

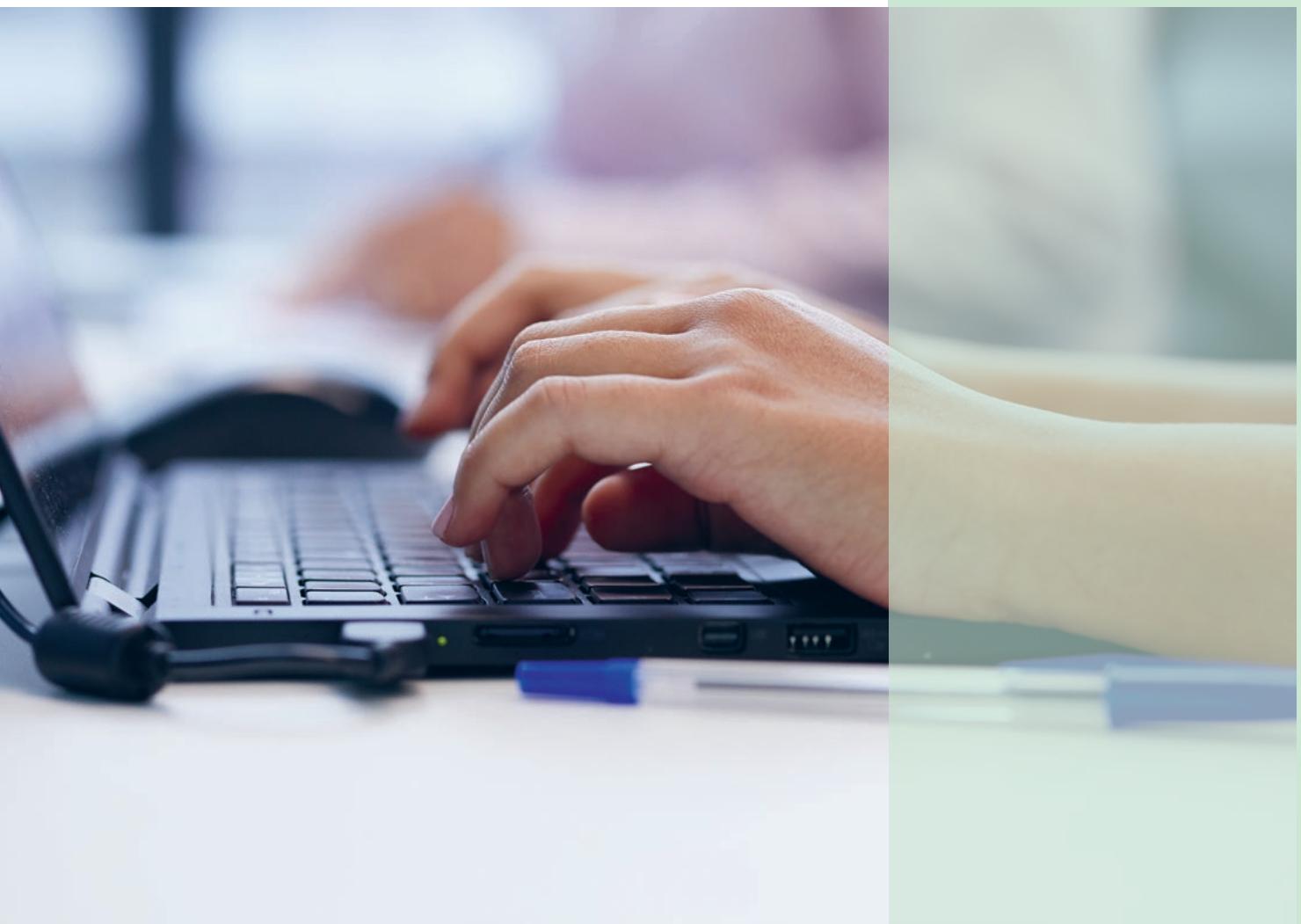
Investing in ambition



British Patient Capital
Annual Report
and Accounts 2019

“ We help to build the next generation of innovative companies which harness leading edge technologies. ”

Catherine Lewis La Torre
Chief Executive Officer



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Chair's report

Achieving our vision



British Patient Capital's long-term vision is for more home-grown and fully-funded, high growth companies to fulfil their potential to be players on the global stage.



Keith Morgan
Chair

To achieve this vision, we're addressing an historical lack of patient capital that has prevented ambitious, innovative firms from reaching their full potential.

With £2.5bn of funds to invest into venture and venture growth capital funds over the next decade, we're working alongside institutional investors with the aim of bringing in further £5bn of patient capital investment, unlocking up to a total of £7.5bn of finance for these types of firms.

As well as providing this additional funding, we also plan to encourage more investors into making allocations to this asset class by demonstrating to the markets that a long-term, patient capital investment strategy can produce commercially attractive financial returns.



£2.5bn

Funds available to invest into venture
and venture growth capital funds
over the next decade

In its first year, British Patient Capital has made strong progress, making a significant number of commitments to funds and quickly establishing itself as an important player in the UK market for venture and venture growth finance.

The Board

British Patient Capital launched in June 2018, following the conclusion of the government's Patient Capital Review. As part of its inaugural Board, the business appointed two Non-executive Directors, Russ Cummings and Anne Glover. During 2018/19, Anne stepped down from the Board, and I would like to thank her for her insight and contribution to the early work of the business.

Hazel Moore was appointed as Non-executive Director with effect from 1 June 2019, bringing a wealth of experience in business and finance.

In October 2018, I was delighted to appoint Catherine Lewis La Torre as Chief Executive Officer of British Patient Capital.

The future of British Patient Capital

We want British Patient Capital to become a permanent and integral part of the UK's finance landscape, unlocking more institutional funding whilst making its own commitments to funds.

Once we've established a strong track record, and have proved the value of patient capital as an asset class, we intend to privatise British Patient Capital at an appropriate time in the future. We would expect the company to continue to specialise in providing venture and venture growth finance to build the world-beating companies of the future.

As we continue to build our portfolio, we remain focused on funding the innovative UK companies of today so they can become the global success stories of tomorrow.

Chief Executive's statement

Building our business



In our first year, we have built a strong team and a diversified portfolio of venture and venture growth investments.

A handwritten signature in blue ink, appearing to read "Catherine Lewis La Torre".

Catherine Lewis La Torre
Chief Executive Officer

During 2018/19, we committed a total of £334m to five venture funds and seven venture growth funds. Venture funds are typically those investing in early funding stages from pre-seed up to Series A, whereas venture growth funds invest in Series B onwards.

We focus on this segment of the market where there is a significant funding gap, as identified by the Patient Capital Review and evidenced by our own observations as meaningful investors in this area.

At the end of the financial year, our portfolio consisted of 31 fund investments, with total commitments approaching £600m, making British Patient Capital the largest domestic investor in this asset class in the UK.



£600m

Commitments made to venture and venture growth funds, making British Patient Capital the largest domestic investor in this asset class in the UK

Highlighting our portfolio

We invest in funds with strategies leveraging world-leading science conducted in universities across the UK. Commercialisation of such research offers the opportunity to address some of the most pressing challenges faced by modern society. In our portfolio we now have £59m committed to three life sciences funds, including the Dementia Discovery Fund, profiled later in this report.

During the year, we also made our first investment in a listed evergreen vehicle, Draper Esprit. This type of vehicle not only lends itself to patient, longer-term, investment strategies given its open-ended structure, but also has the advantage of providing a way to invest in venture for public market investors.

Building our capability

None of our impressive progress this year would have been possible without the hard work and dedication of British Patient Capital's team.

A core group of seven investment professionals joined the company from other divisions of the British Business Bank at launch, allowing us to make an immediate impact.

During the year we increased our numbers to 13, bringing in additional investment expertise and building out our capacity to equip ourselves for a sustained higher volume of investment activity.

Looking forward, we will be hiring senior professionals to commence our co-investment activity and to develop our institutional relations strategy. This follows our first £250m investment management mandate, with the Nuclear Liabilities Fund, signed at the end of 2018/19. Signposting and providing access to the venture and venture growth asset classes for investors is a key part of British Patient Capital's mission. We look forward to working with a broader range of institutions as we continue to progress our own investment strategy.

I would like to thank everyone on the team for their outstanding contributions. The targets for our first year of operations were truly ambitious, and it has taken a great deal of talent and commitment to achieve them.



Our Board



Keith Morgan
Chair

Keith became Chair of British Patient Capital in June 2018.

Keith led the planning and establishment of the British Business Bank from January 2013 and was appointed Chief Executive Officer in December 2013.

Prior to this, Keith was a Director at UK Financial Investments, joining in 2009 to manage the UK government's shareholdings in Bradford & Bingley, Northern Rock and Northern Rock Asset Management. Keith joined UKFI from Banco Santander where he was a Director of Sovereign Bancorp in the US.

He was previously Director of Strategy and Planning at Abbey National and a member of the Executive Committee, and served as Chair of Santander's Asset Management and Credit Card businesses in the UK. Before joining Abbey in 2004, Keith spent 18 years at LEK Consulting, where he was a partner specialising in financial services.



