019**

	Notes	2019 £000	2018 £000
<b>Assets</b>			
Cash and cash equivalents		192	6,870
Trade and other receivables	10	37,510	20,048
Investments held at FVTPL under IFRS 9	9	228,483	-
Available-for-sale assets		-	173,230
Derivative financial instruments	9	-	31,653
Investment in subsidiaries	8	837	1,212
Deferred taxation	12	8,567	3,792
<b>Total assets</b>		<b>275,589</b>	<b>236,805</b>
<b>Liabilities</b>			
Trade and other payables	11	(2,600)	(1,445)
Corporation tax	6	(1,841)	(5,623)
Provisions	13	(139,377)	(183,741)
<b>Total liabilities</b>		<b>(143,818)</b>	<b>(190,809)</b>
<b>Net assets</b>		<b>131,771</b>	<b>45,996</b>
<b>Equity</b>			
Called up share capital	14	279,215	205,215
Other reserves	15	-	1,061
Retained loss	16	(147,444)	(160,280)
<b>Total equity</b>		<b>131,771</b>	<b>45,996</b>

For the financial year in question, the Company was entitled to exemption from audit under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements (company number 09091928) were approved and authorised for issue by the Board on 10 October 2019 and have been signed on its behalf by:

  
Christopher Fox  
Director

The notes on pages 10 to 31 form part of these financial statements.

**British Business Finance Ltd**  
**Statement of Changes in Equity**  
**for the year ended 31 March 2019**

	Share capital £000	Financial Instruments reserve £000	Retained earnings £000	Total £000
<b>Opening balance at 1 April 2017</b>	166,715	1,243	(111,921)	56,037
Loss for the financial year	-	-	(48,359)	(48,359)
Revaluation	-	(182)	-	(182)
Other comprehensive income for the financial year	-	(182)	-	(182)
Total comprehensive income for the financial year	-	(182)	(48,359)	(48,541)
Shares issued	38,500	-	-	38,500
<b>Balance at 31 March 2018</b>	<u>205,215</u>	<u>1,061</u>	<u>(160,280)</u>	<u>45,996</u>
<b>Opening balance at 1 April 2018 under IAS 39</b>	205,215	1,061	(160,280)	45,996
Reclassification on transition to IFRS 9	-	(1,061)	1,061	-
<b>Opening balance at 1 April 2018 under IFRS 9</b>	205,215	-	(159,219)	45,996
Profit for the financial year	-	-	11,775	11,775
Other comprehensive income for the financial year	-	-	-	-
<b>Total comprehensive income for the financial year</b>	-	-	11,775	11,775
Shares issued	74,000	-	-	74,000
<b>Balance at 31 March 2019</b>	<u>279,215</u>	<u>1,061</u>	<u>(147,444)</u>	<u>131,771</u>

The notes on pages 10 to 31 form part of these financial statements.

**British Business Finance Ltd**  
**Statement of Cash Flows**  
**for the year ended 31 March 2019**

	Notes	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax		8,841	(46,957)
<i>Adjustment for non-cash item:</i>			
ECF loan commitments provision	13	(44,364)	36,998
Net decrease in available-for-sale assets	9	-	735
Net increase in derivative financial instruments	9	-	(7,334)
Net increase in assets held at FVTPL	9	(23,600)	-
Net decrease in investment in subsidiaries	8	375	741
Increase in trade and other receivables	10	(17,462)	(18,874)
Increase in trade and other payables	11	1,155	513
Payment of corporation tax	6	(5,623)	(336)
Net cash used in operating activities		<u>(80,678)</u>	<u>(34,514)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares	14	74,000	38,500
Net cash generated by financing activities		<u>74,000</u>	<u>38,500</u>
<b>Net cash used</b>			
Cash used in operating activities		(80,678)	(34,514)
Cash generated by financing activities		74,000	38,500
Net cash (used)/generated		(6,678)	3,986
Cash and cash equivalents at 1 April		6,870	2,884
Cash and cash equivalents at 31 March		<u>192</u>	<u>6,870</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>192</u>	<u>6,870</u>

The notes on pages 10 to 31 form part of these financial statements.

