British International Investment

British International Investment plc | The UK's development finance institution

Investing for a **better tomorrow**

Annual Accounts 2022

What's **inside this report?**

British International Investment is the UK's development finance institution. Our mission is to help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. We invest to create more productive, sustainable and inclusive economies, enabling people to build better lives for themselves and their communities.

This report should be read in conjunction with our Annual Review 2022, which provides an overview of our development impact over the year.

Visit bii.co.uk for more information, or read our Annual Review 2022

Chair's statement

Diana Layfield

2022 marked the first year of our five-year strategy, and it was the first full year in my role as Chair of British International Investment.

One year on from the start of our strategy, I'm pleased to see the progress we've made in delivering on the commitments we set out. In this Annual Review, you will read about what we've achieved so far – and what we've learnt – in investing for productive, sustainable and inclusive development. In particular, I'm proud to see the enormous strides we've made as a leading climate investor in Africa and Asia, and the increase in climate finance we've been able to make this year.

We have, of course, been delivering on those commitments through a tough set of economic circumstances and geopolitical uncertainty, which we didn't envisage a year ago. Those circumstances have meant that as a Board we've needed to think carefully about our responsibilities as a steward of the organisation, how we respond to the difficulties that the situation is creating in our markets, and how we continue to meet the priorities we set for the strategy period. Our investment ambition over the strategy period has remained unchanged, though we reacted responsibly to the global environment and proceeded with vigilance.

It was also our first year operating with a new name, as British International Investment. This identity has placed us at the centre of the UK's international financing offer, and I'm pleased that our activities over the last year have demonstrated the closeness of our partnership with the UK Government.

This has included working closely with the UK Government in the countries where we invest. One example has been the opening of a new office in Singapore, to help us provide climate finance in the Indo-Pacific region. That's been done in close collaboration with the UK Government, and we've been grateful for their assistance sharing their knowledge, experience and networks in the region. We're also pleased to have had many opportunities throughout the year to show UK Government representatives – from UK Government Ministers, to Ambassadors and High Commissioners – the impact that our investee companies are having in the countries where we invest; and discuss the ways that we can, through partnership and collaboration, have the most impact in the regions where we invest.

We also set out in our five-year strategy that we would build partnerships with British businesses that operate in our markets. We're actively working on finding more opportunities to partner with companies that can bring the best of British expertise to unlock impact at scale in Africa and Asia. In 2022, we were pleased to see Safaricom Ethiopia switching on its mobile telecommunications network and services in Addis Ababa, providing vital and affordable telecommunications services. Our partnership in that consortium included working with leading British company, Vodafone, and it is this sort of partnership that we want to replicate.

I'm grateful for the dedication, the passion and the commitment of the variety of stakeholders who take an interest in our work and hold us to account. We value their feedback and welcome the opportunity to engage with scrutiny of our performance, which is crucial both for ensuring we remain accountable, as well as helping guide us to better solutions. Towards the end of the year, the International Development Committee launched an inquiry on the UK's strategy towards development finance institutions. We've been pleased to engage with that inquiry, including hosting members of the committee to visit some of our investments in Nepal. As I write, the inquiry is ongoing, and we look forward to continuing to engage with the committee.

There are many people who have contributed to our achievements over the last year, and we are aware that they would not have been possible without the help of others. First, we have benefitted from the support and partnership of our shareholder, the Foreign, Commonwealth and Development Office, both in the UK and in the countries where we invest.

Second, I would like to thank my fellow Board members for their unwavering commitment and support over the last year. Michele Giddens stepped down as a non-executive director, and I thank her for her valued contribution and commitment over the past seven years. I am also pleased to welcome Simon Rowlands, who I know will be a great addition to the Board.

I would also like to thank the members of our investment committees who scrutinise each and every investment decision we make, to ensure we're injecting patient, long-term capital into businesses that have the potential to achieve sustainable growth while making a positive environmental, social and economic impact. Our investment committees include external professionals with independent expertise, and we were pleased to build on this expertise by welcoming new members over the last year. This includes new members from our markets, who bring a vital regional perspective.

Finally, I would like to thank all the staff at British International Investment for their hard work, diligence and commitment over the last year. Each and every one is an important part of helping us achieve our mission of providing long-term patient capital to help solve the world's biggest development problems and build a better tomorrow.

Diana Layfield
Chair

Chief Executive's statement

Nick O'Donohoe

While the global economic and political context affects the work that we do, as we enter our 75th year in 2023, our mission remains steadfast."

Like many CEOs, as I've sat down to write this statement, I've found myself reflecting on a very difficult global environment in 2022. It was a year of complexity, which brought with it not just one, but a series of challenges. They ranged from an increase in violent conflict, to the continued fall-out from the COVID-19 pandemic. And from more frequent and more extreme weather events, to the risk of a second global recession in recent times.

Of course, from these macro issues fall consequences that have meant a real impact on people's lives. From large problems with inflation to issues with supply chains, they have made life very difficult for both businesses and households, as well as hampered the growth that is needed to improve people's lives.

As CEO, there are two challenges that this global context has made me consider during the year. The first is the question of how we remain a responsible steward of a 75-year-old organisation through this difficult period, to ensure that the institution endures for the long term and safeguards future impact.

The second is how, against this backdrop, we continue to achieve the greatest impact we can with the investments we make. While the global economic and political context affects the work that we do, as we enter our 75th anniversary year in 2023, our mission remains steadfast: to provide vital investment to those countries most in need of long-term, patient capital to grow and prosper.

Safeguarding future impact

To start with the first question of how to endure for the long-term. The macroeconomic headwinds, and particularly the significant depreciation of sterling, caused a reduction in the amount of capital we had available to make new investments. However, despite this, in 2022, we still made £1.27 billion ($1.56 billion) of new, impact-led commitments, a significant amount of capital going into our markets at a difficult time.

That takes me to my second question – how we can continue to achieve the greatest impact from our investments, given the global context.

Backing the portfolio to achieve even greater impact

Our first response has been to focus on the businesses we've already identified as having high impact potential: our existing portfolio. We've made several follow-on investments in 2022, backing them to go even further in having a positive impact on people and planet. It's also driven our focus on ensuring our existing portfolio can deliver on impact objectives, supporting businesses to reach key milestones.

Last year, I had the opportunity to visit several of the countries where we invest to see this impact. Many of the countries I visited are finding the extended period of economic instability extremely difficult, and some are suffering from conflict. All are suffering the effects of high energy and food prices. But it was a timely reminder that even with this backdrop, examples of resilience, entrepreneurship and partnership can prevail.

I had the opportunity to see the transformational impact of one of our investees, WorldLink, which is an internet service provider in Nepal, a country where affordable broadband has reached just a quarter of households. WorldLink is expanding internet access across remote and rural parts of the country and, having first invested in the company in 2019, we made a follow-on investment last year.

We visited a community about three hours outside of Kathmandu, in one of the valleys off the Kathmandu valley. It's a district where WorldLink has recently introduced high-speed internet access. My visits to the local health centre, to the school, and to women who are running small businesses, all showed how the advent of high-speed internet access has revolutionised their lives. And the company would not have been able to do that if BII had not been prepared to provide equity capital to help them to grow. That's the sort of difference our work makes.

More recently, I went to Pakistan and visited Kashf Foundation, a microfinance institution, which lends money to women entrepreneurs. We met a group of 30 women running small businesses in their homes to create additional income. They could not have done that without the loan they were receiving from Kashf, and the financing that BII has provided Kashf has been instrumental in making those loans happen.

Another highlight in our portfolio was the important milestone of Safaricom Ethiopia switching on its mobile telecommunications network and services in Addis Ababa. We partnered with Safaricom, Vodafone, Vodacom and Sumitomo, as part of an international consortium and won the award to run the mobile network licence in Ethiopia in 2021. The launch of Safaricom Ethiopia will deliver development impact at a country-wide level, and it will transform the economic prospects for millions of Ethiopians. It's also making a difference by providing jobs to the people who are helping to build the company in Ethiopia. I visited the Safaricom Ethiopia headquarters and met with some of the employees – mostly young Ethiopians – who now have the opportunity to work in this high-tech, highly skilled environment.

I've been particularly proud of our work in climate finance over the year, where we've invested £591 million, which represents 46 per cent of our annual commitments.

These examples all demonstrate the difference that BII makes. Development finance institutions are unique in being prepared to make this kind of capital available, to allow companies to grow, and in turn to have a positive impact on people's lives – bringing employment, services and opportunity.

Each year, there are also a number of companies that have achieved impact and are now in a position for us to exit, so that we can recycle returns into new investments. For example, this year, we exited Equitas Holdings, a small business-focused bank in India, which was one of our earliest direct equity investments in 2013 when we returned to direct investing. Over that time, we've supported the business to make the complex transition from a microfinance institution to a small finance bank and to diversify its product base to improve financial inclusion for low-income populations. The company has seen impressive growth, from 1.3 million customers and 3,400 employees; to 5.6 million customers and over 17,000 employees. It's a business that's grown to be both commercially scalable and impact-focused, demonstrating how the two can go hand-in-hand.

Continuing to invest in ways others don't

Our second response to maximising impact has been a continued focus on the need to be innovative by investing in places – and in ways – that others don't. As an investor we always seek to be additional to the market. And when successful, cutting-edge investing can within a few years become mainstream, so it's important that we continue to adapt and evolve.

2022 was the first year of a five-year strategy period – and that strategy is helping us to lean into being innovative in the way we invest, guided by the principles of investing for productive, sustainable and inclusive development.

I'm proud of the new investments we've made in our commitment to these themes. Some investments highlight all three, such as our investment in AgDevCo, which is a specialist early-stage investor in African agribusinesses. AgDevCo's activities will deliver jobs and improve economic opportunities; at the same time, they'll also promote climate resilience through sustainable and climate-smart agricultural practices, as well as promote gender equality.

I've been particularly proud of our work in climate finance over the year, where we've invested £591 million, which represents 46 per cent of our annual commitments, demonstrating our role as a leading climate investor in Africa and Asia. Those investments have included backing Scatec's South Africa renewable energy technology project, which is the first sizable battery energy storage and photovoltaic solar project in the country, and will provide clean power to the grid. They also include innovative green finance, such as our partnership with Symbiotics to launch the first ever 'green basket bond' across Africa and Asia, which will finance small-scale green projects and businesses, funded through local micro, small and medium enterprise banks. Beyond green infrastructure and finance, we've also invested climate finance in broader sectors such as agribusiness, like our investment in Akshayakalpa, a dairy company in India, which will introduce more sustainably-farmed products to more consumers in India.

We made huge leaps forward in our support for venture capital – an important part of our five-year strategy – investing more in earlier-stage, disruptive businesses that offer radical solutions to global challenges. Over the year, almost a third of our new commitments by number were to support these early-stage businesses. These have ranged from a business providing farm financing to support smallholder farmers in Africa, to a financial technology company providing digital financial services to underserved consumers and micro-entrepreneurs across Nigeria.

We've made progress in delivering on new areas of the strategy too. We re-entered the Caribbean after 20 years, with an investment in a fund that will back high-growth SMEs which have the potential to create jobs and economic opportunities for people across the region. We also opened a new office in Singapore, to help us provide climate finance in the Indo-Pacific region. We know that our capital can have most impact in the region by helping economies reduce emissions, protect the environment and adapt to the changing climate.

Finally, we've also been innovative in the new tools we've introduced to help us deliver the strategy. One is our Impact Score, a new system to help refine our investment choices and maximise impact across our portfolio. It's showing us areas where we're doing well, as well as helping us refine how and where we might be able to do more. That makes it an important tool to help us 'course correct' when needed. More generally, it reflects our approach as organisation that is constantly learning, evaluating, and making continual refinement and adjustment of what we do – all important to ensure we deliver on our strategy.

Investing for a better tomorrow

Regardless of whether we're thinking about how to safeguard our future impact, or how to achieve the greatest impact in the current environment, what we're here to do is invest to make a difference to people's lives.

I am optimistic about what has already been achieved after only one year of the five-year strategy. And I am optimistic about what comes next. The private sector, supported by development finance, has an important role to play in finding the solutions to the global challenges that are impacting people's lives. Together, our investments and partnerships are supporting solutions that will help countries, businesses and people achieve a better tomorrow.

Nick O'Donohoe
Chief Executive Officer

Introduction

Business objectives and model

British International Investment (BII) is the UK's development finance institution and impact investor, wholly owned by the UK Government. We help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. We invest to create more productive, sustainable and inclusive economies, enabling people to build better lives for themselves and their communities.

Private sector-led growth is essential for overcoming poverty and for allowing human potential to flourish. No country can prosper or move beyond reliance on aid without it. For economic growth to have a lasting, resilient impact, it must transform economies, create jobs and private sector investment, and spread benefits across society. Successful businesses are vital to drive a country's growth, which provides a sustainable route to poverty reduction. Businesses provide jobs and tax receipts which enable a country to fund its own public services, thereby reducing dependence on aid.

We measure success in two ways. First, we look at whether the businesses in which we invest can make a positive economic, environmental or social impact. Second, we look at how commercially sustainable and successful a business can be. These two measures of success, impact and financial return, go hand in hand. To create long-term impact, a business must be financially sustainable. The proceeds from our investments are reinvested to help other businesses grow and generate further impact.

We provide the flexible long-term investment that many businesses in developing countries need to grow. We do this through two portfolios of investments: Growth and Catalyst. Through our Growth Portfolio, we inject patient, long-term capital into businesses that have the potential to achieve sustainable growth while making a positive environmental, social and economic impact. Through our Catalyst Portfolio, we help shape nascent markets and less commercially proven business models that demonstrate significant potential to contribute to more inclusive and sustainable economies.

Through our Kinetic portfolio, launched as a pilot in 2021, we deploy grant capital from FCDO in support of innovative businesses or investment vehicles in nascent markets that support the viability of more inclusive and sustainable economies.

We commit capital directly or indirectly using a range of financial instruments including equity, debt, guarantees and grants. We invest to achieve returns from capital appreciation, investment income or both. Investments must have a path to exit and new ownership that will take the investment to the next level.