Catherine Lewis La Torre
Chief Executive Officer

Catherine was appointed CEO of British Patient Capital in October 2018.

Catherine joined the British Business Bank in 2016 in the role of CEO of British Business Investments. She was previously Head of Private Equity at Cardano Risk Management, where she was responsible for managing a global portfolio of private capital investments on behalf of UK pension funds. Before this she was a Partner and Managing Director of Fondinvest Capital in Paris, investing on a primary and secondary basis in European private equity funds.

Prior to this Catherine was one of the Founders of Nordic fund of funds manager Proventure, which invested in venture and growth capital funds in Western Europe, before launching a consulting business advising investors in Europe, the US and Asia on European private capital strategies. Catherine began her career in London at Venture Economics before joining Private Equity firm Cinven as an investment manager.



Russ Cummings
Non-executive Director

Russ joined British Patient Capital as an independent Non-executive Director in June 2018.

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.



Hazel Moore, OBE
Non-executive Director

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

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

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

Meet the team

The British Patient Capital team is based in Sheffield and London.
We are a diverse team with a variety of backgrounds working
collaboratively to invest in venture and venture growth
opportunities across all sectors.





Ian Connatty
Managing Director
Based in Sheffield

Ian joined in 2018. His previous experience includes working at 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
Based in London

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



Christine Hockley
Director
Based in Sheffield

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



Anu Adebajo
Investment manager
Based in Sheffield

Anu joined British Patient Capital in 2018. Previously she worked for British Business Bank's Venture Solutions team from May 2017 investing in venture capital funds and as an Analyst at the Angel CoFund for almost five years. The Angel CoFund makes direct equity investments into high growth companies alongside angel syndicates. Prior to that she worked in a variety of finance roles including a year and a half in Nigeria at a pan-African bank, Ecobank. Prior to this, Anu ran an award-winning ecommerce start-up.



Daniel Baker
Finance business partner
Based in Sheffield

Daniel joined during 2019 and has over 15 years' financial services experience. His career began at Barclays, where he undertook a variety of roles, rising to the position of Senior Financial Analyst in the bank's Canary Wharf office. He moved to UniCredit's London office in 2010, where he worked as a Revenue Controller in the FP&A team, before relocating to Sheffield in 2018.



Sam Baldry
Investment analyst
Based in Sheffield

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



Katie Ballands

Personal assistant
Based in Sheffield

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



Pinky Ghosh

Investment analyst
Based in Sheffield

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



Robert Greenwood

Senior investment manager
Based in Sheffield

Rob joined in 2018 having worked at British Business Bank for a total of six years. Previously he was part of the Lending Solutions team, where he was involved with the design and implementation of various 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 brings extensive transaction execution and portfolio management experience.



Tatiana Mecattaf

Investment analyst
Based in London

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

Richard O'Brien

Investment manager
Based in Sheffield

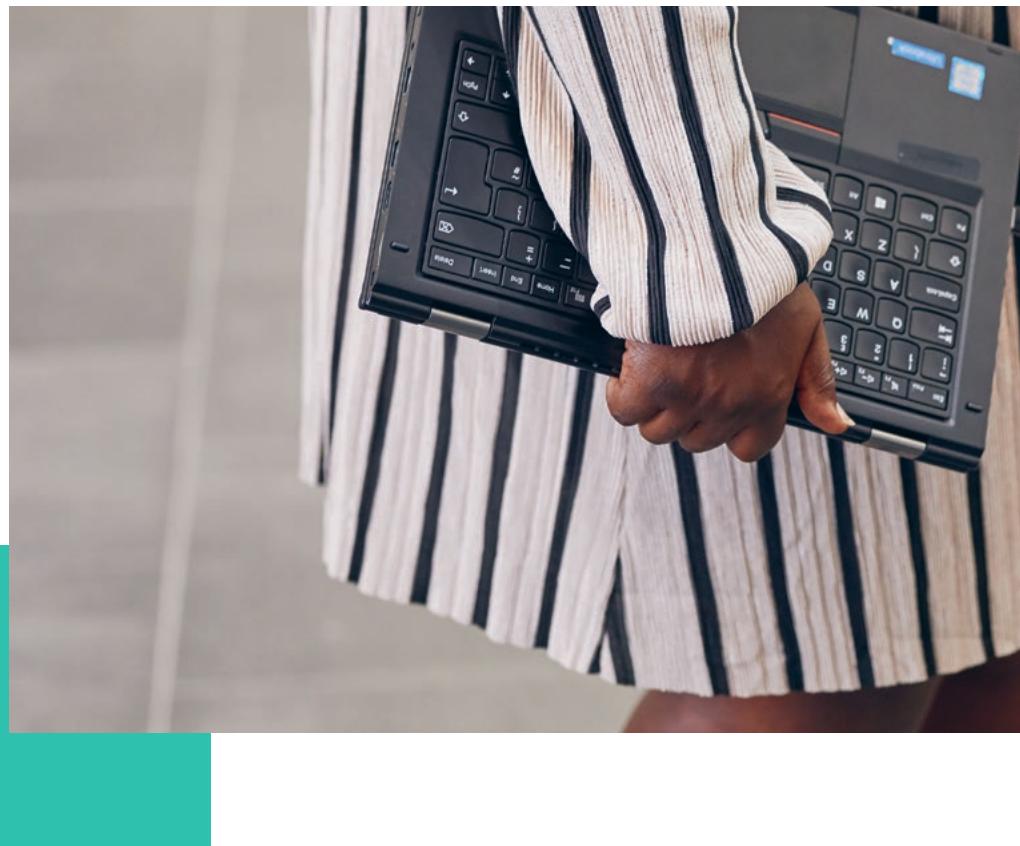
Richard joined the British Business Bank in 2016 and transitioned to British Patient Capital at its formation in 2018. He has led and supported a number of commitments in venture capital funds via the VC Catalyst and Enterprise Capital Fund programmes. Richard previously held roles in the actuarial sector,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



Alex O'Sullivan

Operations and
portfolio analyst
Based in Sheffield

Alex joined British Patient Capital as the dedicated Operations and Portfolio Analyst in August 2019 where she is primarily responsible for drawdowns, distributions and reporting. Previously she spent three and a half years at British Business Bank and 10 years at Key Fund Investments in both Finance and Treasury roles.



Tej Panesar
Senior investment manager
Based in London

Tej joined in 2018 from British Business Bank where he spent a year focusing on equity fund investments for the VC Catalyst programme. He formerly held roles as Head of Credit and Equity Risk at CrowdCube and was 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 two FinTech startups and a boutique corporate advisory firm focused on LBO transactions.



Carol Simon
Senior finance
business partner
Based in London

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



Chris Smart
Senior investment manager
Based in London

Chris joined 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 Royal Bank of Scotland including Financial Sponsor Coverage providing banking products to UK and European mid-market buyout firms.



David Woods
Investment analyst
Based in Sheffield

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

Strategic report

Our business in numbers

This section analyses the performance of British Patient Capital's investments, including the seed portfolio acquired from British Business Investments, a commercial subsidiary of the British Business Bank, in 2018/19.*



8.2%

Return on capital (gross)



1.15

TVPI multiple



13.3%

Portfolio IRR



31

Total number of portfolio commitments



£599m

Total value of portfolio commitments



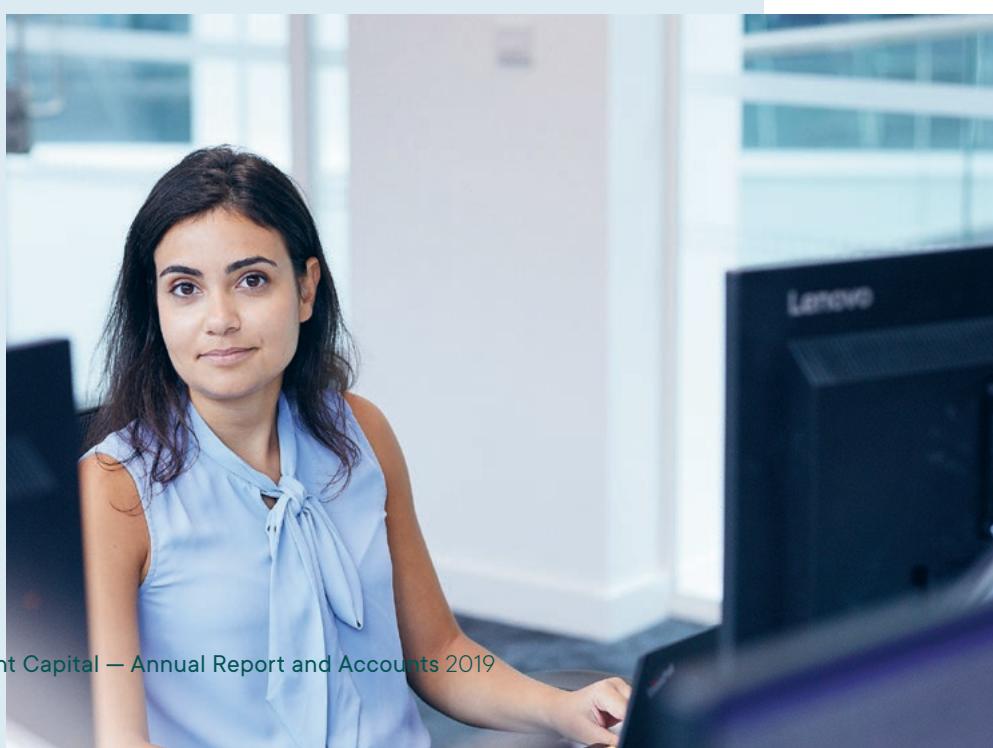
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Number of new commitments in 2018/19



