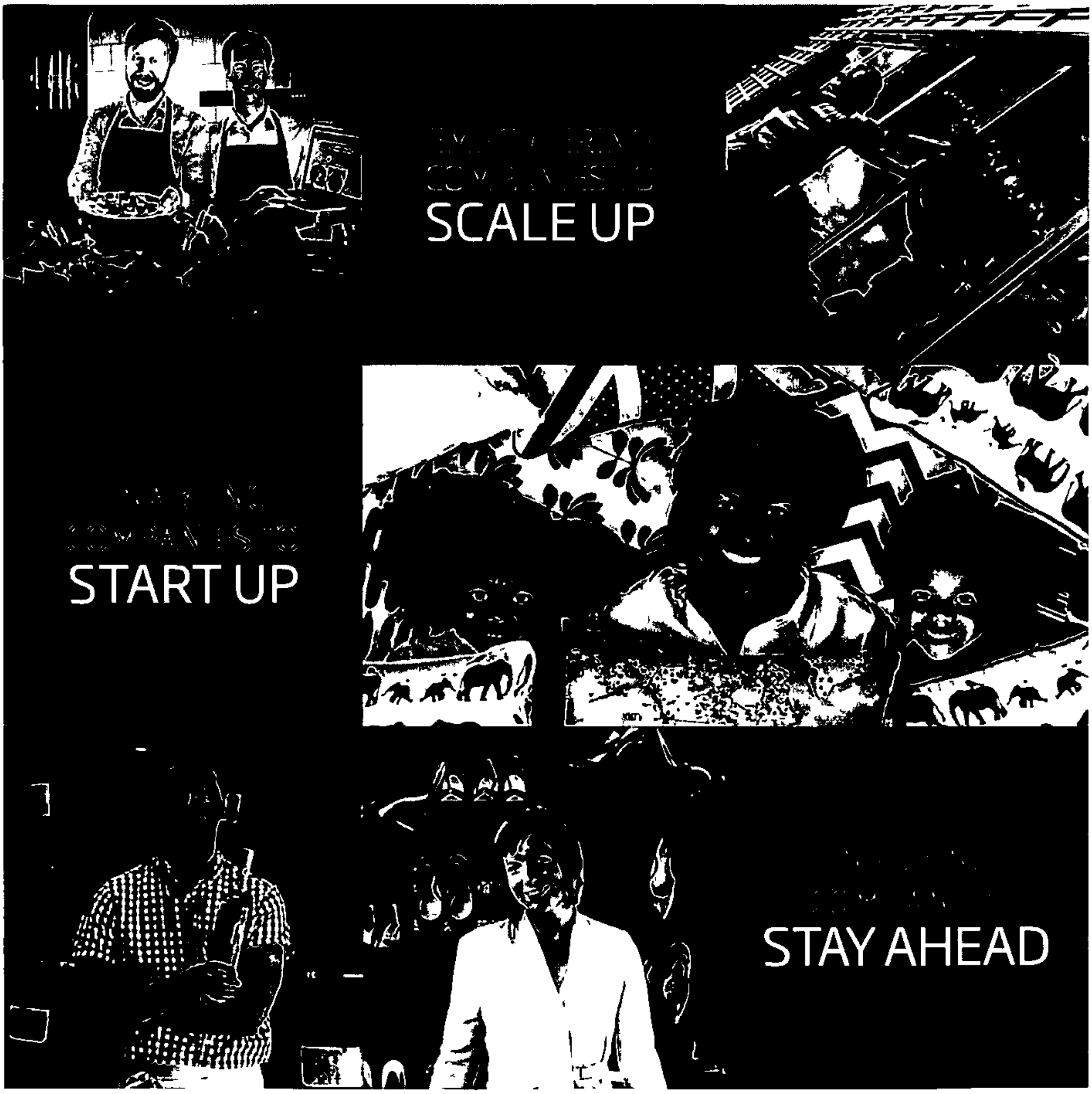
BRITISH BUSINESS BANK

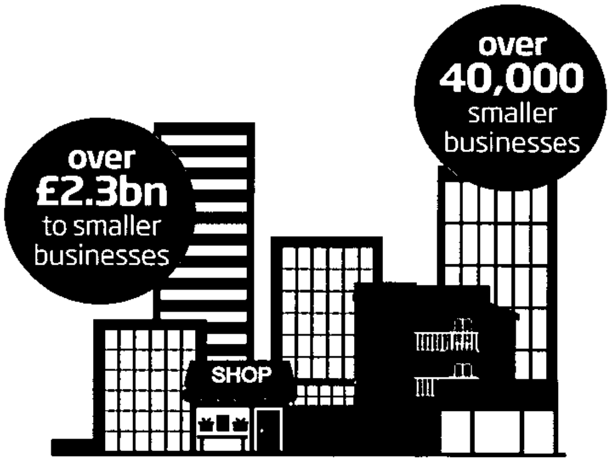
Annual Report and Accounts 2015

FOR THE YEAR ENDED 31 MARCH 2015



Key facts

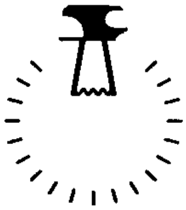
We are working with **over 80 partners** across England, Northern Ireland, Scotland and Wales to unlock finance for smaller UK businesses



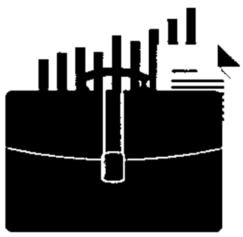
Our programmes currently support **£2.3bn*** of finance to over **40,000** smaller businesses, and we participate in a further **£2.9bn*** of finance to small mid-cap businesses

* total includes both our contribution and additional private sector money

MORE THAN
75%



of our lending and investment support is distributed through smaller providers, increasing diversity in the market



OVER
+10,000

more smaller businesses are now benefiting from finance supported by the British Business Bank compared with a year ago

We operate across all sectors, but the top five supported are

14%	13%	13%	12%	8%
Wholesale and Retail Trade	Information and Communications	Manufacturing	Accommodation and Food Service	Science and Technology

Other UK Government Support

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Annual Report and Accounts 2015

FOR THE YEAR ENDED 31 MARCH 2015

"The British Business Bank has had a successful first year, establishing itself as an independently operating plc and delivering on its objective to make smaller business finance markets work better"

Keith Morgan
Chief Executive Officer
British Business Bank

CONTENTS

CHAIRMAN'S STATEMENT

We aim to be the catalyst that brings about significant change to the structure and accessibility of finance markets, for the lasting benefit of our economy.

> We've been keen to adopt a commercial-mindedness which enables us to connect with the market on equal terms and with a common language

We have a specific remit to make the UK's finance markets work better for those smaller businesses so vital to our economic growth and prosperity

Publishing our first annual report and financial statements is a significant milestone for the British Business Bank, and comes at the end of a period of rapid development for our organisation

The last year has been about putting in place everything needed to form a new organisation while continuing to deliver increasing levels and variety of finance, through a wider range of partners, to an increasing number of businesses Gaining State aid approval from the European Commission last October has enabled us to operate with a level of independence which has allowed us to develop rapidly and to achieve a huge amount in a relatively short period of time

In many ways, the story of our first year chimes with the experience of many of the start-up and scale-up businesses we help fund - including recruiting and integrating new colleagues, setting up governance processes and policies, designing Company structures, developing a strong set of corporate values and putting the business' infrastructure in place

The business has achieved this while delivering the increased volume and choice of finance that smaller businesses need Good performance against our objectives, as measured by our key performance indicators, means we are well placed to deliver on the objectives we have been set for the coming years

THE BOARD

We've put a Board in place that brings together a wide range of financial and small business experience The Board is comprised of seven independent Non-executive Directors, one Shareholder Representative Director and three Executive Directors Most of our Board members have run, worked for, or been closely involved with small businesses throughout their careers

Until the Board was formalised in 2014, the Bank was run as a shadow operation within the Department for Business, Innovation and Skills The Board has met regularly since its establishment in 2014, adopting its formal governance role in November 2014 when operations and assets were transferred to the British Business Bank plc In March 2015, Maria Turner, who successfully established and chaired our Board Risk Committee, decided to stand down from the Board due to taking a new and demanding role in Scandinavia - we wish her well and thank her for her important contribution

As a Board committed to continual improvement, we have recently undertaken an evaluation to ensure the Board and its Committees operate effectively and to explore the opportunities for improvements based on our first months of organisational independence

I would like to thank all the British Business Bank's Directors for their contribution during this key period Their valuable input and commitment to their roles has been vital in maintaining the high standards of corporate governance which underpin our organisation

DELIVERING THROUGH PARTNERSHIPS

We remain focused on the problem that we're trying to solve - a lack of supply and choice in finance for smaller businesses In the last year we have introduced new and innovative approaches to start to address those issues and we look forward to further developments in the coming year which will build on what we have already put in place

By employing our resources through a range of private sector partners, we make best use of and leverage our funding to create greater impact Maintaining strong relationships with those partners - ranging from equity funds, banks, asset finance providers and alternative finance, to the business membership organisations and advisory bodies who help us spread the word about increased finance options gives us the solid foundation we need to deliver our objectives

COLLEAGUES

Across our two offices in Sheffield and London, we now have 106 colleagues in our organisation They bring with them a unique blend of skills, experience and background - from banking, investments and asset finance to specialist policy knowledge from the Civil Service

One striking feature of our workforce is their sense of common purpose - a real drive and passion to improve finance markets for smaller businesses

As importantly, we've been keen to adopt a commercial-mindedness which enables us to connect with the market on equal terms and with a common language - a conscious and necessary reshaping of how a government-sponsored organisation should relate to the world of finance and business

We continue to maintain strong working relationships with colleagues at the Department for Business, Innovation and Skills, which is our organisation's sponsor, and we look forward to working with them and new Ministers to further develop and implement our plans

Finally, I would like to acknowledge first the enormous effort and commitment of our staff, which has enabled us to meet all of our targets so far In addition, I would also like to thank a wide range of supporters including Ministers and officials across government, our delivery partners, and others who have championed our progress and share our aims We look forward to achieving much more together as we grow and develop as an organisation

I would like to acknowledge the enormous effort and commitment of our staff, which has enabled us to meet all of our targets so far

Ron Emerson
Chairman
British Business Bank

CHIEF EXECUTIVE'S STATEMENT

The British Business Bank became an operationally-independent plc in November 2014, established and owned by the UK Government to make finance markets work better for the country's smaller businesses.

> We deliver our objectives by working through the market, providing finance and offering guarantees in partnership with over 80 commercial lenders and investors

Smaller businesses are vital to our economy, contributing almost half of private sector turnover and over 60% of private sector employment Addressing the challenges and obstacles they face in accessing the finance they need to start, grow and thrive is at the core of what we do

Our objectives are to increase the supply of finance in areas where finance markets do not work effectively, to help create greater choice for businesses in terms of options and providers, and to provide better information in the market, building confidence among smaller businesses in their understanding of the finance options available All of these will help deliver wider government objectives around investment and growth in the economy

OUR BUSINESS MODEL

We deliver our objectives by working through the market, providing finance and offering guarantees in partnership with over 80 commercial lenders and investors

The commercial partners we work with use our finance - together with their own money - to lend to or invest in smaller UK businesses

In this way we leverage our impact in the market by drawing in private sector capital to our areas of focus Our finance provision stretches from early stage equity funding, through growth capital, to senior debt for more established businesses

In line with State aid and other legal considerations, our operations are organised through three subsidiaries, depending on the type of activity carried out This structure was agreed with the European Commission in October 2014, prior to the launch of the plc in November 2014

Underpinning all our activities is an overall objective to ensure we manage taxpayer resources efficiently and within a robust risk management framework, meeting a financial return target set by our Shareholder

CONDITIONS IN THE MARKETPLACE

A continuous programme of research provides us with strong evidence to support the work we do Our first Small Business Finance Markets report, published in November 2014, placed smaller business finance markets in the context of the wider economic recovery and considered some of the structural market failures affecting supply and demand It identified three main themes which underpin much of the work we are taking forward

- more businesses will seek finance for growth
- a more diverse and vibrant supply of finance is needed
- awareness and understanding of the range of finance options is not yet comprehensive enough

There are signs that change is starting to impact the smaller business funding markets - demonstrated by recent increases in the use of equity finance and strong growth in alternative funding platforms

We are proud to be a part of that change, playing a key role in the provision of early-stage equity and acting as catalyst for many new forms of finance serving smaller business needs Recognising smaller businesses' need for increasing volumes of growth finance, we launched our Help to Grow initiative in March which will work with private sector lenders to deliver Growth Loans to fast growing smaller businesses

We have also made a good start to raising awareness of finance options through our highly-regarded Business Finance Guide, published in summer 2014 in conjunction with the ICAEW and with contributions and endorsement from the financial and business sectors

PERFORMANCE IN OUR FIRST YEAR

The British Business Bank ended 2014-15 with all its product lines active, having successfully launched a series of initiatives and built up existing programmes We currently support £2 3bn of finance to over 40,000 smaller businesses, and we participate in a further £2 9bn of finance to small mid-cap businesses More than 75% of our finance is distributed through smaller lending and investment providers, increasing diversity in the market

This has been accomplished whilst making a 1 3% adjusted return on the capital invested by the Government

CONCLUSION

The British Business Bank has had a successful first year, establishing itself as an independently operating plc and delivering on its objective to make small business finance markets work better Increasingly, the market and external commentators are acknowledging the work we are doing, and the change we are bringing about in the markets in which we operate

Keith Morgan
Chief Executive Officer
British Business Bank

STRATEGIC REPORT

OUR OBJECTIVES

INCREASE SUPPLY OF FINANCE
to smaller businesses where markets do not work effectively

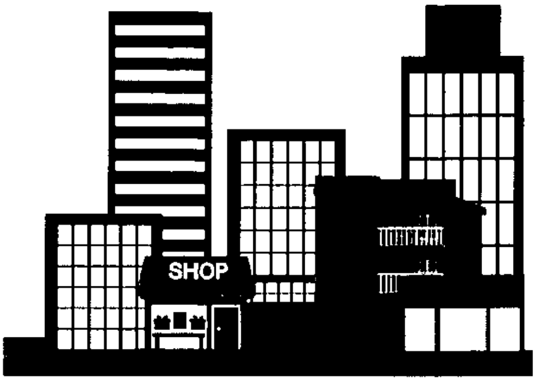
CREATE A MORE DIVERSE MARKET
for smaller businesses' finance with greater choice of options and providers

PROVIDE BETTER INFORMATION
in the market connecting smaller businesses and finance providers

MANAGE
taxpayers' resources efficiently

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006 (as amended by the Strategic Report and Directors' Regulations 2013).

This Strategic Report has been prepared for the British Business Bank plc Group as a whole and therefore gives greater emphasis to those matters which are significant to the British Business Bank plc and its subsidiary undertakings when viewed as a whole.



OUR OBJECTIVES

The British Business Bank aims to improve finance markets for smaller businesses - Small and Medium sized Enterprises (SMEs) - and small mid-cap businesses We develop and manage finance programmes designed to enhance the working of finance markets in these areas We currently support £2 3bn of finance to over 40,000 smaller businesses through our programmes and participate in a further £2 9bn of finance for small mid-cap businesses

Through our programmes, we aim to achieve the following objectives

1 Increase the supply of finance available in areas where markets do not work effectively
2 Help create a more diverse market for finance with greater choice of options and providers
3 Promote better information in the market, building confidence among smaller businesses in their understanding of the finance options available
4 Achieve this whilst managing taxpayer resources efficiently and within a robust risk management framework

We have developed a series of key performance indicators (KPIs) to help measure and reflect performance against each of these key objectives These are outlined on page 24

The British Business Bank has a dedicated market analysis team that monitors trends in small business finance markets so that we can better understand the types and severity of these market issues We use this analysis to inform our business planning and product development processes Since launching we have published a range of important research

- In December 2014, we published a detailed Smaller Business Finance Markets report with insight on the latest market developments, the characteristics of different sub-markets, such as financial technologies and alternative forms of finance
- In March 2015, we published an Equity Report and tracker The report offers a wide-ranging view of the market, covering the reasons for seeking equity, recent trends, market failures and the role of Government institutions
- In March 2015, we also published analysis of the UK Smaller Business Growth Loans Market This research paper examines the finance market for growth loans to UK smaller businesses, and was used as the basis for launching our Help to Grow pilot

Surveys also provide a way of improving understanding of the use of finance by smaller businesses The British Business Bank's SME Finance Survey completed in autumn 2014, and published alongside our Small Business Finance Markets Report, gives updated insight into the experience of smaller businesses when accessing finance

We will also be conducting evaluations of our programmes on a regular basis in order to understand their economic impact, to improve the design of our products and to inform the resource allocation process Evaluations are published on the British Business Bank website

Supply of finance

The British Business Bank has previously stated that it is supporting over £3bn of finance We have now made some technical improvements to our calculation of this figure The most significant change is that we have split the total into two components to better reflect our role with respect to small mid-cap businesses Previously we applied a discount to the finance figures for small mid-cap business to attempt to reflect the level of private sector involvement at the time of our original commitment or investment However this methodology lacked consistency and didn t reflect the ongoing role played by the British Business Bank It also created Issues providing breakdowns of the figure by region or industry for interested stakeholders As a result, we have updated our methodology to report the total amount of finance in which we are participating, without discounting adjustments Consequently we have changed the description of our involvement to better reflect our role For further details on our methodology refer to the British Business Bank website

OUR BUSINESS MODEL

The British Business Bank is a public limited Company wholly owned by Government with three principal subsidiaries While products are delivered through different subsidiaries, the central functions are shared, in order to align the strategic direction and minimise costs The British Business Bank is subject to European Commission State aid rules that ensure Member States do not distort competition in the Common Market Our Group structure allows us to achieve our objectives in line with State aid and other legal considerations This structure was agreed with the European Commission in October 2014, prior to the launch of the plc in November 2014 A diagrammatic version of our structure is set out on page 15

British Business Bank plc is 100% owned and funded by the Secretary of State for Business, Innovation and Skills, with the shareholder relationship managed through the Government's Shareholder Executive The shareholder sets the Bank's remit and high level strategic objectives, but the British Business Bank is operationally independent in its delivery against this remit, and has its own board We agree a medium-term plan with our shareholder, updated on an annual basis

Our objective of enabling finance markets to support smaller businesses is consistent with Government's wider objectives

We have also agreed a Financial Framework with HM Treasury which outlines how we can allocate our resources in aggregate This Framework provides flexibility for us to allocate our resources in areas where they will have the greatest effect, including by reallocating funding from programmes when we have assessed our support is no longer required Key resource allocation decisions are made by the board through the annual planning cycle and are subject to shareholder approval In-year, the Bank's senior team discusses any major potential reallocations between programmes and makes recommendations to the Board and shareholder as required Over the medium term, British Business Bank programmes aim to make a return across the Group in line with Government's medium-term cost of capital

As a public institution, we adhere to the highest standards of corporate governance from the public sector as well as private financial institutions and combine best practices for managing public money with a commercial outlook Our objective to manage taxpayers' resources efficiently and the associated KPI illustrate our focus on creating value for our shareholder In advance of new delivery partners coming on-stream we conduct rigorous due diligence on the organisations and key individuals We also conduct audits of all our delivery partners on a periodic basis

We work with and through private sector delivery partners, allowing us to maximise our impact and utilise existing infrastructure to achieve our goals on a cost-efficient basis and enabling us to generate and preserve value

This model allows us to leverage our own resources with private sector resources, either via guarantee structures or co-funding of debt or equity