Our 2022-26 strategy sets outs three strategic objectives that respond to the opportunities and challenges we see in the countries we serve. We will invest to achieve:

- productive development – by raising the productivity of an economy so that it can support a decent standard of living for all;
- sustainable development – helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate; and
- inclusive development – sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.

Further information on our vision, ambitions and objectives is set out in our 2022-2026 strategy and 2022-2026 Investment Policy.

BII and the businesses in which our capital is invested:

- minimise adverse impacts and enhance positive effects on the environment, workers, affected communities and all other stakeholders as appropriate;
- set high environmental, social, governance and business integrity standards and provide practical assistance to business and investment fund managers; and
- work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them.

Approaches for achieving the objectives of the business

We expect our investments to achieve results that are appropriate to the opportunities and risks in the relevant market. Among the features we seek in making a decision to commit to an investment are:

- a credible thesis aimed at our priority markets that aims to maximise development impact while ensuring we meet our commercial hurdle;
- prospective investment returns from capital appreciation and investment income which are commensurate with the investment risk;
- financial additionality (providing capital that is not offered by the private sector in sufficient quantity) and value additionality (providing value beyond capital that the market is not providing);
- a strong management that will apply high standards of business ethics and corporate governance; and
- a path to investment exit and new ownership that will take the investment to its next level.

Key performance indicators

We use key performance indicators (KPIs) to help measure the effectiveness of the Company in meeting our objectives and our strategy. More information on KPIs and financial metrics can be found on **pages 7 to 10** and **page 63**.

Taxation

BII's **Policy on the payment of taxes and the use of offshore financial centres** was published in February 2022. We respect the tax policies established by governments. We require our investee companies to pay the taxes due in the countries in which they operate and we pay taxes wherever they are due. However, under the CDC Act 1999, British International Investment plc was granted exemption from UK Corporation Tax from May 2003. This allows us to recycle more portfolio receipts into new investments in developing countries.

Board of Directors

Information on our Board of Directors including a description of its key activities is given on **pages 39 to 48.**

Strategic and Directors' Report

The Strategic report is contained within the Strategic and Directors' Report on **pages 3 to 36.**

Section 172

When performing their duties, BII's directors have considered the matters set out in section 172(1) (a) to (f) of the Companies Act 2006. See section 'How we engage with our stakeholders' on **pages 47 and 48.**

Financial performance

Carolyn Sims

Chief Financial Officer and Chief Operating Officer

In 2022, BII made new commitments of £1.27 billion."

Presentation of results

British International Investment's audited financial statements are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the UK. These accounts can be found in full from page 69 onwards. As an investment company, BII has applied the investment entities exemption to IFRS 10 whereby all subsidiaries, other than those that provide services that relate to our activities, are accounted for as investments at fair value.

To explain more fully BII's underlying portfolio movements, the results shown in this financial performance section on **pages 7 to 10** are based on management reports. These reports look through subsidiaries that are non-consolidated investment holding companies to see underlying portfolio movements. This methodology gives the same total return and net assets as the financial results but gives rise to differences in classification. A full reconciliation of these classification differences is provided in note 2 to the accounts on **pages 84 to 86**.

Consistent with those reports, the financial metrics that follow are used to track our underlying performance and financial position:

Investment pace

- **New commitments:** The financial value of new investment commitments made during the year, split between those that are set to be fully funded (via debt or equity, either directly or via intermediaries) and those that represent our maximum liability under unfunded guarantees or trade and supply chain finance programmes.
- **Drawdowns and receipts:** The actual flow of investment funds into and out of BII in the year.

Financial return

- **Portfolio return:** The total income and valuation gains or losses, both realised and unrealised, from investments in the reporting period. This will include the impact of forward foreign exchange contracts used to hedge debt investments.
- **Operating costs:** The total operating expenses incurred by the BII Group, including depreciation.
- **Weighted average portfolio return:** The seven-year weighted average annual portfolio return which we seek to be above two per cent.

Portfolio value and net assets

- **Portfolio value:** The total value of all equity, debt, fund and guarantee investments made by BII and our investment holding companies, including forward foreign exchange contracts undertaken to hedge debt investments.
- **Cash and short-term deposits:** The total cash and short-term deposits held by BII and our investment holding companies.

Performance in 2022 against these metrics is explained in the relevant paragraphs below. Performance against non-financial metrics is detailed in our **Annual Review 2022**.

Investment pace

BII's 2022-2026 strategy outlines plans to commit up to £9 billion over the period. This is an ambitious target and exceeds the £7 billion committed over the 2017-2021 strategy period. Despite the scale of this ambition, we will not set annual volume targets, as we want to be guided by the shifting needs and opportunities of the countries we invest in, as well as to retain the highest standards of investment selection.

New commitments reflect the completion of investments in the year. There is nearly always a delay between the reporting of a commitment and the disbursement of money related to it. This delay can either be linked to the necessary final steps in closing a deal (after legal commitment but before disbursement) or to the nature of the product (for example, most fund commitments will be drawn over a five-year period while project finance debt is often drawn over several years).

Some commitments are not expected to result in a cash outflow. Most notably guarantees, in the form of unfunded trade and supply chain finance risk participation agreements, have a different dynamic and cash impact to fully funded investments. The full exposure under these programmes is disclosed in the financial statements as contingent liabilities.

Financial performance continued

New commitments

In 2022, BII made total new commitments of £1,273.0 million (2021: £1,866.1 million) of which £1,240.7 million (2021: £1,696.4 million) is set to be fully funded by BII. The remaining £32.3 million was committed to trade and supply chain finance facilities and can be used as a blend of funded and unfunded guarantees. 2022 commitment pace was slower than last year, representing a 32 per cent decrease from 2021 levels, as management reacted to macroeconomic headwinds that caused a decline in our non-sterling portfolio value. The significant depreciation of sterling caused a reduction in the amount of capital available to make new investments in US dollars and other investment currencies.

New commitments can be found on our **website** and in our **Annual Review 2022**.

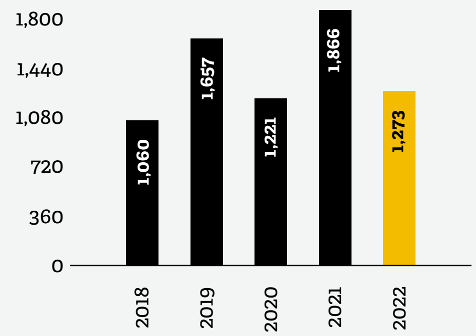
Drawdowns and receipts

	2022 £m	2021 £m
Portfolio drawdowns	**(1,566.5)**	(1,285.0)
Portfolio cash generated	**1,256.8**	1,067.6
Net portfolio flows	**(309.7)**	(217.4)

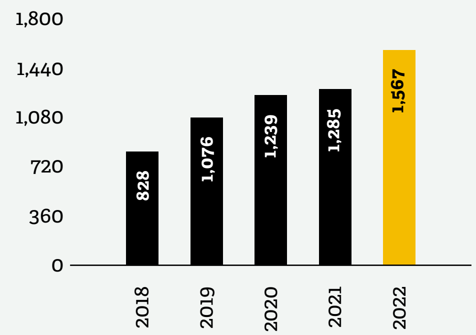
Drawdowns for new investments are higher than 2021 levels at £1,566.5 million (2021: £1,285.0 million) as we continue to fund commitments made in recent years providing much needed impact-driven capital to our markets. Of new investments, 68 per cent were in Africa, 31 per cent in Asia and 1 per cent were pan-regional.

Our portfolio generated cash of £1,256.8 million (2021: £1,067.6 million), an increase of 18 per cent from 2021 levels. We were able to take opportunity of market conditions and realise some investments where development impact and financial return objectives had been achieved. 47 per cent of receipts came from the direct debt and funded trade finance portfolio, 29 per cent from equity investments and 24 per cent from fund distributions.

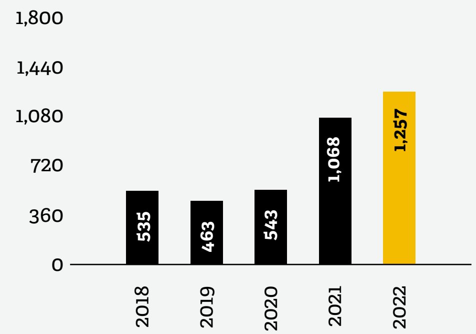
New commitments (£m)



Portfolio drawdowns (£m)



Portfolio cash generated (£m)



Financial return

Total return after tax

	2022 £m	2021 £m
Growth Portfolio return	**(114.3)**	560.9
Catalyst Portfolio return	**30.9**	27.2
Foreign exchange gains/(losses)	**369.0**	(3.7)
Total portfolio return	**285.6**	584.4
Operating costs	**(136.1)**	(111.5)
Other net income/(expense)	**18.2**	(9.4)
Total return after tax	**167.7**	463.5

The overall result is a profit after tax of £167.7 million (2021: £463.5 million). As a return on opening total net assets on a valuation basis, this represents a gain for our shareholder of 2.2 per cent in 2022 (2021: 6.8 per cent).

Portfolio return

The portfolio generated a return of £285.6 million (2021: £584.4 million). This represents a portfolio gain of 4.8 per cent (2021: 11.2 per cent) on portfolio investment assets. We track portfolio return in US dollars as most investments are denominated in this currency. In US dollar terms, returns have been on a downward trend, with the exception 2021, and in 2022 the portfolio generated a loss of 3.8 per cent (2021: 10.8 per cent gain) because of macroeconomic headwinds across our markets. Our results can be significantly impacted by changes in the sterling to US dollar exchange rate. Sterling substantially depreciated during the year moving from 1.35 at 31 December 2021 to 1.21 at 31 December 2022 causing the differential in Sterling and US dollar results. More information on currency risk sensitivity can be found in note 19 on **page 102**.

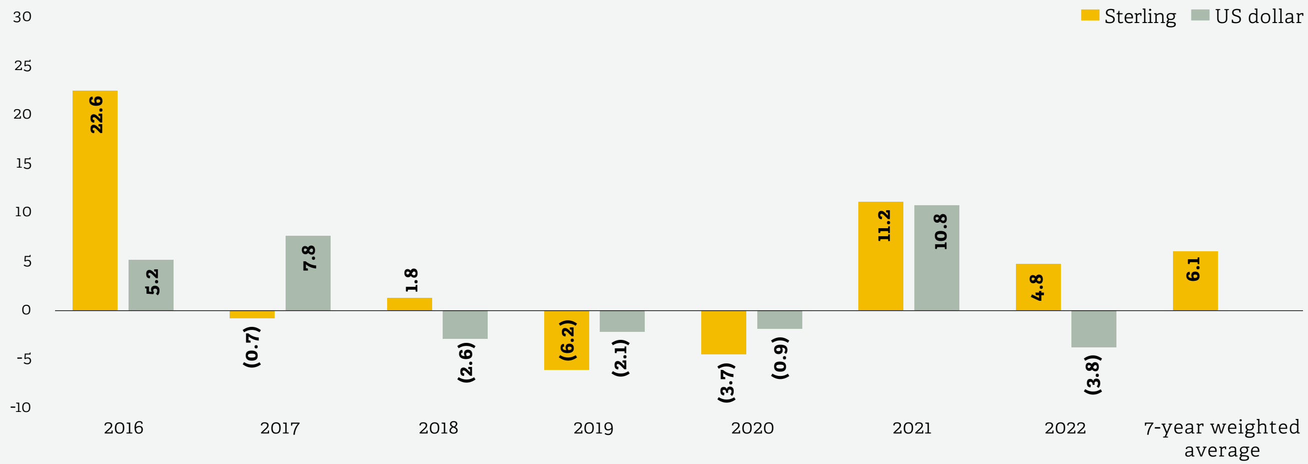
Financial performance continued

Readers of our annual reports in previous years have seen that we have predicted portfolio returns would fall due to the challenge of our mandate. Although this year's results are positive in Sterling terms, that hasn't been the case in US dollars as we have been impacted by economic factors. However, we remain determined as an institution to meet our financial return targets, notwithstanding the challenges of our developmental mandate. As a development finance institution, BII invests to generate returns over the long term, recognising that in any isolated year market conditions or events may drive exceptional performance. Our new financial performance measure, as defined in our 2022-2026 Strategy and 2022-2026 Investment Policy, articulates our appetite for financial risk and return, as well as ensuring the proper stewardship of taxpayer-owned assets. We will seek returns of 2 per cent across our total portfolio, measured on a rolling seven-year basis (weighted average). This measure is consistent with our financial sustainability on a long-term basis. The measure forms one of the targets for the Company's Long-term Incentive Performance Plan, explained in more detail in the People Development and Remuneration Committee report on **pages 55 to 65**.

The seven-year weighted average annual portfolio return is currently 6.1 per cent as shown in the chart below.

The Catalyst Portfolio invests to shape nascent markets and build more inclusive and sustainable economies. Given that we are investing in markets where there are few precedents or benchmarks, we take a flexible approach to risk in exchange for pioneering impact. This portfolio generated a profit of £73.9 million in 2022 net of currency exchange gains (2021: £28.6 million), representing a profit of 13.6 per cent (2021: 7.0 per cent) on opening portfolio value. However, it is important to note that these impact investments are very innovative by design with uncertain return profiles. In 2022, 48 per cent of the portfolio by value returned losses in USD terms. The value of the Catalyst Portfolio as at 31 December 2022 was £771.3 million (2021: £542.0 million).

Portfolio return (%)



Operating costs and other net expenses

Operating costs for 2022 of £136.1 million (2021: £111.5 million) have increased due to employee numbers rising to 577 at year end (2021: 494) and an increase in travel costs back to levels seen pre-pandemic. We have continued to see growth in headcount as we set to work on implementing our new business strategy. We recognise we built our teams at a faster pace than expected in 2022 and are planning for limited growth in the coming year. We track our operating costs as a percentage of closing portfolio value and unfunded commitments and aim for them to be below 1.7%. At the end of 2022, operating costs represent 1.45 per cent.