£334m

Value of new commitments in 2018/19



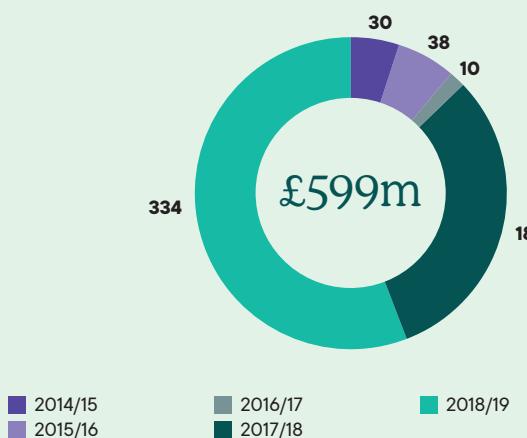
* During its first year of trading, British Patient Capital acquired a seed portfolio of investments from British Business Investments. These performance metrics are not derived from the financial statements presented at pages 36 to 52 and, accordingly, the National Audit Office have not audited them.

New commitments in 2018/19

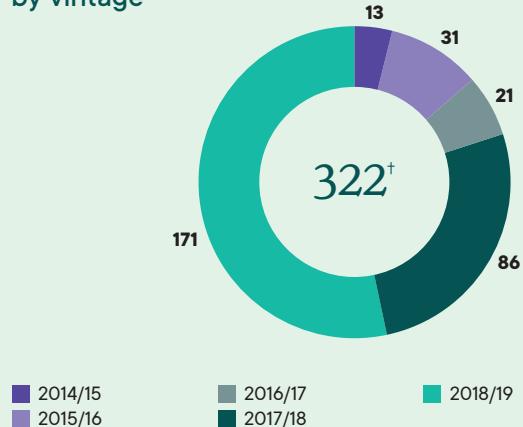


Our portfolio

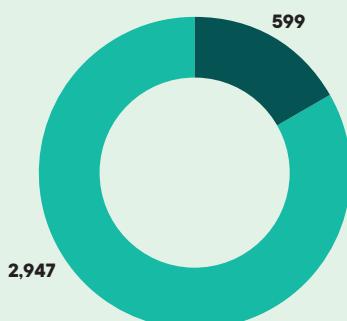
Total commitments by vintage (£m)



Number of underlying company investments by vintage



Total capital raised by funds in the portfolio (£m)



BPC Capital
■ 31 March 19

Third party capital
■ 31 March 19

Commitments: seed portfolio and 2018/19 activity



Commitment value
■ Seed portfolio
■ FY 2018/19

Commitment count
■ Seed portfolio
■ FY 2018/19

*These commitments have closed and have yet to be announced.

[†] 178 of these companies have UK headquarters

Fuelling the future of innovation

The UK is recognised globally as one of the leading countries for innovation, with many world-class universities and a strong track record in science and research. Over a thousand businesses are started in the UK every day, and its smaller business population performs strongly in terms of introducing innovative products, creating jobs and fast growth.

The continued development and rapid growth of innovative UK businesses has the potential to contribute significantly to the success of the country's economy. Access to sufficient longer-term investment is a key component in enabling such growth.

Our mission

British Patient Capital will unlock more institutional funding so that innovative companies across the UK have access to the long-term patient capital they need to facilitate their rapid development.

Ultimately, our vision is for more home-grown, fully-funded, higher growth companies to emerge as significant players on the global stage.

Accelerating the UK's market for patient capital

Historically, a lack of patient capital has held back many firms from scaling up, dampening their ambition and preventing them from reaching their full commercial potential. This leads to some firms being sold too early to trade buyers instead of continuing their own positive and sustained development trajectory, meaning they fail to realise their economic promise within the UK.

To develop a business to one of significant value, such as a unicorn, multiple funding rounds and large amounts of equity capital over an extended time period are required. There were 13 unicorns, privately-held VC-backed businesses valued at over \$1bn, in the UK at the end of March 2019. As our capital and that of other investors addresses the venture growth capital gap and the venture growth market matures we expect to see more companies achieve unicorn status.

Overview



“We are here to support ambitious entrepreneurs who want to build world class international businesses.”



There are encouraging signs of progress, but challenges remain

The UK equity ecosystem has developed over the last decade and is now better able to support companies at all stages of their development.

- Since 2016, the UK has been ahead of the US in terms of GDP-weighted VC deal numbers.
- The UK now has a similar proportion of companies receiving follow on funding at each stage as the US.
- UK equity investment grew faster than the US in the last 10 years, albeit from a lower base, and the UK currently has a higher ratio of number of VC deals to GDP than the US.

There are some areas, however, where we have the opportunity to tackle relative weaknesses in the UK market for patient capital.

In particular the amount of capital received at each funding round is larger in the US than in the UK – ranging from 1.5x at earlier rounds to 2.4x at the fifth funding round.

This means UK companies receive less funding and so are less capitalised compared to their US counterparts.

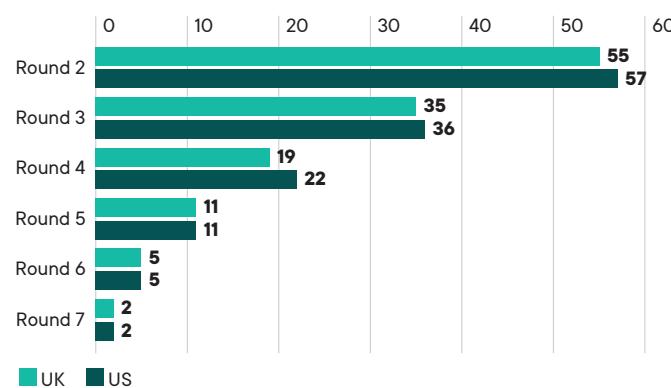
Over the next 10 years it is vital that more institutional capital is brought into the venture and venture growth industry to enable long-term investment in innovative companies across the UK.

By addressing and reducing the scale up funding gap, we will enable more capital for businesses at later funding rounds so they can achieve their growth ambitions and boost the UK's economy.

UK VC backed companies are just as likely to raise follow-on funding as US firms, but less of it

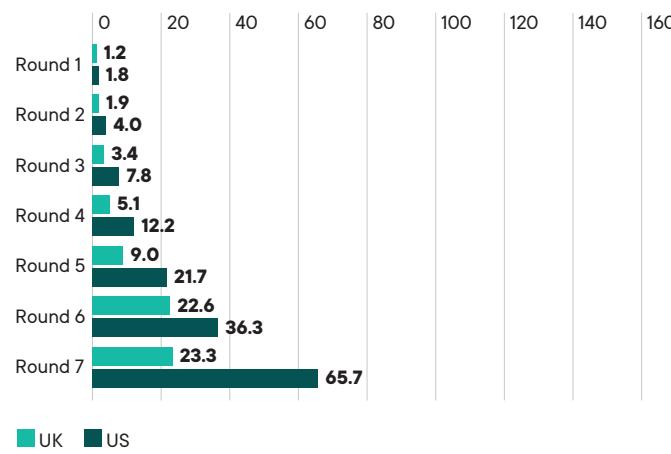
% of companies securing follow on funding

Cohort of companies which raised their first VC round 2011/12



Average deal size by round (£m)

Cohort of companies which raised their first VC round 2011/12



Source: BBB 2019 Equity Tracker

Our investment strategy

We take a patient capital approach to investing in innovation

We're building a diversified portfolio of funds by stage, sector and vintage. All these funds have a strong UK focus and pursue domestic, pan-European or global investment strategies.

Through our investments, we enable the best managers to execute their planned investment strategy more effectively, and often to a greater scale. There are several ways we do this – including through anchoring a fundraise, enabling a first close, or boosting a fund to achieve optimal size. British Patient Capital can commit up to 49.9% of a fund.

All prospective fund managers must be able to demonstrate a strong and capable management team with a verifiable track record. They should have a clear strategy, be offering competitive terms and have evidence of a significant fundraising pipeline.

Our portfolio falls into two broad categories:

Venture capital – for early stage businesses

These investments are made into start-up businesses going through early funding stages – typically encompassing rounds termed pre-seed, seed and Series A – as they develop their product and seek product market fit.

Venture growth capital – for later stage businesses

These investments are for businesses raising further funding rounds to accelerate their growth – Series B and upwards.

Currently most of our portfolio falls under the first of these, as the seed portfolio we inherited from British Business Investments was skewed towards early-stage funds.