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**1 General information**

British Business Finance Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 4.

**2 Summary of significant accounting policies**

***Basis of preparation of financial statements***

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations 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 the revaluation of certain financial instruments and non-financial assets that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. 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 environment in which the Company operates. The Company has used the exemption available under s400 of the Companies Act 2006 not to prepare consolidated accounts. As a result, these financial statements reflect the financial position of the Company on an unconsolidated basis. The results of the Company and its subsidiary undertakings have been consolidated within the accounts of its parent, British Business Bank plc.

***Going concern***

The Company's business activities, together with the factors likely to affect its future development and position, are set out on page 2.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at that view they have assumed that in the event of a downturn the parent company and the ultimate controlling party, The Secretary of State for the Department of Business, Energy and Industrial Strategy, will continue to support the Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

***Adoption of new and revised Standards***

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 April 2018. The Company did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition have been recognised in the opening retained earnings and other reserves in the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes to the accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial instruments: Disclosures'. Where there is a difference in the Company's principal accounting policies between the current and the previous years as a consequence of the adoption IFRS 9, the accounting policies relevant to both years have been disclosed in this Note.

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

- IFRS 3 (amendments) Business Combinations;
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 16 Leases;
- IFRS 17 Insurance Contracts;
- Annual Improvements to IFRSs 2015- 2017 Cycle;
- IAS 1 (amendments) Presentation of Financial Statements;
- IAS 8 (amendments) Accounting Policies, Changes in Accounting Estimates and Errors;
- IAS 19 (amendments) Employee Benefits;
- IAS 28 (amendments) Investments in Associates and Joint Ventures;
- IFRIC 23 Uncertainty over Income Tax Treatments.

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

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

***Revenue recognition***

Revenue 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. Revenue is reduced for estimated rebates and other similar allowances.

***Interest income***

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***Taxation***

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 will be available against which deductible temporary differences can be utilised.*

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised in other comprehensive income or directly in equity respectively.

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

- Irrecoverable VAT is charged to the Statement of Comprehensive Net Income, and included under the relevant expenditure heading;
- Irrecoverable VAT on the purchase of an asset is included in additions.

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

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

***Financial Instruments***

Financial assets and financial liabilities are recognised in the Company's 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, where material, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques, including estimated discounted cash flows.

***Classification of financial assets - 2019 Accounting Policy***

Financial assets are classified into one of the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI);
- Amortised cost.

The Company holds its investment assets at FVTPL, and its trade and other receivables at Amortised cost.

***Financial assets at fair value through profit or loss (FVTPL)***

Assets that do not meet the criteria for Amortised cost or FVOCI are measured at fair value through profit or loss. Movements in the carrying amount are taken through profit or loss and presented in the profit or loss statement in 'Net losses on investment assets'. FVTPL assets include derivative financial instrument, assets held for trading or those designated as at FVTPL. The Company may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

***Classification of financial assets - 2018 Accounting Policy***

***Financial assets***

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Financial assets at fair value through profit or loss (FVTPL)***

Financial assets are classified as at FVTPL when the financial asset is a derivative financial instrument, held for trading or it is designated as at FVTPL. The Company's derivative financial instruments have been designated as at FVTPL.

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

*Available-for-sale (AFS) financial assets*

Available for sale financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit and loss. The Company has investments in venture capital investments which are classified as AFS. Fair value is determined in the manner described in note 19. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the financial instrument reserve with the exception of impairment losses, interest and dividends received which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the financial instrument reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

***Impairment of financial assets***

Financial assets other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For all other assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty, or
- default or delinquency in interest or principal payments, or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective impairment of a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

***De-recognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

***Loan commitments at below market rate***

The Company accepts a lower than market rate of return from ECF investments in order to encourage private sector investors to invest alongside. Although the Company expects to make a positive return from these investments, this return is less than that required by the private sector. The Company has at initial recognition elected to irrevocably designate the liability related to these loan commitments as measured at fair value through profit or loss because the group of financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel.