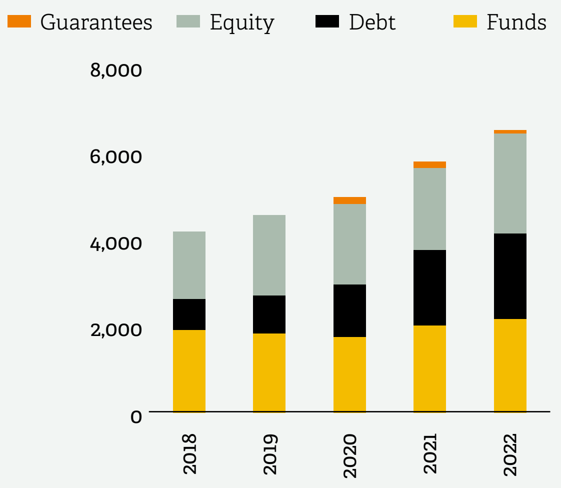
Portfolio and net assets

Portfolio	2022 £m	2021 £m
Portfolio at start of year	**6,011.1**	5,222.5
New investments	**1,566.5**	1,285.0
Realisations	**(1,069.9)**	(883.1)
Transfers	**–**	(3.8)
Value change	**393.1**	370.5
Allowances for guarantees	**(12.2)**	20.0
Portfolio at end of year	**6,888.6**	6,011.1

The overall BII portfolio grew by £877.5 million in 2022 driven by drawdowns in excess of realisations and foreign currency valuation gains. At 31 December 2022, we had investments in 249 funds, managed by 154 different fund managers, and 185 direct investments.

Financial performance continued

Portfolio history split (£m)

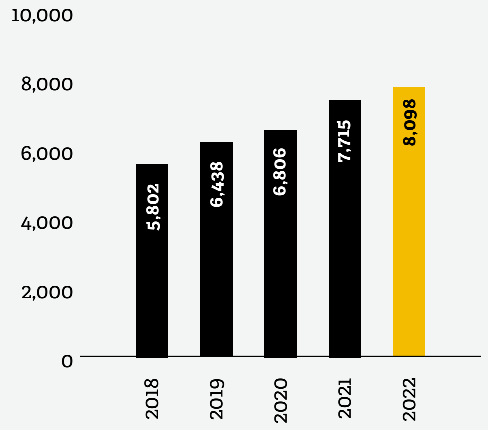


Net assets

	2022 £m	2021 £m
Growth Portfolio	**6,039.7**	5,474.9
Catalyst Portfolio	**771.3**	542.0
Kinetic pilot facility	**3.3**	0.4
Hedging contracts	**74.3**	(6.2)
Net cash and short-term deposits	**1,192.1**	722.7
Other net assets	**16.9**	981.4
Total net assets	**8,097.6**	7,715.2

Total net assets increased in the year from £7,715.2 million to £8,097.6 million, a rise of 5.0 per cent (2021: 13.4 per cent).

Net assets (£m)



Net cash and short-term deposits held

The cash balance increased from £722.7 million at the start of the year to £1,192.1 million at year end, resulting in a net cash inflow of £469.4 million. At 14.8 per cent of net assets, the cash balance exceeded the liquidity policy target set by the Board of 0–10 per cent of net assets due to a slower investment pace and larger deals taking longer than expected to complete and investment realisations towards the end of the year. A wholly owned non-consolidated subsidiary of BII has a standby revolving credit facility of $600.0 million (£496.6 million). The facility was not drawn or used at any time during 2021 or 2022. Cash levels, together with an understanding of undrawn commitments and the position of the standby revolving credit facility, are regularly reviewed by management and the Board to confirm they are in line with agreed Company policies.

In 2022, BII drew down £1,095.0 million of funds that had been lodged as promissory notes by the shareholder (2021: £650.0 million).

Other net assets

During 2017, BII and our shareholder (FCDO) agreed to a new investment of capital under a series of eight promissory notes, up to a total value of £3.5 billion. These notes are essential to allow us to scale up our investment activity. As a long-term investor, BII needs long-term funding to enable it to commit to new deals that can take up to two years to conclude. These are lodged according to an agreed schedule and, in line with that, we issued 214.7 million ordinary shares of £1 each to our shareholder in the year. The shareholder subscribed to the shares by issuing a promissory note for £214.7 million. At the end of the year £30.0 million remained undrawn from this note.

Pensions

BII operates a single funded pension scheme in the UK. The scheme has been closed to new entrants since 1 April 2000. We make contributions to the defined benefits section in accordance with an agreed schedule of contributions. We have adopted International Accounting Standard 19 (revised), which shows a net pension asset of £nil (2021: £nil). The majority of the scheme's liabilities are covered by an insurance policy which substantially reduces the risk that scheme assets will diverge in value from the scheme liabilities. Further details are shown in note 17 to the audited financial statements.

Dividends

No dividends have been proposed, declared or paid during 2022. See **page 66** for more details.

Carolyn Sims
Chief Financial Officer and Chief Operating Officer
20 April 2023

Risk management

Fulfilling our mission means taking risks – some of which we actively seek out and some of which arise as a result of our activities. Managing these risks effectively enables us to fulfil our mission and supports the successful delivery of our strategic objectives. Our Risk Management Framework is designed to identify and manage risks that could threaten our ability to deliver our strategic objectives.

Risk governance

The Board is responsible for risk management and oversight of the Risk Management Framework. The responsibility for managing risk in our day-to-day operations is delegated to the Chief Executive Officer (CEO). BII has appointed a Chief Risk Officer who reports to the CEO. The Chief Risk Officer is a member of the Executive Committee and oversees the framework and management of risk at BII.

Overview of governance structure and key committees with responsibilities for risk management

Board

The Board retains the overall power to determine risk policy. It makes decisions on these matters after considering recommendations from the Risk Committee. With respect to risk management, the Board's key responsibilities are to:

- appoint the members of the Risk Committee;
- approve and periodically review the Risk Management Policy including risk appetite and top-level risk limits; and
- satisfy itself that appropriate systems are in place to identify and manage risks facing the business and to gain assurance that they are working effectively.

See the Governance Report on **page 44** for further information on the Board and Committee structure including the Committees with specific risk management responsibilities: Risk Committee, Executive Committee, Markets Committee and Operations Committee. See **page 45 and 46** for further information on the Board's activities.

Risk Committee

The Risk Committee is a committee of the Board. Its role is to support the Board in developing a Risk Management Framework, developing a clear understanding of our risk appetite and managing risks to a level that will allow us to achieve our mission.

The Risk Committee receives reports on our risk profile, considers emerging risks and oversees the design and operation of our Risk Management Framework. Further activities of the Risk Committee are set out in the Risk Chair's report on **page 54**.

Investment Committee

The Board delegates authority to make certain investment decisions to the Investment Committee. This committee reviews and approves all investment proposals, including the associated risks and the proposed mitigants to these risks, relative to our risk appetite. See **page 44** for further details of the Investment Committee.

Executive governance

Our executive governance is designed to support effective decision-making and use the right expertise. Although overall executive responsibility for risk lies with the CEO, there are a number of executive governance committees with responsibilities for risk management. The Chief Risk Officer is a member of each of these.

Executive Committee

The Executive Committee is responsible for agreeing the overall Risk Appetite Statement being proposed to the Risk Committee, and for evaluating the Chief Risk Officer's quarterly report on top risks, mitigations and planned future actions.

Operations Committee

The Operations Committee is responsible for advising on operational risk and corporate policies and procedures.

Markets Committee

The Markets Committee is responsible for advising on portfolio construction and risk-limit analysis, including limit setting, climate risk, market and credit risk review and any proposed changes.

Reputational Risk Committee

The Reputational Risk Committee considers transactions where there is a heightened risk of reputational damage. The Reputational Risk Committee provides regular reports to the Risk Committee.

Three lines of defence

We operate a 'three lines of defence' model to manage risk (as set out below). This allows for distinction between areas which own risk and implement controls, which oversee risks and provide challenge across all business lines and operations, and which provide independent assurance.

First line of defence

BII's first line of defence own and manage risks in their areas of responsibility within the Board-approved appetite, where they implement and maintain controls. The first line consists of the investment teams, the Impact Group, transaction support teams, office of the Chief Investment Officer, and corporate functions.

Second line of defence

Our second line of defence, consisting of the Risk and Compliance teams, provides the frameworks and policies within which the first line identifies and manages risks. The second line supports the management of risks within appetite by:

- providing independent, credible and effective challenge to the first line;
- providing transparent and firm-wide risk assessments; and
- embedding risk management and championing a strong risk culture across BII.

Third line of defence

Our third line of defence is internal audit, which is concerned with the adequacy and effectiveness of systems of internal control and whether they are managed, maintained, complied with and function effectively.

Risk management continued

Risk appetite

We define risk appetite as "the risk BII is willing to take in pursuit of its corporate objectives". Our Risk Appetite Statement describes the types of risk that we face and the amount of risk we are willing to take to achieve our mission.

Our Risk Appetite Statement reflects the organisation's willingness to take or retain different types of risk. The principles which inform our appetite are:

+ maximising development impact while ensuring we meet our commercial hurdle;
+ preserving our reputation so we can continue to operate; and
+ ensuring that decisions appropriately balance risk and reward and minimise unintended risk.

BII is willing to take substantial risks in support of our mission and development outcomes ... insofar as they do not materially impact our licence to operate."

BII is willing to take substantial risks in support of our mission and development outcomes, including investing in the riskiest markets and the riskiest part of the capital structure, insofar as they do not materially impact our licence to operate.

This statement provides the context for the appetite of each of the risk categories we are exposed to. Each risk category has a qualitative risk appetite rating, from the list below.

Risk appetite scale

Risk seeking

Preference to take the risk as it is more likely to result in the successful delivery of our strategic objectives.

Receptive

Willing to consider all potential options and choose the one most likely to result in successful delivery of our strategic objectives. Activities will likely have inherent risks, but there are plans that will result in the mitigation of some of the risk.

Minimalist

Preference for activities with a low degree of inherent risk, or risks that can be transferred to an outside party in order to pursue an internal strategic objective.

Risk averse

Avoidance of risk and uncertainty is a key decision-making parameter. Risks that cannot be effectively managed or transferred are avoided.

Regardless of our appetite for individual risks, we expect all exposures to be well understood and consideration given to the most appropriate way of managing that risk – risk appetite defined as 'risk seeking' doesn't necessarily mean we will not seek to manage the risk.

Our overall risk management approach takes account of emerging risks in addition to analysing past events. We take a proactive and forward-looking approach to identifying new risks, or familiar risks in a new or unfamiliar context. Once identified, we rank these risks in order of relevance to BII and assess whether we are actively addressing them or not.

We introduced our current Risk Appetite Framework in 2021 and completed our first annual review this year. Following the review, we proposed no changes to our Risk Appetite Statement.

Principal risks

Our business exposes us to a range of risks which could materially affect our ability to meet our strategic objectives, our licence to operate, or our reputation. The principal risks are:

+ strategic risks;
+ financial risks;
+ impact risks; and
+ operational risks.

These risks are regularly monitored and managed as we aim to remain within our risk appetite. We consider reputational damage as a potential impact of failing to manage any of these risks effectively. In addition to the processes described below, our Reputational Risk Committee advises the Investment Committee on managing reputational risks arising from specific investment proposals or investments in our portfolio.

Further information on our principal risks, how we manage the risks, and our assessment of the trend in our risk exposure is set out on the following pages.

Risk management continued

Key

Increasing risk area since the last report	Level of risk broadly flat since the last report	Decreasing risk area since the last report

Strategic risks

Impact for BII:
These risks may result in the Company failing to deliver on our five-year corporate strategy.

Description	How we manage this	Trend
Stakeholder The risk of reduced ability to operate and deliver objectives as a result of key opinion formers and political stakeholders disagreeing with our approach to delivering our strategic objectives.	Our Global Affairs function runs a stakeholder management programme targeted at building our institutional relationships with key stakeholders including politicians, government officials, development finance institutions, trade associations, NGOs, think tanks and academics.	Level of risk broadly flat
Climate change The risk of financial loss, diminished reputation or reduced ability to operate and deliver objectives as a result of climate-related transition and physical risks at BII or our investees.	Our climate risk process identifies climate-related physical and transition risks for new transactions to prioritise those with potentially higher risks for further analysis before consideration at the Investment Committee. Our Policy on Responsible Investing defines requirements and recommended practices for investees, and our Fossil Fuel Policy defines excluded fossil fuel activities. We actively monitor new regulatory-related developments on climate-related disclosures. Further details are covered in the Task Force on Climate-related Financial Disclosures section on pages 19 to 36.	Level of risk broadly flat
Strategy implementation The risk to the selection, execution or modification of objectives over time, resulting in the failure to translate the strategy to specific actions and make it a reality, or appropriately adapt it when conditions change.	We agree performance targets with our shareholder and regularly monitor and report on our performance relative to these targets.	Level of risk broadly flat

Risk management continued

Key

Increasing risk area since the last report	
Level of risk broadly flat since the last report	
Decreasing risk area since the last report	

Financial risks

Impact for BII:
These risks may result in the financial underperformance of our portfolio, create an unacceptable level of volatility in the investment portfolio return, or result in BII not having sufficient financial resources to meet our obligations.

Description	How we manage this	Trend
Market The risk of financial loss to our investment portfolio due to unfavourable changes in underlying market conditions. Our portfolio is exposed to currency risk and interest rate risk as well as price risk of our equity investments.	Investment proposals follow the investment approval and Investment Committee decision processes. This includes reviewing financial risks and related mitigants along with other considerations, such as risk/return profile and impact. Substantially all foreign currency debt positions and cash balances are hedged back to sterling based on the type of currency and size of the exposure.	Increasing
Credit and counterparty The risk of financial loss due to an obligor's, investee's or counterparty's inability to repay its liabilities.	Investment Committee review of investment proposals includes assessing financial soundness of our counterparties. We undertake periodic credit risk assessment of transactions as part of the portfolio review and valuations process. Our single obligor limit framework controls concentration risk for debt investments.	Flat
Country The risk of financial loss due to unfavourable changes in country-specific macro factors. The factors include significant political events, fiscal measures, systemic economic deterioration, exchange rate and interest rate moves, infrastructure failure and disasters caused by natural hazards.	Investment Committee review of investment proposals includes assessing country risks. We have coverage directors in key markets to advise on country risks. Our country limit framework controls concentration risk and triggers discussions upon the occurrence of risk events.	Increasing
Liquidity The risk of not having sufficient financial resources to meet commitment obligations, either in the right quantity, at the right time or in the right currency, having to secure resources at excessive cost, or being unable to readily convert assets in the portfolio to cash within a short period.	We regularly monitor liquidity requirements against pre-agreed thresholds. We regularly review and update cash flow forecasts to identify our cash requirements.	Flat

Risk management continued

Key

- Increasing risk area since the last report
- Level of risk broadly flat since the last report
- Decreasing risk area since the last report

Impact risks

Impact for BII:
These risks may result in failing to meet our impact objectives by failing to invest in businesses and economies which improve people's lives and protect the planet.