We will continue to make some investments to funds focused at the earlier stage, however, to help build a future pipeline and opportunities for later-stage investments.

The types of vehicles we invest in

Most of our investments are in fixed term funds, which reflects the availability of these in the market.

We are, however, open to more innovative structures and during the year invested in our first evergreen listed entity, Draper Esprit.

“The commitment from British Patient Capital gave us the firepower we needed to fund the entrepreneurs of the future and continue to plug the UK’s growth capital gap.”

Case Study Draper Esprit

£30m investment

May 2018

Draper Esprit is one of the most active venture capital firms in Europe, helping to build and invest in disruptive, high growth technology companies. Sector agnostic, it invests in multiple industries.

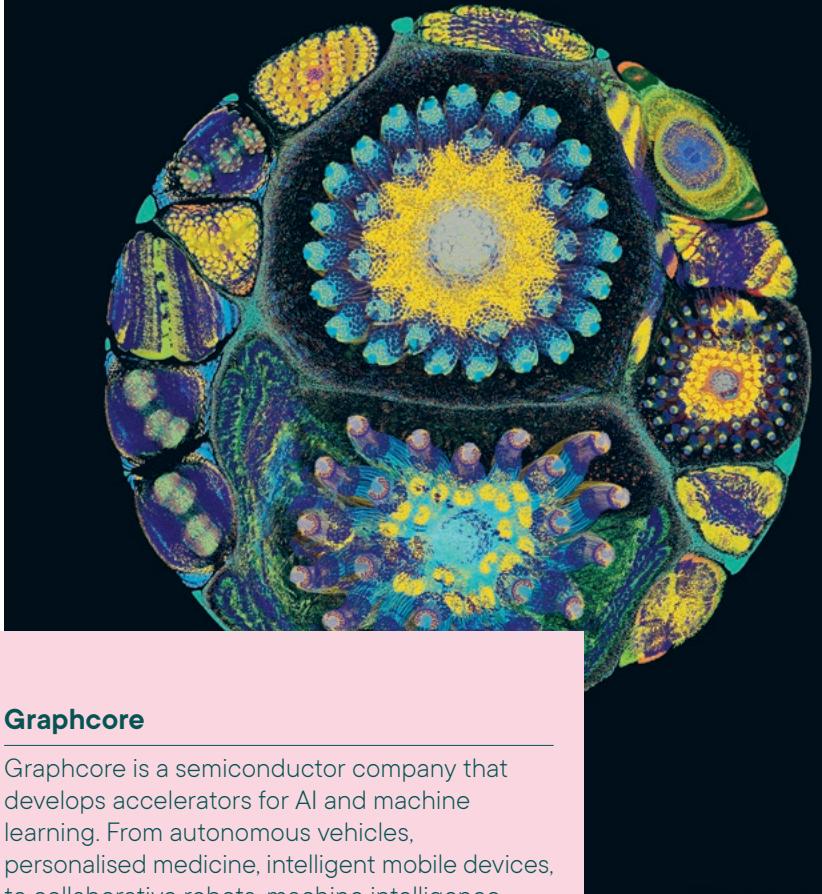
Draper Esprit, which publicly listed in 2016, is not restricted by the traditional fixed-term fund cycle, allowing it to invest directly from its balance sheet and support businesses to IPO or acquisition.

Since then, it has scaled its capital base and resources. Draper Esprit has backed businesses from across the UK throughout its investment history, including investing in five home-grown unicorns.

British Patient Capital has a £30m evergreen investment into Draper Esprit, the cornerstone for that year’s fundraising, helping to close the growth stage funding gap for technology in the UK.

Draper Esprit considers British Patient Capital pivotal to its ambition of providing the best entrepreneurs with access to the capital they need to scale their businesses to an international level:

“The commitment from British Patient Capital gave us the firepower we needed to fund the entrepreneurs of the future and continue to plug the UK’s growth capital gap”.



Graphcore

Graphcore is a semiconductor company that develops accelerators for AI and machine learning. From autonomous vehicles, personalised medicine, intelligent mobile devices, to collaborative robots, machine intelligence applications have the ability to impact a vast number of industries. However, training complex deep neural networks takes a long time and many new machine-learning approaches need 100x to 1000x more compute power.

To solve this problem, Graphcore developed a new kind of processor and software specifically designed for machine intelligence. Its IPU (Intelligence Processing Unit) and IPU-Pod enable massive machine intelligence training tasks that can support huge deployments with thousands of users. In 2018 the company generated its first revenues, two years after it was founded.

A Series D \$200m funding round in 2018 was supported by British Patient Capital partner Draper Esprit, with an investment of a further \$12m in the company. Having backed previous companies created by the same founders, Draper Esprit has supported Graphcore from seed stage through to unicorn status, and \$1.7bn valuation.

Headquartered in Bristol, Graphcore has offices in Palo Alto, London, Oslo and Beijing, with plans to open another in Cambridge.



Funding the scale up

British Patient Capital has £2.5bn to invest into venture and venture growth capital funds over the next 10 years.

Although it was set up relatively recently, British Patient Capital's predecessor organisations have been investing in funds for well over a decade, and we are drawing on and benefiting from this rich experience as we build the business.

These resources enable us to do two things:

- Increase the amount of long-term investment available for innovative UK companies wanting to scale up.
- Demonstrate that a long-term patient capital investment strategy can produce commercially attractive financial returns so that more investors will be encouraged into making allocations to this type of investment.

How we increase investment

To increase investment, we are working alongside institutional investors to unlock an additional £5bn of patient capital investment. This means we expect a total of £7.5bn to back the continued development of innovative firms that need access to longer-term funding.

We will allocate £300m–£350m each year for the first three years to commit to fund managers specialising in venture and venture growth capital, generally investing in funds over £50m in size. Our cheque size can be up to £100m in any one fund with our sweet spot being £20m–£40m.

Our portfolio is seeded by 19 investments with commitments of £266m made by British Business Investments.

In 2018/19 we made a further £334m of commitments into 12 funds.





£7.5bn

£2.5bn of capital from British Patient Capital
and £5bn unlocked from institutional investors

Our fund managers

Advent Life Sciences

 ATLANTIC BRIDGE

dawn.

 etf partners

hoxton ventures

 KESTER CAPITAL

NAUTA CAPITAL

OXX

 sep
Scottish Equity Partners

 ALPINA
PARTNERS

Balderton capital

 Dementia Discovery Fund

 FPE
CAPITAL

IQ CAPITAL

 KINDRED

NOTION

 WestBridge

 Amadeus
Capital Partners

 Crane

 Draper Esprit

 frog
capital

 Kennet

 MVM
Partners LLP

 nvm
private equity

 Seedcamp

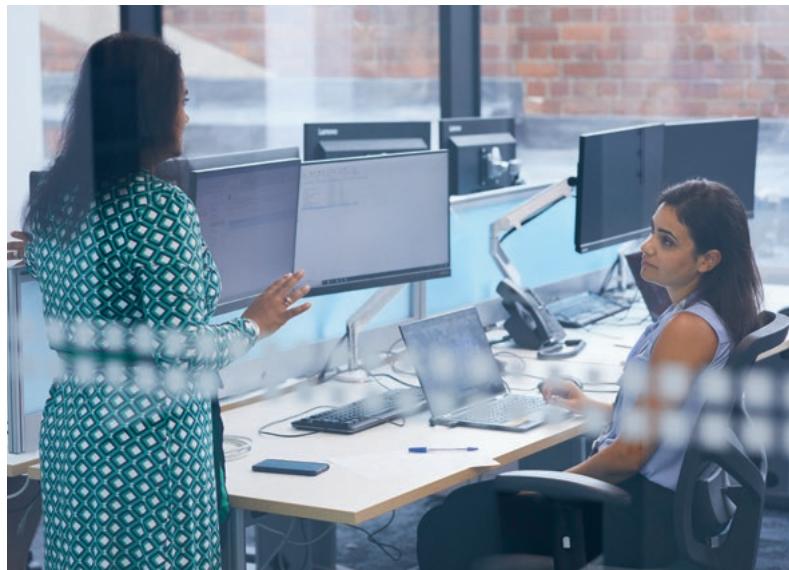
What does ambition look like?

British Patient Capital is invested in 322 businesses through our portfolio of fund managers.

Our capital helps build the next generation of innovative companies which harness the leading edge of technology.

Although we're not prescriptive about sectors for our investment, from our vantage point we see trends emerging across the portfolios of our venture and venture growth capital fund partners.

By looking at the number of businesses and the total capital invested by fund managers in our portfolio, and by other investors, we've identified seven key themes outlined below.



“British Patient Capital is invested in 322 businesses through our portfolio of fund managers.”

Our key portfolio themes – 31 March 2019



AI and big data

The UK has significant expertise in this field. Companies that can use large datasets intelligently, making decisions and improving processes, are well-placed to compete globally.



Digitisation

As software has become more sophisticated, companies that can leverage these new ways of working can capture huge increases in productivity. Our investments are bringing these benefits to traditionally low-tech industries, enabling the whole economy to grow.