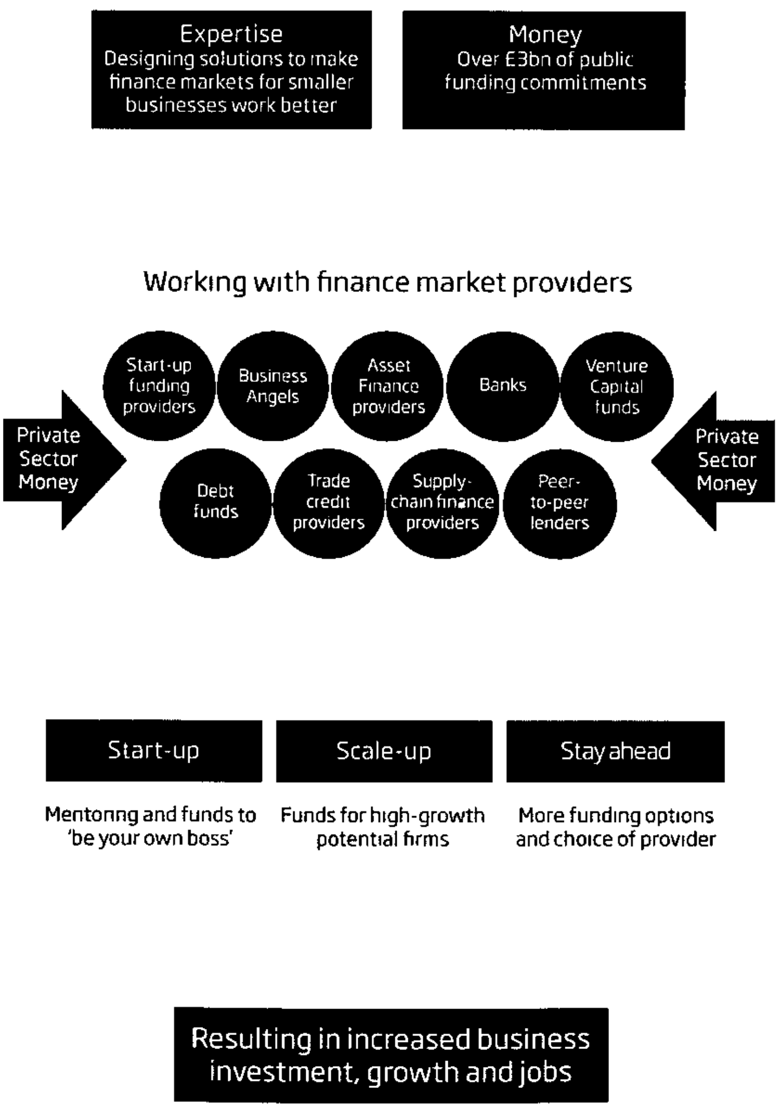
Our objective of enabling finance markets to support smaller businesses is consistent with Government's wider objectives While we have our own brand and marketing activities, we are aligned with the GREAT Britain campaign - a nationwide Government-run campaign which provides support, advice and inspiration for businesses to grow

We also co-ordinate closely with

- the new Business Growth Service, which provides business support to businesses with high-growth potential
- UK Export Finance and UK Trade and Investment, which support exporting businesses
- Innovate UK, which provides seed finance and promoting collaboration with academia and industry for innovative businesses

The British Business Bank's headquarters are in Sheffield with another office in London We employ expertise from the private and public sector across our business in areas including investment, product management and development, finance, risk, policy and economic assessment

The diagram below shows how we bring expertise and Government money to smaller business finance markets



STATE OF THE MARKET

The UK economy is growing - according to the Office for National Statistics, quarterly GDP has increased for nine consecutive quarters, growing by 3% in total over 2014 And further growth in business investment in Q1 2015 means that the value of business investment in the year to Q1 2015 was 7 5% higher than the previous year

These improvements are expected to continue forecasters expect GDP to grow by 2 5% in 2015 and 2 3% in 2016, and the Office for Budget Responsibility is predicting that business investment will increase to form a larger component of our economy

Smaller businesses form an important part of the UK's diverse business population, with SMEs accounting for 60% of private sector employment, and almost 50% of turnover In addition, survey evidence shows that over time business conditions among SMEs have been improving an increasing proportion of SMEs reported making profit in the previous 12 months - 79% in Q1 2015 compared to 69% two years earlier[1] - and in 2014, 40% of SME employers reported increases in annual turnover, up from 29% in 2012[2]

Smaller businesses are optimistic about growth in 2015 - the 2014 BIS Small Business Survey showed that a third of SME employers expect to employ more people in the next 12 months, compared to 20% in the 2012 survey

1 SME Finance Monitor, Q1 2015 BDRC Continental
2 Small Business Survey, Department for Business, Innovation and Skills

MARKET SEGMENTATION

Our analysis has identified three groupings of smaller businesses - start-ups, businesses with high-growth potential that are looking to scale up, and those looking to stay ahead in their market The table below shows how our programmes are targeting these market segments

Business lifecycle

START-UP

Mentoring and funds to 'be your own boss'

SCALE-UP

Funds for high-growth potential firms

STAY AHEAD

More funding options and choice of provider

INVESTMENT PROGRAMME

- Investments in new platforms, debt funds and asset based lenders to support competition with the banks

VENTURE CAPITAL SOLUTIONS

- A range of programmes to encourage investment in segments of the early stage high-growth investment market

NEW ENABLE

- Guarantees and capital funding to support challenger banks and asset finance providers

START-UP LOANS

- Loans for people wanting to start a business

NEW HELP TO GROW (PILOT)

- Guarantee and co-investment structure to help businesses raise debt with mezzanine style features

ENTERPRISE FINANCE GUARANTEE

- Guarantees that enable banks to lend where security is insufficient

NEW FINANCE PLATFORMS AND CREDIT REFERENCE AGENCIES

START-UP

Smaller businesses looking to start up are often deemed to be too risky for commercial lenders or investors, who find it difficult to judge the distinction between good and bad prospects, leaving this part of the market underserved The Start-Up Loans programme, which we administer on behalf of BIS, seeks to address this problem by offering a repayable loan of up to £25,000 and access to a business mentor

SCALE-UP

Our programmes in this market segment seek to help ambitious smaller businesses scale up their operations We do this by promoting investments in the earlier stages of the Venture Capital market and also encouraging the provision of growth loans to more established smaller businesses with significant growth plans, helping to address long standing information asymmetries

STAY AHEAD

Our programmes in this market segment seek to address the high levels of concentration within finance markets in order to provide more funding options and choice of provider for businesses that are looking to stay ahead in their market, and also to allow good companies without sufficient security to access finance

STRUCTURE OF THE ORGANISATION

The British Business Bank is a public limited company and operates a group structure with three principal subsidiaries, which allows us to achieve our objectives in line with State aid and other legal considerations The British Business Bank is also organised into business units which operate across the subsidiaries to pool expertise The diagram below outlines this structure

British Business Bank plc and principal subsidiaries

BRITISH BUSINESS BANK

PRINCIPAL SUBSIDIARIES

1 British Business Finance Ltd

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

It has responsibility for some of our core programmes, including our flagship venture capital programme, Enterprise Capital Funds, which supports equity investments into smaller businesses with high-growth potential

Its objectives relate to smaller businesses

2 British Business Bank Investments Ltd

The commercial subsidiary of the British Business Bank plc with a separate board of directors Since it is funded and invests on a commercial basis, its remit allows it to invest flexibly both alongside private investors, and as a sole investor, to increase the volume and diversity of finance available for smaller businesses In contrast with British Business Finance Ltd, it is not required to target specific market failures through its programmes

Its portfolio consists of a range of investments in finance providers including lease finance providers, private debt funds and emerging channels such as marketplace lenders In addition to supporting the provision of debt finance it invests in venture capital funds through the VC Catalyst Fund

Its objectives relate to small mid-caps as well as smaller businesses

3 British Business Financial Services Ltd

Carries out services on behalf of the Department for Business, Innovation and Skills (BIS) This includes programmes which, for legal or commercial reasons, currently remain on BIS's balance sheet The programmes target specific market issues in smaller business finance markets We administer the assets and liabilities included on BIS's balance sheet relating to these programmes The performance of these programmes is taken into account in our performance measures As such, these programmes are a core part of the British Business Bank

Programmes administered through this subsidiary include the Enterprise Finance Guarantee - our largest active programme - which facilitates lending to viable smaller businesses that would otherwise be declined for lacking adequate security

Its objectives relate to smaller businesses

BUSINESS UNITS

COMMUNICATIONS AND INFORMATION

VENTURE CAPITAL SOLUTIONS

INVESTMENT PROGRAMMES

WHOLESALE SOLUTIONS

LENDING SOLUTIONS

PERFORMANCE REVIEW AND FUTURE DEVELOPMENTS

On 1 November 2014, the British Business Bank successfully transitioned from a ring-fenced team within the Department for Business, Innovation and Skills to an operationally independent, Government-owned economic development bank This represented the culmination of two years of set-up work, including obtaining State aid approval from the European Commission on 15 October 2014 for the mandate and organisational structure of the organisation

While we have made great progress over our first financial year of operation, we recognise there is still much more to do to ensure smaller businesses have access to the finance that enables them to fulfil their potential

Our market impact has grown significantly over the last year - British Business programmes currently support over 40,000 smaller businesses with over £2 3bn of finance In addition, we participate in £2 9bn of finance for small mid-caps Our activity is forecast to increase significantly as we deliver our plan of supporting £10bn of finance over the next few years

The section below gives a performance update of each of our business areas, and outlines future developments

LENDING SOLUTIONS - A RANGE OF DEBT SOLUTIONS TO HELP BUSINESSES START-UP, SCALE-UP AND STAY AHEAD

Programmes included within this business area are the Start-Up Loans Programme, our new Help to Grow programme - where we are currently requesting proposals from delivery partners - and the Enterprise Finance Guarantee (EFG)

Our Lending Solutions are supporting £0.9bn of smaller businesses finance

Yvonne received a loan from the Start-Up Loans Company - supported by the British Business Bank - enabling her to start her business, Avalo Home

Recent highlights include the Start-Up Loans programme reaching the milestone of 25,000 new businesses supported in January 2015 and the announcement by the Prime Minister in February 2015 that the British Business Bank will pilot a new programme, under the banner Help to Grow, to support ambitious smaller businesses looking for Growth Finance

In the Autumn Statement, December 2014, the Chancellor announced that EFG's lending capacity had been increased, enabling its partners to guarantee up to £500m of new lending to smaller businesses in 2015-16

Over the coming year we will be increasing our support for growth finance through the Help to Grow pilot We published a Request for Proposals in March 2015 seeking participants to generate at least £100m of lending to growing businesses This followed market engagement and extensive market analysis that indicated more firms are likely to seek finance for growth going forward The Help to Grow pilot is a flexible instrument, with the British Business Bank having the ability to provide guarantees or funding to facilitate growth loans

VENTURE CAPITAL SOLUTIONS - HELPING BUSINESSES SCALE-UP

Included within this business area are our interest and activities in the Business Angel Co-Fund, Venture Capital Catalyst Funds and the Enterprise Capital Funds (ECF) - all of which are focused on supporting a vibrant and diverse venture capital market to support early stage and high-growth firms in the UK

Our Venture Capital solutions are supporting £0.9bn of smaller business finance

Investments have been made during the year through Venture Capital programmes, with a focus on early stage companies with high-growth potential in the technology and business to business sectors

The Venture Capital Catalyst Fund has made four commitments totalling £30m from a total allocation of funding of up to £125m and will continue to support funds that are near to reaching a first close but which might not otherwise meet their target

We were also awarded an additional £400m of funding in the Autumn Statement 2014 to extend the ECF programme following market analysis into the equity-gap in the provision of smaller amounts of equity finance to SMEs due to asymmetric information between the investor and the business on likely viability and profitability

WHOLESALE SOLUTIONS - HELPING BUSINESSES STAY AHEAD

Programmes included within this business area are ENABLE guarantees and ENABLE funding

The ENABLE Guarantees programme aims to address capital constraints associated with SME lending by enabling participating banks to share a portion of the credit risk of a newly originated small business lending portfolio with HM Government in return for a fee This will lead to a reduction in capital requirements connected to the guaranteed lending, allowing more lending to be generated from the same allocated capital base

We have launched the first ENABLE Guarantee transaction, which will facilitate £125m of new lending through Clydesdale and Yorkshire Banks

The ENABLE Funding programme is designed to improve the provision of asset and lease finance to smaller businesses, by 'warehousing' newly-originated asset finance receivables from different originators Once this structure is big enough, we will seek to refinance a portion of our funding through securitisation in the capital markets, which will enable smaller finance providers to access institutional investors' funds Over the coming year the Bank will bring the programme fully on-stream

Gousto received two rounds of investment from the Angel CoFund - supported by the British Business Bank - and other investors

INVESTMENT PROGRAMMES - HELPING BUSINESSES STAY AHEAD

Programmes included within this business area are the Business Finance Partnership and the Investment Programme

Our Investment Programmes are supporting £0.5bn of smaller business finance and participate in £2.9bn of finance to small mid-caps

Our investment programmes have made the following commitments

- Business Finance Partnership Mid Cap - £863m total commitments
- Business Finance Partnership Small Cap - £87m total commitments
- Investment Programme - £400m of funding allocated, of which £228m has been committed to date

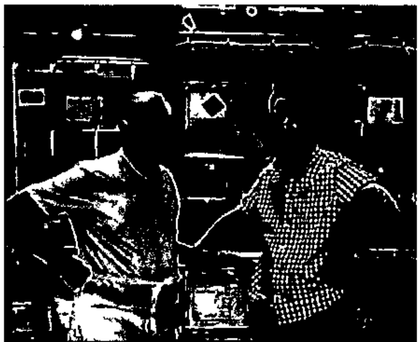
The BFP was set up to improve credit access for SMEs and small mid-caps from sources other than established banks It is delivered through two variants BFP Mid Cap and BFP Small Cap

The BFP Mid Cap was announced in November 2011 to ease the flow of credit to small mid-cap businesses in response to the lack of liquidity caused by the global economic downturn It made investments alongside private sector matched-funding into debt funds targeting mid-market companies with turnover up to £500m

The BFP Small Cap was launched in May 2012, with the aim of increasing the flow and diversity of finance available to smaller businesses with turnover up to £75m, by supporting the development of sustainable non-bank finance markets that are attractive to businesses and investors alike It has supported a range of non-bank lenders, such as invoice finance platforms and asset-finance providers, making investments alongside private sector matched-funding

Following the success of the BFP programmes, the Investment Programme was launched in April 2013, with a focus on making commercial investments, in a variety of forms, on terms and conditions that would be benchmarked to the private sector The main aim of the Investment Programme is to promote volume and diversity of supply of lending to smaller businesses by encouraging new entrants and supporting the growth of smaller lenders in the market To date it has invested in a number of debt funds, asset finance firms, marketplace lenders and invoice finance

The Investment Programme has been further enhanced to include a new Expansion Capital initiative and a new Regional Finance initiative The Expansion Capital initiative will enable investments either by way of long term equity or other forms of risk capital to support the growth of companies active in smaller business lending markets We anticipate this will unlock further funding capacity for these types of finance providers The Regional Finance initiative is designed to encourage the development of lending capacity outside South East England Up to £50m is available through the Investment Programme to support regionally focused commercial business lenders The scope of this initiative is designed to include both lenders operating in specific regions, and those who operate more widely but who operate one or more regional offices with a front office origination capability



Gin and fruit liqueur manufacturer Bramley and Gage raised £25k through Funding Circle - supported by the British Business Bank's BFP Small Cap - to purchase a new gin still to increase their production

OUR IMPACT - SMALLER BUSINESSES

How our programmes deliver for smaller businesses

Equity finance unlocked by our Angel CoFund
e-Go Aeroplanes

Cambridgeshire-based e-Go Aeroplanes is the UK's first manufacturer of lightweight carbon-fibre aeroplanes, which cost significantly less to fly than traditional aircraft and are designed to be a product for discerning pilots who relish superior performance

In May 2014 the Angel CoFund completed the first tranche of its £200k investment into e-Go Aeroplanes as part of the Company's £960k second funding round, investing alongside a new syndicate of 22 angel investors

Adrian Hillcoat, e-Go CEO, said "The Angel CoFund provided capital alongside our private investors to get us going - without it our little plane literally wouldn't have got off the ground We're one of only a few companies still manufacturing complete aircraft in the UK, keeping British aeronautical skills and heritage alive"

Equity finance unlocked, by our Enterprise Capital Funds programme
Solfex

Solfex is the UK's leading specialist integrator and distributor of renewable solar, heat pump and underfloor heating energy systems

They wanted to grow their business' infrastructure, partnering with an investor bringing not only finance, but additional experience, strategic guidance and a network of contacts

Panoramic Growth Equity, supported by our Enterprise Capital Funds programme, invested £1 25m, enabling rapid - and award-winning - growth Solfex was subsequently sold to the Travis Perkins Group

Stuart Cooper, Managing Director and Founder, commented "Securing the funding through the British Business Bank's Enterprise Capital Funds programme proved to be an excellent result for us (and) enabled us to become part of one of the UK's largest listed building companies"

Debt finance unlocked by our Enterprise Finance Guarantee
Team Sport

Team Sport Indoor Karting has nine indoor recreational racetracks across the south of the UK and opened a new go-karting centre in Brighton after securing financial help from a participating lender, Lloyds TSB

Paul Wrightman, owner of Team Sport, said, "The support was essential in securing the Brighton site when time was of the essence, and helped us to expand into a new geographic area that we had identified as being a good opportunity for future growth"

Debt finance unlocked by the Start-Up Loans programme backed by the British Business Bank
Fittamamma

Alexandra, a 29-year-old entrepreneur from West Sussex, has been given a £9,500 Start-Up Loan to help develop her clothing line and resource centre for active pregnant women As well as funding, Alexandra has benefited hugely from the support provided to her through George Clayson, her mentor

Alexandra said "I have found the application process and the mentoring session incredibly helpful and believe this experience, along with the financial support will make a huge difference in taking FittaMamma to the next level"

Debt finance unlocked by our Business Finance Partnership/Investment Programme
Predator

Predator Equipment is a manufacturer of large agricultural trailers and liquid tankers based in Dungannon, Northern Ireland

MD Eamon McVeigh said "In this climate, SMEs like ourselves need all the help we can get and it's great to see the Government making a real impact through the Business Finance Partnership and the work they're doing with the likes of MarketInvoice"

OUR IMPACT
[illegible]

How we work with our delivery partners.

Eileen Burbidge
partner,
Passion Capital

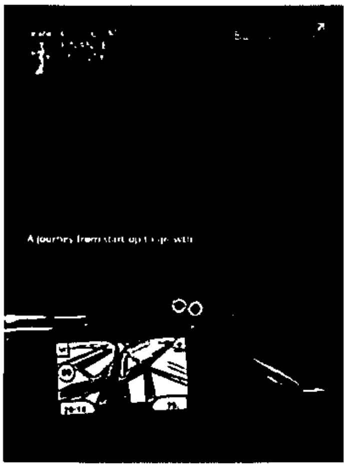
"By supporting and incentivising private sector investors, the British Business Bank is making the best possible contribution to the UK's thriving growth culture."

Martin Ling
co-founder,
BMS Finance

"British Business Bank is enabling funders like us to tell businesses that there is capital out there and that deals can be done. That in turn allows us to meet the needs of a segment of businesses that are increasingly looking to move from subsistence into a growth phase, which can only benefit employment and the economy at large."

Rhydian Lewis
co-founder, Ratesetter

"Small businesses are the posterchild of economic recovery and growth and the British Business Bank has a crucial role to play in encouraging their growth."