Description	How we manage this	Trend
Environmental and social The risk of financial loss or project delays, diminished reputation, legal issues, or reduced social licence to operate and deliver on objectives as a result of poor environmental and social practices at our investees.	Our Policy on Responsible investing defines requirements for investees. This is further discussed in the section on Responsible Investing on **pages 17 and 18**. Our Environmental, Social and Governance Impact (ESGI) team contributes to pre-investment due diligence, inputs into Investment Committee papers and meetings, agrees environmental and social action plans, tracks progress against action plans and monitors environmental and social performance. The team provides proactive engagement and capacity-building support to investees to support them in meeting the expected requirements. The policy also outlines escalation routes in case of insufficient progress or serious breaches, ranging from additional support and remedial action to exiting an investment.	Level of risk broadly flat
Development impact The risk of failing to deliver objectives on productive, sustainable and inclusive impact as a result of decisions on investment selection or aggregate impact performance.	Our Impact Framework increases our overall impact by focusing on supporting consistent decision-making, and helping us spot and course-correct when we are off track and learn from our experience. Impact is considered and managed across the investment process, including origination and structuring, portfolio management and exit. We identify and manage risks to impact throughout using our Impact Score, contribution assessments and other impact management tools. This is further discussed in the Development Impact Committee report on **page 50.**	Level of risk broadly flat
Business integrity and corporate governance The risk of financial loss, legal issues, diminished reputation, reduced social licence to operate and ability to deliver on objectives as a result of financial crime, and/or poor business integrity and/or governance practices at our investees.	Our Policy on Responsible Investing defines requirements for investees. Business integrity is proactively managed throughout the investment process. Our Business Integrity and Corporate Governance team contributes to pre-investment due diligence, provides input to the Investment Committees, works to build capacity among investees and develops, agrees and monitors progress against action plans to improve business integrity and governance performance, reduce risk and meet policy requirements.	Level of risk broadly flat

Risk management continued

Key

Increasing risk area since the last report

Level of risk broadly flat since the last report

Decreasing risk area since the last report

Operational risks

Impact for BII:
These risks, if they materialise, may result in business disruption, cause financial losses, negatively impact our ability to deliver on our mission, and potentially harm our reputation.

Description	How we manage this	Trend
People The risk that workforce composition and behaviours cause BII to fail to attract and retain talent, resulting in reputational, financial and operational impacts.	We have policies in place governing hiring practices and performance management for each location we operate in to ensure a consistent approach to managing our people. We have targets in place for female and ethnic minority representation. We regularly monitor and report on attrition and indicators of workplace culture.	
Process The risk of loss or impact on ability to achieve our objectives due to inefficient, ineffective or poorly designed processes.	Our internal policies and procedures set out control measures within individual processes. Our Operational Risk Framework includes event reporting, regular review of key risks and tracking of actions to identify and address process risks. Our change management process supports delivery of change projects.	
Legal The risk of financial loss or diminished reputation resulting from litigation/ claims against BII or failure to meet its legal obligations.	Our Legal team supports our investment and advisory teams by ensuring that contractual documentation is appropriately drafted and litigation risk is mitigated to the greatest extent possible.	
Security The risk of deliberate and/or targeted malicious threats or acts that may cause harm, loss or damage to our assets, including personnel, property and information.	Our Security team sets policies and processes to identify, assess and mitigate security risks associated with our offices, business travel and IT systems. We require staff to complete regular security awareness training.	
Regulatory The risk of financial loss, diminished reputation or reduced ability to operate and deliver objectives resulting from not being compliant with regulatory requirements, rules or internal standards.	Our Compliance team sets our Compliance Policy Framework, ensuring compliance with applicable laws and regulations. It provides regulatory advice and conducts regular assurance and monitoring activities on implemented risk management controls, including those owned by the first line of defence. We require staff to complete regular training on core regulatory requirements, including fraud, financial crime, data protection, Financial Conduct Authority (FCA) conduct rules and whistleblowing.	
Systems The risk of financial loss or significant business interruption from unintended/ accidental downtime or corruption to IT systems, applications and network.	We review and update our systems regularly to include industry best practice for built-in redundancy and resilience for core systems. We include IT systems in disaster recovery and critical incident management practices including annual testing of ability to restore systems.	

Responsible investing

A responsible investor

BII aims to be a responsible investor that supports the growth of companies in our markets through investment capital and applying strong environmental and social (E&S) and business integrity standards. Our work in 2022 was guided by our **Policy on Responsible Investing**, which defines the E&S and business integrity standards that we apply to investments, using International Finance Corporation (IFC) Performance Standards and internationally recognised standards for managing integrity risk as the basis of our requirements.

The Policy on Responsible Investing replaced our previous Code of Responsible Investing in April 2022 and establishes a new framework for the 2022–2026 strategy period, reflecting BII's evolving approach to E&S and business integrity. Although the new policy and its requirements remain largely the same, it provides greater nuance and clarity on our requirements, our expectations of investees, and the emerging E&S and business integrity risks we believe will become increasingly important to businesses over the next five years.

As a responsible investor, we place significant value on the role we play as an enabler of better E&S and business integrity practices in our portfolio. We believe that by applying international standards and meeting relevant local legal requirements, our investees can achieve the outcomes we value, whether these are protecting workers, the environment and local communities, or reducing bribery and corruption. We seek to set high standards across the markets we invest in and provide practical assistance to help investees improve their business practices. We believe that applying these standards can also lead to financial benefits and opportunities for our investees.

We recognise that our requirements may prove challenging to our investees and in addition to the one-on-one portfolio support our E&S and Business Integrity teams provide, we offer a strong programme of strategic support to our portfolio. This includes guidance, tools (including our ESG Toolkit for **Fund Managers** and for **Financial Institutions**) and capacity building. In 2022 we delivered E&S and business integrity training to over 730 people across our direct and funds portfolios via virtual workshops, including bespoke sessions on managing social and safeguarding risks. We also set up separate training modules for our Venture Capital and Financial Services portfolio.

We seek to develop innovative approaches to managing E&S topics, which has recently been recognised through the UN Principles for Responsible Investing award in the category 'ESG research innovation of the year' commending our partnership with WWF in developing the Water Risk Filter (see **page 34** for further details).

In recent years we have increasingly focused on investing in support of women under the 2X Collaborative, and we have set a target of 25 per cent of our annual average commitment to be 2X qualified from 2022 to 2026. Furthermore, our inclusivity framework was expanded in 2021 to include promoting black ownership and leadership in African businesses. The two dimensions of gender and diversity will form a significant element of how we prioritise new transactions in the coming years.

Anti-Bribery and Corruption Policy

Achieving strong business integrity standards is a core aspect of our mission and informs our operations and decision-making. We recognise that good business integrity risk management is critical to enabling long-term commercial success and achieving sustainable development impact because it is positively correlated with good governance, positive E&S outcomes and financial performance. It also reduces exposure to certain political and operational risks, and decreases the likelihood of regulatory enforcement and related fines. Our commitment to business integrity, including reducing bribery and corruption in our portfolio, is reflected in the Policy on Responsible Investing

In addition to the robust approach to business integrity risk management throughout the investment lifecycle, and a specialised first-line function focused on business integrity, we also have robust integrity and compliance policies and standards that are owned by a second-line compliance team and informed by the key principles of the UK Bribery Act 2010. The policies and procedures aim to ensure that all staff members follow the company's commitment to integrity and legal compliance. BII's own requirements and controls extend to the work done in the first line to appropriately assess and manage bribery and corruption and other integrity risks at all stages of the investment cycle, from origination to exit.

We publish our **Commitment to Anti-Bribery and Corruption** on our website.

Human rights and the Modern Slavery Act

Our investments are underpinned by a firm commitment to international labour laws and this is a consistent feature of our engagement with our portfolio.

In 2022, we strengthened our due diligence and monitoring of projects exposed to high modern slavery risks in supply chains, and continue to evolve our approach. We are also contributing to the development of a good practice note on supply chain risk management for human rights to support our investees to assess and address modern slavery risks.

In compliance with the UK Modern Slavery Act 2015, we assess the extent to which we are aware of, and managing risks associated with, modern slavery in our operations and investments and publish a **Modern Slavery Act statement** annually on our website.

Ensuring we are a responsible employer

Having a positive impact on our mission rests on our ability to attract and retain high-quality staff. While having a purposeful mission is a hugely motivating factor for our people, we recognise that employees will only stay with us and fulfil their personal potential if we create an environment which encourages, supports and develops them and where they feel a sense of psychological safety and belonging. We continue to deliver on our obligations to be a responsible employer, offering support for physical and mental wellbeing. Our new approach to hybrid working also provides great work-life balance opportunities. We also continue to offer a wide range of learning and development opportunities. Read more about these initiatives on **page 55**.

In 2022 we delivered E&S and business integrity training to more than 730 people.

730+

Responsible investing continued

In 2022 we extended our reverse mentoring programme with members of our Africa network.

Employee engagement and support

Obtaining employee feedback on a consistent basis remains important. Periodically, we run an employee survey and feed the results back to staff. In 2022, we engaged an independent consulting firm to run anonymised focus groups to further discuss survey feedback. We will continue to focus on engagement, sharing output from the focus groups with senior management and employees alike. We will continue to work with the employee networks, the broader business and HR on implementing new initiatives as we identify areas for further work.

Beyond the engagement survey feedback, we hold regular meetings with the internal networks to gain their perspective. We also undertake meetings with employees who leave the organisation and those who are returning from a period of parental leave. We continue to review and develop our suite of policies to support and engage our employees. We offer a range of coaching and wellness support to employees at all stages of their careers and personal lives. Our Employee Forum continues to engage directly with our Board members and its feedback is provided on a regular basis to the Executive Committee and the People Development and Remuneration Committee. Find out more about the Employee Forum on **page 47**.

Career development

We maintain a robust annual performance review process. We will continue to build career trajectory opportunities through the implementation of the all-BII curriculum in 2023. We also continue to develop our frameworks for effective career and performance management criteria. Our Management Training Programme has built on the skills of our managers to develop their talent, recognising career development opportunities to retain and grow our talent internally.

Diversity

We aim to hire exceptional people. We have continued to recruit throughout 2022 and have a workforce with a diverse set of skills and backgrounds. We know that diverse teams perform at a higher level and make higher quality decisions than homogenous groups. A workplace which is inclusive of all its members will promote authenticity, resulting in better work and a happier environment, and enabling a better relationship with its clients. Our **Diversity and Inclusion (D&I) statement** can be found on our website. In addition, page 44 of our **2022–2026 Technical Strategy** lays out our plans around talent and diversity. Our People Development and Remuneration Committee receives regular updates on D&I and will be having a 'deep dive' on D&I at one of its meetings in 2023.

We are committed to ensuring equality in all areas of company life, for all employees, based on all protected characteristics, visible and invisible differences. In 2022 we extended our reverse mentoring programme with members of our Africa network, Umoja works, to include other members of the Executive Committee. We now plan to broaden the programme to include more diversity characteristics, such as gender, and to extend the mentoring further down into the organisation below Executive Committee level.

Our inclusion framework sets out our strategy for leveraging the diversity inherent in our employee population while ensuring our culture continues to embed inclusion. Our senior leaders advocate for D&I, and our networks enjoy sponsorship from our Managing Directors. We continue to strengthen the governance around all our diversity networks, and to focus on increasing our investment in black African-owned and led businesses.

We continued to deliver awareness-raising sessions on inclusive leadership, microaggressions and inclusive communications during 2022. The sessions are now incorporated into our broader learning and development offering. In 2023 we will roll out our suite of video-based D&I training and will be mandating basic D&I training for all new and existing employees.

We have a thriving internship programme, built on relationships with some of the foremost global business schools, which leads to over 50 applicants for each internship place and often becomes a ticket to starting a career at BII. We have greatly increased the range of universities and business schools that we target in our local markets. In 2022 we participated in the 10,000 Black Interns programme focused on increasing the representation of black students and graduates in investment roles across the sector. The continued success of this programme has meant that we plan to participate again in 2023 and will, for the first time, offer an internship outside the investment and impact space. Our Legal team continues to partner with local charities to increase social mobility and access into the legal profession. The Resourcing team has developed and implemented a diversity resourcing plan, accessing diverse talent through a variety of routes to market with entry points ranging from early in a career to later as an experienced hire. We require diverse candidate slates and shortlists and this, together with an objective assessment and selection process, ensures effective governance in the hiring process.

Reward

Our responsibilities as an employer are reflected in how we reward our employees. To achieve significant development impact in challenging places through high-quality investing, we look to attract people with the same talent and expertise as those investing elsewhere in the private sector. Our commitment to good stewardship of the public money which we spend and invest means that we don't hire people motivated solely by personal financial gain, and our individual reward is not tied to the financial success of particular investments. We provide good employment benefits and a work environment through which we want to encourage people to do their best work, and to want to stay at BII. Further discussion of our remuneration can be found in the People Development and Remuneration Committee report on **pages 55 to 65**.

With all these elements of support, engagement, development, inclusion and reward, we seek to create a working environment at BII in which our employees can thrive and which allows the organisation to succeed in improving the lives of people in some of the world's most challenging places.

Task Force on Climate-related Financial Disclosures 2022

Overview of BII's TCFD implementation journey

Introduction

This section of the Annual Accounts presents our fourth voluntary disclosure pursuant to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). It provides a summary of the progress we have made to date towards our goal of integrating climate-related risks and opportunities into our governance, business strategy, risk management processes, metrics and targets – the key pillars of the TCFD's recommendations. It reflects our continued commitment to strengthen our understanding and management of climate-related risks and pursue climate-related opportunities.