Life sciences and digital health

Our portfolio reflects the UK's research strength in life sciences and digital health. Within this complex and fast-moving landscape, we are working with an array of leading venture partners to support and grow exciting UK companies.



The future of finance

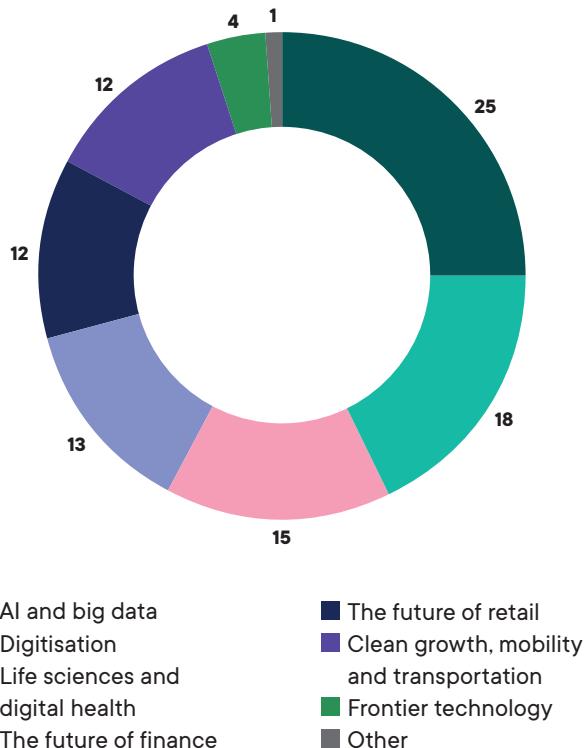
The UK has a strong heritage in financial services. We see that reflected in our portfolio: this is our 4th largest category, with over 40 investments. These companies offer new alternatives to traditional financial services, as well as working with established providers to increase their efficiency.

How we will demonstrate returns, and the future

We will achieve our returns target by a consistent execution of a balanced investment strategy and the construction of a diversified portfolio, taking a long-term approach.

Once we have established a track record and demonstrated the return potential of the asset class, our intention is that British Patient Capital will be privatised, and continue to support ambitious UK businesses.

Underlying companies by theme – 31 March 2019 (%)



The future of retail

The retail sector is currently experiencing huge disruption. We believe that the future of retail is bright, but that new ways of working will change the industry. More than 10% of our portfolio companies operate in this sector, connecting businesses with consumers and changing the way people shop.

Clean growth, mobility and transportation

Recently we've seen significant growth in the number of companies working towards sustainable goals. Whether that's revolutionising mobility through autonomous driving or creating new ways to grow fresh food sustainably, this is an exciting area and one we think will continue to develop in the future.

Frontier technology

We invest in a small number of companies that we think have the potential to revolutionise industries across a host of sectors. We can't wait to see how the innovations they develop will go on to shape our world.

Focus on life sciences and digital health

The UK is a world leader in life sciences, including areas such as biopharmaceuticals, medical technology, genomics and diagnostics, and is at the forefront of developments in digital health.

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

In what some are referring to as the current 'Golden Age' of biotechnology, advances in areas such as artificial intelligence/machine learning, computational biology and bioinformatics are blurring the lines between technology and health related fields.

UK universities continue to drive ground-breaking research in these areas and, importantly, venture and angel capital is now facilitating the transfer of technology to the commercial market through university spin-outs.

This is reflected in our portfolio, where life sciences and digital health businesses are found in both technology funds and dedicated life sciences funds, such as the Dementia Discovery Fund. Through these funds, we are contributing to bringing these exciting new developments to fruition.

Drawing a parallel with technology sectors, we expect that the scale up know-how being developed in this area will lead to a new generation of repeat life sciences and digital health entrepreneurs, creating more companies which build on the UK's strengths in research and development.

Case Study Healx

Fund manager: Balderton Capital

Based in Cambridge, Healx is a biotech company with a mission to progress 100 rare disease treatments towards clinical trial by 2025.

To achieve this, it created Healnet, an artificial intelligence (AI) platform for rare diseases, designed to reduce the time and cost to discover new medicines on a larger scale. Worldwide, 350m people are impacted by a rare disease, and of the 7,000 rare diseases known today 95% are without an approved treatment. For example, the Healx AI platform and drug discovery team successfully identified novel treatments for Fragile X syndrome, the most common genetic cause of autism, within 18 months compared to an average of 6-12 years using conventional drug discovery methods.

Following a seed round, Healx sought venture capital funding to accelerate its growth, to build the founding team and to validate its AI platform. Having turned down two investment offers before finding British Patient Capital partner Balderton Capital, it raised a \$10m Series A round.

With a team of 41, Healx is planning to double in size over the next 15 months, and its lead programme on Fragile X syndrome is now entering Phase 2A clinical trials.

“The UK is a world leader in life sciences, including areas such as biopharmaceuticals, medical technology, genomics and diagnostics.”

£250m

British Patient Capital played a crucial role in helping the Dementia Discovery Fund reach its fund target.



Case Study **Dementia Discovery Fund**

£9m investment

June 2018

The Dementia Discovery Fund (DDF) is a UK-based, specialist venture capital fund investing in novel science to create companies to deliver high impact new treatments for Alzheimer's Disease and other forms of dementia while seeking to generate financial returns for investors.

The DDF brings the discipline of venture investing to the discovery and early development of therapeutic approaches to all forms of dementia.

Dementia already affects more than 47m people worldwide. With the scale of the problem increasing, there are currently no disease-modifying treatments, with existing therapies limited to temporary alleviation of some of the symptoms.

British Patient Capital played a crucial role in helping the DDF reach its fund target. Fundraising closed at an oversubscribed £250m.

By providing a stable, long-term source of patient capital with a strategic focus on stimulating innovation and business growth, British Patient Capital is able to catalyse UK-focused biotech investing and draw the attention of fund managers to UK opportunities that may otherwise have been overlooked.

As a limited partner, British Patient Capital provides DDF with a strategically-aligned, long-term investor and advisory committee member with a real interest in advocating for development of UK biotech companies.

“British Patient Capital’s commitment to the DDF was key to us achieving our fundraising goal of £250m. Its limited partner experience, ongoing support and keen interest in actively helping us to build new businesses, especially here in the UK, is valuable to us at the DDF.”



Spotlight on venture growth capital

British Patient Capital has, since its inception, invested £319m into venture growth funds which target the scale up funding gap.

These fund managers will invest in businesses that typically have achieved product market fit and have a customer base. Their challenge is to scale the business.

Taking an innovative approach to our scale up agenda, we have invested £76m in three Opportunities Funds which also target businesses seeking later stage capital.

Opportunities Funds are raised and managed by venture capital fund managers to support stand out businesses within their early stage funds which want to scale up.

By raising an Opportunities Fund, an early-stage fund manager can follow on their initial investments through into the growth stage with a view to maximising their overall return potential.

£76m

—
Taking an innovative approach to our scale up agenda, we have invested £76m in three Opportunities Funds





£48.8m

In 2018, British Patient Capital committed £48.8m to Dawn's most recent fund: the Opportunities Fund.

Case Study Dawn Capital

£48.8m investment

December 2018

Dawn Capital backs start-ups that are building the next generation of enterprise software and financial technology. Based in London, it invests heavily in the UK, as well as more widely across Europe.

In 2018, British Patient Capital committed £48.8m to Dawn's most recent fund: the Opportunities Fund. The fund will allow Dawn to make investments in entrepreneurs solving the greatest technology challenges facing businesses with scalable, game-changing technology. The fund is designed to allow further investment into existing technology in their portfolio, with specific focus on Series C rounds and beyond, as well as other high-performing late-stage European technology companies to expand its portfolio.

Dawn has found the cornerstone investment in the fund from British Patient Capital invaluable, enabling Dawn to bring in further investors and give entrepreneurs confidence as they support them in their growth journey:

“British Patient Capital acts as a terrific catalyst to the entire UK tech ecosystem, enabling talented entrepreneurs to embark on their journeys confident that there is capital available to build globally significant companies.”

Quantexa

Quantexa is an enterprise intelligence company, empowering organisations to drive decisions from their data and better understand their customers. By harnessing the latest advancements in big data and AI, it uncovers customer connections to solve challenges in financial crime, customer insight and data analytics. Its clients include HSBC and Shell.