Loan commitments liabilities are disclosed as provisions (see note 13).

In the previous year, the commitment provision on a drawn commitment was released and a separate fair value adjustment on the resulting investment recognised in the Statement of Comprehensive Net Income to reflect the difference between the fair value and the amount drawn. Interest income was recognised on an effective interest rate basis using the effective interest rate determined at initial recognition. The difference between the contractual interest rate and the effective interest rate represented the amortisation of the fair value adjustment on initial recognition.

***Financial liabilities***

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for loan commitments.

***De-recognition of financial liabilities***

The Company derecognises financial liabilities when and only when its obligations are discharged, cancelled or they expire.

***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.

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**2 Summary of significant accounting policies (continued)**

***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

***Reconciliation of IAS 39 to IFRS 9***

The following table provides the impact from the transition to IFRS 9 on the Statement of Financial Position at transition date, 1 April 2018. The impact consists of reclassification and remeasurement.

**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**Reclassification**

These adjustments reflect the movement of balances between categories on the Statement of Financial Position with no impact to shareholders' equity. There is no change to the carrying value of the balances as a result of the reclassification.

	IAS 39 Measurement basis	IAS 39 Carrying amount £'000	Reclassification £'000	IFRS 9 Carrying amount £'000	IFRS 9 Measurement basis	IFRS 9
<b>Assets</b>						
Cash and cash equivalents	Amortised cost	6,870	-	6,870	Amortised cost	Cash and cash equivalents
Trade and other receivables	Amortised cost	20,048	-	20,048	Amortised cost	Trade and other receivables
Available-for-sale financial assets	Amortised cost	173,230	(173,230)	-	N/A	N/A
Derivative financial instruments	FVTPL	31,653	(31,653)	-	N/A	N/A
Investment in subsidiaries	FVTPL	1,212	-	1,212	FVTPL (IFRS 9)	investment in subsidiaries
Investments held at FVTPL under IFRS 9	FVTPL	-	204,883	204,883	FVTPL (IFRS 9)	FVTPL under IFRS 9
Deferred tax asset	N/A	3,792	-	3,792	N/A	Deferred tax asset
<b>Total assets</b>		<b>236,805</b>	<b>-</b>	<b>236,805</b>		
<b>Liabilities</b>						
Trade and other payables	Liability at amortised cost	(1,445)	-	(1,445)	Amortised cost	Trade and other payables
Corporation tax	N/A	(5,623)	-	(5,623)	N/A	Corporation tax payable
Provisions	Liability at amortised cost	(183,741)	183,741	-	N/A	N/A
Financial liability measured at FVTPL	N/A	-	(183,741)	(183,741)	FVTPL (IFRS 9)	Financial liability at FVTPL
<b>Total liabilities</b>		<b>(190,809)</b>	<b>-</b>	<b>(190,809)</b>		
<b>Equity</b>						
Issued share capital	N/A	205,215	-	205,215	N/A	Issued share capital
Other reserves	N/A	1,061	(1,061)	-	N/A	N/A
Retained loss	N/A	(160,280)	1,061	(159,219)	N/A	Retained earnings
<b>Total equity</b>		<b>45,996</b>	<b>-</b>	<b>45,996</b>		

**4 Critical accounting estimates and judgements**

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. This applies in particular to the valuation of Enterprise Capital Funds. 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 both current and future years.

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**4 Critical accounting estimates and judgements (continued)**

The estimates and assumptions that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Fluctuations in the fair values of FVTPL assets where quoted prices and other valuation models and techniques are used to determine estimated future cash flows, and include a number of other assumptions;
- Fluctuations in the fair value of financial liabilities relating to loan commitments provisions measured using modelling techniques;

In addition, there is uncertainty in estimating the effective interest rate for various fund investments classified as debt. The future returns from these investments are not limited to contracted cash flows of interest and principal. Future returns are inherently uncertain and will depend on a range of factors including the manager's success in originating investment opportunities, costs and fees, how the manager exercises discretion in trading off equity against debt components in loan structures, credit performance, and prevailing market conditions.