British Business Bank and ICAEW's Corporate Finance Faculty jointly published a new Business Finance Guide in 2014

The guide was produced in partnership with a further 17 organisations

COMMUNICATIONS AND INFORMATION: IMPROVING BUSINESSES UNDERSTANDING OF THE FINANCE OPTIONS AVAILABLE

As a newly established organisation, we need to raise awareness of both our institution and its offer to a wide range of audiences - smaller businesses, Government, the financial industry and potential partners Achieving greater recognition of our brand and purpose enables us to attract more delivery partners and gives us greater access to channels to smaller businesses, helping us to achieve our objectives more effectively

In our first year, we have concentrated much of our resources on building relationships with the major news outlets Our work has been covered by television, radio as well as national, finance, business trade and local press, both online and in print This has included high-profile interviews, placed opinion pieces and coverage of our programme launches and milestones

As importantly, we have been establishing strategic relationships with those business intermediary bodies, delivery partners and other providers of support who have direct channels to smaller businesses This has involved collaborating on events, providing speakers for conferences, distributing and signposting to each others' material and using joint messaging and branding wherever possible

In addition, we have also held a series of our own successful events across the country - with more planned for this year - to help smaller businesses understand their finance options, and are building our presence and content on both Linkedin and Twitter

A key tool to help us achieve our objective of raising awareness of finance options amongst smaller businesses is the Business Finance Guide, which we published jointly with the ICAEW in June 2014 With endorsement from 17 other organisations representing the business and finance sectors, it sets out considerations when raising finance and what is available to businesses ranging from start-ups to growing mid-sized companies

The Guide has been distributed in hard copy and electronic form to around 700,000 businesses and their advisers, has been featured on numerous websites and is used as a reference manual by Business Growth Service advisers and relationship managers in many banks We will be issuing an updated edition later in the year

Building on the success of the Business Finance Guide, the British Business Bank is taking forward two related Government programmes which will help to address information asymmetries in the smaller business finance markets and improve competition in banking

Through the Small Business, Enterprise and Employment Act, the Government has legislated to create a system whereby small businesses rejected for bank finance are given the option of having their applications referred through a set of designated platforms to a range of alternative finance providers A related process is also being put in place to create a set of designated credit reference agencies who will receive enhanced credit data (notably business account balance data) from banks

The British Business Bank has a key role to play in the design and implementation of these policies, which will provide smaller businesses with access to a bigger market of potential lenders, and will be recommending to the Government which platforms and credit reference agencies will be designated to participate in the scheme

FINANCIAL PERFORMANCE & POSITION

Overall results:

These financial results cover the first period of operations for the British Business Bank plc Group In 2014-15

- The Bank's operating income was £17 7m, compared to investment costs and operating expenditure of £9 9m Operating income comprised largely of interest income (£12 0m) and management fees charged to the Department for Business, Innovation and Skills and others on a cost recovery basis (£5 3m)
- Although the Bank generated net operating income of £7 8m, it made an overall loss before tax for the period of £14m This is as a result of the required accounting treatment for Enterprise Capital Funds, explained below
- The Bank's operations were financed through the issue of shares totalling £664 3m to our shareholder

£17.7m

The Bank's operating income for the period

FINANCIAL PERFORMANCE

For the period ended 31 March 2015

	British Business Bank Plc	Programmes managed on behalf of BIS (Unaudited)	Total
	£m	£m	£m
Investment income			
Investment Programmes	8 8	3 2	12 0
Lending Solutions	-	18 3	18 3
Venture Capital Solutions	3 2	0 1	3 3
Wholesale Solutions	-	-	-
	12 0	21 6	33 6
Management fee and other income	5 7	-	5 7
Total operating income	17 7	21 6	39 3
Net investment costs			
Investment Programmes	(1 6)		(1 6)
Lending Solutions	-	(16 4)	(16 4)
Venture Capital Solutions	1 3	(2 1)	(0 8)
Wholesale Solutions	-		-
	(0 3)	(18 5)	(18 8)
Other operational costs			
Staff costs	(6 0)	-	(6 0)
Professional services	(2 0)	(5 0)	(7 0)
General operations	(1 6)	-	(1 6)
	(9 6)	(5 0)	(14 6)
Total operating expenditure	(9 9)	(23 5)	(33 4)
Net operating income	**7 8**	**(1.9)**	**5 9**
Less unrealised element of derivative gains	(2 4)	-	(2 4)
Adjusted return	5 4	(1 9)	3 5
Average capital employed			658 9
Adjusted return on average capital employed			1 3%

Reconciliation of operating income to loss before tax

	British Business Bank plc
Adjusted return	**5.4**
Less	
ECF fair value provision expense	(26 1)
Plus	
Unwind of ECF fair value impairment	4 3
Unrealised ECF derivative fair value gains	2 4
Loss before tax per financial statements	**(14.0)**

KEY DRIVERS OF FINANCIAL PERFORMANCE

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

- the amount of capital we have committed and the time period over which that funding is deployed
- the underlying performance of our investments and their ability to make interest and debt repayments
- over time the ability to exit investments successfully and make a capital profit

Our financial performance is also sensitive to payouts under guarantee schemes As agreed with our shareholder and HM Treasury, the British Business Bank includes programmes where it manages assets or liabilities on behalf of BIS when calculating its notional return on capital for the programmes as a whole The financial performance for the period ended 31 March 2015 for the programmes managed on behalf of BIS included £17 5m of investment income relating to the Enterprise Finance Guarantee, reported under Lending Solutions In addition the £16 4m of Lending Solutions investment costs related to the Enterprise Finance Guarantee During 2014-15 we have benefited from lower than expected defaults on debts covered by the Enterprise Finance Guarantee and this has contributed to the British Business Bank programmes achieving an adjusted notional return on equity of 1 3% The level of defaults is dependent on market conditions and may increase again in future years

Staff and other operational costs totalled £14 6m for the period and reflect the full costs associated with running British Business Bank programmes

The British Business Bank accepts a lower return from Enterprise Capital Funds in order to encourage private sector investors to invest Although the Bank expects to make a positive return from these investments, this return is less than that required by the private sector As a result, accounting standards require the Bank to recognise a liability when it makes a commitment to a fund and to impair the resulting investment when a fund manager draws down against a commitment This results in a significant upfront expense which gradually reverses over the lifetime of the investment The Bank has therefore recognised a provision totalling £26 1m in the year ended 31 March 2015 This expense doesn't relate to an underlying loss on our investments and is therefore excluded from the calculation of adjusted notional return on equity

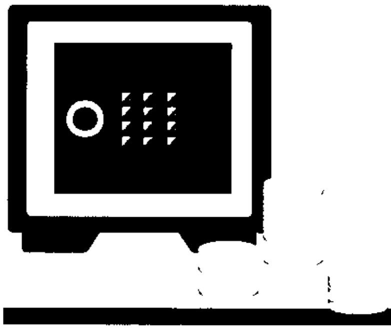
FUNDING OUR INVESTMENTS

We require funding to make investments and run our operations Depending on our requirements these can be met from two sources our investment earnings and our shareholder

To fund our capital investments we issue shares to our shareholder and utilise available cash from our operations, including asset repayments At 31 March 2015, UK Government held shares totalling £664 3m in British Business Bank plc, comprising the entire share capital of the Company Of this Shareholder investment, £477 4m was used to purchase assets from the Department for Business, Innovation and Skills on 1 November 2014, £172 9m was used for new capital investments and £14 0m retained for working capital

Before 1 November 2014, the shareholder also provided funding for Board costs Since 1 November 2014 all of the Bank's operational costs have been met from its investment income

At 31 March 2015, British Business Bank plc held £71 0m in cash, generated partly through its own operations and partly through shareholder funding The Bank maintains a cash balance of at least £50m to fund investments and can increase this balance in line with investment demands The majority of these funds (£68 1m) are held within the Government Banking Service to ensure that there is minimal cost to the Exchequer



FINANCIAL POSITION

As at 31 March 2015

	British Business Bank plc	Programmes managed on behalf of BIS (Unaudited)	Total
	£m	£m	£m
Investment assets			
Investment Programme	493 1	33 7	526 8
Lending Solutions	-	42 1	42 1
Venture Capital Solutions	165 9	140 8	306 7
	659 0	216 6	875 6
Investment liabilities			
Lending Solutions	-	(83 3)	(83 3)
Venture Capital Solutions	(71 6)	-	(71 6)
	(71 6)	(83 3)	(154 9)
Net investment assets	587 4	133 3	720 7
Other Assets/(Liabilities)			
Cash	71 0		
Tangible and intangible assets	0 8		
Net other payables	(11 1)		
Total Net Assets	**648.1**		

During the period to 31 March 2015 we invested £172.9m in assets included on our balance sheet

OUR ASSETS

Our programmes invest in a wide range of products through private sector partners, to enable us to achieve our objective of providing greater volume and choice of finance to smaller businesses and small Mid Caps

This is reflected in the split of these investments

- loans and receivables £18 5m
- available-for-sale assets £622 9m
- assets designated at fair value through the profit and loss £5 3m
- derivative financial instruments £12 3m

For many investments, we make commitments to a fund and the fund draws down cash as it is needed This means there is, at times, a delay between our investment commitment and capital being drawn During the period to 31 March 2015 we invested £172 9m in assets included on our balance sheet As at 31 March 2015, British Business Bank plc had further undrawn commitments of £849 3m to be invested across its portfolio

KEY PERFORMANCE INDICATORS

OUR FIVE YEAR KEY PERFORMANCE INDICATORS

The British Business Bank's overarching objective is to change the structure of the business finance markets for smaller businesses, so these markets work more effectively and dynamically This will help businesses prosper and build economic activity in the UK

This overarching goal has been broken down into a set of four key performance indicators (KPIs) that enable us to track our progress Our KPIs clearly align with each particular objective and are set through our annual business planning process They are crucial in developing our understanding of the performance and position of the Company's business and progress is monitored on an annual basis and reported in our annual report and accounts

Progress against delivering our KPIs is embedded in all areas of the business, but is ultimately monitored by the Board of Directors The table below outlines our strategic objectives, our KPIs and how we are performing

Objective	Key performance indicators	Current position
To increase the supply of finance available to SMEs in areas where markets do not work effectively	£10bn stock of finance facilitated through our programmes by the end of March 2019	Programmes currently support £2 3bn of finance to over 40,000 smaller businesses, and participate in a further £2 9bn of finance to small mid-cap businesses
To help create a more diverse market for SME finance with greater choice of options and providers	At least 50% of our finance facilitated through providers other than the four largest banks over five years	Over 75% of finance currently being delivered via non-major ('big-4') banks
To promote better information in the market, building confidence among SMEs in their understanding of the finance options available	Clear survey evidence from smaller businesses and finance providers that smaller businesses' awareness of finance options has improved	Survey results show 43% average smaller business awareness of six alternative finance options We are working to increase awareness, for example through the joint publication of the Business Finance Guide
To manage taxpayer resources efficiently and within a robust risk management framework	To earn greater than the Government's medium term cost of capital at the end of March 2019	The return across the British Business Bank programmes for the period from 1 November 2014 to 31 March 2015 is 1 3%

There is some intended tension between our four strategic objectives and related KPIs, so that we are incentivised to aim for a balanced outcome that takes into account longer term structural market issues (through the diversity objective), overall supply gaps (through the increase supply of finance objective) and demand gaps (through the awareness objective)

The return target ensures that the British Business Bank aims for a balance between targeting very specific acute market failures and more commercial programmes which can have a positive impact on the market in the longer term by encouraging more diversity at provider and product level

RISK MANAGEMENT AND INTERNAL CONTROL

The British Business Bank is committed to ensuring the best standards of Corporate Governance and is supported in this by the Board of Directors and Board Committees The Board of Directors of the plc has been set up along with Board-level committees, notably Risk, Audit, Remuneration and Nomination To ensure robust and effective decision-making within the Group structure the British Business Bank Board has approved Terms of Reference for executive level Investment Committees for each subsidiary which makes investment decisions

OVERVIEW OF THE BRITISH BUSINESS BANK'S RISK MANAGEMENT FRAMEWORK

The establishment of a new entity with a mandate to support businesses underserved by sections of the financial services industry brings with it inherent risk

Our Risk Management Framework is a collection of tools, processes and methodologies that support the British Business Bank in identifying, assessing, monitoring and controlling the risks it faces The Board has overall accountability and responsibility for the management of risk within the British Business Bank

Our Risk Management Framework has been designed to align to the size, scale and complexity of the British Business Bank and has been benchmarked against other financial services institutions The British Business Bank is not a FCA/PRA regulated entity, though a subsidiary representing approximately 1% of the portfolio, Capital for Enterprise Fund Management, is regulated by the FCA for holding and not controlling client money The British Business Bank does not hold regulatory capital and is not subject to FCA/PRA regulatory supervision We have policies and procedures in place to ensure compliance with applicable laws and regulations, including Anti Money Laundering, Data Protection, Freedom of Information and State aid regulations, and aspire to follow best practice where appropriate and applicable

Our Risk Management Framework is the articulation of the overall strategy towards the acceptance, avoidance, management and control of risks, as well as the development of risk capabilities aligned to the business goals and objectives

The Framework

- demonstrates a clear link to the overall strategy and business plan of the British Business Bank
- is owned by the Chief Risk Officer (CRO) and approved by the British Business Bank Board Any changes to the Risk Management Framework are recommended by the Board Risk Committee to the Board for approval
- outlines the risk management vision and objectives, and the approach for evolving the risk management capability of the British Business Bank
- is reviewed on an annual basis and, if required, more frequently to reflect any significant material changes to the business, economic or regulatory outlook

The yearly review of the Risk Management Framework is a means to review the effectiveness of risk management within the British Business Bank This review, carried out by third party advisers, began in February 2015 and is due to be completed in July 2015 The review benchmarks the target operating model of the risk function and outlines the key development priorities for the function in 2015-16

Key elements of our Risk Management Framework include Risk Appetite and Risk Governance

Our Risk Management Framework has been designed to align to the size, scale and complexity of the British Business Bank and has been benchmarked against other financial services institutions

RISK APPETITE

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

The Risk Appetite Policy allows the Board to articulate the appetite for risks that are specific to their concerns for the business, such as risks to the reputation of the British Business Bank The Financial Stability Board defines risk appetite as the aggregate level and types of risk a financial institution is willing to assume within its risk capacity to achieve its strategic objectives and business plan

The Risk Appetite Policy of the British Business Bank is based on these high-level design principles

- Risk appetite is the level of risk the Board of the British Business Bank is willing to accept in order to deliver its public policy objectives
- Risk capacity is the maximum level of risk that the British Business Bank can assume given its current level of resources before breaching stakeholder constraints

RISK GOVERNANCE

The British Business Bank Risk and Compliance function is based upon a 'three lines of defence' model, where the

- first line of defence is responsible for the day to day management and risk control
- second line of defence is responsible for designing risk policies and methodologies, monitoring performance and compliance, identifying and reporting risks and providing independent and objective challenge to the first line of defence
- third line of defence provides independent assurance of the overall system of internal control including assessment of the risk governance framework

The key principles of this model, as demonstrated by the diagram below, are

- The Board has overall accountability and responsibility for the management of risk within the British Business Bank
- The Board delegates specific risk management roles and responsibilities to the Board Risk Committee, the Audit Committee and Chief Executive Officer (CEO) and the CRO
- The CEO is supported in delivery of these responsibilities through direct reports from the senior team
- The CRO is a member of the senior team and is also supported by the Risk and Compliance function in the delivery of their responsibilities

THREE LINES OF DEFENCE MODEL:

1st Line of Defence

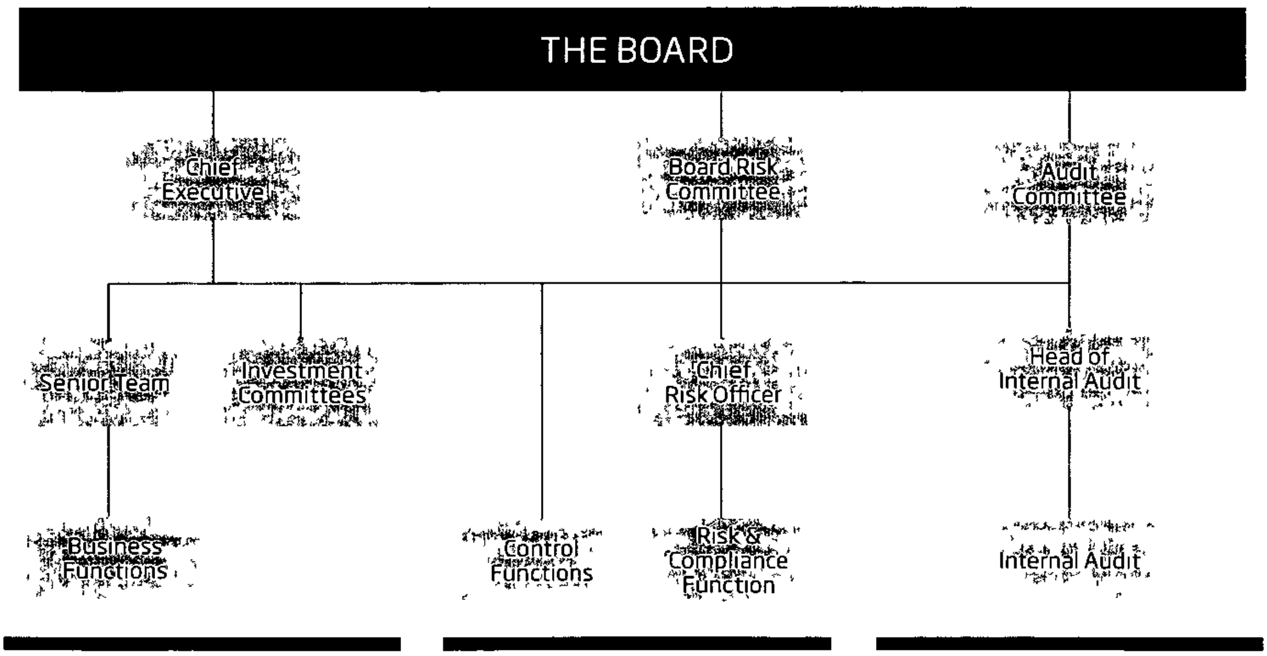
Day to day management & risk control

2nd Line of Defence

Risk policies, methodologies & independent oversight & challenge

3rd Line of Defence

Independent assurance



The British Business Bank also operates an extensive Risk and Control Assessment process to identify and register key and emerging risks within each functional area and across the organisation at a more strategic level The overall Risk Register, is reviewed in detail by the senior team and the Board This enables them to carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity

In 2014-15, the Board managed and monitored governance and risk and internal control matters through

- the Board Risk Committee
- the Board Audit Committee
- the Risk & Compliance, Finance, HR, IT and Legal functions
- policies for risk management
- the independent review of proposed investments by the Investment Committee

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Definition	Risk Categories	Example Mitigants
Compliance & Conduct Risk	Risk of breaching UK or EU regulations, internal policies or conduct standards, which exposes the British Business Bank to regulatory fines and penalties, financial losses and reputational risk	• Risk that British Business Bank's regulated entity breaches regulatory requirements • Breach of applicable laws relating to financial crime, money laundering and conflicts of interest • Risk that British Business Bank enters into regulated activities within its programmes, without being regulated • British Business Bank employees breach compliance standards	• The British Business Bank is not regulated except for its subsidiary Capital four Enterprises Fund Managers, which constitutes approximately 1% of the Group's net assets • New products and programmes are rigorously assessed against the UK and EU regulatory environments • All new investments are subject to a robust due diligence process incorporating 'Know Your Customer' • British Business Bank has a Compliance Risk Management Framework and a comprehensive suite of Compliance related policies in place • British Business Bank employees are subject to a Code of Conduct policy and annual Compliance Declaration
Credit and Investment Risk	The risk of direct or indirect losses in on- and off-balance sheet positions as a result of the failure of an investee, end borrower or counterparty to meet its obligations in accordance with agreed terms	• Risk of end borrower default, for example as a result of poor trading, or defects in the delivery process • Whilst the majority of individual exposures to end borrowers are small, exposures to mid-cap companies are typically larger • Delivery partner default or closure • Venture Capital is subject to vintage risk, with the year the investment was made the largest single risk driver • Concentration within one industry or location creates a portfolio that is subject to greater risk than a more evenly balanced one	• Delivery partner selection process includes assessment of underwriting and sanctioning processes, and thereafter is subject to portfolio monitoring and regular review, and rigid due diligence process in selecting delivery partners, including assessment of track record and financial strength • The credit quality of mid cap exposures is monitored closely • The British Business Bank aims to continue to invest throughout the economic cycle, therefore minimising the vintage risk • The portfolio is monitored closely for concentration risk
Information Risk	The risk of loss of information or its hosting IT systems which may be difficult to recover, resulting in regulatory fines or reputational risk with business partners	• Breach of legal requirements relating to safe-keeping and disclosure of information • Risk of business sensitive information being leaked or accidently made available in public domain • Threats of cyber-attacks that steal sensitive data relating to the British Business Bank or its delivery partners as well as disrupt the British Business Bank's functionality	• Information Security and Information Assurance policies in place to manage information risk The accreditation process assesses information risks and accredits new and existing information systems • The Data Protection Policy ensures that the British Business Bank fully complies with the requirements of Data Protection Act • The British Business Bank realises the threats of cyber-attacks and is developing a robust incident response plan

PRINCIPAL RISKS AND UNCERTAINTIES (CONT.)