The following sections present climate-related information relevant and material to the organisation's strategy, our shareholder, and our stakeholders, including our investees. They highlight the main advancements we made in 2022 towards implementing the TCFD recommendations and provide insights on key areas of further work ahead. Future work will particularly focus on further developing our climate risk assessment methodologies to enhance our understanding about the materiality of climate-related risks and our ability to manage their potential impacts on the organisation's objectives.

2019

- BII committed to implement the TCFD recommendations
- First TCFD disclosure report published as part of the 2019 Annual Accounts
- Started to baseline BII's financed emissions

2020

- Launched BII's Climate Change Strategy aligned with the pillars of the TCFD
- Approved Fossil Fuel Policy and Paris alignment assessment Guidance on Natural Gas Power Plants
- Set up a Climate Risk Working Group to oversee and contribute to TCFD recommendations
- Developed an initial approach to identifying and assessing climate-related risk

2021

- Systemically assessed climate-related risks at the transaction level
- Systematically implemented the Fossil Fuel Policy and Guidance on Natural Gas Power Plants
- Paris-alignment assessment integrated in the investment process
- Started assessment of physical climate-related risk exposure at the portfolio level

2022

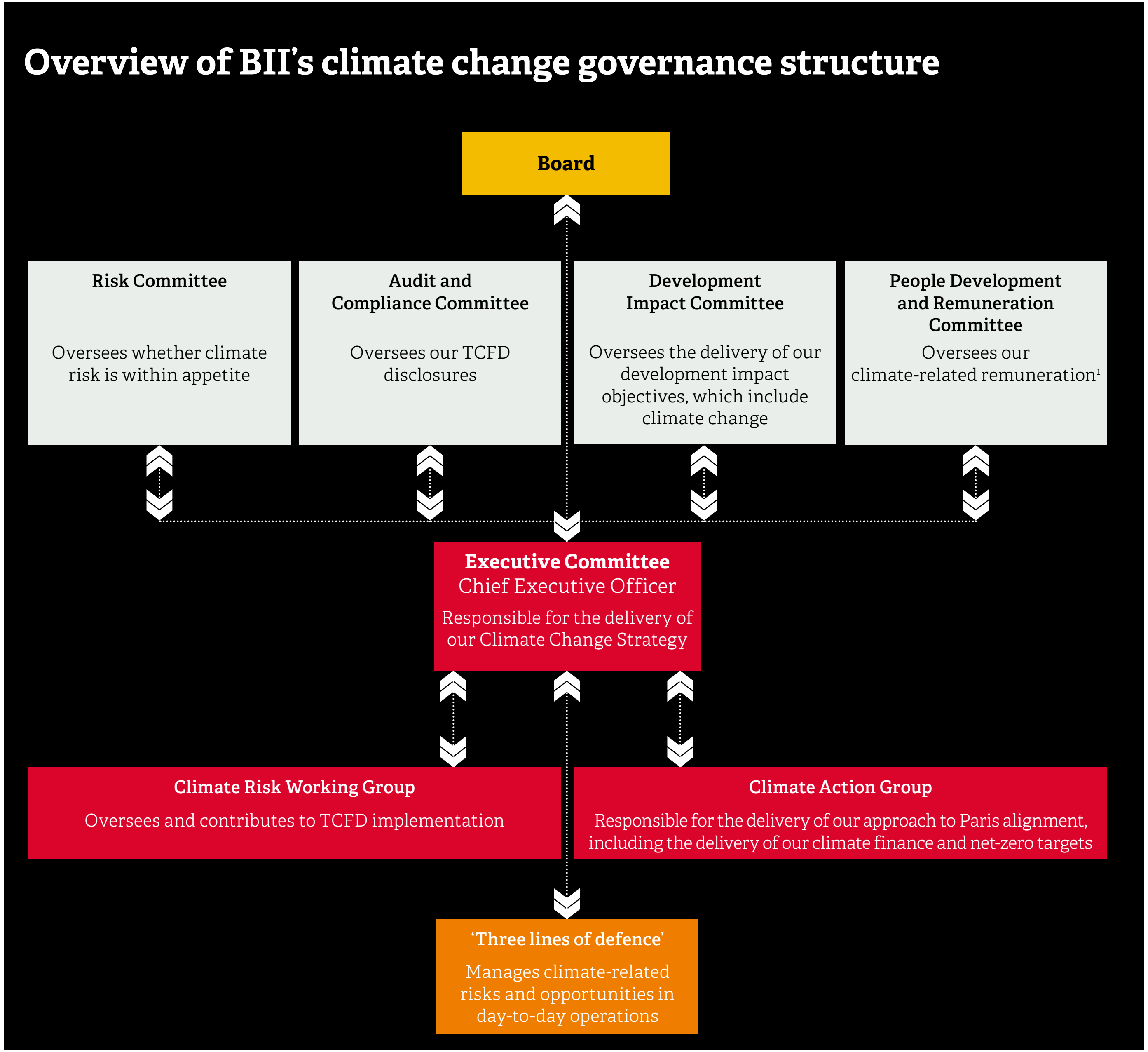
- Developed and endorsed a Net Zero Transition Strategy as the basis for making progress towards our goal of a net zero portfolio by 2050
- Developed guidance on carbon credit
- Phased out all oil and gas activities in our trade and supply chain finance portfolio
- Advanced physical climate risk exposure assessment at the portfolio level
- Reached 30 per cent climate finance target

2023

Key actions planned

- Enhance our physical and transition risk assessment methodologies and tools for identifying opportunities
- Integrate climate metrics into business-wide portfolio construction and asset allocation
- Develop further sectoral guidance notes to support transaction-level Paris alignment assessment
- Establish a technical assistance facility to support our investees to align with the goals of the Paris Agreement, including improving their capacity to identify, assess, manage and disclose climate-related risks and opportunities

Task Force on Climate-related Financial Disclosures 2022 continued



Governance

Roles and responsibilities for overseeing, assessing, managing and disclosing climate-related risks and opportunities are integrated in BII's existing governance structure. This governance underpins our efforts to move forward in implementing the TCFD recommendations and delivering on our **Climate Change Strategy.**

Board's oversight of climate-related risks and opportunities

BII's Board has overall responsibility for climate-related matters. It is responsible for overseeing climate-related risks and opportunities, including the implementation of our Net Zero Transition Strategy and of our Climate Change Strategy.

Various committees support the Board in exercising its oversight role and responsibilities. The table on the following page details their profile, responsibilities, frequency for reviewing climate-related issues and the main climate related discussion topics and decisions taken in 2022.

1 Climate change is integrated into our Remuneration Framework as are some other impact, financial and corporate objectives. See the Remuneration Policy section starting at page 59 for more details.

Task Force on Climate-related Financial Disclosures 2022 continued

Board and Board committees with responsibility for climate-related risks and opportunities[2]

Governance body	Chair	Composition	Purpose and responsibilities related to climate change	Climate agenda frequency	Key 2022 climate-related discussion topics and decisions
Board	Board Chair	Board Chair, CEO, Chief Financial Officer, and non-executive directors	The Board's primary role is to provide leadership and ensure the organisation delivers on the objectives of its shareholder, which include delivering on our Climate Change Strategy; It oversees our Risk Management Framework, which integrates climate-related risks.	Annually for TCFD disclosure and otherwise as required	+ Reviewed and approved: + TCFD disclosure in the Annual Accounts 2021 + The corporate objectives for 2023, which include meeting our climate finance target + The Transparency and Disclosure Policy, which includes climate metrics. + Reviewed and endorsed BII's Net Zero Transition Strategy and the use of financial emissions intensity metrics to steer BII's investment strategy towards our portfolio net-zero goal by 2050. + Received training on climate-related risks and opportunities.
Development Impact Committee	Non-executive director	Sub-group of non-executive directors	Oversees the delivery of our development impact objectives, which include monitoring progress on the implementation of our Climate Change Strategy.	Quarterly updates from the Chief Impact Officer and otherwise as required	+ Received regular progress updates on the implementation of our Climate Change Strategy. + Received briefing on the Net Zero Transition Strategy.
Audit and Compliance Committee	Non-executive director	Sub-group of non-executive directors	Responsible for reviewing the disclosures in Annual Accounts, which includes TCFD-related disclosures and requirements, and recommending their approval to the Board.	Annually for TCFD disclosure and otherwise as required	+ Reviewed and approved the 2021 TCFD disclosure and recommended it to the Board.
Risk Committee	Non-executive director	Sub-group of non-executive directors	Reviews our climate-related risk management approach and methodologies.	As required	+ Reviewed and re-confirmed BII's appetite for climate change risk (see **page 13** for more detail). + Received quarterly reports on whether risk categories, including climate change risk, are within or outside of appetite.

2 For more information, including on the composition and role of the People Development and Remuneration Committee not included in this table, please see the Governance Report section.

Task Force on Climate-related Financial Disclosures 2022 continued

Management's role in assessing and managing climate-related risks and opportunities

The CEO, who leads the Executive Committee, is ultimately responsible for the delivery of our corporate objectives and Climate Change Strategy. The CEO has delegated relevant climate finance and climate risk oversight responsibilities to the Chief Impact Officer, the Managing Director and Head of Infrastructure and Climate, and the Chief Risk Officer.

Role	Responsibilities
Chief Impact Officer	Delivery of BII's development impact objectives on climate change, including our commitments to align our investments and portfolio with the Paris Agreement and reach net zero by 2050.
Chief Impact Officer, Managing Director and Head of Infrastructure and Climate	Delivery of BII's climate finance target across all business groups.
Chief Risk Officer, Chief Impact Officer	Implementation of the TCFD recommendations.

Two cross-functional working groups – the Climate Risk Working Group and the Climate Action Group – and the 'three lines of defence' support management in executing their responsibilities. To support the development of BII's Net Zero Strategy, in 2022 we formed a third cross-functional working group composed of representatives from all business and impact groups and corporate functions.[3]

The table opposite provides an overview of the management bodies involved in assessing and managing climate-related risks and opportunities.

3 Previous TCFD disclosures referenced the Climate Insights Group. This cross-functional working group was established to contribute to the implementation of the Climate Change Strategy and has now merged with the Climate Action Group.

Management committees and working groups with responsibility for climate-related risks and opportunities

Governance body	Chair	Composition	Purpose and responsibilities related to climate change	Climate agenda frequency	Key 2022 climate-related discussion topics and decisions

Executive Committee	Top-level senior management	Top-level senior management	Advises the CEO on all aspects of delivering our mission.	As needed	+ Oversaw delivery of our corporate objectives, which include climate change-related targets.
					+ Reviewed and approved the Net Zero Transition Strategy and recommended approval by the Board.
					+ Reviewed and approved:
					  + The Net Zero Transition Strategy and recommended approval by the Board
					  + The use of financed greenhouse gas (GHG) emissions metrics to steer BII's investment strategy and decision-making.

Investment Committee	Chief Investment Officer, or delegate	Top-level senior management and independent members	Responsible for considering climate change matters in investment decision-making.	As needed	+ Considered climate-related aspects of new transactions put forward for investment decision[1] as part of its assessment on development impact and financial performance.
Operations Committee	Chief Financial Officer and Chief Operating Officer	Top-level senior management	Advises the CEO in ensuring efficient operation and long-term organisational effectiveness.	As needed	+ Reviewed the TCFD disclosure as part of the Annual Accounts 2021.
Market Committee	Chief Investment Officer	Top-level senior management	Advises the CEO in ensuring the origination and investment process is as effective as possible.	Monthly	+ Oversaw the delivery of climate finance investments through regular review of our pipeline.
Climate Action Group	Head of Infrastructure and Climate and Managing Director for Climate, Diversity and Advisory	Senior representatives of all the business groups, and the Climate Change team	Oversees our investments to meet our climate goals, including our climate finance target.	Monthly	+ Regularly reviewed the climate finance pipeline. + Involved in and regularly informed about the development of BII's Net Zero Transition Strategy. + Discussed BII and partners' work on a Practitioner's Guide to Transition Finance. + Discussed an initial draft guidance on carbon credits investment. + Informed about key international developments on climate change.
Climate Risk Working Group	Chief Risk Officer and Chief Impact Officer	Senior members and representatives of the Risk, Investment, Climate and ESGI teams, and a representative of the Chief Investment Officer	Oversees and contributes to TCFD implementations, including our approach to physical and transition risks and preparation of the annual TCFD disclosure.	Quarterly	+ Approved BII's 2021 TCFD report. + Discussed and approved an initial set of climate risk metrics for our Risk Appetite Framework.

Task Force on Climate-related Financial Disclosures 2022 continued

The roles of the 'three lines of defence' in managing climate-related risks and opportunities[4]

In day-to-day operations, BII's 'three lines of defence' manage climate-related risks and opportunities. The table below provides an overview of their respective roles and responsibilities.

Climate-related Remuneration Policy

BII's Remuneration Framework for management and executives has formally integrated climate change goals since 2022 through the **Impact Score system** and the corporate objectives. This ensures that adequate incentives are in place for meeting our climate-related objectives over the 2022–2026 strategy period. For more information about our Remuneration Policy, please see **page 59**.

First line of defence

Function	Roles and responsibilities
ESGI team	+ Identifying, assessing and managing physical climate risks of new investments including by formalising climate risk management actions such as resource efficiency and/or climate adaptation and resilience interventions in the Environmental and Social Action Plan. + Assessing Paris alignment in new investments in collaboration with the Climate Change team. + Implementing our **Policy on Responsible Investing**, which explicitly covers climate change matters, and our **Fossil Fuel Policy**.
Investment teams	+ Screening new investments for transition risks. + Identifying and pursuing climate-related opportunities.
Legal team	+ Identifying and tracking legal risk in relation to climate change-related disclosures and investments.
Climate Change team	+ Supporting the ESGI and Investment teams on their assessment of climate-related risks and opportunities as well as Paris alignment. + Determining the climate finance qualification and quantification of new investments. + Developing BII's Paris alignment approach and related operational guidance and processes. + Leading on the development and implementation of BII's Net Zero Transition Strategy. + Leading on the implementation of the TCFD recommendations, including the integration of climate change into investment and portfolio management processes and portfolio level assessments. + Providing technical advice on investment strategies across business groups and products. + Building knowledge and capabilities about climate-related risks and opportunities within BII and among our investees.