**5 Staff costs**

The Company has no employees other than the Directors. The Directors did not receive any emoluments (2018: nil) for their roles in the Company.

<b>6 Taxation</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of charge in period</b>		
Current tax:		
UK corporation tax on profits of the period	4,192	7,294
Adjustments in respect of previous periods	(2,351)	(858)
	<u>1,841</u>	<u>6,436</u>
Deferred tax:		
Origination and reversal of timing differences	(4,775)	(5,034)
Tax on (loss)/profit on ordinary activities	<u>(2,934)</u>	<u>1,402</u>

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**Factors affecting tax charge for period**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) on ordinary activities before tax	<u>8,841</u>	<u>(46,957)</u>
Standard rate of corporation tax in the UK	19%	19%
	<b>£000</b>	<b>£000</b>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	1,680	(8,922)
Effects of:		
Expenses not deductible for tax purposes	2,513	16,137
Short term timing differences	(1)	79
Adjustments to tax charge in respect of previous periods	(2,351)	(858)
Current tax charge for period	<u>1,841</u>	<u>6,436</u>

**Corporation tax payable**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Corporation tax payable/(receivable) at 1 April 2018	5,623	(477)
Current tax charge for the period	1,841	6,436
Corporation tax paid	(5,623)	(336)
Corporation tax payable at 31 March 2019	<u>1,841</u>	<u>5,623</u>

**7 Net losses on investment assets**

		<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
Fair value movement on investment in subsidiaries	8	(375)	(741)
Expected credit losses on amortised cost investments	10	(91)	-
Fair value adjustment on initial recognition of Available-for-sale assets	9.1	-	(32,300)
Fair value adjustment on initial recognition of assets held at fair value	9.1	(45,870)	-
Impairment of Available-for-sale assets	9.1	-	(8,887)
Fair value gains on assets held at fair value through profit or loss under IFRS 9	9.1	39,655	-
Impairment of fair value through profit or loss	9.1	(17,100)	-
Fair value gains on derivatives	9.2	-	13,005
		<u>(23,781)</u>	<u>(28,923)</u>

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**8 Investment in subsidiaries**

<b>Cost or valuation</b>	<b>Shares in subsidiary undertakings</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
As at 1 April	1,212	1,953
Fair value movement	(375)	(741)
	<u>837</u>	<u>1,212</u>

The Company holds 20% or more of the share capital of the following companies:

<b>Company Name</b>	<b>Country of Incorporation</b>	<b>Shareholding percentage</b>	<b>Description</b>
British Business Aspire Holdco Ltd	UK	100	Investment company
Capital for Enterprise Fund Managers Ltd*	UK	100	Fund manager
Capital for Enterprise (GP) Ltd*	UK	100	General partner of a limited partnership
Capital for Enterprise Ltd	UK	100	Holding company
The Start-Up Loans Company	UK	100	Provides loans to entrepreneurs

\* Indicates investment is not held directly in these companies.

The Start-Up Loans Company is a company limited by guarantee of which the Company is the sole member.

**9 Investments**

The Company's investments have been classified as FVTPL under IFRS 9. The Company's investments were designated as either available for sale or fair value through the profit or loss under IAS 39. This note provides further details on each investment and its value at the balance sheet date.

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**Enterprise Capital Funds**

The Company runs Enterprise Capital Funds. Enterprise Capital Funds are commercially focused funds that bring together private and public money to make equity investments in high growth businesses. The Company invests into funds on terms that improve the outcome for private sector investors when those funds are successful. It does this by taking an agreed prioritised return of 3 to 4.5%. In return the Company is entitled to less of the remaining upside gain, in excess of the agreed return, if a fund is successful.

The Company intentionally makes a trade-off between the prioritised return and potential upside gains. Overall, the terms mean that the Company expects the Enterprise Capital Funds to provide a positive return, but that this return will be lower than that typically sought by a private sector investor. This is in line with the Company's strategic objectives.