Risk	Definition	Risk Categories	Example Mitigants
Market Risk	The risk of direct or indirect losses that arise from fluctuations in valuations, or interest income as a result of movements in interest or exchange rates	• The British Business Bank makes material losses due to foreign exchange movements through its investments • The British Business Bank investments are subject to interest rate fluctuations	• The British Business Bank has minor foreign exchange exposure, less than 4% of its portfolio, and does not hedge these exposures This is in line with government policy • British Business Bank conducts scenario testing of exposures sensitive to Interest Rate market valuation movements
Operational Risk	The risk of losses resulting from inadequate or failed internal processes, people and systems or external events	• Errors in execution, delivery, and processing • Failure of internal controls • External or internal frauds • Damage to physical assets, utilities disruption or systems failure	• Risk and Control Assessments with functional teams are held throughout the year to assess risks and associated internal controls • Operational Incidents management process in place • Close liaison with BIS counter fraud network and regular interaction with key business partners • Business continuity and disaster recovery plans in place
Reputational Risk	The risk that the firm will act in a way which falls short of stakeholder expectations	• The British Business Bank operates an outsourcing model which is subject to Delivery Partner conduct and performance	• A Reputational Risk Policy is in place • The British Business Bank undertakes extensive due diligence on new delivery partners and monitors existing delivery partners • Service Level Agreements are in place with Delivery Partners • The British Business Bank has a robust Complaints Policy in place
Strategic and Business Risk	The risks arising from a suboptimal business strategy or business model that may lead to financial loss, reputational damage or failure to meet internal and/or public policy objectives	• Risk that the British Business Bank's current and planned products may not be fit for purpose • Risk that the British Business Bank does not meet its deployment or commitment targets • The British Business Bank is not effective in meeting its objectives	• A clearly defined set of objectives and a robust governance model are in place • New products are subject to market assessment and New Product Approval process • Regular review of the Strategic Risk Register by the senior team and Board members

OUR VALUES

British Business Bank has five shared values, which stem from our core essence of Enabling
The values were developed from the views and input of colleagues across the organisation, based on a bottom up approach
They are a foundation for what we stand for as a business and will continue to positively shape our corporate culture as we grow
Our Values Forum meets monthly, with colleagues from Sheffield and London representing teams across the business

ENABLING

INTEGRITY

Acting with a shared sense of purpose, an abiding duty of care, and serving our market, Stakeholders and employees with fairness, **honesty and transparency**

IMPROVING

Challenging and innovating to create effective solutions that meet the objectives of our Stakeholders and ensuring that finance markets for smaller businesses **work effectively**

DELIVERING

Commitment to delivering a professional, quality service to all our Stakeholders and colleagues, whilst employing taxpayer resources responsibly to **provide solutions**

CONNECTING

Collaborating across the organisation, engaging with Stakeholders, Government, and markets to better understand the challenges faced by **smaller businesses**

COMMERCIALLY MINDED

Exercising good commercial judgement to meet the needs of our market while also staying focused on the need to drive **economic benefit**

CORPORATE AND SOCIAL RESPONSIBILITY

Our governance arrangements mirror those of a quoted Company, while integrating best practice from the public sector as a Government owned economic development bank

Since the establishment of the organisation we have developed a Values Forum that champions the key principles within the culture of the organisation This forum will be instrumental in developing a Corporate and Social Responsibility policy for the British Business Bank, which will use the values as a starting point This is an area that will be of increasing focus over coming months

ENVIRONMENTAL MATTERS

The British Business Bank employs 106 people and leases office space in Sheffield and London to accommodate them As a relatively small organisation the Bank has a limited direct impact on the environment We have a greater impact through our investments In many cases our agreements with fund managers specifically prohibit investments in coal and we support green investments through our Venture Capital funds

COLLEAGUES

The British Business Bank has now built a strong team, with relevant expertise from both the private and public sectors The recruitment process is continuing and we aim to stabilise in size at around 120 individuals within the next 6 months Selection of staff is based purely on talent and suitability for the role, through a fair and open process The Bank is currently developing the full range of employee policies and further developing a detailed training programme to ensure that colleagues thrive, contribute to and develop in the British Business Bank environment

	Executive Directors and Managing Directors	**Senior Managers**	**Other employees**	**TOTAL**[1]
	Total	Total	Total	
Female	3	7	32	42
Male	8	20	36	64
Total	**11**	**27**	**68**	**106**

In addition, the Non-executive Directors comprised four males and four females as at 31 March 2015

1 Staff numbers provided here are as at 31 March 2015 and not the average since the commencement of operations on 1 November 2014 Therefore they are calculated on a different basis to those included in note 5 to the accounts

APPROVAL OF THE STRATEGIC REPORT

This Strategic Report was approved by the Board and signed on its behalf by

Keith Morgan
Chief Executive Officer

DIRECTORS' REPORT

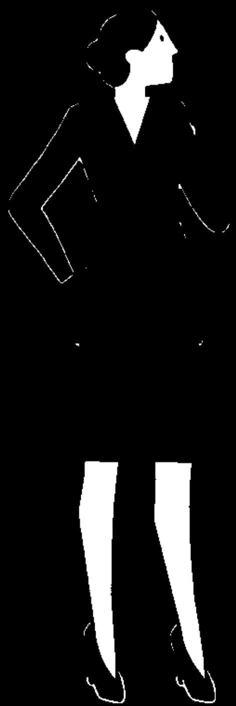
he Directors' present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2015. The Corporate Governance Statement set out on pages 37 to 40 forms part of this report.

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

- a description of the principal activities of the Group during the course of the year, an indication of likely future developments in the business, boardroom diversity matters and the narrative on financial risk management objectives and policies are all included in the Strategic Report
- details of significant events since the balance sheet date are contained in note 24 to the financial statements
- information about the use of financial instruments by the Company and its subsidiaries is given in note 22 to the financial statements.

The Directors were as follows:

- Jonathan Britton
- Ronald Emerson
- Christopher Fox
- Colin Glass
- Teresa Graham
- Caroline Green
- Christina McComb
- Keith Morgan
- Ceri Smith
- Maria Turner
- Patrick Magee



DIRECTORS' BIOGRAPHIES

Ron Emerson - Non-executive Chair

Ron brings a broad range of business skills and experience to the board He spent his early career in international banking where he held a number of senior management positions, principally with Bank of America and Standard Chartered Bank, where he was a member of the Group management committee and Group Head of Corporate Banking Since 1996 he has divided his time between non-executive directorships, business advisory work and as an active member of the Faculty of Management Studies at Oxford University, where he is an Associate Fellow

As a non-executive he has served on a variety of boards ranging across listed (main board and AIM), private equity funded, large, high impact subsidiaries, private family owned, and regulated and unregulated sectors He has also acted as a Senior Adviser at the Bank of England and the Financial Services Authority He holds degrees from Manchester, Durham and Oxford universities

Christina McComb - Senior Independent Director

Christina has held a number of senior roles in public and private sector organisations and has a successful track record in private equity and Venture Capital investment Supporting and advising growth businesses is at the heart of Christina's career She is a former director of 3i plc and was a founder director in the Shareholder Executive Christina currently holds a number of non-executive Board positions, she is Chairman of Engage Mutual Assurance, Senior Independent Director of Standard Life European Private Equity Trust plc and a Non-executive Director of Baronsmead VCT2 plc and Nexeon Limited Christina has a BA Hons from London School of Economics and an MBA from London Business School

Jonathan Britton - Independent Non-executive Director - Audit Committee Chair

Jonathan has extensive experience in banking, spanning corporate, SME and investment banking businesses Jonathan is currently a Non-executive Director of ICICI Bank UK Limited and a Non-executive Director for Nomura European Holdings Limited, whose Audit Committee he also chairs Since 2006, he has also been a Director of Sparks, a leading children's medical research charity, becoming Chairman in 2012 Most recently, he was Divisional Finance Director and Head of Strategy for the Wholesale Division at Lloyds Banking Group and prior to that, Global Controller and Head of Treasury at Barclays Bank plc from 2006 to 2008 He previously held senior posts in UBS's Investment Banking Business Jonathan holds an MA in Engineering Science from Keble College, Oxford and is a qualified chartered accountant

Colin Glass - Independent Non-executive Director

Colin is a Chartered Accountant with his own practice, Winburn Glass Norfolk (WGN) He is or has been a Non-executive Director of several companies, some of which are quoted on AIM and which came out of the WGN portfolio He has always been passionately interested in helping small businesses develop to their full potential He was a Non-executive Director of Partnership Investment Finance (PIF), a fund set up, with funding from Europe and Barclays Bank, to support SMEs and social achievement in the areas of Yorkshire and The Humber He acts as a mentor to early stage SMEs with high-growth potential Through his deep interest and experience in SMEs, he was awarded the Star in Practice Award in 2006 from the West Yorkshire Society of Chartered Accountants and also was awarded Business Adviser of the Year in 2007 and Non-executive Director of the year in 2008 both by the Institute of Directors Yorkshire and Humber In January 2011 he was awarded Non-executive Director of the Year in the Grant Thornton sponsored Quoted Company Awards for his work with AIM-quoted SMEs

Teresa Graham CBE - Independent Non-executive Director - Interim Risk Committee Chair

Teresa graduated from Newcastle University During her time working in a Big 4 accounting practice, she was seconded to the UK Government's Enterprise and Deregulation Unit In March 1988 she was appointed to the Government's Deregulation Advisory Panel for a two year term and served through two decades of administrations She was the first female winner of the Young Accountant of the Year Award for 1988 in recognition of her contribution to the small firms sector, her profession and work with Government She was also the first female laureate of the Institute of Chartered Accountants Teresa now works independently focusing on her three passions - strategic advice to ambitious, growing businesses, liberating these businesses from the fetters of red tape and The Lexi Cinema, a social enterprise, digital, boutique cinema in North London covenanting 100% of its profits to a charity in South Africa She holds a number of appointments, including non-executive, mentoring and advisory roles in growth businesses

Caroline Green - Independent Non-executive Director

Caroline is CFO and Head of Shared Services for the security and risk mitigation Company PGI Limited She was previously Finance Director of the VC-backed engineering Group Arc Specialist Engineering Limited having previously spent 8 years in private equity, initially at 3i plc She started her career at Xerox Corp where she spent 9 years in a variety of roles including supply chain, manufacturing and finance Previously Caroline spent 5 years as a trustee of the MS Society and currently sits on the board of unseen (UK), the charity dedicated to eradication of human trafficking and slavery

During the year the Nominations Committee of the Bank met and approved the appointments of our other independent Directors

Ceri Smith - Shareholder Representative Director

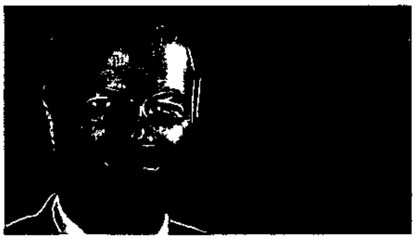
Ceri heads the British Business Bank and Public Data Group team in the Government's Shareholder Executive, and was responsible for the successful delivery of the British Business Bank He has held a number of senior positions in BIS advising the Secretary of State on a range of issues including business finance, industrial strategy, infrastructure and the UK's employment law framework Before joining that Department in 2007, Ceri was a senior official at HM Treasury Previous responsibilities included developing the policy response to the events around Northern Rock, founding and leading the Treasury's SME taxation team, developing the Government's Enterprise Capital Fund Programme, and leading on issues around the financing of terrorism and serious crime in September 2001

Maria Turner - Independent Non-executive Director

Maria was Risk Committee Chair until May 2015 She has over 27 years' risk experience managing risk in wholesale, retail, commercial and in investment banking businesses Maria is currently Head of Market & Counterparty Credit Risk at Nordea Bank She has Global Banking experience working in top tier US, European and Asian banks Maria also held senior positions in other banking institutions including Chief Risk Officer at Mizuho International plc bank in London and Managing Director in Risk Management at JPMorgan, working in a number of roles and projects Maria has a BSc Hons in Mathematics from the University of Newcastle-upon-Tyne and is a qualified Chartered Accountant

Keith Morgan - Chief Executive Officer

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 and Head of Wholly-Owned Investments 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, focusing on retail and SME strategy and the integration of Sovereign into Santander He was previously Director of Strategy & Planning at Abbey National and a member of the Executive Committee, and also served as Chairman 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



Christopher Fox -
Chief Financial Officer and Head of Central Services, Executive Director

Christopher is Chief Financial Officer and is also responsible for central functions including HR, IT and Admin Prior to joining the British Business Bank, Christopher was Head of Banking at UK Financial Investments, where he was responsible for overseeing HM Government's shareholdings in Lloyds Banking Group, Royal Bank of Scotland and UK Asset Resolution He was also a Non-executive Director at UK Asset Resolution, Bradford & Bingley and NRAM Christopher joined UKFI from UBS, where he gained extensive experience of financial services over nearly 20 years, having provided capital markets and investment banking advice to a range of governments and financial institutions around the world He joined UBS in 1993 and is a qualified accountant

Patrick Magee -
Chief Operating Officer, Executive Director

Patrick joined the British Business Bank as Chief Operating Officer in October 2014 He had previously represented the Government's shareholder interests on its Board Before joining the BIS Shareholder Executive in June 2012, Patrick was a Managing Director of corporate finance at JP Morgan Cazenove, having worked at the predecessor firms for almost 18 years During his career Patrick has advised on a broad range of M&A, Capital Markets and Corporate Broking assignments for a range of clients in the General Industrial, Energy / Utility, Support Services and Financial Services areas He has broad experience of working with companies which work closely with Government including banks, utilities and support services / infrastructure providers Patrick also spent two years on secondment to the Panel for Takeovers and Mergers During his time at the Shareholder Executive Patrick was involved in assisting with the establishment of The Green Deal Finance Company, the set-up and governance of the British Business Bank as well as work on a range of the companies in the Shareholder Executive portfolio

APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment and removal of Directors is set out in the Corporate Governance Statement found on page 37

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 In discussion with our shareholder the Company will consider the provision of Directors' and Officers' liability insurance for the coming years

GOING CONCERN

The Directors who served during the year have a reasonable expectation that the Company and the Group have 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

GREENHOUSE GAS EMISSIONS REPORTING

This Directors' Report does not include information on emissions of carbon dioxide The British Business Bank plc leases two floors of office space and employed an average of 108 staff during the period since go-live on 1 November 2014 Prior to 1 November 2014 the Company did not have any designated office space or any employees Therefore the cost of collecting information and estimating emissions is not considered to be proportionate to the benefit for this year

AUDITORS

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,

Keith Morgan
Chief Executive Officer
British Business Bank
13 July 2015

CORPORATE GOVERNANCE STATEMENT

The corporate governance arrangements for the British Business Bank Group were developed in advance of the launch of the British Business Bank as an arms-length entity on 1 November 2014

Our constitution consists of our Articles of Association and a Shareholder Relationship Framework Document which requires that the British Business Bank plc operates, so far as is practicable, a corporate governance framework that accords with best practice and complies with the provisions of the UK Corporate Governance Code 2012 (other than Section E Relations with Shareholders) or specifies and explains any non-compliance in its Annual Report The 2012 Corporate Governance Code is freely available from the Financial Reporting Council

The Corporate Governance Code acts as a guide to a range of key issues to ensure effective Board practice The Code is split between a number of chapters and the principles of leadership, effectiveness and accountability are values that the Board considers to be critical to the success of our business

THE BOARD OF DIRECTORS OF THE COMPANY

As set out in the Shareholder Relationship Framework Document, the Board requires no fewer than eight Directors including six Non-executive Directors Independent Non-executive Directors are to constitute the majority of the Board Our Board and Committees have the appropriate balance of skills, experience and independence to enable them to discharge their duties and responsibilities effectively

The Chairman is responsible for leading the Board and its discussions and for encouraging open debate and challenge The Board is collectively responsible for the long-term success and, in consultation with our sole Shareholder, the strategy of the Company

Our Non-executive Directors scrutinise the performance of management in meeting agreed goals and objectives As part of their Remuneration Committee membership, they are responsible for setting appropriate levels of remuneration for Executive Directors and staff in consultation with our Shareholder This is further explained in the Directors' Remuneration Report at page 41

Matters reserved for the Board include the strategic direction of the business, significant investments, Group policies, terms of reference of all committees, risk management and internal/external controls and appointments to the Board and Committees

The Chief Executive leads the Executive in the day to day running of the business and the implementation of strategy and chairs meetings of the Senior Management Team The Chief Executive has delegated authority from the BIS Accounting Officer (the Permanent Secretary) This means the CEO is accountable directly to Government and to Parliament for the way in which the British Business Bank manages public money

APPOINTMENT AND REMOVAL OF DIRECTORS

In 2013, Ron Emerson was appointed as Chairman of the Company in a process chaired by a commissioner from the Office of the Commissioner for Public Appointments Christina McComb was appointed as Senior Independent Director and Keith Morgan was appointed as the Chief Executive Officer and an Executive Director later in 2013 During 2013, Patrick Magee and Ceri Smith were also appointed as the Shareholder representative Directors

During 2014 the Nominations Committee of the Bank met and approved the appointments of our other independent Directors using the services of Odgers Berndtson

Jonathan Britton and Maria Turner were appointed in April 2014 as independent Non-executive Directors in preparation for the establishment of the Audit and Risk Committees which took place during the year In June 2014 the remaining independent Non-executive Directors, Colin Glass, Teresa Graham and Caroline Green were appointed to the Board

Patrick Magee resigned as a Shareholder representative Director in October 2014 and joined the Board in March 2015 as an Executive Director having previously been appointed as Chief Operating Officer in November 2014 In January 2015 Christopher Fox was appointed to the Board of Directors using the services of Ridgeway Partners

In May 2015 Maria Turner gave notification of her intention to resign from the Board and Teresa Graham was appointed by the Board as interim Chair of the Risk Committee

DIRECTOR ELECTION

All Directors were required to submit themselves for re-election at the Annual General Meeting of the Company in 2014 and each Director was re-elected

The names and biographical details of our Directors can be found on page 32

During the year a corporate secretariat function has been created to assist with the operation of the Board and Committees and the provision of timely and appropriate information All information to assist in the Board's oversight is available from the Company Secretary and Directors will be provided with updates on corporate governance developments, legislative and regulatory changes, and relevant industry information In 2015 the Board will trial the use of electronic delivery and format for Board papers and information, to increase efficiency, confidentiality and sustainability

The British Business Bank is committed to ensure that the Board and its Committees operate effectively and are continually improving During the year the Chairman conducted an internal Board evaluation to monitor their effective operation

All Directors and the Company Secretary participated in the annual review to ensure a rigorous and full evaluation of the operation of the Board and its Committees This process was composed of questionnaires that asked for the Directors' views on a number of matters including Board effectiveness and process, Committees interaction and roles, effectiveness of the Chairman and governance function and Board Composition

The outcome of the exercise showed no areas of concern and the feedback received will be reviewed by the Board and Chairman as part of our commitment to maintain ongoing improvement given our first few months of operational independence Any changes and improvements will be implemented during 2015-2016

CONFLICTS OF INTEREST AND OUTSIDE APPOINTMENTS

The Directors are under a duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests As part of our Conflicts of Interest Policy, the Bank has a formal procedure for disclosure, review and authorisation of Directors' conflicts of interest and requires complete and accurate written disclosure of any actual or potential conflicts of interest for all Directors and staff

The Board is of the belief that outside interests can be beneficial for both the Executive and Company and has authorised the outside interest of the Chief Executive Officer in his role as a Non-executive Director at UK Asset Resolution

OUR COMMITTEES

Prior to the operational commencement of the business on 1 November 2014, we successfully established our Board and its Committees with their own terms of reference The terms of reference for each of our Committees can be found on our website and are reviewed annually

Audit Committee

The Audit Committee was established in 2014 under the Chairmanship of Jonathan Britton and also comprises further independent Non-executive Directors, Teresa Graham and Caroline Green Maria Turner was also a member until her resignation in May 2015

The Chief Executive, Chief Finance Officer, Chief Risk Officer and Head of Internal Audit attend Committee meetings along with the external auditors who are invited to attend and report at all meetings The Committee also meets privately with both internal and external audit

The Committee has met five times during the year in July 2014, August 2014, September 2014, December 2014 and March 2015 and attendance can be found on page 40

Role

The Audit Committee is governed by the principles of the Corporate Governance Code We have reflected these principles in the Audit Committee's terms of reference which can be found on our website The Committee's role is to review, monitor and make recommendations to the Board relating to the going-concern nature of the Bank, the integrity of financial reporting, the financial statements and any issues and judgements they contain, the adequacy and effectiveness of the internal and external controls and overseeing the relationship with the Bank's external auditor The Committee also has oversight of the Internal Audit and Audit Planning process of the Bank

The Committee Audit Committee has discharged its responsibility in relation to the oversight of the Bank's financial reporting process and the process for preparation of the consolidated accounts in the following ways

- reviewed the accounting policies adopted to ensure the Bank as a whole complies with the applicable Accounting Standards and presents consolidated accounts that are true and fair
- reviewed methods used to account for significant or unusual transactions where different approaches are possible
- assessed and approved the process for preparing the consolidated accounts
- assessed the extent to which the Bank has complied with the financial reporting requirements of the Department for Business, Innovation and Skills