Second line of defence

Function	Roles and responsibilities
Risk team	+ Integrating climate-related risks in the organisation's overall Risk Management Framework.
Compliance team	+ Tracking regulatory developments in relation to climate change-related disclosure requirements.

Third line of defence

Function	Roles and responsibilities
Internal Audit team	+ Independently assessing the effectiveness of the procedures related to the TCFD disclosures included in the Annual Accounts, with a particular focus on climate-related metrics.

4 Our 'three lines of defence' model is described in more detail on **page 11**.

Task Force on Climate-related Financial Disclosures 2022 continued

Strategy

Responding to climate change in low income countries where we invest is one of our strategic corporate priorities. This is reflected in our **2022-2026 Technical Strategy and Investment Policy.** Climate change has also been embedded into the investment strategies developed by each business group, our **Risk Management Policy** and our **Policy on Responsible Investing**.

Climate-related risks and opportunities identified over the short, medium and long term

BII's **Climate Change Strategy** sets out our main priorities for managing climate-related risks and climate-related opportunities in pursuit of the goals of the Paris Agreement. Three building blocks underpin our activities and investments to this end:

- achieving net-zero emissions by 2050
- supporting a just transition for workers and communities; and
- increasing climate adaptation and resilience against physical climate risks.

These building blocks reflect the two main drivers of climate-related risks that we identified as relevant to the delivery of our mandate, and our approach to managing them and pursuing climate-related opportunities. The figure opposite illustrates how we define climate-related risks, their potential financial implications, and examples of climate-related investment opportunities we have identified.

How we define climate-related risks and examples of opportunities identified across industry groups

Risks	Potential financial impacts	Our building blocks for climate action	Opportunities Examples across industry groups
Transition risks Policy and legal Technology Market Reputation	Early retirement of existing assets driven by policy changes	**Net zero by 2050**	**Infrastructure and Climate** Renewable energy generation Reskilling and upskilling Electric transport infrastructures Climate-resilient water infrastructures
Physical risks Acute: extreme weather events Chronic: long-term gradual shifts of the climate, such as rising average temperatures or changes in precipitation	Write-offs and early retirement of assets due to damage from extreme weather events Changes in borrowers' repayment capacity due to increased capital costs and reduced revenues as a result of climate-induced business disruptions	**Just transition**	**SMART** Green and climate-resilient buildings Climate-smart agriculture Nature-based solutions Adaptation and resilience-enabling solutions such as climate risk analytics Manufacturing of climate equipment Decarbonisation of hard-to-abate sectors
		Adaptation and resilience	**Financial Services** Green and climate-resilient lending Climate insurance Green and climate resilience bonds Green trade

Task Force on Climate-related Financial Disclosures 2022 continued

Transition risks

As presented in last year's TCFD disclosure, transition risks in our portfolio are likely to be concentrated mainly among the 'carbon-related assets' we hold.[5] These consist primarily of direct and indirect investments in fossil fuel energy generation and in the oil and gas value chain made before our Fossil Fuel Policy came into effect. More than three-quarters of these assets by dollar value are natural gas-fired power plants, mainly located in power-constrained economies in Africa and South Asia, such as Bangladesh, Ghana and Nigeria. In 2021, carbon-related assets represented about 10 per cent of our portfolio of investments by value, but the majority of our carbon footprint.

As market and investors' preferences shift towards lower-emission alternatives for power, mobility and other products and services, businesses in these categories may be affected. Government policies encouraging the transition to lower-emission alternatives may also affect businesses in these categories, either by curtailing demand for their output or by imposing new costs on them. As countries set net-zero targets, they may introduce further policies and regulations to deliver these – as South Africa has done with its carbon tax legislation and India is doing by setting up a national carbon market. However, nearly all of our fossil fuel assets are in countries that have not yet introduced such targets in policy documents or law.

Further, as indicated in the analysis presented in our TCFD disclosure 2021, these assets have contractual arrangements in place that mitigate direct transition risk drivers such as reductions in demand or asset use, or even early retirement.

The European Union (EU) Carbon Border Adjustment Mechanism, a tariff on carbon intensive products such as energy, cement and fertiliser imported from third (non-EU and non-European Free Trade Association) countries, will likely increase transition risks and be a driver of climate investment opportunities in our target markets as long as it accelerates the diffusion and uptake of cleaner production technologies.[6] This and other relevant matters appropriate for the markets we operate in are being considered in the further development of our transition risk assessment methodology, which we plan to finalise and pilot during 2023 and 2024.

Transition-related opportunities

Transition finance is one of the transition-related opportunities we looked at more closely in 2022 to decarbonise the real economy. For enabling the pursuit of these opportunities, we co-developed a **Practitioner's Guide to Transition Finance in Africa** together with other financial institutions and leading academics.

Physical risks

In 2022 we assessed a subset of our portfolio for water-related risks over three climate scenarios. Our intention was to gain a better understanding of our exposure to such risks and identify priority investees to engage with for further analysis and identifying opportunities to build climate resilience. The analysis performed to date highlighted water-related hazards – floods, and water scarcity/drought[7] – as the main potential drivers of physical climate risks that the assets we assessed are exposed to.[8] A survey we conducted with senior executives working across our portfolio of companies and funds in Africa and Asia also pointed to flood and drought as the physical climate events most frequently reported: 40 per cent of respondents had been impacted by flooding and 25 per cent by drought.[9]

The financial risk materiality of these hazards to the assets assessed, and thereby our counterparties, would depend on their sensitivity to such climate-related risks and their capacity to cope and adapt, as well as the timeframe over which these hazards will materialise.

In 2023 we aim to further build our understanding of physical climate risks across our portfolio with a view to identifying potential approaches to reduce the climate-related risks of our most climate-vulnerable investees.

Climate adaptation and resilience opportunities

At the investment level we see opportunities for investments in physical risk management solutions across various sectors and geographies. In 2022 we particularly explored opportunities related to climate risk insurance and adaptation and resilience-building solutions for the agriculture and water sectors. To pursue these, we have also been exploring partnerships and initiatives that can generate pipelines and foster opportunities for co-investment. Through the investment process, we are also exploring opportunities for building the capabilities of our investees to support improvements in the way they identify, assess and manage physical climate risks. This may also create new opportunities for investing more in climate adaptation and resilience.

Transition finance is one of the transition-related opportunities we looked at more closely in 2022.

5 We define 'carbon-related assets' according to our **Fossil Fuel Policy**. See the section on metrics and targets for details. Please see the TCFD section in the **Annual Accounts 2021** for details on the mapping of the primary types of transition risks that carbon-related assets in our portfolio might be exposed to, based on the broad characteristics of the markets we operate in and the sectors in which we invest.

6 Source: **A European Union Carbon Border Adjustment Mechanism: Implications for developing countries.**

7 The water scarcity metric evaluated by the tool we used for this analysis, the WWF's **Water Risk Filter** tool, is a comprehensive metric integrating seven best available and peer-reviewed datasets covering different aspects of scarcity, including acute events like drought. The tool also assesses water quality risk which, as the IPCC has noted in its latest assessment, is an additional factor being considered in the context of physical water scarcity.

8 For more details, please see the metrics and targets section.

9 For more information, please see **Emerging Economies Climate Report 2022** and the risk management section.

Task Force on Climate-related Financial Disclosures 2022 continued

Our Climate Change Strategy: 2022 highlights

The impact of climate-related risks and opportunities on our business strategy

Climate-related risks and opportunities have impacted and influenced our business strategy, engagement with investees and other stakeholders in several ways. The most relevant ones for 2022 are summarised here against each of the building blocks of our Climate Change Strategy.

Net zero by 2050

- Developed BII's Net Zero Transition Strategy as the basis for making progress towards our portfolio net-zero goal by 2050.
- Phased out all oil and gas activities in our trade and supply chain finance operations.
- Began developing a carbon credits guidance note outlining how BII can support the generation of carbon credits through investments, and started mapping our portfolio to identify opportunities for investees to generate carbon credits.
- Co-developed a Practitioner's Guide to Transition Finance in Africa, together with other financial institutions and leading academics.[10]
- Developed Paris alignment guidance for the food and agriculture sector.

Just transition

- Held stakeholder consultations to identify practical actions for financing a just transition in India.
- Contributed to knowledge exchange on financing a just transition in South Africa and India and the development of just transition financing guidance.[11]
- Supporter of the Just Transition Finance Challenge launched by the UK Impact Investing Institute.

Adaptation and resilience

- Assessed a portion of our portfolio for physical climate risk drivers.[12]
- Strengthened our ability to identify and assess physical climate risk drivers.[13]
- Led and contributed to the delivery of the commitments made by the Adaptation & Resilience Investors Collaborative to the G7 group of countries.[14]
- Developed the Climate Adaptation and Renewable Energy (CARE) programme for water investment blueprint, identifying how to unlock private capital for Paris-aligned, climate-resilient water systems.

10 For more information, see **Transition Finance for Africa – Practitioner's Guide** published by BII, NinetyOne, Oxford Sustainable Finance Group and the Blended Finance Taskforce in November 2022.

11 For more information see **Mobilising investment for a just transition to net zero in India.**

12 For more information, see the section on metrics and targets.

13 For more information, see the section on risk management.

14 For more information, see **G7 Progress Report: Adaptation & Resilience Investors Collaborative.**

Cross-cutting

- Implementing our Technical Assistance Facility for Financial Institutions **(FSG Plus)** to support the management of climate-related risks and pursue climate-related opportunities.
- Kicked off the development of a Paris Alignment Technical Assistance offering for approval and piloting in 2023.
- Exploring opportunities for deploying our pool of concessional capital for pioneering climate solutions through the Climate Innovation Facility.
- Exploring private climate capital mobilisation strategies.

Resilience of our business strategy to climate-related risks and opportunities

We have not yet completed the assessment of our portfolios for physical and transition risks as we are still developing the necessary datasets and methodologies. (For detail on the transition risk analysis done to date, please see our Annual Accounts 2021, pages 31 and 32.) However, we believe by aligning our investments to the 1.5˚C goal of the Paris Agreement, and working towards increasing the climate resilience of our investees, we have strong mitigants in place against both physical and transition risks.

Task Force on Climate-related Financial Disclosures 2022 continued

Our Net Zero Transition Strategy

Our Net Zero Transition Strategy, endorsed by the Board in 2022, is steering our investment strategy towards our goal of a net-zero portfolio. This page summarises the strategy's key features. We plan to share more information about the strategy in due course.

As part of our Climate Change Strategy, BII set an institutional-level ambition of Paris alignment including a public net-zero commitment in line with a 1.5˚C pathway. To advance implementation, we have developed a Net Zero Transition Strategy that identifies transition opportunities both in the existing portfolio and future pipeline. Our objective is to support the real economy transition along a 1.5˚C-aligned pathway in a way that delivers our dual mandate of development impact and financial return. Climate action is core to BII's role to support our markets' development and ensure they are not left behind in the transition, for the following reasons:

+ Our role as an impact investor requires us to contribute to a net-zero world and support aligned growth in our markets. We can achieve this by reducing the climate impact of our portfolio while supporting real economy emissions reduction and transition, and pursuing increased climate-related opportunities to enable our markets to be at the frontier of the global economic transition to net zero.
+ Achieving this ambition comes with opportunities to support the achievement of both development and climate objectives, alongside some trade-offs.
+ As an impact investor and development finance institution, BII should lead our markets in realising the significant opportunities from the economic and technological transformation that is underway globally and address any trade-offs sensibly. It is important to take into account the different starting points of the markets we invest in and their significant needs for economic and social development..

The Net Zero Transition Strategy sets out that BII should play a proactive role in the decarbonisation of those sectors that are key to sustainable development. It aligns to the key characteristics of effective transition plans recommended by the TCFD:[15]

Aligned with BII's investment strategy: The Net Zero Transition Strategy was closely developed with impact and investment teams across BII to reflect teams' business plans under our 2022–26 strategy.

Anchored in quantitative elements: It starts with a comprehensive assessment of our portfolio to determine a baseline carbon footprint for the organisation, in line with recommendations from the Partnership for Carbon Accounting Financials.[16] We have set a decarbonisation pathway for the organisation in line with the 1.5˚C goal of the Paris Agreement. This is based on the IEA's Net Zero by 2050 scenario for emerging markets and developing economies, which outlines how to achieve this temperature goal while also making progress on the SDGs.[17]

Subject to effective governance processes: The Net Zero Transition Strategy has been developed with the active engagement and scrutiny from BII's management and the Board. Its implementation will be regularly monitored via the Climate Action Group and the Executive Committee, and progress scrutinised annually by BII's Board.

Actionable, specific initiatives: We have translated levers recommended by emerging good practice (for example, from the Science Based Targets initiative[18] and the Institutional Investors Group on Climate Change) into tools and opportunities to decarbonise BII's portfolio and new investments.

Credible: We acknowledge that our ability to deliver on our Net Zero Transition Strategy and target is dependent on both internal (such as team capacity and capability) and external factors (for example, the rate of technological and policy progress in the markets in which we operate). Internally, we are deliberately shaping our investment strategy, deploying our capital pools, and engaging with new and existing investees to enable deployment of those technologies needed to meet the 1.5 ˚C. However, we acknowledge that global, rapid and far-reaching transitions across all sectors and systems are necessary to achieve the emissions reductions required to meet the 1.5 ˚C goal of the Paris Agreement.

Not relying on offsets: In line with emerging good practice,[19] BII will not rely on offsets purchased from the market to achieve our portfolio targets. We will rather follow the 'mitigation hierarchy' by focusing on achieving the highest possible level of decarbonisation of our investments. Where we do make investments in carbon credit-generating activities, or other forms of emissions removal (such as forestry), we will clearly and separately account for the carbon sequestered from these investments and any credits sold or bought by our investees, in order to avoid double counting. Furthermore, we will not consider credits purchased by our investees in calculating our financed emissions footprint. This is consistent with latest best practice guidance from institutions such as the Greenhouse Gas Protocol, the Partnership for Carbon Accounting Financials, and the Science-Based Targets Initiative.