The investments in ECFs meet the accounting definition of a loan and by election were classified as available-for-sale financial assets under IAS 39. Any upside returns which the funds may generate are separately accounted for as derivatives and measured at fair value through profit or loss. Upon adoption of IFRS 9 by the Company, those assets previously classified as available-for-sale financial assets have been reclassified at fair value through profit or loss.

Accounting standards require that these financial assets are held at fair value, which is the amount that a private sector investor would pay for the investments. This means that for every ECF investment a fair value adjustment on initial recognition is recorded to reflect the fact that it will not provide the level of return sought by a private sector investor, even if it is providing a positive return. ECF investments are measured at fair value on an ongoing basis.

In addition, BBFL signs ECF agreements committing to the prioritised return and reduced upside gain in advance of drawdowns. At the point that BBFL enters into a new commitment to provide a loan at below market rate it has to recognise a financial liability as it becomes probable that it will incur accounting losses. This is measured initially at fair value and the provision is released when a commitment is drawn, and a separate fair value adjustment is recognised to reflect the fair value of the transaction.

**Other Venture Capital Investments**

The Company also has three other smaller Venture Capital schemes: Aspire, the Capital for Enterprise Fund and Help to Grow funds. These are detailed in note 9.1.

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**9.1 Assets at fair value through profit or loss**

Following the transition to IFRS 9 all investment assets have been classified as fair value through profit or loss which is consistent with the Company's documented risk management and investment strategy. The Company's investment assets portfolio is managed and its performance is evaluated by the Company's key management personnel on a fair value basis.

<b>At 31 March 2019</b>	<b>Help to Grow &amp; Direct Investments</b> <b>£000</b>	<b>Capital for Enterprise Fund</b> <b>£000</b>	<b>Enterprise Capital Funds</b> <b>£000</b>	<b>Total</b> <b>£000</b>
At 1 April 2018	-	-	-	-
Reclassified from AFS on transition to IFRS 9	-	842	204,041	204,883
Additions	18,527	-	92,060	110,587
Fair value adjustment on initial recognition	-	-	(45,870)	(45,870)
Repayments	-	(360)	(63,312)	(63,672)
Fair value movements	-	(37)	39,692	39,655
Impairment	(17,100)	-	-	(17,100)
<b>At 31 March 2019</b>	<b>1,427</b>	<b>445</b>	<b>226,611</b>	<b>228,483</b>

<b>At 31 March 2019</b>	<b>Capital for Enterprise Fund</b> <b>£000</b>	<b>Enterprise Capital Funds</b> <b>£000</b>	<b>Total</b> <b>£000</b>
At 1 April 2018	842	172,388	173,230
Reclassified to FVTPL on transition to IFRS 9	(842)	(172,388)	(173,230)
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>At 31 March 2018</b>	<b>Bridges CDVF</b>	<b>Capital for Enterprise Fund</b> <b>£000</b>	<b>Enterprise Capital Funds</b> <b>£000</b>	<b>Total</b> <b>£000</b>
At 1 April 2017	1,055	1,865	171,227	174,147
Additions	-	-	64,307	64,307
Fair value adjustment on initial recognition	-	-	(32,300)	(32,300)
Repayments	(1,055)	(841)	(45,554)	(47,450)
Accrued interest	-	-	9,934	9,934
Amortisation of fair value adjustment on initial recognition	-	-	13,661	13,661
Fair value movements	-	(182)	-	(182)
Impairment	-	-	(8,887)	(8,887)
<b>At 31 March 2018</b>	<b>-</b>	<b>842</b>	<b>172,388</b>	<b>173,230</b>



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**9 Investments (continued)**

<b>9.2 Derivatives - Enterprise Capital Funds</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2018	31,653	24,319
Reclassified to FVTPL on transition to IFRS 9	(31,653)	-
Repayments	-	(5,671)
Revaluation	-	13,005
At 31 March 2019	-	31,653

<b>10 Trade and other receivables</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<i>Amounts receivable within one year</i>		
Amounts owed by group undertakings	32,601	20,043
Amount owed by related parties	4,909	-
Prepayments and accrued income	-	5
	<u>37,510</u>	<u>20,048</u>

Trade receivables disclosed above are measured at amortised cost.