As required by our Shareholder, the Bank is audited by the Comptroller and Auditor General The National Audit Office carries out the external audit for and on behalf of the Comptroller and Auditor General The external auditors have not conducted any non-audit services during the financial year and the Committee considers that the external auditor is both objective and independent

The significant issues considered by the Committee during the year, with input from the External Auditor, included the valuation of assets to be transferred to the British Business Bank, Financial Modelling and Performance, the review of significant accounting decisions and the content of the Annual Report and Accounts of the Company The Committee also considered the Internal Audit Planning and the interaction with the External Auditor of the Bank

The Committee will undertake an evaluation to assess the effectiveness of both the internal and external audit processes and approaches as part of its agenda during 2015 to ensure they are both adequate and appropriate for the organisation In assessing the effectiveness of the External Auditor, the Audit Committee will have regard to the scope of the audit work planned and executed, standards of communication and reporting, quality of insights on the internal control environment and independence

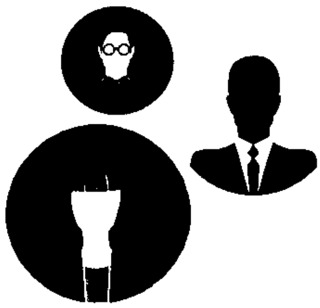
Remuneration Committee

The Remuneration Committee was established in 2014 under the Chairmanship of the Senior Independent Director, Christina McComb, and also comprises the Chairman, Ron Emerson, Teresa Graham and Ceri Smith

The Committee met 6 times during the year, 3 in preparation for the operational commencement of the business, and 3 subsequently

Role

The Committee's role is to set the remuneration policy for all Executive Directors, the Chairman and all other senior management, including pension rights and any compensation payments, and to set the terms of the Long and Short-Term Incentive Plans and any bonus schemes the Company may operate



During the year an internal Board evaluation has been performed to ensure the effective operation of the Board and its Committees

During the year the Committee considered the structure of all compensation payments to Directors and senior management, the setting-up of the Long and Short-Term Incentive Plans of the Company and the performance evaluation of senior management

Risk Committee

Established in 2014 under the Chairmanship of Maria Turner the Risk Committee also comprises independent Non-executive Directors, Christina McComb, Colin Glass, Ceri Smith and Jonathan Britton

The Committee has met four times during the year in July 2014, September 2014, October 2014 and March 2015 and attendance can be found on page 40

Role

The Committee's role is to advise the Board on the Company's risk appetite and performance against risk appetite and oversee and advise the Board on the risk exposures and future risk strategy In particular the Committee evaluates the Company's governance, risk and internal controls, the procedures to guard against fraud and bribery and corruption safeguards During the year the Committee has considered the policies which apply to the British Business Bank Group, risk appetite and risks applicable to the Group, and the compliance framework

As noted above, in May 2015 Maria Turner gave notification of her intention to resign from the Board and Teresa Graham was appointed by the Board as Interim Chair of the Risk Committee

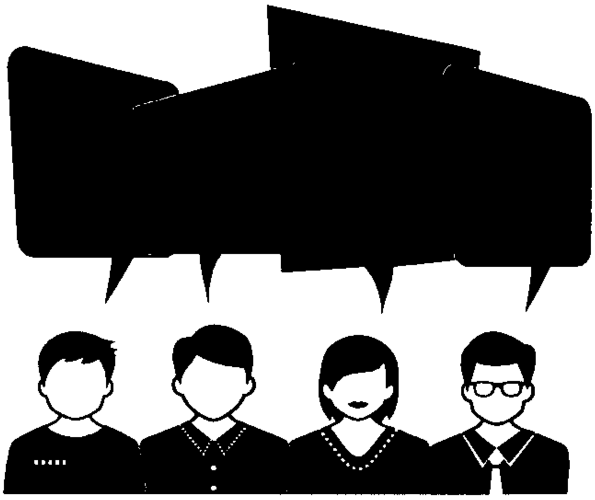
Nomination Committee

Established in 2014 under the Chairmanship of Ron Emerson the Nomination Committee also comprises Non-executive Directors, Christina McComb and Ceri Smith The Committee met during 2014 where the nominations of potential Directors were considered and recommended to the Board

The Board is committed to ensuring the diversity of its membership All appointments to the Board are based on merit and on the experience and skills required, with due regard to the benefits of diversity

Female membership of our Board and Committees as at 31 March 2015 are given below

Board 36%
Risk 40%
Audit 75%
Nomination 33%
Remuneration 50%



ATTENDANCE AT MEETINGS AND COMMITTEES

The table set out below details the attendance of Directors who attended each Board and Committee

	Date of appointment	Board	Audit	Risk	Remuneration	Nomination
Total Number of Meetings		12	5	4	6	2
Chair						
Ron Emerson	29 October 2013	12/12	-	-	6/6	2/2
Non-executive Directors						
Jonathan Britton	28 April 2014	8/11	5/5	4/4	-	-
Colin Glass	24 June 2014	9/10	-	4/4	-	-
Teresa Graham	24 June 2014	9/10	5/5	-	6/6	-
Caroline Green	24 June 2014	8/10	4/5	-	-	-
Christina McComb	29 October 2013	12/12	-	4/4	6/6	2/2
Ceri Smith	29 October 2013	11/12	-	4/4	6/6	2/2
Maria Turner	28 April 2014	10/11	2/5	4/4	-	-
Executive Directors						
Keith Morgan	10 December 2013	12/12				
Christopher Fox	13 January 2015	2/3				
Patrick Magee	10 March 2015	7/7, 1/1				

DIRECTORS' REMUNERATION REPORT

CHAIR'S FOREWORD

On behalf of the Board, I am pleased to present the Remuneration Report for the British Business Bank for the year ended 31 March 2015, the first since the Bank became a plc Those sections of the report that have been audited by the National Audit Office have been identified as such

The Committee's primary role is to provide robust, independent governance for executive remuneration that

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

This report is divided into two parts

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

During the financial year 2014-15, the Bank made significant progress, as outlined in the Chairman's statement The Committee has played an important role in determining a remuneration framework that reflects the particular circumstances of the Bank as a public owned Company operating in a commercial environment Accordingly, the Committee has agreed and implemented an incentive scheme that is designed to reward employees based on the long-term sustainable success of the Bank Key decisions made by the Committee and recommended to the Board during the year were

- agreeing base remuneration for the Executive Directors and senior management team
- designing a long term incentive plan (LTIP) appropriate to the particular circumstances of the Bank
- agreeing performance targets for 2014-15 and the first cycle LTIP
- reviewing overall remuneration policy for the Bank

As this was the first year of operation of the Bank, the Remuneration Committee has taken an interest in broader market trends and carried out benchmarking of salaries and other reward mechanisms in summer 2014 In the context of the Bank's policy remit, the Committee recognises that remuneration policy will need to be reviewed from time to time to ensure that it is meeting the requirements of our shareholder and is fit for purpose Where appropriate, the Committee will seek relevant external advice and guidance

Looking ahead to 2015-16, the Committee will be reviewing the business targets for the next period and setting stretching business and personal targets for the executive, in particular in the context of any new policy initiatives which the Bank may be asked to undertake

The Committee's primary role is to provide robust, independent governance for executive remuneration

Christina McComb
Chair of the Remuneration Committee

REMUNERATION POLICY REPORT

POLICY OVERVIEW

The Remuneration Committee determines, on behalf of the Board, the Bank's policy on the remuneration of the Chairman, Executive Directors and other members of the senior team The Committee's terms of reference are available on the Bank's website

While not covered by the FCA/PRA Remuneration Code for banks, the British Business Bank has sought where appropriate to meet these governance requirements, in addition to The Large and Medium-sized Companies and Groups Regulations 2013

As the Bank is in its first year of operation, the Remuneration Committee acknowledges that the policy may require review, both to meet changes in the Bank's internal strategy and to reflect changes in the external environment The Committee will consider how such changes are appropriately taken into account in order to ensure that the Bank adopts leading practice with respect to its remuneration policy

HOW THE VIEWS OF THE SHAREHOLDER HAVE BEEN TAKEN INTO ACCOUNT

The shareholder-appointed Non-executive Director is a member of the Remuneration Committee In addition, specific approval has been obtained from the shareholder for Executive Director remuneration and for the LTIP terms

THE REMUNERATION POLICY FOR DIRECTORS AND THE SENIOR TEAM

In setting remuneration policy for the senior team, the Remuneration Committee has taken into account the following key factors

- the need to attract and retain a high-calibre senior team to deliver the Bank's strategy in alignment with the interests of the shareholder
- the requirement to reward long-term performance and incentivise the right behaviours
- the efficient use of taxpayer resources and the requirement to deliver good value for money for the Exchequer as a whole

The Bank has not consulted its employees on this policy, although it has considered the reward philosophy for employees in general The focus for employees is on rewarding performance over the longer term and to have reward packages which attract high-calibre candidates, while delivering value for money

Table 1 below summarises the key elements of the Bank's remuneration policy for Executive Directors and the senior team, taking into account the factors above The Executive Directors' service contracts are available for inspection at the Bank's registered office

Table 1 Remuneration policy

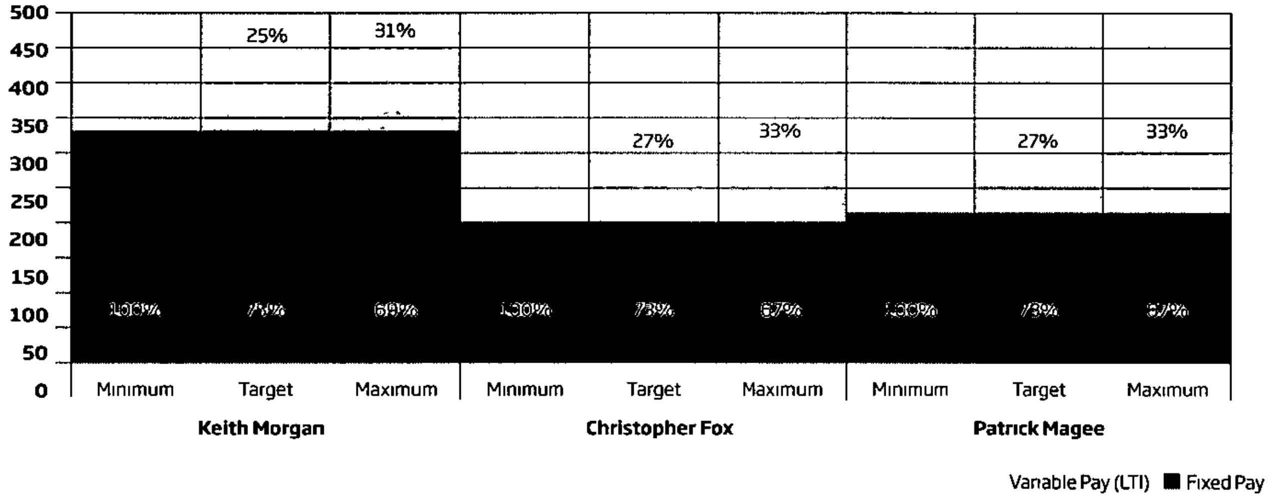
Element	Operation, opportunity & performance framework
Base Salary	
Objective To attract and retain high-calibre senior leaders	Base salaries are reviewed annually taking into account the nature of the role and responsibilities Roles are benchmarked against relevant comparator organisations in the public and private sectors The Remuneration Committee also takes into account the external environment and views of the shareholder
Long Term Incentive Plan (LTIP)	
Objective To reward performance over the longer term	Executive Directors and certain members of the senior team are eligible to participate in the Long Term Incentive Plan (LTIP) The LTIP operates as a series of three year cycles, the first covers the period 2014-15 to 2016-17 Objectives are set at the beginning of each cycle and progress is reviewed by the Committee on an annual basis Objectives are set in two categories corporate and personal The weighting between these categories may be varied over time, at the discretion of the Committee, taking into account the requirements of the business and any relevant external factors The weighting for the first cycle LTIP is 60% to corporate targets and 40% to personal targets Corporate targets cover rolling three year periods and will generally be in line with the Bank's business plan objectives Personal targets are designed to take into account the specific responsibilities of individual senior leaders in the Bank

Element	Operation, opportunity & performance framework
Objective To reward performance over the longer term (cont)	The current incentive is a maximum cash award of 50% of base salary In the case of Executive Directors, awards are paid at the end of the relevant three year cycle, in the case of the first cycle LTIP, in August 2017 In the case of other members of the LTIP, any awards in respect of personal objectives may be paid after two years There is no annual bonus award for Directors and the senior team Although the Company is not governed by the FCA or PRA, the Committee has determined that the regulatory best practice should be adopted with regard to Recovery and Withholding Provisions and such provisions shall apply for a period of seven years from the start of the performance period Recovery and Withholding shall apply in a range of adverse circumstances, at the Committee's discretion, including financial accounts mis-statement, significant failure of risk management, regulatory censure or breach of policy and procedures As a general rule, if a participant ceases employment within the Company's Group before an award is paid, then the award opportunity shall normally be forfeited and lapse in full, although there are exceptions for participants categorised as 'good leavers' The Remuneration Committee has ultimate discretion over the payment of any awards taking into account factors it considers relevant including the overall performance of the Bank
Pension & other benefits	
Objective To provide an attractive and cost-effective package	The Bank contributes up to 15% of base salary to its defined contribution scheme or an approved personal pension scheme, subject to a minimum employee contribution of 3% The CEO receives a cash-in-lieu allowance of 10% Current benefits provided are illness income protection and life assurance These are subject to review on an annual basis
Loss of office payments	
Objective To provide fair but not excessive contract features	There are no defined terms for loss of office within service contracts Contractual Notice periods range from 3 to 6 months for members of the senior team Executive Directors are on six months' notice either side Provision may be made for payment in lieu of notice, where this is deemed to be in the interest of the business Any situation will be considered by the Committee on its merits Should an individual be considered a 'good leaver' under the LTIP rules, an appropriate portion of their LTIPs may, at the discretion of the Remuneration Committee, be retained All termination payments are subject to Cabinet Office Guidelines
New Executive Director Remuneration	
Objective To attract and retain high-calibre senior leaders	Remuneration for any new appointments will be set in accordance with the policy set out in this table The same approach will be taken with respect to any internal appointments

Based on the remuneration policy, the total remuneration for each Executive Director will depend on her or his own performance and the Bank's performance

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

Chart 1 Ranges for Executive Director remuneration



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

EXTERNAL APPOINTMENTS

Executive Directors may be invited to become Non-executive Directors in other companies It is the Bank's policy that Board approval is required before any external appointment may be accepted by an Executive Director The Board provides approval where such appointments will enhance the Executive Director's knowledge and experience to the benefit of the Bank Board approval is also required in order for the Executive Director to retain any fees paid for such services During the year, Keith Morgan served as a Non-executive Director at UK Asset Resolution Ltd and received a fee of £61,750

NON-EXECUTIVE DIRECTORS

The Chairman and the Non-executive Directors do not have service agreements with the Bank Non-executive Directors are appointed under letters of appointment which provide for an initial term of service of three years The appointment of a Non-executive Director can be terminated by either party giving written notice There is no provision for compensation for loss of office The dates of the current letters of appointment of the Non-executive Directors are shown in the Corporate Governance Statement

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

The fee levels paid to Non-executive Directors reflect the time commitment and responsibilities, having regard to best UK practice

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

Table 2. Remuneration policy for Non-executive Directors

Element	Operation, opportunity & performance framework
Basic fee – Chair	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	The Chair fee will be reviewed from time to time by the Board
Basic fee – Non-executive Directors	
Remuneration is in the form of an annual cash fee, in line with practice in the UK	Non-executive Director remuneration is reviewed annually by the Chair and the Executive Directors Any recommendations are subject to Board approval, with Non-executive Directors not voting on their own remuneration

Additional fees are paid to the Senior Independent Director and Chairs of the Audit, Risk and Remuneration Committees, in recognition of the additional time spent in respect of their Committee activities This is in line with UK practice generally Any increases in fees are subject to Shareholder approval

BANK WIDE REMUNERATION AND INCENTIVE PLANS

The Bank aims to apply its remuneration policy in a consistent way for all staff Staff receive pension contributions, life assurance and illness income protection as well as their basic salary The Bank has three mutually exclusive incentive plans, all of which are designed to reward performance and achievement of the Bank's objectives

These plans are payable wholly in cash, reflecting the fact that the Bank has a single shareholder (the Secretary of State for Business, Innovation and Skills) and does not issue shares to staff

SHORT TERM INCENTIVE PLAN

Senior employees who are not eligible for the Long Term Incentive Plan are eligible to participate in the STIP The purpose of this plan is to reward senior managers for their performance over the year as assessed against both their personal objectives (currently 40% of award) and the Bank's objectives (currently 60% of award) The maximum annual award is 30% of base salary 50% of any award is paid after the relevant year end, with 25% deferred for one year and a further 25% deferred for two years The STIP rules incorporate withholding and recovery provisions in line with good practice and such provisions apply for a period of seven years from the start of the performance period

ANNUAL BONUS

Employees not eligible for the Long or Short Term Incentive Plans may participate in the annual bonus scheme which has a maximum award of 20% of base salary

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013 Disclosures are also made in accordance with the Companies Act 2006 The Bank has complied with the regulations where it believes it is appropriate to do so Although the Bank is not subject to the variable pay cap introduced under the European Union Capital Requirements Directive, it does comply with the cap

PERFORMANCE ASSESSMENT

None of the senior team receives an annual performance award or bonus The LTIP is a three year plan and the first LTIP corporate awards will be assessed at the end of the three year period in March 2017 20% of the LTIP award is subject to personal performance in 2014-15 The Committee has reviewed the performance of individuals for 2014-15 and has made provisional awards ranging from 75% to 95% Table 3 below sets out the corporate three year performance targets for the first LTIP cycle

Table 3. Corporate targets for the 2014-2015 LTIP which matures in March 2017

Objective	2016-17 target		
	Lower threshold	**Stretch**	**Challenge**
Increase stock of finance facilitated through British Business Bank programmes	£8bn	£9 9bn	£10 5bn
More diverse finance market (measured by finance facilitated through non-big 4 lenders)	70%	75%	80%
Better provision of information (measured though average awareness of six alternative finance options from British Business Bank customer research)	47%	49%	51%
Manage taxpayers' resources efficiently through earning an appropriate adjusted return on equity	1 2%	1 6%	1 8%
Expected vesting of corporate award based on judgement of Committee	Up to 50% for threshold performance 0% if no targets are achieved	Up to 75%	Up to 100%

REMUNERATION

Table 4 Executive Director remuneration (audited)

	Salary & allow-ances	Taxable benefits[1]	Annual incentive	Long-term incentives[2]	Pension payments (incl cash supplements)	Total[1]	Annual equivalent salary as at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Keith Morgan[3]	125	-	-	-	12	137	299
Christopher Fox[4]	49	-	-	-	-	49	210
Patrick Magee[5]	13	-	-	-	1	14	210
Total	**187**	-	-	-	**13**	**200**	**719**

Notes

1 The Executive Directors receive death in service and illness income protection benefits which are non-taxable There are no additional benefits payable

2 The Remuneration Committee has reviewed performance of individuals for 2014/15 and has made provisional awards ranging from 75-95% for the senior team Subject to continued performance, these awards are payable in August 2017

3 Pension contributions were not made for Keith Morgan during 2014-15 The number shown above is the accrued amount due in respect of 2014-15 which was paid in 2015/16 as a cash alternative

4 Christopher Fox joined the British Business Bank as Chief Financial Officer on 8 January 2015 The amounts shown above are the amounts payable in respect of service from this date

5 Patrick Magee became an Executive Director of the Bank on 10 March 2015 The amounts shown above are the amounts payable in respect of service from this date

Non-executive Directors are not remunerated in the same way as the Executive Directors and therefore have not been included in this table However, they do receive compensation in the form of a fee as detailed in Table 7

The amounts above are in respect of service on the Board for the period 1 November 2014 (the date the Bank commenced operations) to 31 March 2015 No amounts are shown for the prior financial year as the bank had no Executive Directors

The median salary of British Business Bank employees for 2014-15 was £58,000 This compares to the CEO's annual base salary of £299,000 No employee earns more than the highest paid Director

Table 5 Senior team remuneration (audited)

	Salary & allowances	Taxable benefits[1]	Annual incentive	Long-term incentives[2]	Pension pay-ments (incl cash supplements)	Total[3]	Annual equivalent salary
	£000	£000	£000	£000	£000	£000	£000
Shanika Amarasekara[4]	73	-	-	-	14	87	200
Mark Gray[5]	83	-	-	-	14	97	200
Patrick Magee[6]	87	-	-	-	10	97	210
Neil Wood[7]	56	-	-	-	-	56	307
Total	**299**	-	-	-	**38**	**337**	**917**