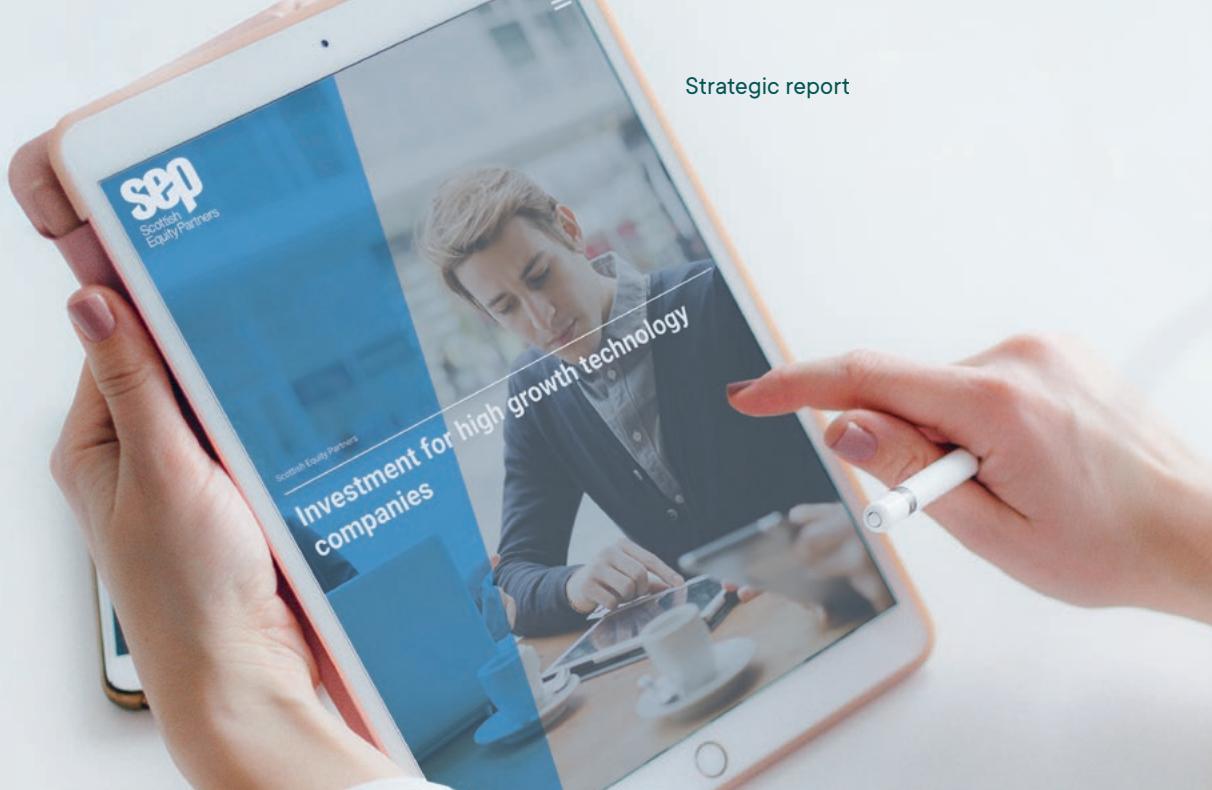
Moving rapidly from start-up to scale up, Quantexa decided to raise finance in order to accelerate expansion plans in both the domestic and international markets.

In 2018, it secured Series B funding, including from British Patient Capital partner, Dawn Capital.

Since securing the finance, Quantexa has incorporated new subsidiaries and opened new offices. The funding also enabled the business to expand its sales and marketing teams and progress its R&D roadmap further, including the release of v1.0 of its product.

The team has now grown to over 160 employees with offices in London, New York, Boston, Brussels, Singapore, Sydney and Toronto.

dawn.



Case Study Scottish Equity Partners

£10m investment

June 2016

Scottish Equity Partners (SEP) is an established growth equity firm and for the last two decades has been helping founder-led teams to build their businesses and achieve their ambitions. With a strong focus on the UK, it has funded more than 160 companies including Skyscanner, Matchesfashion and CSR.

The firm's recent fund, SEP V makes investments of £10m to £25m in growth-stage technology companies led by ambitious management teams, and plays an active and supportive role in their development. SEP V closed above target.

British Patient Capital's support, through its investment in SEP V, helped SEP build a strong platform to continue to support technology and tech-enabled companies with world class potential.



—
Jan Rutherford,
Partner at Scottish
Equity Partners

“Our own objectives are closely aligned with British Patient Capital’s, namely to invest in innovative companies led by ambitious entrepreneurs.

“We also value its commitment to the UK venture capital and growth equity investment community, creating opportunities for managers to network, collaborate on investments and share best practice. British Patient Capital is strengthening the links across the broader private equity community, improving the efficiency of the private capital market.

“Working with British Patient Capital, we look forward to helping many more businesses across the UK regions and beyond to grow.”



“Working with British Patient Capital, we look forward to helping many more businesses across the UK regions and beyond to grow.”

Content Guru

Content Guru is a leading cloud contact centre and customer engagement solutions provider. Founded in 2005, it owns and operates Europe's largest communications integration cloud platform, storm® and has offices in the UK, US, Netherlands, Japan and Germany.

Operating in sectors ranging from utilities and travel through to finance and government, its cloud services power some of the biggest contact centre solutions in the world, including for EDF Energy, Sodexo, G4S, Serco, and the NHS.

In 2017, having experienced strong organic growth, the founders decided to seek external investment to enable the company to scale further and take full advantage of the increasing market opportunity. Relationships, technology focus and track record were important considerations in choosing an external investment partner.

British Patient Capital fund manager SEP built a rapport with the team and went on to provide £25m of equity funding for a minority stake in January 2018, enabling the company to continue its strong growth, both in existing markets and new territories.

Since then, Content Guru has expanded its engineering, sales and marketing, and customer service teams, and invested further in product development. Its global growth strategy has accelerated with cloud services now offered in over 30 countries. The storm® platform was also named Vertical Application Solution of the Year at the 2019 European IT & Software Excellence Awards.



Sean Taylor, Global CEO, and Martin Taylor, Deputy CEO, co-founders of Content Guru

Managing our risks and corporate governance

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

Risk management and internal control

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

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

The key operational risks the company is exposed to are:

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

The key financial risks the company is exposed to are detailed in note 12(iii) of the accompanying financial statements.

Corporate governance

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

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



The Board of Directors of the Company

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

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

Audit and risk

A designated Non-executive Director of British Patient Capital Ltd serves as Audit and Risk Champion, attending meetings of the Audit and Risk Committees of British Business Bank plc as needed to discuss relevant matters. The current Audit and Risk Champion is Russ Cummings.

Investment Committee

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

Catherine Lewis La Torre
Chief Executive Officer

20 September 2019

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 2019.

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 15 to the financial statements
- information about the use of financial instruments by the company is given in note 12 to the financial statements.

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.

Directors

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

- Keith Morgan (appointed 22 March 2018) – Chair
- Catherine Lewis La Torre (appointed 22 March 2018)
- Russ Cummings (appointed 13 June 2018)
- Hazel Moore (appointed 1 June 2019)
- Peter Garnham (appointed 22 March 2018 and resigned 13 June 2018)
- Anne Glover (appointed 13 June 2018 and resigned 9 October 2018)

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

Appointment and removal of Directors

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

Directors' indemnities

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

Directors' confirmations in relation to the audit

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

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

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

Approved by the Board of Directors



Catherine Lewis La Torre
Chief Executive Officer

20 September 2019

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 (IFRSs) as adopted by the European Union which is consistent with the accounting treatment adopted by the parent company. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

Directors' responsibility statement

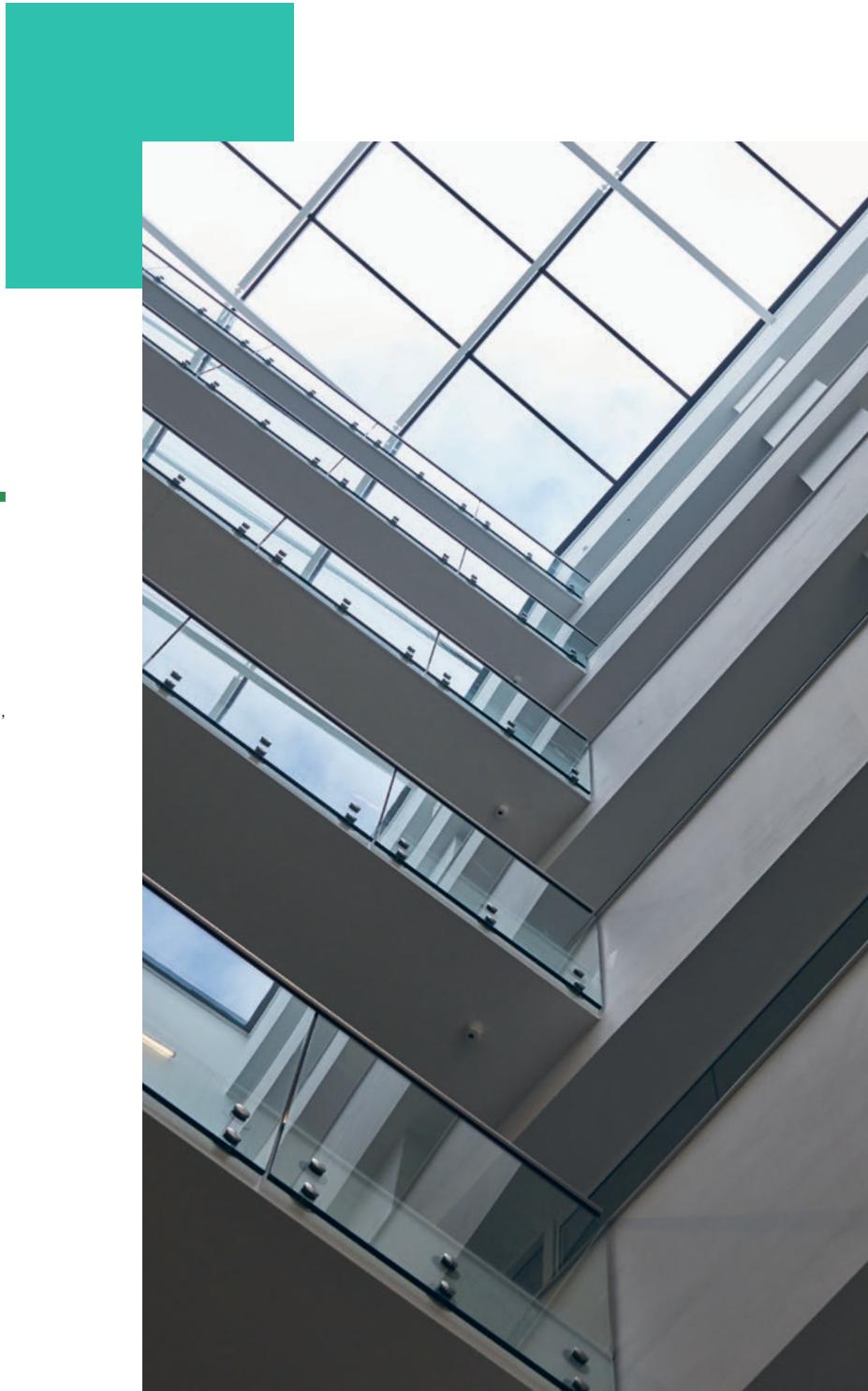
We confirm that to the best of our knowledge:

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



Catherine Lewis La Torre
Chief Executive Officer

20 September 2019



Independent auditor's report

to the members of British Patient Capital Limited

I have audited the financial statements of British Patient Capital Limited for the period ended 31 March 2019 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standards as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and for the profit of the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

Basis of 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 2016. I am independent of British Patient Capital Limited in accordance with the ethical requirements that are relevant to my audit and 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.

Responsibilities of the Directors for the financial statements

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

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the British Patient Capital Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the British Patient Capital Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other information

The Directors are responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

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

Matters on which I report by exception

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

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

Hilary Lower
(Senior Statutory Auditor)

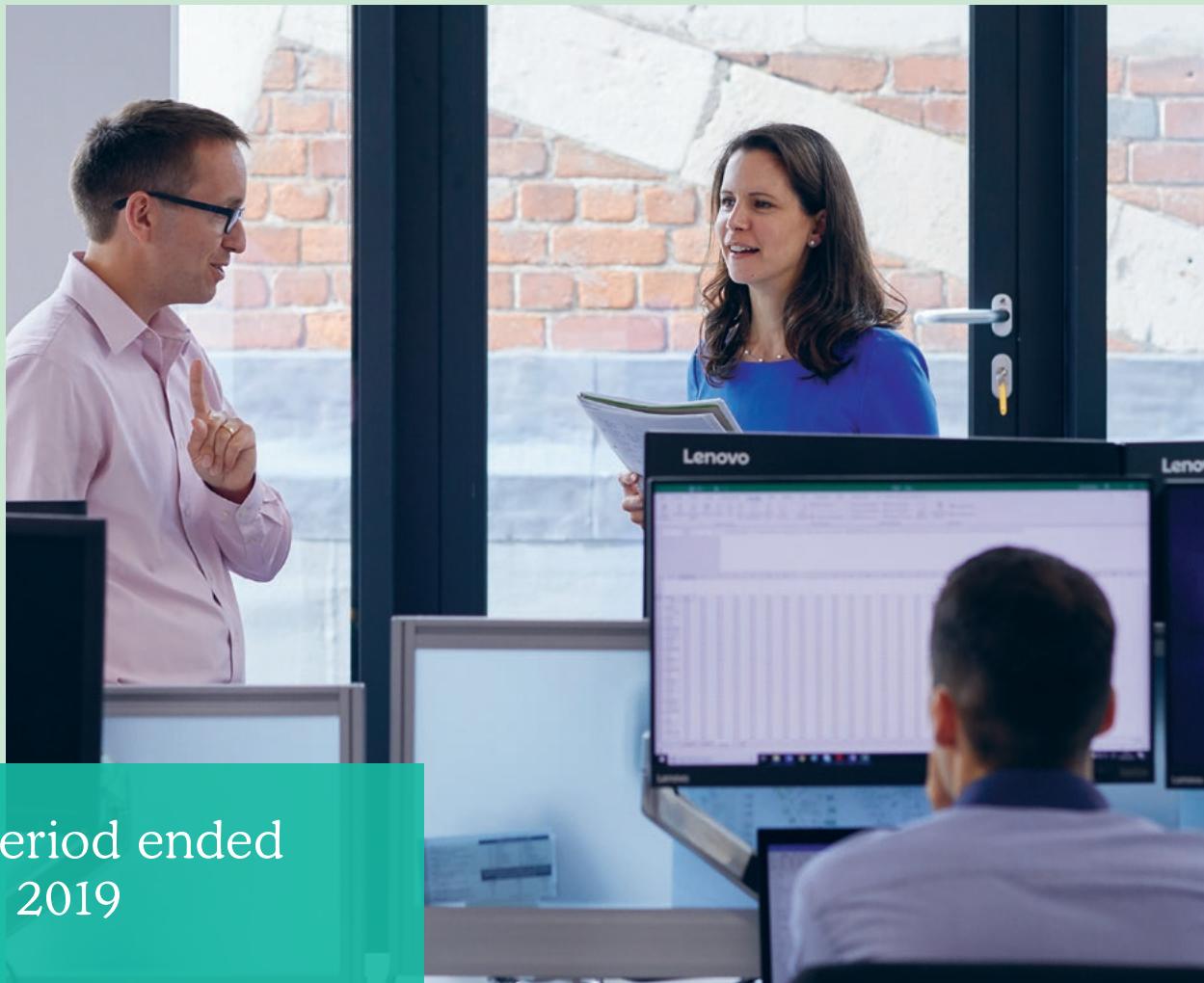
September 2019

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

For the period ended
31 March 2019



Statement of comprehensive income

For the period ended 31 March 2019

	Note	2019 £000
INCOME		
Net gains on investment assets	8	9,447
Net operating income		9,447
EXPENDITURE		
Staff costs	4.1	(827)
Purchase of goods and services		(697)
Management fee	5	(6,387)
Operating expenditure		(7,911)
Profit before tax		1,536
Tax	6.1	(325)
Profit for the period after tax		1,211

All operations are continuing.

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

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

Statement of financial position

As at 31 March 2019

	Note	2019 £000
ASSETS		
Cash and cash equivalents	7	2,856
Investments held at fair value through profit or loss under IFRS 9	8	162,439
Assets held for sale	8	40,610
Total assets		205,905
LIABILITIES		
Trade and other payables	9	(8,646)
Corporation tax payable	6.2	(325)
Total liabilities		(8,971)
Net assets		196,934
EQUITY		
Issued share capital	11	195,723
Retained earnings		1,211
Total equity		196,934

The financial statements of the Company (company number 11271076) were approved by the Board of Directors and authorised for issue on 20 September 2019. They were signed on its behalf by:



Catherine Lewis La Torre
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 2019

	Notes	Issued capital £000	Retained earnings £000	Total £000
Balance at 22 March 2018		–	–	–
Net income after tax		–	1,211	1,211
Total comprehensive income		–	1,211	1,211
Issue of ordinary shares	11	195,723	–	195,723
Balance at 31 March 2019		195,723	1,211	196,934

Cash flow statement

For the period ended 31 March 2019

	Notes	2019 £000
Net operating income before tax		1,536
Cash flows from operating activities		
Changes in operating assets and liabilities:		
Net increase in assets at fair value through profit or loss under IFRS 9	8	(162,439)
Increase in assets held for sale	8	(40,610)
Increase in trade and other payables	9	8,646
Net cash used in operating activities		(192,867)
Cash flows from financing activities		
Issue of new shares	11	195,723
Net cash from financing activities		195,723
Net increase in cash and cash equivalents		2,856
Cash and cash equivalents at beginning of the period		–
Cash and cash equivalents at end of the period		2,856

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

Notes to the financial statements

1. General information

British Patient Capital Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Steel City House, West Street, Sheffield, S1 2GQ. The Company was incorporated in the United Kingdom on 22 March 2018. The reporting period for the financial statements is from incorporation to 31 March 2019. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 12 to 27.

2. Significant accounting policies

Basis of preparation

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

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

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

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 Secretary of State for BEIS 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

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 years.

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 period. Taxable profit differs from net profit as reported in the Income Statement 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 in future years against which deductible temporary differences can be utilised.

Current and deferred tax is recognised in the Income Statement, 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 Income Statement, and included under the relevant expenditure heading.