There were no amounts which are past due at the reporting date. No impairment was recognised against the trade and other receivables as at the reporting date.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

<b>11 Trade and other payables</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<i>Amounts payable within one year</i>		
Trade payables	2	3
Amounts owed to group undertakings	2,235	1,105
Other taxes and social security costs	-	-
Other payables	104	103
Accruals and deferred income	259	201
	<u>2,600</u>	<u>1,412</u>
<i>Amounts payable over one year</i>		
Other payables	-	33
	<u>-</u>	<u>33</u>
Total trade and other payables	<u>2,600</u>	<u>1,445</u>

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

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<b>12 Deferred taxation</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Timing differences on ECF investments	<u>(8,567)</u>	<u>(3,792)</u>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 April	(3,792)	1,243
Credited to the income statement	(4,775)	(5,035)
At 31 March	<u>(8,567)</u>	<u>(3,792)</u>

Deferred tax relates to the Company's investments in Enterprise Capital Funds. It is calculated at 17% (2018: 17%) of the estimated unrealised gains within the funds. This is a temporary timing difference and the tax will become payable once the gains are realised in the underlying funds, for example through investment exits.

**13 Provisions**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 April	183,741	146,743
Provided in year on new ECFs	-	71,321
Provision utilised in year	(44,364)	(34,323)
At 31 March	<u>139,377</u>	<u>183,741</u>
Of which:		
Current	35,877	40,058
Non-current	103,500	143,683
	<u>139,377</u>	<u>183,741</u>

Non-current amounts relate to the undrawn loan commitments provision where based on historic and forecast information it is not anticipated the provision will be utilised within the next 12 months. Given the uncertain nature of timings of the drawdowns from ECFs the Directors believe this is the best estimate at the balance sheet date.

When a commitment is drawn, the loan commitment provision is released and a separate fair value adjustment on the resulting investment is recognised in net losses on investments in the Statement of Comprehensive Net Income to reflect the difference between the fair value and the amount drawn.

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**14 Share capital**

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Authorised: ordinary shares of £1 each	<u>279,215,000</u>	<u>205,215,000</u>
	<b>2019</b>	<b>2018</b>
Issued and fully paid ordinary shares of £1 each		
At 1 April 2018	205,215	166,715
Shares issued	<u>74,000</u>	38,500
At 31 March 2019	<u>279,215</u>	<u>205,215</u>

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

Ordinary shares issued from conversion of capital reserve in the year were £nil (2018: £nil).

**15 Financial instruments reserve**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2018	1,061	1,243
Reclassified on transition to IFRS 9	(1,061)	-
Movement in the year	-	(182)
At 31 March 2019	<u>-</u>	<u>1,061</u>

**16 Retained loss reserve**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2018	(160,280)	(111,921)
Reclassified on transition to IFRS 9	1,061	-
Profit/(loss) for the financial year	<u>11,775</u>	<u>(48,359)</u>
At 31 March 2019	<u>(147,444)</u>	<u>(160,280)</u>

**17 Events after the reporting date**

As at the date of this report and accounts, there have been no post reporting date events that require disclosure.

**18 Capital commitments**

The Company had the following commitments at the year end date in relation to its existing investment portfolio:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Enterprise Capital Funds	<u>265,108</u>	<u>368,149</u>

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**19 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 Financial Instruments, Recognition and Measurement. Assets and liabilities outside the scope of IFRS 9 are shown separately. The comparative information analyses financial assets and liabilities in accordance with the categories of financial instruments in IAS 39.