Notes

1 The individuals above receive death in service and illness income protection benefits which are non-taxable

2 The Remuneration Committee has reviewed performance of individuals for 2014/15 and has made provisional awards ranging from 75-95% for the senior team Subject to continued performance, these awards are payable in August 2016, except for Patrick Magee whose payment is deferred until August 2017 as he is an Executive Director

3 The amounts above are in respect of service as a member of the senior team for the period 1 November 2014 (the date of the inception of the Bank) to 31 March 2015 Members of the senior team have received no signing on payments no leaving payments and no annual bonus payments

4 Shanika Amarasekara General Counsel and Company Secretary

5 Mark Gray Managing Director Risk and Compliance

6 Patrick Magee was a member of the senior team prior to appointment to the Board The remuneration figures above cover the period 1 November 2014 to 31 March 2015 and include his remuneration whilst an Executive Director

7 Neil Wood served as Interim Chief Financial Officer from 1 November 2014 to 8 January 2015 through a secondee agreement with Deloitte

As the Bank commenced operations on 1 November 2014, there are no prior year comparatives for the remuneration of Executive Directors or the senior team

Table 6 Long Term Incentive Plan (LTIP)

Senior management participate in a Long Term Incentive Plan and have been granted interests worth up to a maximum of 50% of their salary Any payout is subject to a number of performance conditions

	Type of interest	**Face value of award (% of salary)**	**Face value of personal award (£)**	**Face Value of corporate award (£)**	**Total Face value of award (£)**	**% of corporate award for reaching threshold targets[1]**	**End of corporate performance period**
Keith Morgan	Cash LTIP	50%	£59,800	£89,700	£149,500	50%	31 March 2017
Christopher Fox[2]	Cash LTIP	50%	£28,974	£43,460	£72,434	50%	31 March 2017
Patrick Magee[2]	Cash LTIP	50%	£32,840	£49,261	£82,101	50%	31 March 2017
Shanika Amarasekara[2]	Cash LTIP	50%	£36,318	£54,477	£90,795	50%	31 March 2017
Mark Gray	Cash LTIP	50%	£40,000	£60,000	£100,000	50%	31 March 2017

Notes
1 Personal performance targets are not included in this calculation as they are not subject to threshold conditions
2 Christopher Fox Patrick Magee and Shanika Amarasekara s awards have been pro rated as they were employed by the British Business Bank or BIS (prior to the Bank's formation) for less than 12 months in the year ended 31 March 2015

Table 7· Non-executive Director remuneration (audited)

	Total Fees 2014-15 £000	**Annual Fee Entitlement 2014-15 £000**
Ron Emerson (Chairman)	120	120
Christina McComb (Senior Independent Director)	46	45
Maria Turner	30	30
Jonathan Britton	30	30
Teresa Graham	20	25
Caroline Green	20	25
Colin Glass	20	25
Ceri Smith	Nil	Nil
Patrick Magee	Nil	Nil

The amount paid to Christina McComb was higher than her entitlement because there was an underpayment to her in the previous year

The base fee for Non-executive Directors is £25,000 and individuals receive an allowance of £5,000 for chairing a Committee There are no additional fees payable for individual Committee membership

PENSION ENTITLEMENTS

The British Business Bank does not offer a defined benefit pension scheme for new staff. However, colleagues that transferred into the Bank from BIS are able to continue to participate in BIS's defined benefit scheme.

Mark Gray, Patrick Magee and Shanika Amarasekara were participants in a defined benefit pension scheme in 2014-15. Their pension entitlements are calculated based on length of service and earnings during the period of eligible service as advised to the Bank by the Pension Administrator, MyCSP. Mark Gray, Patrick Magee and Shanika Amarasekara transferred to the British Business Bank's defined contribution scheme on 1 February, 1 March and 1 June 2015 respectively. The change in their pension benefits is set out in the single figure disclosure in table 5. Keith Morgan receives a cash allowance of 10% of base salary in lieu of pension contribution.

BOARD OF DIRECTORS TERMS OF OFFICE

The dates of appointment and terms of office of Non-Executive and Executive Directors are provided in the Corporate Governance Statement, page 37.

MEMBERSHIP OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises Christina McComb (Chair), Ron Emerson, Teresa Graham and Ceri Smith (representing the Shareholder). The Committee members bring with them a range of expertise from diverse backgrounds designed both to support the Bank in its governance framework and to facilitate the relationship with the Shareholder. Informal discussion between Committee members has also added value to the Bank's remuneration policy and practice.

Information on the number of meetings of the Remuneration Committee and the individual attendance by members is provided on page 40.

The Chief Executive and Chief Financial Officer have been invited to join meetings, where their own remuneration is not the subject of discussion. The Assistant Company Secretary acts as Secretary to the Committee.

EXTERNAL ADVISERS

The Remuneration Committee received advice from Aon in respect of the set-up of the Long Term and Short Term Incentive Plans and to support the production of this Directors' Remuneration Report. The total fees paid were £92,000.

Aon was selected following a competitive tendering process. Aon is a signatory to the Remuneration Consultants' Code of Conduct which requires consultants to provide objective and impartial advice. The Remuneration Committee is satisfied that Aon is not connected to the British Business Bank.

RELATIVE IMPORTANCE OF SPEND ON PAY

As this was our first year of operation, we are not able to provide information on the actual expenditure of the Bank for the year ended 31 March 2015 and the preceding year and the difference in spend between those years on remuneration, distributions to shareholders and any other significant distributions. Total staff costs for 2014-15 were equal to 34% of revenue.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2015-16

For 2015-16, the Remuneration Committee will continue to implement the policy on a similar basis to 2014-15. The British Business Bank will seek approval from the Shareholder for any changes to the policy.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

This Directors' Remuneration Report, including both the Policy and Annual Remuneration Report, has been approved by the Board of Directors.

Signed on behalf of the Board of Directors

Yours sincerely

Christina McComb
Chair of the Remuneration Committee

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

Directors' Responsibilities

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

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

We confirm that to the best of our knowledge:

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
2. The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
3. 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.

By Order of the Board

Chief Executive Officer
Keith Morgan
13 July 2015

Chief Financial Officer
Christopher Fox
13 July 2015

AUDITOR'S REPORT

OPINION ON FINANCIAL STATEMENTS

In my opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2015 and of the Group's loss for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union
- have been prepared in accordance with the Companies Act 2006

BASIS OF OPINIONS

I have audited the financial statements of the British Business Bank plc for the year ended 31 March 2015 which comprise

- the Consolidated Statement of Comprehensive Net Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement
- the notes to the consolidated financial statements
- the Company Statement of Financial Position, the Company Statement of Changes in Equity and the Company Cash Flow Statement
- the notes to the Company financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006 I have also audited the information in the Directors' Remuneration Report that is described in that report as having been audited

MY AUDIT APPROACH

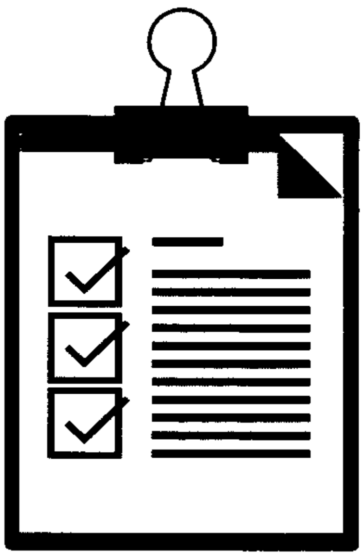
The sections below explain the areas of particular audit focus together with my responses to them, my approach to materiality and an explanation of the scope of my audit

RISKS SIGNIFICANT TO MY AUDIT

In arriving at my opinion on the financial statements, I assessed the risks of material misstatement in the financial statements Those risks that had the greatest effect on the audit strategy, the allocation of resources in the audit, and the direction of the efforts of the engagement team are outlined in the table overleaf

I have also set out how my audit addressed these specific areas in order to support the opinion on the financial statements as a whole, and any comments I make on the results of our procedures should be read in this context This is not a complete list of all risks identified by my audit

The areas of focus were discussed with the Audit Committee, their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 39



Risk	Response
Allocation of assets to the British Business Bank plc and its subsidiaries The British Business Bank plc's initial portfolio of investments, worth £477m at 31 October 2014, was acquired by Group companies from the Department of Business, Innovation and Skills (BIS) and from Her Majesty's Treasury (HMT) In addition to these, certain assets worth a further £133m at 31 March 2015, remain on BIS' balance sheet but are administered by the British Business Bank plc Group The transfer of assets to the British Business Bank plc Group gave rise to risks that • the assets which transferred may not be completely reflected in the Group's accounts, or assets may be reflected which did not transfer • assets may not be allocated to the correct Company accounts following transfer • if the British Business Bank plc Group's responsibilities for administering BIS' assets exposes the Group to the risks and rewards associated with those assets, the Group may need to recognise some or all of those assets in its accounts	I reviewed legal documentation and board minutes, and circularised the auditors of BIS and HMT, to confirm which assets were due to transfer I confirmed that all investments identified through this process are correctly reflected in the accounts of the British Business Bank plc Group I reviewed the Memorandum of Understanding between the British Business Bank plc Group and BIS and confirmed that the scope of the British Business Bank plc Group's responsibilities in respect of those assets remaining on the BIS balance sheet indicates it is acting as an agent, and therefore is not exposed to the risks and rewards associated with the investments
Accounting Treatment and Valuation of Assets and Liabilities British Business Bank plc assessed the accounting treatment and associated valuation of the investments it acquired, to ensure that these are appropriate for the British Business Bank plc accounts. To support their assessment, management engaged expert advisers to advise on the accounting treatments and to provide valuations of assets at 31 October 2014 and 31 March 2015 British Business Bank identified that, for certain assets, different accounting treatments are required within the British Business Bank plc accounts compared with those applied by the bodies which previously held the assets, which have resulted in material adjustments being made to the valuation of those assets The assessments made of accounting treatment and valuation models are based on a number of assumptions which could have a material effect on the accounts British Business Bank will continue to make these judgements for any new investments	**Accounting Treatment**: I gained an understanding of the nature of the investments within each class of assets to assess if the accounting treatments were appropriate and consistent for those assets with a similar underlying transaction structure I performed a detailed review of a sample of investments and considered whether management's judgements on appropriate accounting treatments applied are consistent with the relevant accounting standards and the underlying substance and form of legal agreements **Valuation:** In line with auditing standards, I performed detailed procedures to enable me to gain assurance from the work of management's experts. In assessing whether their work provides a sound basis for valuation I considered the overall competence, capability and objectivity of management's experts, as well as the scope of their work and its relevance to the accounts and my opinion In particular, I considered the design of the valuation models they created, the validity of the data inputs to those models, and the appropriateness of the key assumptions on which the models were based. I sought confirmation that management had reassessed the assumptions which underpin the valuation models to confirm that they remain appropriate at year end.

APPLICATION OF MATERIALITY

I applied the concept of materiality both in planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements

The choice of materiality requires professional judgement and for the Group financial statements as a whole was set at £7 35m, which is approximately 1% of Group total assets, a benchmark that I consider to be the principal consideration for users in assessing the financial performance of the Group

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors in Directors' remuneration as reported in the Directors' Remuneration Report Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement

I agreed with the Audit Committee that I would report to it all corrected and uncorrected misstatements identified through my audit in excess of £124,000, as well as differences below that threshold that in my view, warranted reporting on qualitative grounds

SCOPE OF MY AUDIT

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 This includes an assessment of

- whether the accounting policies are appropriate to the Group and the parent Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the Directors
- the overall presentation of the financial statements

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report

My audit approach is risk-based, informed by a good understanding of the operations of the British Business Bank plc and an assessment of the risks associated with the financial statements This approach focuses audit effort towards higher risk areas, such as management judgements and estimates and those that are considered significant based upon size, complexity and risk

GROUP AUDIT APPROACH

My Group audit scope focused on those balances assessed as being of the greatest significance to the Group financial statements and their users I considered how the subsidiaries should be aggregated to form the components of my Group audit approach in line with International Standards of Auditing I gave particular consideration to the size and risk characteristics of the consolidated entities, how they are managed, and the audit exemptions taken by the British Business Bank plc British Business Bank Investments Ltd, which is the largest subsidiary and holds £509m of the Group's £648m net assets at 31 March 2015, is subject to separate governance processes and has its own ledger, I have therefore treated this as a single component The parent Company and remaining subsidiaries are subject to common governance processes and share a ledger and so I have aggregated these to form a single component for the purposes of my audit Both components are significant to the Group in terms of value and risk I have taken assurance from work performed by the auditors of British Business Bank Investments Ltd and have performed additional procedures to obtain assurance over the financial information of the parent and other subsidiaries

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In my opinion

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

Matters on which I am required to report by exception

ADEQUACY OF ACCOUNTING RECORDS AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 I am required to report to you if, in my opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for my audit have not been received from branches not visited by my staff, or
- the consolidated financial statements are not in agreement with the accounting records and returns, or
- I have not received all the information and explanations I require for my audit

I have nothing to report in respect of these matters

DIRECTORS' REMUNERATION

Under the Companies Act 2006 I am also required to report if in my opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns I have nothing to report arising from these matters or my review

MY DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under the ISAs (UK and Ireland), I am required to report to you if, in my opinion, information in the Annual Report is

- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit
- otherwise misleading

In particular, I am required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed I confirm that I have not identified any such inconsistencies or misleading statements

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 My audit work has been undertaken so that we might state to the Company's members those matters I am either required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for my audit work, for this report, or for the opinions I have formed

Hilary Lower
Senior Statutory Auditor
14 July 2015

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Consolidated Statement of Comprehensive Net Income

FOR THE YEAR ENDED 31 MARCH 2015

	Note	Year ended 2015 £000	Period ended 2014 £000
INCOME			
Interest income	4 1	12,033	-
Management fee	4 2	5,331	-
Other income	4 3	315	-
Gross Operating Income		17,679	-
Net losses on investment assests	6 2	(331)	-
Net operating income		17,348	-
EXPENDITURE			
Staff costs	5	(5,993)	(90)
Purchase of goods and services	6 1	(3,396)	(6)
Depreciation and amortisation	6 3	(132)	-
Operating Expenditure		(9,521)	(96)
Net Operating Profit / (Loss)		7,827	(96)
ECF Fair Value Adjustments			
Unwind of ECF fair value impairment	13 2	4,270	-
ECF fair value provision	17	(26,055)	-
Net ECF Fair Value Adjustments		(21,785)	-
Loss Before Tax		(13,958)	(96)
Tax	7	(3,160)	-
Loss for the Period		(17,118)	(96)
Other Comprehensive Income for the Period Net of Tax			
Gain on investments recognised in reserves	13 2	5,735	-
Deferred tax relating to ECF investments	7	(4,766)	-
Total Comprehensive Loss for the Period		(16,149)	(96)

All operations are continuing

The Gain on Investments Recognised in Reserves included within Other Comprehensive Income will be reclassified to profit and loss in subsequent periods if the gain on investments is realised

Consolidated Statement of Financial Position

AS AT 31 MARCH 2015

	Note	2015 £000	2014 £000
ASSETS			
Non-current Assets			
Loans and receivables	13 1	18,461	-
Available-for-sale financial assets	13 2	622,930	-
Assets designated at fair value through profit or loss	13 3	5,313	-
Derivative financial instruments	13 4	12,273	-
Property, plant and equipment	9	568	-
Intangible assets	10	200	-
Investment in associates	11	14	-
Total Non-current Assets		659,759	-
Current Assets			
Trade and other receivables	14	5,062	50
Cash and cash equivalents	15	71,048	-
Total Current Assets		76,110	50
Total Assets		735,869	50
LIABILITIES			
Current Liabilities			
Trade and other payables	16	(6,565)	(96)
Corporation tax	7	(4,402)	-
Provisions	17	(19,866)	-
Total Current Liabilities		(30,833)	(96)
Total Assets less Current Liabilities		705,036	(46)
Non-current liabilities			
Trade and other payables		(426)	-
Deferred tax	7	(4,774)	-
Provisions	17	(51,755)	-
Total Liabilities		(87,788)	(96)
Net Assets/(Liabilities)		648,081	(46)
Equity			
Issued share capital	20	664,326	50
Financial instruments reserve		969	-
Retained earnings		(17,214)	(96)
Total Equity		648,081	(46)

The financial statements of the group (parent company number 08616013) were approved by the Board of Directors and authorised for issue on 13 July 2015 They were signed on its behalf by

Keith Morgan
Chief Executive Officer
British Business Bank

Consolidated Statement of Changes in Equity
AS AT 31 MARCH 2015

	Issued capital	Financial instrument reserve	Retained earnings	Total
	£000	£000	£000	£000
Opening Balance as at 18 July 2013	-	-	-	-
Net income after tax	-	-	(96)	(96)
Total Comprehensive Income	-	-	(96)	(96)
Issue of ordinary shares	50	-	-	50
Balance at 31 March 2014	50	-	(96)	(46)
Opening Balance as at 1 April 2014	**50**	**-**	**(96)**	**(46)**
Net income after tax	-	-	(17,118)	(17,118)
Other comprehensive income, net of tax	-	969	-	969
Total Comprehensive Income		**969**	**(17,118)**	**(16,149)**
Issue of ordinary shares	664,276	-	-	664,276
Balance at 31 March 2015	**664,326**	**969**	**(17,214)**	**648,081**

Consolidated Cash Flow Statement

AS AT 31 MARCH 2015

	Note	Year ended 2015 £000	Period ended 2014 £000
Loss Before Tax		(13,958)	(96)
Cash Flows from Operating Activities			
Adjustments for			
Net losses on investment assets	6 2	331	-
Depreciation and amortisation	6 3	132	-
Unwind of ECF fair value impairment	13 2	(4,270)	-
Provision expense	17	26,055	-
Movement in trade receivables		(17,045)	-
Movement in trade payables	16	6,895	96
Net Cash Received from/(used for) Operating Activities		(1,860)	-
Cash Flows from Investing Activities			
Net financial assets acquired on 31 October 2014[1]		(475,529)	-
Purchase of loan and receivable assets	13 1	(15,052)	-
Repayment of loan and receivable assets	13 1	171	-
Purchase of available-for-sale assets	13 2	(154,828)	-
Repayment of available-for-sale assets	13 2	56,062	-
Purchase of assets designated at fair value through profit or loss	13 3	(3,065)	-
Repayment of assets designated at fair value through profit or loss	13 3	563	-
Cash received from derivative financial instruments	13 4	1,210	-
Purchases of property, plant and equipment	9	(660)	-
Purchase of intangible assets	10	(240)	-
Net Cash used in Investing Activities		(591,368)	-
Cash Flows from Financing Activities			
Issue of new shares	20	664,276	-
Net Cash from Financing Activities		664,276	-
Net Increase/(Decrease) in Cash and Cash Equivalents		71,048	-
Cash and Cash Equivalents at Beginning of Year		-	-
Cash and Cash Equivalents at End of Year		71,048	-

1 The purchase of financial assets on 31 October 2014 was funded by the issue of new shares and these two transactions were settled on a net basis

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 MARCH 2015

1. General information

The British Business Bank plc (the "Company" or "Group") is incorporated in the United Kingdom under the Companies Act The address of the registered office is given on page 90 The nature of the British Business Bank Group's operations and its principal activities are set out in the strategic report on page 10

2. Significant accounting policies

BASIS OF ACCOUNTING

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

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

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year Control is achieved when the Company

- has the power over the investee
- is exposed, or has rights, to variable return from its involvement with the investee
- has the ability to use its power to affects its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Net Income from the date the Company gains control until the date when the Company ceases to control the subsidiary

Profit or loss and each component of other comprehensive income are attributed in full to the owners of the Company in the absence of non-controlling interests Total comprehensive income of the subsidiaries is also attributed in full to the owners of the Company in the absence of non-controlling interests

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies

All intragroup assets and liabilities, equity, income, expenses and cash-flows relating to transitions between the members of the Group are eliminated on consolidation

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies

ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised Standards and Interpretations have been adopted in the current year Their adoption has not had any significant impact on the amounts reported in these financial statements