Periodically reviewed and updated: In addition to annual scrutiny of progress by BII's Board, we anticipate aligning updates of our Net Zero Transition Strategy with BII's five-year strategy cycle – with the next update expected in 2026.

Reported annually to stakeholders: We will provide an annual overview of our progress and future priorities in our TCFD disclosures.

15 For further details, please see TCFD (2021), **Guidance on Metrics, Targets and Transition Plans (2021)**.

16 See the metrics and targets section.

17 For further details on the selected scenario, see the IEA, **Net Zero Emissions by 2050 Scenario (NZE).**

18 See the Science Based Target Initiative (2022) Foundations for Science Based Net Zero Target Setting in the Financial Sector.

19 For example, from the Science Based Target Initiative, PCAF, GHG Protocol and BII's peers.

Task Force on Climate-related Financial Disclosures 2022 continued

Risk management

Identifying and assessing climate-related risks

We identify and assess climate-related physical and transition risk drivers in the process of conducting due diligence of new investments. Our approach, which is proportionate to investment-specific circumstances, is embedded in our E&S and investment due diligence process. Its outcomes are presented to the Investment Committee to inform investment decisions. The integration of climate-related risks in the investment process allows us to consider such risks and their relative significance in relation to the other risks we face when making investments or lending decisions in the pursuit of our mandate.

Physical climate risk identification and assessment in direct investments

Since 2021, the ESGI team has systematically screened direct debt and equity investments for physical climate-related hazards as part of the initial E&S due diligence process. The screening has focused on new investments in the infrastructure, agriculture, manufacturing, construction and real estate sectors, given the intrinsic climate sensitivity of these sectors and lifespan of the underlying assets. Investments in other sectors were also screened taking a risk-based approach.

The findings of the screening process determine whether a physical climate risk and vulnerability assessment is required during the subsequent due diligence stage to determine the materiality of the identified hazards, and the necessary climate risk management measures. These can include climate adaptation measures to prevent or reduce the identified physical climate risks to within acceptable risk limits. Where appropriate, such measures are detailed in an Environmental and Social Action Plan which forms part of the investment agreement with the investee. To enhance our physical climate risk screening and assessment capabilities, in 2022 we carried out the following activities, which we will continue to advance in 2023:

- We enhanced our physical climate risk screening capabilities of new transactions by piloting a commercial tool that combines the most advanced climate models, and by building internal knowledge and capabilities. The tool projects how eight main chronic and acute temperature-related, water-related, and wind-related climate hazards may change in the future under different climate scenarios and time frames, helping us to identify which climate-related hazards may affect the performance of an asset during its lifetime.
- We improved our understanding of physical climate risk drivers at the portfolio level by deploying the new commercial climate risk modelling tool to a subset of our legacy direct investments and working with WWF to apply its Water Risk Filter assessment tool to a portion of BII's portfolio.[20]
- We have advanced our partnership with WWF to develop a tool that estimates business impacts and dependency on biodiversity – the Biodiversity Risk Filter.[21] Biodiversity, which is hindered by and critical for tackling climate change, is an important focus for BII. The tool helps to assess and manage biodiversity-related risks.
- We strengthened our capabilities to identify, assess and manage physical climate risks through bespoke training and peer-to-peer learning under a dedicated working group of the Adaptation & Resilience Investors Collaborative.[22] With the group, we developed an initial guidance document and a counterparty engagement tool.

Transition risk identification and assessment in direct investments

We take a risk-based approach to transition risk assessment, focusing on new direct investments in sub-sectors which are most likely to be impacted by the transition to net zero by 2050. Examples of such sub-sectors are transport, primary agriculture and emissions-intensive heavy manufacturing.[23]

For emissions-intensive sectors, our transition risk assessment focuses on the four drivers of transition risks identified by the TCFD framework: changes in legal and regulatory frameworks, market sentiment, technological advances, and reputational risk. The current assessment process outlines a series of guiding questions for each of the four areas. Responses to these questions are included in the analysis presented to the Investment Committee to inform investment decisions. Investees operating in sectors key for economic development, such as food and agriculture and manufacturing, will be assessed through sector-specific Paris-alignment guidance notes. As outlined in our Net Zero Transition Strategy, we aim to play a proactive role in helping them decarbonise through engagement technical assistance and capital solutions.

Physical and transition risk identification and assessment in indirect investments

Our approach in the context of indirect investments via funds and financial institutions is 'risk-based' and thereby proportional to their size, investment strategy and portfolio. It is based on the pillars of the TCFD recommendations and focuses on assessing the governance and risk management frameworks of our target investee funds and financial institutions with respect to climate change. It reflects the need for a robust and flexible framework to address the variations in intermediated financing instruments and investment strategies.

The objective of our approach is to encourage and support intermediary institutions to adopt the TCFD recommendations themselves. To support them in this endeavour, we have developed 'TCFD Ready' guidance, outlining the key steps they can take to integrate climate change in their governance and risk management practices. This guidance has also been published in our ESG Toolkit for Financial Institutions. The same approach to considering new investments with materially high emissions used for direct investments described above is applied to indirect investments.

20 Since 2021, we have partnered with WWF to enhance this web-based tool with climate scenario analysis capabilities with the aim of providing our investees with a publicly available tool for assessing water-related risks. In 2022 we started partnering with WWF to develop a tool that estimates the impacts of businesses on biodiversity.

21 For more information, please see WWF's new **Biodiversity Risk Filter** helps companies tackle nature-related risks.

22 For more information, please see BII's web site **here**.

23 This includes manufacturing metals, cement, pulp and paper, chemicals, rubber, plastic and mineral products.

Task Force on Climate-related Financial Disclosures 2022 continued

Overview of our climate assessment approach

Type of climate assessment	Approach
Paris alignment	Assessment of whether an investment is aligned with the goals of the Paris Agreement. Investment Committee documents feature the outcomes of the assessment.
Climate-related risks	Assessment of physical and transition risk drivers during the investment due diligence. Investment Committee documents feature the outcomes of the assessment.
Climate-related opportunities including climate finance	Investments contributing to climate mitigation and/or adaptation are assessed as climate finance qualifying, and counted towards our climate finance target.
Sustainability score[24]	Assessment of the extent to which an investment contributes to net zero and climate-resilient economies. This is based on whether and to what extent it qualifies for climate finance or its GHG emission profile.

New investments put forward for decision-making

The climate-related assessments we carry out during the investment process are critical for and underlie our ability to deliver on our Net Zero Strategy as well as our climate adaptation and resilience-building objectives.

24 From 2022, every eligible investment receives Productive, Sustainable and Inclusive scores to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives. For more information, please see Impact Score 2022–26 Strategy Period.

Our Paris alignment assessment approach

The assessment framework has two main steps to determine whether an investment is "aligned", "conditionally aligned" or "not aligned" with the mitigation and adaptation goals of the Paris Agreement. An overview of these steps is presented below.

1. Mitigation goal assessment – alignment with 1.5°C pathways:

Misaligned
Automatically misaligned list
All projects that are excluded based on BII's Fossil Fuel Policy are automatically considered misaligned.

Conditional
Additional analysis
Investments not included on either misaligned or aligned lists are 'conditional', requiring additional analysis based on sector-specific guidance notes.

Aligned
Automatically aligned list
All projects that qualify as climate finance.

2. Adaptation goal assessment: identifying, assessing and managing physical climate risks, and avoiding maladaptation.

To better assess Paris alignment across conditionally-aligned food and agriculture transactions, in 2022 we developed a guidance note for the food and agriculture sector. Our 2023 priorities include developing a guidance note for the manufacturing sector, as well as enhancing our overall assessment framework in collaboration with other European development finance institutions.

Task Force on Climate-related Financial Disclosures 2022 continued

Managing climate-related risks

Our climate risk management approach is evolving as methodologies and processes are still under development. However, the following cornerstone elements of our approach are already in place:

- Fossil Fuel Policy, which excludes new investments in most GHG-emitting fossil fuel activities.[25]
- Portfolio carbon footprint, which has enabled us to gain a full overview of the most carbon-intensive assets, which are potentially those more exposed to climate transition risk drivers.
- Net Zero Transition Strategy which will steer our investment strategy towards our portfolio net-zero goal.
- Paris alignment sectoral assessment guidance notes.
- Physical climate risk exposure assessment of a portion of our portfolio, which will enable us to gain a better understanding of the more climate-vulnerable assets.
- Integration of climate change-related risk into our Risk Appetite Framework and Risk Management Policy.

25 See our **Fossil Fuel Policy** for details.
26 See our updated **Policy on Responsible Investing**.
27 For more information, please see **Emerging Economies Climate Report 2022** and **Emerging Economies Climate Report 2021**.

Engagement with our investees

In 2022 we continued to deepen our engagement with investees on climate-related risks and opportunities. This is relevant to building our understanding of risk and supporting them in investing in net-zero and climate-resilience solutions. We have done this through our Policy on Responsible Investing,[26] investment due diligence and portfolio management activities, and by providing training to fund managers and financial institutions on the TCFD's recommendations.

We also surveyed, for the second consecutive year, the senior executives working across our portfolio to understand how they see climate change affecting their organisations and how they are responding.[27] Questions in the survey were structured around the pillars of the TCFD.

More than half (56 per cent) of respondents thought climate change will affect the viability of their business in the next five years, while 72 per cent were concerned that climate change will impact plans to grow their business or investment portfolio over the next ten years. Over half (58 per cent) noted that extreme weather events had affected their business – up from 48 per cent last year. The findings of this survey point us to the need for further engagement with our investees, including the provision of bespoke support to better understand their vulnerability to physical climate risk and in identifying avenues for increasing their climate resilience. To this end, and to support our net-zero ambitions, in 2022 we kick-started the development of a Paris Alignment Technical Assistance offering for approval and piloting in 2023.

72%

of respondents to our survey are concerned that climate change will impact their business plans in the next ten years.

Delivering TCFD training to our portfolio

In 2022 we continued to deliver training on climate-related risks and opportunities to fund managers, a capacity-building initiative we started in 2019 as part of the ESG training programme. We also piloted a new module for financial institutions. The sessions were designed to provide participants with the foundations to understand physical and transition climate risks and opportunities, the transmission channels to financial risks, and to begin implementing the TCFD's recommendations. They were attended by 156 participants from our investee fund managers and financial institutions across Africa and South Asia.

To further support our investees to implement the TCFD's recommendations, we are developing a 'TCFD Toolkit' for private equity fund managers in developing and emerging markets. The toolkit will form the premise for subsequent training to be facilitated in 2023.

Integrating climate-related risks into our overall Risk Management Framework

Climate change risk is integrated into our Risk Management Framework and identified in our risk taxonomy as a standalone risk type under 'Strategic risks' (see **page 13**). In 2022 we developed and piloted a partial set of metrics as part of our Risk Appetite Statement, which we use to evaluate whether we are within or outside our risk appetite.

Task Force on Climate-related Financial Disclosures 2022 continued

Metrics and targets

Metrics used to assess climate-related risks and opportunities

As recommended by the TCFD, we have been developing and using a range of metrics to assess climate-related risks and opportunities in line with our corporate strategy and Risk Management Framework. The table to the right provides an overview of the metrics we have in place to date, presenting them against the cross-industry climate-related metric categories recommended by the TCFD in its 2021 guidance. It also indicates which metrics we are not yet disclosing because further work still needs to be undertaken.

The following sub-sections provide further details on each of the key metrics. For each we include data from previous periods to allow for trend analysis, and a description of the methodologies used to calculate them.

Metrics overview

TCFD cross-industry metrics	Description	Type of metric	Status
Capital deployment toward climate-related opportunities	+ Climate finance qualifying commitments + Financial exposure to climate finance qualifying assets	Investment portfolio metrics	Disclosed
GHG emissions	+ Scope 3: Financed emissions (absolute and intensity) + Avoided GHG emissions	Investment portfolio metric	Disclosed
	+ Internal operational GHG emissions (Scope 1, 2 and part of 3)	Internal operations metrics	
Transition risks: Amount and extent of assets vulnerable to transition risks	+ Financial exposure to carbon-related assets	Investment portfolio metric	Work in progress. Our financial exposure to carbon-related assets indicates the amount of assets which are more sensitive to transition risk drivers
Physical risks: Amount and extent of assets vulnerable to physical risks	+ Physical climate risks to BII's offices	Internal operations metrics	Work is in progress to determine the amount of assets vulnerable to physical risks
Remuneration: Proportion of executive and management remuneration linked to climate considerations	+ Proportion of remuneration linked to the achievement of climate objectives	Additional organisation-wide metric	Disclosure may follow in the subsequent reporting cycles[28]

28 BII's Remuneration Framework for the 2022-2026 strategy period, which integrates climate objectives through the Impact Score and the corporate objectives entered into force in 2022. For more information, please see the Remuneration Policy section on **pages 59-60 and 63**.

Task Force on Climate-related Financial Disclosures 2022 continued

Investment portfolio metrics

Portfolio exposure to climate-related opportunities and transition risk vulnerable assets

Our financial exposure to climate-related opportunities, defined as the value of climate finance qualifying assets, has increased since 2020, driven by new climate finance investments such as renewable energy generation, certified green buildings, and climate adaptation solutions. At year-end 2022, the value of our climate finance qualifying assets was $1,732 million or 21 per cent of our overall portfolio, which represents a 24 per cent year-on-year increase.

Our financial exposure to assets vulnerable to transition risks, defined as carbon-related assets, has declined since 2020, driven predominately by a decline in our financial exposure to oil and gas assets through trade and supply chain finance facilities and exits from some legacy investments. It is worth noting that, as indicated in the strategy section (**page 25**), these carbon-related assets have contractual arrangements in place that mitigate direct transition risk drivers such as reductions in demand or asset use, or even early retirement. Further, they are located in markets with energy deficits and where some technological substitutes are not yet commercially viable. Moreover, it is also worth noting that while we carried out some initial analysis[29] we have not yet fully assessed the vulnerability of our organisation to transition risks nor the likelihood and impact of any transition risks and related speed of onset.