<b>At 31 March 2019</b>	<b>Note</b>	<b>Assets held at Amortised cost £000</b>	<b>Assets held at FVTPL under IFRS 9 £000</b>	<b>Financial liability at FVTPL £000</b>	<b>Financial liability at Amortised cost £000</b>	<b>Non-financial assets and liabilities £000</b>	<b>Total £000</b>
<b>Assets</b>							
Cash and cash equivalents		192	-	-	-	-	192
Trade and other receivables	10	37,510	-	-	-	-	37,510
Investments held at FVTPL under IFRS 9	9	-	228,483	-	-	-	228,483
Investment in subsidiaries	8	-	837	-	-	-	837
Deferred taxation	12	-	-	-	-	8,567	8,567
<b>Total assets</b>		<b>37,702</b>	<b>229,320</b>	<b>-</b>	<b>-</b>	<b>8,567</b>	<b>275,589</b>
<b>Liabilities</b>							
Trade and other payables	11	-	-	-	(2,600)	-	(2,600)
Provisions	13	-	-	(139,377)	-	-	(139,377)
Corporation tax	6	-	-	-	-	(1,841)	(1,841)
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>	<b>(139,377)</b>	<b>(2,600)</b>	<b>(1,841)</b>	<b>(143,818)</b>
<b>Net Assets</b>		<b>37,702</b>	<b>229,320</b>	<b>(139,377)</b>	<b>(2,600)</b>	<b>6,726</b>	<b>131,771</b>

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At 31 March 2019	Note	Assets held at FVTPL £000	Available-for- sale-assets £000	Loans and receivables £000	Liabilities held at amortised costs £000	Non-financial assets and liabilities £000	Total £000
<b>Assets</b>							
Cash and cash equivalents		-	-	6,870	-	-	6,870
Trade and other receivables	10	-	-	20,048	-	-	20,048
Available-for-sale assets	9	-	173,230	-	-	-	173,230
Derivatives	9	31,653	-	-	-	-	31,653
Investment in subsidiaries	8	-	-	-	-	1,212	1,212
Deferred tax	12	-	-	-	-	3,792	3,792
<b>Total assets</b>		<b>31,653</b>	<b>173,230</b>	<b>26,918</b>	<b>-</b>	<b>5,004</b>	<b>236,805</b>
<b>Liabilities</b>							
Trade and other payables	11	-	-	-	(1,445)	-	(1,445)
Corporation tax	6	-	-	-	-	(5,623)	(5,623)
Provisions	13	-	-	-	(183,741)	-	(183,741)
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(185,186)</b>	<b>(5,623)</b>	<b>(190,809)</b>
<b>Net Assets</b>		<b>31,653</b>	<b>173,230</b>	<b>26,918</b>	<b>(185,186)</b>	<b>(519)</b>	<b>45,996</b>

(ii) Fair value measurements

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

At 31 March 2019, the net fair value loss on the investment assets was £23.8 million (2018: £28.9 million) taken to the Statement of Comprehensive Net Income.

The Company's investment portfolio consists of assets carried at fair value through profit or loss. The Company's financial assets at fair value through profit or loss, and receivables are all classified as Level 3 assets.

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*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

*Investments held at fair value through profit of loss (FVTPL)*

**Enterprise Capital Funds**

The primary valuation methodology used for the debt element of investments is the discounted cash flow method. Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the estimated repayment value and date, discounted at the appropriate risk-adjusted discount rate. The discount rate is estimated with reference to the market risk-free rate and a risk-adjusted premium.

Each investment has an annually reviewed and where appropriate updated model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes.

Enterprise Capital Funds also contain a separately identified equity derivative. The derivatives are valued using the Black-Scholes model. The key inputs used in the derivative valuation are:

<b>Input</b>	<b>Assumption in determining the input</b>
Net amount drawn and fund valuation as at 31 March 2019	Reported by fund managers
Time to fund exit - ranging from 0 to 10 years	Assessed separately for each fund based on remaining investment period and estimated timetable for fund exits.
Volatility - ranging from 26% to 30%	The VIX and the VXN indexes have been used as a proxy for the expected volatility for non-sector specific and technology specific funds respectively.
Dividend yield - ranging from 3.0 % to 4.5%	Set to equal the contractual return which funds must pay before any upside on the option is realised.
Risk free rate	Derived from UK Government bonds

**(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 risks from its use of financial instruments:

- Credit risk
- Market risk

Liquidity risk is not deemed relevant for the Company.