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*	In the current year the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance IAS 27 (as revised in 2011) has also been applied and it deals only with separate financial statements During the current financial year, the British Business Bank plc acquired 100% ownership interests in British Business Bank Investments Limited, British Business Finance Limited and British Business Financial Services Limited IFRS 10 has been applied in determining that these subsidiaries should be consolidated and the disclosures in these accounts follow IFRS 12 (see note 21 for details)
IAS 36 (amendments)	The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique As the Group does not have any goodwill or intangible assets with indefinite useful lives, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements
IAS 39 (amendments)	The IASB issued Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments Recognition and Measurement*) Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met The amendments do not apply to the Group and therefore the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements
IFRIC Interpretation 21	IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation The Interpretation clarifies that "economic compulsion" and the going concern principle do not create or imply that an obligating event has occurred The application of IFRIC Interpretation 21 has not had any material impact on the amounts recognised in the consolidated financial statements

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 9, *Financial Instruments*
- IAS 27 (amendments), *Investment Entities*

The Directors do not expect that the adoption of the Standards and Interpretations listed oposite will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree Acquisition-related costs are recognised in profit or loss as incurred

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard

REVENUE RECOGNITION

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

DIVIDEND AND INTEREST INCOME

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably)

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

TAXATION

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

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

VAT is accounted for in these financial statements, in that amounts are shown net of VAT except

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

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

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment

Property, plant and equipment are carried at fair value or depreciated historical cost which is used as a proxy for fair value

Furniture and equipment and leasehold improvement are stated at cost less accumulated depreciation and any recognised impairment loss

The Group capitalises property, plant and equipment purchased for a net value of £3,000 or more and which have a useful economic life in excess of one year

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases

Fixtures and equipment 2 - 5 years
Leasehold improvement Shorter of estimated remaining useful life or outstanding lease term
IT equipment 3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

Intangible assets acquired separately

Intangible assets, including IT programs and software licences, with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses Amortisation is recognised on a straight-line basis over their estimated useful lives on the following basis

IT programs	3 - 10 years
Software licences	Period of licence

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised

Impairment of Property, Plant and Equipment and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

Recoverable amount is the higher of fair value less costs to sell and value in use

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

FINANCIAL INSTRUMENTS

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

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

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL

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

Financial assets are classified as at FVTPL when the financial asset is a derivative financial instrument held for trading or it is designated as at FVTPL The VC Catalyst investments have been designated as at FVTPL There are no held for trading financial assets

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset

Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis The Group does not currently hold any held-to-maturity investments

Available-for-sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss

The Group has investments in Limited Partnerships and Venture Capital investments which are classified as being AFS Fair value is determined in the manner described in note 22 Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the financial instrument reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the financial instrument reserve is reclassified to profit or loss

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset Other foreign exchange gains and losses are recognised in other comprehensive income

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market

Loans and receivables comprise cash and cash equivalents, receivables and loans After initial recognition they are measured at amortised cost using the effective interest method, less any impairment Gains and losses are recognised in the profit or loss through the amortisation process Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

Impairment of financial assets

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

For all other assets, objective evidence of impairment could include

- significant financial difficulty of the issuer or counterparty
- default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account When a trade receivable is considered uncollectible, it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account Changes in the carrying amount of the allowance account are recognised in profit or loss

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

Derecognition of financial assets

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

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities The Group does not hold any financial liabilities at FVTPL

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire

CASH AND CASH EQUIVALENTS

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

PROVISIONS

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

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

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

CONTINGENT LIABILITIES

The Group has contingent liabilities arising through financial guarantees A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably Contingent liabilities are not recognised but are instead disclosed, unless the possibility of an outflow of economic resources is remote Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts

FOREIGN EXCHANGE

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency) which is pounds sterling

The Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates* and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, 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 These translation differences are recognised in the Consolidated Statement of Comprehensive Net Income

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions Payments made to State-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme

EMPLOYEE BENEFITS

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

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed

3. Critical accounting judgements and key sources of estimation uncertainty

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

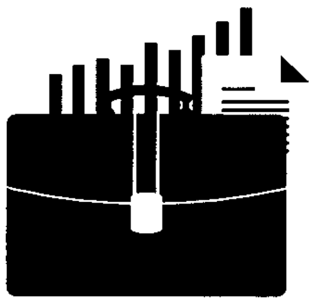
The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current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

- fluctuations in the fair values of available-for-sale assets, where quoted prices and other valuation models and techniques are used to determine estimated future cash flows, and include a number of other assumptions
- directors' judgements with regard to the impairment of assets
- fluctuations in the fair value of financial liabilities/guarantees measured using modelling techniques

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

The Group has estimated effective interest rates for all debt fund investments on a consistent basis As an indication of sensitivity, a 50 basis points decrease in the effective interest rate would decrease interest income by £0 9m and result in a corresponding increase in revaluation gains recognised through other comprehensive income



The Directors have had to make judgements on the valuation of Enterprise Capital Funds and on returns from investments in debt funds

4. Income

4.1. INTEREST INCOME

An analysis of the Group's interest income is as follows

	Note	Year ended 2015 £000	Period ended 2014 £000
Interest from available-for-sale assets	13 2	11,822	-
Interest from loans and receivables	13 1	211	-
Total interest income		12,033	-

4.2. MANAGEMENT FEE

An analysis of the Group's management fee income is as follows

	Year ended 2015 £000	Period ended 2014 £000
Management fee earned from		
Angel Co Fund	142	-
Department for Business, Innovation and Skills	5,026	-
Capital for Enterprise Limited	156	-
Other	7	-
Total management fee income	5,331	-

4.3. OTHER INCOME

An analysis of the Group's other income is as follows

	Year ended 2015 £000	Period ended 2014 £000
Grant income before 1 November 2014	315	-
Total other income	315	-

5. Staff numbers and costs

The average monthly number of employees (including Executive Directors) was

	2015 Number	2014 Number
Permanent staff	69	-
Seconded staff	20	-
Temporary and agency staff	19	-
Total	108	-

The figures in the above table represent the average monthly number of employees since the British Business Bank commenced its operations on 1 November 2014

When looking at the full financial year 2014-15, the average monthly number of employees (including Executive Directors) for the year split between the above categories would be 29, 8 and 8

	Year ended 2015 £000	Period ended 2014 £000
Their aggregate remuneration comprised		
Wages and salaries - Permanent staff	2,448	-
Wages and salaries - Seconded staff	657	-
Wages and salaries - Temporary and agency staff	1,060	-
Non-executive Directors' fees	315	90
Short and Long-Term Incentive Plans and bonus scheme	703	-
Social security costs	378	-
Pension costs	432	-
Total staff costs	5,993	90

6. Operating Costs

6.1. PURCHASE OF GOODS AND SERVICES

	Year ended 2015 £000	Period ended 2014 £000
Consultancy and professional services		
Scheme design and transactions	766	-
Finance	554	-
HR	363	-
Legal	142	-
IT	106	-
Other	22	-
Accommodation and office services	664	-
Marketing	285	-
Auditor's remuneration	160	6
Staff related costs, including training and travel	148	-
Other purchase of goods and services	186	-
Total	3,396	6

A significant proportion of the consultancy and professional services costs relate to the set-up of the British Business Bank as a fully operationally independent organisation For example, the Bank used advisers to develop its finance capability, including support in building financial models for valuation, accounts production and forecasting which will be maintained by the Bank Advisers also provided support in the selection and procurement of a pension scheme and life assurance

Auditor's remuneration relates to fees payable for the audit of the Group's annual accounts The Group's auditors did not provide any non-audit services

6.2. NET LOSSES ON INVESTMENT ASSETS

	Notes	Year ended 2015 £000	Period ended 2014 £000
Impairment of investments in associates	11	2	-
Bad debt allowance on loans and receivables	13 1	124	-
Foreign exchange losses on available-for-sale financial assets	13 2	1,174	-
Impairment of available-for-sale financial assets	13 2	2,262	-
Fair value losses on assets held at fair value through profit and loss	13 3	370	-
Fair value gains on asset derivatives	13 4	(3,601)	-
Total		331	-

6.3. DEPRECIATION AND AMORTISATION

	Notes	Year ended 2015 £000	Period ended 2014 £000
Property, plant and equipment depreciation	9	92	-
Intangible assets amortisation	10	40	-
Total		132	-

7. Tax

	Year ended 2015 £000	Period ended 2014 £000
Current corporation tax:		
Acquired on 31 October 2014	(1,242)	-
Charge in year	(3,160)	-
	(4,402)	
Deferred corporation tax		
Opening	(8)	-
Change in year	(4,766)	-
Total	(4,774)	-

Corporation tax is calculated at 21% (2014 20%) of the estimated taxable profit for the year Deferred tax primarily relates to the British Business Bank's investments in Enterprise Capital Funds It is calculated at 20% of the estimated unrealised gains within the funds This is a temporary timing difference and the tax will become payable once the gains are realised in the underlying funds, for example through investment exits Of the deferred tax liability of £4 8m, we estimate that approximately £2 9m relates to unrealised gains at the time that the Bank acquired the assets from the Department for Business, Innovation and Skills

The table below reconciles the tax charge for the year

	Profit / (loss) before tax £000	Current Tax £000
Loss before tax	(13,958)	(2,931)
Net gain on investments recognised in reserves	5,735	1,204
Permanent disallowances relating to		
ECF provision expense	26,055	5,471
Unwind of ECF fair value impairment	(4,270)	(897)
Other permanent disallowances	153	32
Timing differences relating to		
ECF derivative fair value movement	(3,601)	(756)
ECF accrued return	(3,214)	(675)
ECF impairment	2,262	475
ECF realised gains	5,500	1,155
Long-Term Incentive Plan accrued expenditure	534	112
Other timing differences	(45)	(9)
Losses brought forward	(99)	(21)
Profits chargeable to current tax	15,052	3,160

	Unrealised gains £000	Deferred Tax £000
Value of ECF investments	148,312	29,662
Less tax base of ECF investments	(124,743)	(24,949)
Unrealised gains on ECF investments	23,569	4,714
Other unrealised gains	261	52
Unrealised gains subject to deferred tax	23,830	4,766

8. Operating segments

The Group's performance and results are managed internally as follows

- British Business Bank entities - these are split into British Business Finance Limited (BBFL), British Business Bank Investments Ltd (BBBIL) and the overall Group results
- Programmes administered on behalf of BIS - In addition to its own operations, the British Business Bank also through its subsidiary British Business Finance Service Ltd, (BBFSL) administers assets on behalf of the Department for Business, Innovation and Skills These assets do not form part of the British Business Bank plc Group financial statements but are reported to management The financial performance and position of these programmes is included within the Strategic Report These figures are not part of the audited financial statements
- Business units - The Group's business units span the different subsidiaries to pool expertise Further information on the performance of each of the business units is included in the Strategic Report

BBFL and BBBIL were acquired and commenced trading during the year ended 31 March 2015 and therefore no comparable prior year information is available Prior year British Business Bank plc Group results are provided in the primary statements

Profit and loss for the year ending 31 March 2015	**BBFL £000**	**BBBIL £000**	**BBFSL & Company plc £000**	**Intra-Group eliminations £000**	**Total Group £000**
Income					
Investment Programmes	-	8,819	-	-	8,819
Venture Capital Solutions	3,214	-	-	-	3,214
Other income	262	400	11,244	(6,260)	5,646
	3,476	9,219	11,244	(6,260)	17,679
Net investment costs					
Investment Programmes	-	(1,668)	-	-	(1,668)
Venture Capital Solutions	1,337	-	-	-	1,337
	1,337	(1,668)	-	-	(331)
Operational Costs					
Staff costs	(317)	(560)	(5,116)	-	(5,993)
Professional services	(59)	(65)	(1,829)	-	(1,953)
General operations	(1,496)	(1,862)	(4,477)	6,260	(1,575)
	(1,872)	(2,487)	(11,422)	6,260	(9,521)
Net operating income	**2,941**	**5,064**	**(178)**	-	**7,827**
ECF fair value provision expense	(26,055)	-	-	-	(26,055)
Unwind of ECF fair value impairment	4,270	-	-	-	4,270
Pre-tax earnings on an IFRS basis	**(18,844)**	**5,064**	**(178)**	-	**(13,958)**

Balance sheet as at 31 March 2015	**BBFL £000**	**BBBIL £000**	**Company plc £000**	**Total Group £000**
Investment Assets				
Investment Programme				
BFP Mid Cap	-	426,029	-	426,029
Investment Programme	-	38,465	-	38,465
BFP Small Cap	-	28,643	-	28,643
Venture Capital Solutions				
Enterprise Capital Fund (ECF)	148,312	-	-	148,312
VC Catalyst	-	5,313	-	5,313
Other venture capital investments	12,229	-	-	12,229
Total Investment Assets	160,541	498,450	-	658,991
ECF fair value provision	(71,621)	-	-	(71,621)
Net Investment Assets	88,920	498,450	-	587,370
Other Assets/(Liabilities)				
Cash	13,837	16,043	41,168	71,048
Tangible and intangible assets	-	-	768	768
Net other (payables) / receivables	(8,431)	(5,806)	3,132	(11,105)
Total Net Assets	94,326	508,687	45,068	648,081

9. Property, plant and equipment

	Leasehold improvement £000	IT equipment £000	Total £000
Cost or valuation			
At incorporation on 18 July 2013	-	-	-
At 31 March 2014	-	-	-
Additions	140	520	660
At 31 March 2015	140	520	660
Accumulated depreciation and impairment			
At incorporation on 18 July 2013	-	-	-
At 31 March 2014	-	-	-
Charge for the year	(11)	(81)	(92)
At 31 March 2015	(11)	(81)	(92)
Carrying amount			
At 31 March 2015	129	439	568
At 31 March 2014	-	-	-

10. Intangible assets

	IT £000	Software licences £000	Total £000
Cost or valuation			
At incorporation on 18 July 2013	-	-	-
At 31 March 2014	-	-	-
Additions	213	27	240
At 31 March 2015	213	27	240
Accumulated depreciation and impairment			
At incorporation on 18 July 2013	-	-	-
At 31 March 2014	-	-	-
Charge for the year	(26)	(14)	(40)
At 31 March 2015	(26)	(14)	(40)
Carrying amount			
At 31 March 2015	187	13	200
At 31 March 2014	-	-	-

11. Associates

Capital for Enterprise Ltd (CfEL), a subsidiary of British Business Finance Limited, has one associate which arises out of its investment in a French Fund Management Company (SAS Athena) This investment transferred to the British Business Bank Group when it purchased CfEL The carrying value of the investment as at 31 March 2015 is £14,000 and Group's share of losses arising in the year is £2,000

12. Investments

BUSINESS FINANCE PARTNERSHIP

British Business Bank Investments Limited manages the Business Finance Partnership programme

The Business Finance Partnership (BFP) has two strands The first strand is the BFP Mid Cap which invests in fund managers who lend to medium-sized businesses with turnover of up to £500m All of the BFP Mid Cap investments are classified as available-for-sale assets See note 13 2 for details

The second strand is the BFP Small Cap which invests in debt funds and non-bank lenders that provide an alternative source of lending for small businesses with turnover up to £75m Its investments attract matching private sector investment

The majority of the BFP Small Caps investments are classified as available-for-sale assets See note 13 2 for details

During 2014-15 the BFP Small Cap also invested in MarketInvoice Through MarketInvoice, British Business Bank Investments Limited purchases invoices from investors, releasing money that would otherwise be tied up for between 30 and 120 days The investment is classified as loans and receivables See note 13 1 for details

INVESTMENT PROGRAMME

British Business Bank Investments Limited manages the Investment Programme It makes commercial investments that stimulate at least the same amount of investment from the private sector, encouraging new lenders into the market and the growth of smaller lenders British Business Bank Investments Limited investments through the Investment Programme are classified as available-for-sale assets

VC CATALYST

VC Catalyst Fund investments are funded by British Business Bank Investments Limited The VC Catalyst Fund invests in commercially viable Venture Capital funds that might otherwise fail to reach a satisfactory first close - the point at which a fund has raised enough money to begin making investments in businesses It enables private sector investment already committed to those funds to be unlocked and invested in growth companies

The British Business Bank has chosen to account for all of its new Venture Capital investments at fair value through profit or loss as explained in the accounting policies in note 2 See note 13 3 for details

ENTERPRISE CAPITAL FUNDS

British Business Finance Limited runs Enterprise Capital Funds Enterprise Capital Funds are commercially focused funds that bring together private and public money to make equity investments in high growth businesses British Business Finance Limited invests into funds on terms that improve the outcome for private sector investors when those funds are successful It does this by taking an agreed prioritised return of 3-4 5% which is paid regardless of a fund's performance In return British Business Finance Limited is entitled to less of the remaining upside gain, in excess of the agreed return, if a fund is successful

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

The investments which British Business Finance Limited make in Enterprise Capital Funds meet the accounting definition of a loan and are classified as available-for-sale assets Any upside returns which the funds generate are separately accounted for as derivatives

Accounting standards require that available-for-sale assets are held at fair value In effect, this corresponds to the amount that a private sector investor would pay for the investment This means that every ECF investment is impaired to reflect the fact that it will not provide the level of return sought by a private sector investor, even if it is providing a positive return The impairment then reverses over the life of the asset to top-up the prioritised return and provide a commercial rate of return in the accounts See note 13 2 for details

In addition, British Business Finance Limited signs ECF agreements committing to the prioritised return and reduced upside gain in advance of drawdowns At the point that British Business Finance Limited enters into a new commitment it becomes probable that it will incur accounting losses through recognition of a fair value impairment Consequently British Business Finance Limited has to recognise a provision for the liability it is taking on at the point of commitment and this provision is utilised to cover the impairment when a drawdown is made See note 17 for details

Where a fund performs well enough to more than repay British Business Finance Limited's prioritised return and capital the remaining return is accounted for as a derivative These are detailed in note 13 4

OTHER VENTURE CAPITAL INVESTMENTS

British Business Finance Limited also has three other smaller Venture Capital schemes Bridges, Aspire and the Capital for Enterprise Fund These are detailed in note 13 2

13. Investment Assets

13.1. LOANS AND RECEIVABLES

At 31 March 2015

	Acquired on 31 October 2014	Additions	Repayments	Accrued Return	Bad debt allowance	Closing
	£000	£000	£000	£000	£000	£000
Private companies						
BFP Peer-to-peer	3,493	-	(171)	199	(124)	3,397
Investment Programme Peer-to-peer	-	15,052	-	12	-	15,064
Total	3,493	15,052	(171)	211	(124)	18,461

The carrying value of the loans and receivable assets approximates to their fair value

13.2. AVAILABLE-FOR-SALE ASSETS

At 31 March 2015

	Acquired on 31 October 2014	Additions	Repayments	Accrued interest	Revaluation	Unwind of fair value impairment	Foreign exchange losses	Impairment	Closing
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Limited Partnership Investments									
BFP Mid Cap	339,208	117,146	(42,752)	7,384	5,043	-	-	-	426,029
BFP Small Cap	19,160	5,281	(216)	698	990	-	(667)	-	25,246
Investment Programme	8,532	15,188	-	526	(338)	-	(507)	-	23,401
Total	**366,900**	**137,615**	**(42,968)**	**8,608**	**5,695**	**-**	**(1,174)**	**-**	**474,676**
Venture Capital Investments									
Enterprise Capital Funds	121,870	17,062	(8,115)	3,214	-	4,270	-	(2,262)	136,039
Bridges	1,514	5	(126)	-	-	-	-	-	1,393
Aspire	3,529	-	-	-	40	-	-	-	3,569
Capital for Enterprise Fund	11,960	146	(4,853)	-	-	-	-	-	7,253
Total	**138,873**	**17,213**	**(13,094)**	**3,214**	**40**	**4,270**		**(2,262)**	**148,254**
Total available for sale assets	**505,773**	**154,828**	**(56,062)**	**11,822**	**5,735**	**4,270**	**(1,174)**	**(2,262)**	**622,930**

The total impairment includes £5 6m of impairments on investment additions in the year (which have been offset against the provision release) In addition it includes £3 4m of net impairment reversal on existing investments

13.3. ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Acquired on 31 October 2014	Additions	Repayments	Revaluation	Closing
	£000	£000	£000	£000	£000
VC Catalyst	3,181	3,065	(563)	(370)	5,313
Total	3,181	3,065	(563)	(370)	5,313

13.4. DERIVATIVES

	Acquired on 31 October 2014	Repayments	Revaluation	Closing
	£000	£000	£000	£000
Enterprise Capital Funds	9,882	(1,210)	3,601	12,273
Total	9,882	(1,210)	3,601	12,273

14. Trade and other receivables

	2015 £000	2014 £000
Amounts receivable within one year		
Trade receivables	1,192	-
Accrued income	3,835	-
Other receivables	35	50
Total	5,062	50