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

Financial assets and liabilities

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

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

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's financial assets comprise debt instruments, classified as such under IAS 32, which are subsequently measured at amortised cost where the business model related to that instrument is to collect the contractual cash flows and those cash flows represent solely payments of principal and interest ('SPPI'). If the cash flows fail the SPPI test, the instrument is subsequently measured at FVTPL.

Financial assets that are held for collection of contractual cash flows and for selling where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in the Income Statement. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Assets held for sale

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

Cash and cash equivalents

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

Trade and other 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 in the Consolidated Statement of Comprehensive Net Income.

Retirement costs

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

Employee benefits

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

- The inputs to valuation models and techniques used to determine estimated future cash flows to calculate the fair values of assets held at FVTPL and amortised cost.

The future returns from FVTPL debt fund investments are not limited to contracted cash flows of interest and principal. Returns are inherently uncertain and will depend on a range of factors including the manager's success in originating lending 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.

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:

	2019
Permanent staff	10
Non-executive Directors	1
Total	11

	2019 £000
Aggregate remuneration comprised	
Wages and salaries	
– Permanent staff	411
– Temporary and agency staff	199
Non-executive Directors' fees	20
Short and Long-Term Incentive Plans and bonus scheme	79
Social security costs	57
Pension costs	61
Total	827

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

4.2 Directors' remuneration

Directors' remuneration during the period was £20,000. Remuneration for the highest paid Director during the period was £20,000.

Executive Directors' remuneration

Catherine Lewis La Torre was appointed as Chief Executive Officer of the Company on 1 October 2018, and is paid directly by British Business Bank plc which is recharged to the Company in the form of a management charge.

Non-executive Directors' remuneration

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

	Total Fees £000	2019 Annual equivalent £000
Keith Morgan (appointed 22 March 2018)	–	–
Russell Cummings (appointed 13 June 2018)	17	20
Anne Glover (appointed 13 June 2018 and resigned 9 October 2018)	–	–
Total	17	20

Fees for services as Director of the Company are £20,000 per annum.

Keith Morgan is paid directly by British Business Bank plc and this is recharged to the Company in the form of a management charge.

No post-employment benefits, termination benefits or share based payments were made to Directors in the period.

5. Operating costs

Purchase of goods and services

Auditor's remuneration of £65,000, which is included within 'Purchase of goods and services', relates to fees payable for the audit of the Company's financial statements. The Company's auditors did not provide any non-audit services.

	2019 £000
Management Fee	
Allocated staff costs	2,585
Allocated purchase of goods and services	3,802
Total	6,387

Allocated staff costs and allocated purchase of goods and services relates to recharges paid by the Company to 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

	2019 £000
Current tax	
Current period	325
Total current tax	325
Deferred tax	
Current period	-
Total deferred tax	-
Total tax on continuing activities	325

Factors affecting the tax expense for the period

The tax expense for the period is different from the standard rate of corporation tax in the UK as explained in the table below. The corporation tax rate used is based on the enacted corporation tax rate for the year commencing 6 April 2018. The Finance Act 2015 which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 to 31 March 2020 and 18% effective from 1 April 2020, was substantively enacted on 18 November 2015.

The table below reconciles the tax charge for the period:

	2019 £000
Profit before tax	1,536
Tax on profit at standard UK tax rate 19%	292
Short term timing differences	33
Total tax charge	325

6.2 Corporation tax payable

	2019 £000
Corporation tax payable at 22 March 2018	—
Tax expense for the period	325
Corporation tax payable at 31 March 2019	325

7. Cash and cash equivalents

	2019 £000
Government Banking Service	2,856
Total	2,856

8. Investments

On 1 July 2018 the Company purchased its holding in the Venture/Growth investments from British Business Investments Ltd, a company within the British Business Bank plc Group, for £131m which is included within additions in the table below. The transaction was undertaken on an arms length basis with the Company settling the balance before 31 March 2019.

Venture/Growth

Through this programme, BPC invests in commercially viable venture and venture growth capital funds, including evergreen structures, to support UK companies with high growth potential to access the long-term financing they need to scale up. BPC will also invest in co-investment opportunities arising through its portfolio. Venture/Growth investments are classified and measured at fair value through profit or loss under IFRS 9.

Investments held at fair value through profit or loss under IFRS 9

	Opening balance £000	Additions £000	Repayments £000	Fair value movement £000	Closing balance £000
As at 31 March 2019					
Venture/Growth	—	204,064	(10,462)	9,447	203,049
Total	—	204,064	(10,462)	9,447	203,049

On 26 March 2019 the Company agreed to sell to the Nuclear Liabilities Fund 20% of its holding in the Venture/Growth assets with an effective date of sale of 1 April 2019. As required under IFRS 5 the Directors have assessed that this proportion of these assets were held for sale at the balance sheet date and have disclosed them separately on the face of the Statement of Financial Position. Assets held for sale at 31 March 2019 are £40.2m and relate only to Venture/Growth assets. These assets are all measured at fair value less costs to sell. Further information is disclosed in note 15.

9. Trade and other payables

	2019 £000
Amounts falling due within one year	
Trade payables	18
Accrued expenditure	394
Amounts due to Group companies	8,212
Total	8,624
 Amounts falling due after more than one year	
Accrued expenditure	22
	22
 Total	 8,646

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

10. Capital commitments

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

	2019 £000
Venture/Growth	417,673
Total	417,673

11. Share capital

	2019
Issued and fully paid ordinary shares of £1 each:	195,722,540
Brought forward	—
Shares issued for cash	195,723
Carried forward	195,723

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

12. 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 2019	Note	Assets held at FVTPL £000	Assets and liabilities held at amortised cost £000		Non-financial assets and liabilities £000	Total £000
			Assets held at FVTPL £000	Non-financial assets and liabilities £000		
Assets						
Cash and cash equivalents	7	–	2,856	–	–	2,856
Investments held at FVTPL	8	162,439	–	–	–	162,439
Assets held for sale	8	40,610	–	–	–	40,610
Total assets		203,049	2,856	–	–	205,905
Liabilities						
Trade and other payables	9	–	(8,646)	–	–	(8,646)
Corporation tax	6	–	–	(325)	–	(325)
Total liabilities		–	(8,646)	(325)	–	(8,971)
Net assets		203,049	(5,790)	(325)	–	196,934

(ii) Fair value measurements

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

For all investment assets the valuation on a net asset valuation (NAV) is determined by investment managers on a fair value basis or by quoted prices in an active market.

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

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

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).

For the period covered by these financial statements all fair value through profit or loss financial investments 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 term loans and investments in private funds. As observable prices are not available for these financial instruments, the Company has applied the following valuations.

(ii) Fair value measurements (continued)

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

(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 and investment risk
- Market risk
- Liquidity risk

Credit and investment risk

Credit and investment risk is the risk of a loss due to the failure of counterparties to fully honour their obligations to the Company, including the whole and timely payment of principal, interest, collateral or other receivables and the risk of loss due to a fall in the value of investments or adverse credit spread movements. Credit risk includes settlement risk, when a counter party 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 concentration of credit risk is limited due to the investment base being large and spread across a number of asset classes. Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Company's portfolio management process.

Credit risk rating and loss allowance

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

Cash and cash equivalents

The Company held cash and cash equivalents of £2.9m as at 31 March 2019. The cash and cash equivalents are held with banks and financial institutions which are rated AA- to AA+ based on S&P ratings.

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

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 time frame.

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 23% of the Company's portfolio is in non-pounds sterling denominated investments. There is currently no policy to hedge this currency risk.

(iii) Financial risk management (continued)

Liquidity risk

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

Liquidity risk is not deemed 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.

13. Related party transactions

BEIS is the ultimate controlling party of the Company's parent company, BBB Patient Capital Holdings Ltd, owned by British Business Bank plc. British Patient Capital Limited entered into transactions with BEIS and the following British Business Bank plc Group companies in the period:

	2019 £000
Expenditure	
British Business Bank plc	6,111
British Business Investments Limited (BBI)	125
British Business Financial Services Limited	150
Total	6,386

Investment transactions

Purchase of Venture/Growth assets from BBI	131,128
Total	131,128

Amounts outstanding at year end

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

	2019 £000
Payables	
British Business Bank plc	1,187
BBB Patient Capital Holdings Limited	7,000
British Business Financial Services Limited	26
Total	8,213

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 is summarised below:

	2019 £000
Interest in Limited Partnerships	
Assets at fair value through profit or loss	203,049
Total	203,049

15. Events after the reporting date

On 1 April 2019 the Company disposed of its investment assets disclosed as 'Held for Sale' at 31 March 2019 to the Nuclear Liabilities Fund Limited. These assets were disposed of on an arm's length basis at fair value and the valuation recorded in the Statement of Financial Position equates to the proceeds receivable.

16. Controlling party

The Company's parent company BBB Patient Capital Holdings Limited, which in turn is a wholly owned subsidiary of the British Business Bank plc and, in the opinion of the Directors, the Company's ultimate 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.



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This publication is available from
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HM Treasury's response to the Patient Capital Review was published in November 2017. It proposed solutions to the barriers innovative firms face in accessing long-term finance to achieve their growth potential.

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