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**19 Financial Instruments (continued)**

**Credit risk**

Credit and investment risk is the risk of a loss due to the failure of a counterparty of a financial instrument to meet its obligations to pay the Company in accordance with agreed terms, or due to the risk of loss due to inappropriate investment decisions. Credit risk also includes settlement risk, when a counterparty fails to settle their side of a transaction, and concentration risk. The Company's credit risk is also influenced by general macroeconomic conditions.

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 this 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 concentration of credit risk is limited due to the investment base being large and spread across the Company's operating segments. Accordingly, the Directors believe that there is no further credit provision required in excess of the provision for impairment losses as shown in note 9.1.

Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Company's portfolio management process.

**Market risk**

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

The Company will identify market risk arising from an inability to exit an investment within the intended time frame.

**Interest rate risk**

The Company does not have material exposure to interest rate risk as it primarily invests in fixed rate loans.

**Currency risk**

The Company does not have material exposure to currency risk as it primarily invests in its functional currency, pounds sterling. There is currently no policy to hedge 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 significantly relevant to the Company. The Company 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.

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**for the year ended 31 March 2019**

**20 Contingent liabilities and indemnities**

The Group has taken advantage of the exemption available under section 479A Subsidiary companies: conditions for exemption from audit of the Companies Act which exempts qualifying companies from the audit of their individual accounts for a financial year. The exemption is in respect of Aspire Holdco Limited, Capital for Enterprise Limited and its subsidiaries Capital for Enterprise Fund Managers Limited and Capital for Enterprise (GP) Limited. As required by the Act, British Business Finance Limited therefore:

- guarantees all outstanding liabilities to which the subsidiary companies are subject at the end of the financial year to which the guarantee relates, and until they are satisfied in full;
- asserts that the guarantee is enforceable against British Business Finance Ltd by any person to whom the subsidiary companies are liable in respect of those liabilities.

**21 Disclosure of structured entities**

Under IFRS 12 Disclosure of Interest in Other Entities, the Company is required to make additional disclosures as the Limited Partnerships are considered to qualify as structured entities.

	Interest in Limited Partnerships 2019 £000	Interest in Limited Partnerships 2018 £000
Available-for-sale financial assets	-	173,230
Assets at fair value through profit or loss under IFRS 9	228,483	-
	<u>228,483</u>	<u>173,230</u>

**22 Related party transactions**

The following information is provided in accordance with IAS 24, Related Party Disclosures as being material transactions with related parties during the year.

The Directors did not receive any emoluments for their roles in this Company.

	2019 £000	2018 £000
<b>Income</b>		
British Business Investments Ltd	-	258
	<u>-</u>	<u>258</u>
<b>Expenditure</b>		
British Business Bank plc	10,418	3,770
British Business Financial Service Ltd	794	-
	<u>11,212</u>	<u>3,770</u>

No Director, Board member, key manager or other related party has undertaken any material transactions with the Company during the year.



**British Business Finance Ltd**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2019**

**22 Related party transactions (continued)**

**Amounts outstanding at the year end**

As at the balance sheet date, British Business Finance Ltd had outstanding receivable and payable with the following group companies.

	<b>Receivable</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Northern Powerhouse Investments Ltd	4,909	-
The Start-Up Loans Company	32,601	20,043
	37,510	20,043
	<b>Payable</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
British Business Bank plc	1,908	914
British Business Financial Service Ltd	138	-
Aspire Holdco Limited	189	191
	2,235	1,105

**23 Ultimate controlling party**

In the opinion of the Directors, the Company's parent company is the British Business Bank plc and ultimate controlling party is the British Business Bank plc's shareholder, the Secretary of State for the Department for Business, Energy and Industrial Strategy. The consolidated financial statements of the Department for Business, Energy and Industrial Strategy are available from the government departments' website at GOV.UK. Copies of the group financial statements of the British Business Bank plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.