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost
Of the amount above, £1m of trade receivables and £3 8m of accrued income are receivable from the Department for Business, Innovation and Skills

15. Cash and cash equivalents

The following balances were held at year end

	2015 £000	2014 £000
Government Banking Service	68,118	-
Commercial banks	2,930	-
Total	71,048	-

The British Business Bank generally maintains a cash balance of at least £50m to fund investments As at 31 March 2015 the cash balance was £71m due to additional drawdowns to fund investments of £62 4m in April and May 2015 As the majority of cash is held in the Government Banking Service there is minimal cost to the Exchequer

16. Trade and other payables

	2015 £000	2014 £000
Amounts falling due within one year		
Trade payables	14	83
VAT and social security	346	-
Accrued expenditure	2,597	13
Other payables	3,608	-
Total	6,565	96
Amounts falling due after more than one year		
Accrued expenditure	426	-
Total	426	-

Of the amount above, £0 4m of other payables relate to amounts payable in relation to the acquisition of the CfEL Group and £2 1m relate to the Shareholder loan from the Department for Business, Innovation and Skills All Shareholder loans are subsequently converted to share capital Accrued expenditure also includes £0 1m of staff costs payable to BIS
The Directors consider that the carrying amount of trade payables approximates to their fair value

17. Provisions

At 31 March 2015

	Total £000
Opening balance	-
Acquired on purchase of ECF investments	45,566
Provided in year	31,696
Provision utilised in year	(5,641)
Closing Balance	71,621
Of which	
Current	19,866
Non-current	51,755
Total	71,621

All provisions relate to loan commitments

The net provision expense for Enterprise Capital Fund (ECF) investments is £26 1m The British Business Bank accepts a lower return from ECF investments in order to encourage private sector investors to invest Although the Bank expects to make a positive return from these investments, this return is less than that required by the private sector Accounting standards require the Bank to recognise a liability when it makes a commitment to a fund The Bank records this liability as a provision When a commitment is drawn the Bank impairs the resulting investment and utilises the provision by a corresponding amount This results in significant upfront expenditure when new ECF commitments are entered into This expenditure gradually reverses over the lifetime of the investment as the impairment is reversed The expenditure doesn't relate to an underlying loss on ECF investments and is therefore excluded from the Group's financial target There were no provisions in the previous year

18. Contingent liabilities and indemnities

The Group has taken advantage of the exemption available under section 479A *Subsidiary companies conditions for exemption from audit* of the Companies Act which exempts qualifying companies from the audit of their individual accounts for a financial year The exemption is in respect of British Business Finance Limited and British Business Financial Sevices Limited, and their respective subsidiaries As required by the Act, the British Business Bank plc therefore

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

19. Capital and other commitments

19.1. CAPITAL COMMITMENTS

The British Business Bank plc had the following commitments at the balance sheet date in relation to its existing investment portfolio

	2015 £000	2014 £000
BFP Small Cap	27,836	-
BFP Mid Cap	457,537	-
Investment Programme	136,453	-
VC Catalyst Fund	24,400	-
Enterprise Capital Funds	195,090	-
Bridges Venture Fund	899	
Capital for Enterprise Fund	7,086	-
Total	849,301	-

19.2. OPERATING LEASE COMMITMENTS

The Bank's occupation of its registered office at Foundry House, 3 Millsands, Riverside Exchange, Sheffield S3 8NH is governed by a Memorandum of Terms of Occupation (MOTO) covering the period from 17 December 2012 to 30 June 2017 For the year ended 31 March 2015, lease payments of £62,000 were recognised as an expense in the year

The lease commitments as at the balance sheet date are as follows

	<1yr £000	1-5yrs £000	>5 yrs £000	Total £000
Operating lease	62	77	-	139

The Bank is in the process of signing a new MOTO to cover its occupation of office space at Fleetbank House, 2- 6 Salisbury Square, London, EC4Y 8JX The MOTO is expected to permit the Bank to occupy the space to 1 April 2019 with an option to break the agreement effective from 1 May 2016, upon serving six months' notice The Bank will pay £215,244 per annum subject to a fixed annual uplift of 2 25%

For the year ended 31 March 2015, the Bank paid £197,000 in expenses in relation to occupying the offices Once the MOTO is signed, the Bank is expected to incur £220,000 of expenses in 2015-16 covering the period to the first break point

20. Share capital

	2015 £000	2014 £000
Authorised		
ordinary shares of £1 each	5,000,000	50
Issued and not fully paid ordinary shares of £1 each	-	50
Issued and fully paid ordinary shares of £1 each	664,326	-

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

21. Subsidiaries and other significant undertakings

The Group consists of a parent Company, British Business Bank plc, incorporated in the UK and a number of subsidiaries held directly by the British Business Bank plc, which operate and are incorporated in the United Kingdom

The principal subsidiary undertakings of the Company are shown below The capital of each entity depends on its nature and consists of ordinary shares

Subsidiary	Country of Incorporation	Nature of Business	Shares held by
British Business Bank Investments Limited (BBBIL)	UK	Makes commercial investments into providers of finance to smaller businesses plus Venture Capital fund investments	100%
British Business Finance Limited (BBFL)	UK	Manages and invests on behalf of the Group	100%
British Business Financial Services Limited (BBFSL)	UK	Administers investments on behalf of the Department for Business, Innovation and Skills	100%

All shares in the subsidiaries were acquired on 31 October 2014 for fair value and were funded through issuing shares to the Department of Business, Innovation and Skills British Business Financial Sevices Limited did not hold any assets or liabilities when it was acquired and was therefore acquired at nil cost

In addition to the principal subsidiaries shown above, British Business Bank plc additionally has the following subsidiary undertakings Capital for Enterprise Limited, Capital for Enterprise Fund Managers Limited, Capital for Enterprise (GP) Limited and British Business Bank Aspire Hold Co Limited

Net Assets acquired on 31 October 2014 through purchase of subsidiaries	BBBIL £000	BBFL £000
Assets		
Investments	374,863	148,751
Total	374,863	148,751
Liabilities		
Corporation tax liability	(1,242)	-
Provisions	-	(45,566)
Total	(1,242)	(45,566)
Net Assets	373,621	103,185

The net assets acquired by British Business Bank plc included £1,277,000 of cash held within a client account for an invoice discounter Net financial assets acquired on 31 October 2014 were £475,529,000

Details of the subsidiaries results including their net assets as at the balance sheet date and their profit or loss for the period ended 31 March 2015, are provided in the segmental reporting note 8

The British Business Bank Group also has the following significant holdings in undertakings other than subsidiaries

Name	Country in which it is incorporated	Class of share held by the British Business Bank	Proportion held by the British Business Bank
BMS Finance S A R L	Luxembourg	Ordinary shares	49 8%
Industrial Lending 1 (Boost Fund)	Luxembourg	Ordinary shares	44 1%
Liquid Accounts[1]	UK	Ordinary shares	35 6%
Pricoa Sterling Corporate Bond Fund[2]	Ireland	Ordinary shares	66 7%
Urica Capital Limited[3]	Jersey	Ordinary shares	50%
VRG Ventures[4]	UK	Ordinary shares	26 5%

[1]Liquid Accounts produces abbreviated unaudited accounts, making use of exemptions available to small companies It has not yet published its accounts as at 31 March 2015 As at 31 March 2014 it had capital and reserves of £198,803 and during 2013-14 it made a loss of £393,533

[2]Pricoa's latest financial year end was 30 June 2014 The fund does not produce separate accounts and therefore figures for the fund are not available

[3]Urica's latest financial year end was for the 18 months to June 2014 As at that date, its aggregate amount of capital and reserves was £2,055,988 and during its financial year it made a loss of £171,518

[4]VRG Ventures Limited produces abbreviated unaudited accounts, making use of exemptions available to small companies It has not yet published its accounts as at 31 December 2014 As at 31 December 2013 it had capital and reserves of £22,624 and during 2014 it made a loss of £221,416

22. Financial Instruments

22.1. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table analyses the Group's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 *Financial Instruments, Recognition and Measurement* Assets and liabilities outside the scope of IAS 39 are shown separately

At 31 March 2015	Note	Assets held at FVTPL	Loans and receivables	Available-for-sale assets	Liabilities held at amortised cost	Non-financial assets and liabilities	Total
			£000	£000	£000	£000	£000
Assets							
Property, plant and equipment	9	-	-	-	-	568	568
Intangible assets	10	-	-	-	-	200	200
Loans and receivables	13 1	-	18,461	-	-	-	18,461
Available-for-sale financial assets	13 2	-	-	622,930	-	-	622,930
Designated at FVTPL	13 3	5,313	-	-	-	-	5,313
Derivatives	13 4	12,273	-	-	-	-	12,273
Investment in associate	11	-	-	-	-	14	14
Trade and other receivables	14	-	5,052	-	-	-	5,052
Prepayments	14	-	-	-	-	10	10
Cash and cash equivalents	15	-	71,048	-	-	-	71,048
Total		**17,586**	**94,561**	**622,930**	-	**792**	**735,869**
Liabilities							
Trade and other payables	16	-	-	-	(6,645)	(346)	(6,991)
Corporation tax	7					(4,402)	(4,402)
Deferred tax	7	-	-	-	-	(4,774)	(4,774)
Provisions	17					(71,621)	(71,621)
Total		-	-	-	**(6,645)**	**(81,143)**	**(87,788)**
Net Assets		**17,586**	**94,561**	**622,930**	**(6,645)**	**(80,351)**	**648,081**

22.2. FAIR VALUE MEASUREMENTS

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities

The investment portfolio consists of assets carried at amortised cost (loans and receivables) and fair value (available-for-sale assets, assets designated at fair value through profit or loss, and derivatives) 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

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

Available-for-sale assets

For all Available For Sale assets, except for the Enterprise Capital Funds, the investment valuation, a net asset valuation (NAV), is determined by investment managers on a regular basis (monthly or quarterly)

The Directors review the investment valuation reports periodically and are satisfied with the year-end valuations presented in the financial statements

Enterprise Capital Funds, Assets designated at fair value through profit or loss, and derivatives

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

Each investment has a periodically updated model, which for each valuation assessment is updated for actual asset performance and key assumption and input changes

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

Input	Assumptions in determining the input
Net amount drawn and fund valuation as at 31 March 2015	Reported by fund managers
Time to fund exit - ranging from 0 to 5 years	Assessed separately for each fund based on remaining investment period and estimated timetable for fund exits
Volatility - ranging from 10% to 40%	Benchmarked against technology funds and other companies listed on the London Stock Exchange's market for smaller companies (AIM)
Dividend yield - ranging from 3% to 4 5%	Set to equal the contractual return which funds must pay before any upside on the option is realised
Risk free rate	Derived from UK Government bonds

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but for which fair value disclosures are required

The Directors consider that the carrying amounts of the loans and receivables financial assets recorded at amortised cost in the financial statements approximate their fair values

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

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

The Group's financial assets at fair value through the profit and loss, available-for-sale assets and loans and receivables are all classified as Level 3 assets

At 31 March 2015, based on the valuation assessment available-for-sale assets were increased by £5 7m, taken to Other Comprehensive Income In addition, the fair value of derivative assets held was increased by £3 6m, taken to the Income Statement

22.3. FINANCIAL RISK MANAGEMENT

The Group has exposure to a number of financial risks through the conduct of its operations Details of the Group's risk management structure are provided in the Risk Management section of the Strategic Report

This note presents information about the nature and extent of risks arising from the financial instruments

British Business Bank has exposure to the following risks from its use of financial instruments

- credit risk
- market risk

Credit risk

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

Credit risk may arise in any of the Group's assets where there is the potential for default including loans and receivables and available-for-sale investments with a contractual repayment

The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the investment The amount of exposure, before taking into account any collateral or security, in each class of financial asset is limited to the amount invested at any given point in time

The value of the investments in each class of financial asset is detailed in notes 22 1 and 13 to 16 which also give details of total impairment losses during the year

The concentration of credit risk is limited due to the investment base being large and spread across the Group's operating segments Accordingly, the Directors believe that there is no further credit provision required in excess of the provision for impairment losses and the specific provision for credit losses detailed below

Credit risk assessment is carried out as part of the investment approval process and is revisited on an ongoing basis as part of the Group's portfolio management process Overdue amounts relate solely to

The ageing of financial instruments at the reporting date was as follows

	Not overdue	Overdue by less than 90 days	Overdue by longer than 90 days	Total
	£000	£000	£000	£000
Loans and receivables	17,830	434	197	18,461
Available-for-sale financial assets	622,930	-	-	622,930
Trade receivables	1,192	-	-	1,192
Total	641,952	434	197	642,583

receivables purchased through an invoice discounter The Group provides for all debts which are overdue by 90 days at a rate of 50% of the average overdue balance over the last three months In determining the recoverability of the amounts receivable, the Group considers past performance of recoveries

As at the reporting date, all overdue receivables had been provided for in line with this policy

Market risk

Market risk is the risk of a loss of earnings or economic value due to adverse changes in financial market prices, such as interest rates, foreign exchange rates or equity prices

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

Interest rate risk

British Business Bank's investments include a combination of fixed and variable rate loans Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate The Group does not use derivatives to hedge interest rate risk

LIBOR sensitivity of the Investment Programme is as follows

- The impact of a 1 percentage point increase in the interest rate applicable to British Business Bank Investments Limited investments would be an approximate increase in income of £5m over a one year period
- The impact of a 0 25 percentage point decrease in the interest rate applicable to British Business Bank Investments Limited investments would be an approximate decrease in income of £1m over a one year period Larger decreases would be mitigated by a significant element of LIBOR floors

Currency risk

The Group does not have material exposure to currency risk as the Group primarily invests pounds sterling in its functional currency, GBP There are some investments in funds which have a Europe wide investment mandate, and are denominated in Euros A prerequisite of these funds is that they invest into the UK at a fund level a larger amount than our financial investment Less than 4% of the Group's portfolio is in non-GBP denominated investments There is currently no policy to hedge this currency risk

Liquidity risk

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

Liquidity risk is not deemed material to the Group as it is 100% Government funded, with all programmes pre-approved and committed to, and it does not have a leveraged balance sheet

23. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Group and its associates are disclosed below

The Department for Business, Innovation & Skills (BIS) is the principal shareholder and parent of the British Business Bank plc British Business Bank plc provides services to BIS in relation to some of the financial assets held within BIS and not yet novated In return, British Business Bank recognises income in relation to the services provided In addition, BIS provided loans and secondees to the British Business Bank Group for which there are recharges

TRADING TRANSACTIONS

During the year, Group companies entered into the following transactions with BIS (2014 £nil)

	Year ended 2015 £000
Income	
Grant-in-aid	295
Management fee	5,026
Expenditure	
Staff seconded from BIS	450
Capital transactions	
Shares issued	664,276
Shareholder loan	2,081
	672,128

AMOUNTS OUTSTANDING AT YEAR END

As at the balance sheet date, the Group was owed £4 8m from BIS relating to the management fee (2014 £nil) and owed BIS £2 6m for seconded staff, transfer of assets on acquisition and the shareholder loan (2014 £nil)

24. Events after the balance sheet date

As at the date of this annual report and accounts, there have been no post balance sheet events which require disclosure

Company Statement of Financial Position
AS AT 31 MARCH 2015

ASSETS	**Note**	**2015**	**2014**
	£000	**£000**	**£000**
Non-current Assets			
Property, plant and equipment		568	-
Intangible assets		200	-
Investments	2	618,868	-
Total Non-current Assets		**619,636**	**-**
Current Assets			
Trade and other receivables	4	9,256	50
Cash and cash equivalents	3	41,168	-
Total Current Assets		**50,424**	**50**
Total Assets		**670,060**	**50**
LIABILITIES			
Current Liabilities			
Trade and other payables	5	(5,408)	(96)
Corporation tax		(116)	-
Total Current Liabilities		**(5,524)**	**(96)**
Total Assets less Liabilities		**664,536**	**(46)**
Non-current Liabilities			
Trade and other payables		(274)	-
Total Non-current Liabilities		**(274)**	**-**
Total Liabilities		**(5,798)**	**(96)**
Net Assets/(Liabilities)		**664,262**	**(46)**
Equity			
Issued share capital		664,326	50
Retained earnings		(64)	(96)
Total Equity		**664,262**	**(46)**

The financial statements of the Company (Company number 08616013) were approved by the Board of Directors and authorised for issue on 13 July 2015 They were signed on its behalf by

Keith Morgan
Chief Executive Officer
British Business Bank

Company Statement of Changes in Equity
AS AT 31 MARCH 2015

	Issued capital	Retained earnings	Total
	£000	£000	£000
Opening balance as at 18 July 2013	-	-	-
Net income after tax	-	(96)	(96)
Total comprehensive income	-	**(96)**	**(96)**
Issue of ordinary shares	50	-	50
Balance at 31 March 2014	**50**	**(96)**	**(46)**
Opening balance as at 1 April 2014	**50**	**(96)**	**(46)**
Net income after tax	-	32	32
Total comprehensive income	-	**32**	**32**
Issue of ordinary shares	664,276	-	664,276
Balance at 31 March 2015	**664,326**	**(64)**	**664,262**

Company Cash Flow Statement
AS AT 31 MARCH 2015

	Note £000	Year ended 2015 £000	Period ended 2014 £000
Profit / (loss) before tax		**148**	**(96)**
Cash flows from operating activities			
Adjustments for			
Depreciation, bad debt and impairments		132	-
Movement in trade receivables	4	(9,206)	-
Movement in trade payables	5	5,586	96
Net cash received from/(used for) operating activities		**(3,340)**	-
Cash flows from investing activities			
Purchase of available-for-sale assets	2	(618,868)	-
Purchases of property, plant and equipment		(660)	-
Purchase of intangible assets		(240)	-
Net cash used in investing activities		**(619,768)**	-
Cash flows from financing activities			
Issue of new shares		664,276	-

1 The purchase of financial assets on 31 October 2014 was funded by the issue of new shares and these two transactions were settled on a net basis

Net cash from financing activities		664,276	-
Net increase/(decrease) in cash and cash equivalents		**41,168**	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		**41,168**	-

Notes to the Company financial statements
FOR YEAR ENDED 31 MARCH 2015

1. Significant accounting policies

Basis of accounting
The separate financial statements of the Company are presented as required by the Companies Act 2006 ("the Act")

The Company's accounting policies are consistent with those described in the consolidated accounts of the British Business Bank plc Disclosures in relation to property, plant and equipment (note 9), intangible assets (note 10) and share capital (note 20) have not been repeated here as there are no differences to those provided in the consolidated accounts

These financial statements have been prepared on the going concern basis as described in the consolidated accounts of the British Business Bank plc, and under the historical cost convention The financial statements are presented in pounds sterling, which is the Company's functional currency

Profit of the parent Company
The Company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the parent Company is not presented as part of these accounts The profit of the parent Company for the financial year amounted to £32,000 (2014 loss of £96,000)

2. Investments

The Company acts as a holding Company for the Group and has the following principal subsidiary undertakings which affected the Group's results or net assets

Subsidiary	Nature of Business
British Business Bank Investments Limited	Makes commercial investments into providers of finance to smaller businesses plus Venture Capital fund investments
British Business Finance Limited (BBFL)	Manages and invests into schemes on behalf of the Group
British Business Financial Services Limited (BBFSL)	Administers investments on behalf of the Department for Business, Innovation and Skills

All subsidiary undertakings are wholly-owned and incorporated in the UK All shareholdings are in the name of the British Business Bank plc

				At 31 March 2015
	Investment in BBBIL £000	Investment in BBFL £000	Investment in BBFSL £000	Total £000
Opening balance	-	-	-	-
Acquired in year	500,153	118,715	-	618,868
Closing Balance	500,153	118,715	-	618,868

3. Cash and cash equivalents

The cash and cash equivalents balance as at 31 March 2015 represents cash held within the Government Banking Service

4. Trade and other receivables

	2015 £000	2014 £000
Amounts receivable within one year		
Trade receivables	1,125	-
Prepayments	8	-
Intra-group	8,100	-
Other receivables	23	50
Total	9,256	50

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost

5. Trade and other payables

	2015 £000	2014 £000
Amounts falling due within one year		
Trade payables	-	83
VAT and social security	323	-
Accrued expenditure	1,523	13
Intra-group	881	-
Other payables	2,681	-
Total	5,408	96
Amounts after more than one year		
Accrued expenditure	274	-
Total	274	-

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

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Unlocking finance for smaller businesses

All figures source British Business Bank 31st March 2015 unless otherwise stated

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