Portfolio-level exposure to carbon-related vs climate finance qualifying assets at year-end 2020, 2021 and 2022

	Portfolio (£ millions)			Portfolio ($ millions)			Share of portfolio (%)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Carbon-related assets	665	605	*[30]	910	818	*[30]	12.6	9.9	*[30]
Climate finance assets[31]	812	1,038	1,433	1,109	1,402	1,732	15.4	16.9	20.9

29 For more information, please see the TCFD section of our Annual Accounts 2021.

30 Due to commercial sensitivities, 2022 figure will be disclosed in due course. However, we are now able to disclose the 2021 year-end figure, which was withheld last year for similar reasons.

31 Data reflect revised 2021 climate finance qualification valuations due to updated information on the business models of two existing investments becoming available in 2022. The net effect of this change was a reduction of $37 million in climate finance assets by value.

32 We define carbon-related assets as per the definition of the fossil fuel value chain in our Fossil Fuel Policy for coal, oil and gas based on these definitions: upstream activities (exploration and production of fossil fuels), midstream (transportation and storage of raw fossil fuels), downstream (refining and distribution of refined fossil fuels), and power generation (grid-connected rather than in captive capacity). We also include companies or projects that exclusively provide services (including advisory), equipment or other outputs to excluded fossil fuel activities. Therefore, when calculating our portfolio exposure to carbon-related assets, we included both assets that would be excluded by our Fossil Fuel Policy today but were made prior to its entry into force, and fossil fuel investments still permitted under the policy.

Methodology

We define carbon-related assets according to the scope outlined in our **Fossil Fuel Policy**, which is in line with the TCFD 2017 guidance.[32] In 2021, the TCFD broadened its definition of carbon-related assets from assets tied to the energy sectors to those tied to energy, transportation, materials and buildings, agriculture, food and forest products.[33] We will explore the possibility of aligning with the latest guidance in future disclosures.

Climate finance qualifying assets are those in climate sub-sectors as defined by our climate finance methodology.[34] Using these definitions, a proportion of the portfolio comprises neither carbon-related nor climate finance qualifying assets. Assets in sectors beyond the fossil fuel value chain may also be highly emissive depending on the context and nature of the investment. These are tracked via our portfolio carbon footprint.

Carbon-related assets coverage

In 2020, 2021 and 2022, we have tagged and calculated our exposure to carbon-related assets via direct investments and intermediated investments through funds. Data gaps prevented us from evaluating our exposure via indirect investments through financial institutions (Scope 3, Category 15 emissions of these financial institutions).

Coverage of climate finance qualifying assets[35]

The data shown covers climate finance qualifying assets via direct investments, intermediated investments through funds, and directed lending via financial institutions.

33 For further information, please see TCFD (2021), which updates and supersedes the 2017 version of Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures

34 Climate finance investments are determined based on our climate finance methodology, which is aligned to the Common Principles for Climate Mitigation Finance Tracking and Common Principles for Climate Change Adaptation Finance Tracking developed by a group of multilateral development banks and members of the International Development Finance Club.

35 Our climate finance target, as explained in the following section, applies to our new commitments, whereas portfolio exposure to climate finance-qualifying assets as described here is based on the value of the portfolio as of Q4 2022.

36 The PCAF Accounting and Reporting Standard covers the seven gases under the Kyoto Protocol that are also mandated under the UN Framework Convention on Climate Change to be included in national inventories.

37 For more information, please see our **2022–2026 strategy.**

GHG emissions: Scope 3 financed emissions

Methodology

Our financed emissions are part of our Scope 3, Category 15 downstream emissions. In 2020, we joined the Partnership for Carbon Accounting Financials (PCAF),[36] which is the global GHG accounting and reporting standard for the financial industry. Since then, we have on an annual basis[37] used the PCAF Standard to calculate the following components of our portfolio's emissions footprint:

- Scope 1 and 2 GHG emissions of our direct investments;
- Scope 1 and 2 GHG emissions of our intermediated investments in companies through funds;
- Scope 1 and 2 GHG emissions of our investments in financial institutions (such as the financial institutions' operational emissions), excluding trade and supply chain finance;[30] and
- Scope 3 finance-enabled GHG emissions of our investments in financial institutions (such as the Scope 1 and 2 emissions generated by the financial institutions' underlying borrowers), excluding trade and supply chain finance.

The PCAF methodology consists of two main parts:

1. The GHG emissions of the investee which may be a) reported to us, b) calculated (based on physical activity data), or c) estimated (based on economic activity data); and
2. BII's attribution factor for the investee, which is based on our percentage of total enterprise value including cash (or total assets where appropriate) of our underlying investments.

In terms of the emissions categories, our calculations for our underlying portfolio companies were based on:

- Scopes: Scope 1 and 2 (as well as Scope 3 finance-enabled emissions through our investments in financial institutions);
- Phase: operational emissions (but not embodied emissions[31]);
- Source: both energy consumption and process emissions; and
- Boundary: annual emissions (but not lifetime emissions).

As per PCAF recommendations, we have also calculated our emissions intensity. This metric expresses our emissions in these three industry groups divided by the invested book value of each group and is expressed in tonnes of carbon dioxide equivalent (tCO_2e)/million US dollars invested.

Task Force on Climate-related Financial Disclosures 2022 continued

Results
The table to the right shows the results of our financed and attributed 2019, 2020 and 2021 carbon footprint for our investments in our three business groups.

The emissions data reported for 2019 to 2021 now includes both BII's direct and intermediated investments. The financed emissions reported for 2019 and 2020 has hence expanded in coverage from our previous disclosures; for those years, we previously only reported BII's financed emissions from direct investments. For 2021, we were able to calculate our attributed financed emissions for all direct investees and financial institutions, as well as for 55 per cent (by number) of the companies we hold through funds. In future, we will seek to improve emissions data reporting to cover the rest of our portfolio, namely the remaining 45 percent (by number) of companies we hold through funds. The remainder of our portfolio for which we do not yet calculate financed emissions comprises trade and supply chain finance, for which there is not yet an established financed emissions accounting methodology.

Financed and attributed carbon footprint in 2019, 2020, and 2021

	Attributed emissions ('000/tCO_2e)			Investment value ($ millions)			Emissions intensity (tCO_2e/$ millions)		
Industry group	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Infrastructure and Climate	1,666	1,454	1,264	1,645	1,818	2,037	1,013	800	621
SMART[38]	769	624	568	1,542	1,846	2,922	499	338	194
Financial Services	385	415	461	1,102	1,389	1,643	350	299	280
Total[39]	**2,821**	**2,493**	**2,293**	**4,289**	**5,053**	**6,603**	**658**	**493**	**347**
Year-on-year change	**–**	**-12%**	**-8%**	**–**	**+18%**	**+31%**	**–**	**-25%**	**-30%**

Between 2020 and 2021, our financed emissions in our three industry groups fell by 8 per cent, continuing the downward trend from 2019, when we first began monitoring our portfolio emissions. The drivers of the decrease, which are summarised in the following table, are:

- New investments entering our portfolio being, on the whole, less emissive than historical assets. This is reflected by the decrease in our portfolio emissions intensity which decreased by 47 per cent between 2019 and 2021. This has allowed our absolute financed emissions footprint to decease, despite a significant growth in investment value over the same period;
- Lower attribution factors as debt reaches maturity and leaves our portfolio; and
- The exits of some highly GHG emissions-intensive assets.

2020 attributed emissions ('000/tCO_2e)	2021 attributed emissions ('000/tCO_2e)	Year-on-year ('000/tCO_2e)	Percentage of year-on-year change
2,493	**2,293**	**-200**	**-8%**
Drivers of change:			
2020 asset exits		-210	-105%
2021 asset entries (new investments)		+178	+89%
Changes in attribution factors driven by debt reaching maturity and leaving our portfolio		-277	-138%
Changes in absolute emissions from existing assets		+109	+54%

38 SMART stands for Services, Manufacturing, Agriculture, Real Estate and Technology.
39 Values may not sum to the total because of rounding.

Task Force on Climate-related Financial Disclosures 2022 continued

Of our attributed emissions from direct investments, 95 per cent achieved a data quality score of two or higher, as per the PCAF scorecard, which is similar to 2019 (98.8 per cent) and 2020 (98.0 per cent). The corresponding percentages shown in the table below, which reflect our entire portfolio, are lower. This is because they include emissions from our intermediated investments (funds and financial institutions), from which we generally do not receive detailed emissions or energy consumption data. In such cases, we use the Joint Impact Model[40] to estimate our financed emissions, using either company revenue (PCAF Option 3a) or outstanding asset value (PCAF Option 3b). While this decreases our overall data quality score, we believe it is important to track and report these emissions as well.

Considerations and next steps

Due to portfolio company reporting cycles, the emissions-related data presented here is based on our portfolio composition as of the end of 2021, while the other metrics in this report are presented as of the end of 2022. Moving forward, BII aims to improve its emissions data quality score where feasible.

Attributed carbon footprint by PCAF data quality score in 2019, 2020, and 2021

PCAF data quality score	PCAF option	Description	Share of attributed emissions by PCAF score category 2019	2020	2021
1	1a	Reported verified emissions	0	0.2	1.8
2	1b	Reported unverified emissions	41.8	42.8	39.3
2	2a	Calculated emissions based on energy consumption data	1.3	1.8	2.5
3	2b	Calculated emissions based on primary physical activity data	0	0.3	0.4
4	3a	Modelled emissions based on company revenue	43.8	38.7	36.5
5	3c	Modelled emissions based on company asset turnover ratio	13.1	16.2	19.6

40 The Joint Impact Model is a publicly available tool jointly developed by several DFIs, including BII, that allows users to estimate financial flows through the economy and its resulting economic, social and environmental impact, including financed emissions. JIM has been recognised as a PCAF Standard-aligned method for estimating financed emissions." Pls also add the following hyperlink to the words "Joint Impact Model" https://www.jointimpactmodel.org/about.

Avoided GHG emissions

The table below shows the estimated avoided GHG emissions of our direct investments in renewable energy generation assets (wind, solar and hydropower) operational as of the end of 2021 on an attributed basis at year-end 2019, 2020 and 2021. These exclude assets still under construction and were calculated based on the emissions factors from the International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting. We do not estimate the avoided GHG emissions of our intermediated investments in renewable energy because of data availability issues.

Between 2020 and 2021, attributed avoided emissions increased by 66 per cent. This was driven by a growth in installed renewable capacity in our power portfolio, higher production from our renewable energy assets, and increases in attribution factors used. Avoided emissions intensity also increased by 18 per cent in 2021 in relation to 2020. This data reflects the ongoing shift of our Infrastructure and Climate business group's portfolio towards a greater share of renewable energy assets.

	Attributed avoided emissions ('000/tCO_2e)			Investment value ($ millions)			Avoided emissions intensity (tCO_2e/$ millions)		
Industry group	2019	2020	2021	2019	2020	2021	2019	2020	2021
Infrastructure and Climate	512**	390	648	830**	333	467	616**	1,172	1,387

* Numbers cover renewable energy projects only.
** In 2019, investment value and avoided emissions intensity were calculated using market value. From 2020, book value was used for consistency with the PCAF Standard.

Physical climate risks

In 2022, in partnership with WWF and with support from BII Plus, we piloted an upgraded version of the WWF's Water Risk Filter assessment tool on a subset of BII's portfolio. The assessment covered the physical assets of ten direct investees and a sub-set of the portfolio companies of 11 funds. These investees represented 11 per cent of our portfolio at year-end 2021.

This preliminary analysis aimed at identifying:

+ Exposure to current and future potential drivers of water-related[36] risks across a sub-set of BII's portfolio, while testing the scenario analysis capabilities of the tool that we supported building; and
+ Investees that can be prioritised for deeper analysis and engagement on physical climate risk management.

The main findings are:

+ Most of the sites in the direct portfolio that we assessed have medium to low exposure to water-related risk drivers.
+ A selection of fund managers has been recommended for deeper analysis and engagement. This is because of the high water-related risk exposure and sensitivity of the portfolio companies assessed, due to their location of operation and industry sector.

Next steps

To deepen and broaden the analysis, in 2022 we started screening a larger share of our portfolio. We plan to finalise this analysis in 2023.

Task Force on Climate-related Financial Disclosures 2022 continued

Metrics related to our internal operations

GHG emissions of our operations

The following table shows the energy usage and the carbon emissions of our operations; the assessment covers direct emissions from the heating of our facilities (Scope 1), indirect emissions from purchased electricity (Scope 2) and other indirect emissions from business travels (Scope 3). The Scope 3 emissions figures presented do not include financed emissions.

Our 2022 operational footprint has been audited and verified against the ISO 14064-1:2018 standard.

	01 January 2021 to 31 December 2021		01 January 2022 to 31 December 2022	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions from activities for which the company own or control including combustion of fuel and operation of facilities tCO_2e (Scope 1)	78	N/A	86	N/A
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO_2e (Scope 2, location-based)	117	81	190	207
Total gross Scope 1 and Scope 2 emissions tCO_2e	195	81	276	207
Total gross Scope 1 and Scope 2 emissions tCO_2e (all)	**276**		**483**	
Intensity Ratio tCO_2e (Scope 1 and Scope 2) per employee	0.55		0.77	
Energy consumption used to calculate above emissions (kWh)	974,426	127,800	1,454,414	300,235
Gas (kWh)	420,824	N/A	471,076	N/A
Electricity (kWh)	551,329	127,800	981,233	300,235
Transport fuels (kWh)	2,274	N/A	2,105	N/A
Methodology	ISO14064 Part 1 2018			
Third party verification	Verified to ISO14064 Part 1 2018			

Energy efficiency action

We note that our operational footprint increased between 2021 and 2022 in absolute terms and per employee. In line with the growth and ambition outlined in our 2022-2026 strategy, we increased our full-time employee numbers by over 100 people in 2022 and opened additional overseas offices which are the main drivers of this change. We are taking action to increase the sustainability of our operations. The office in London purchases 100 per cent renewable energy and sends zero waste to landfill. In 2023 we will continue to explore ways to increase energy efficiency.

Total operational footprint including Scope 3 emissions from travel

The data shows that our Scope 3 GHG emissions increased in 2022 compared to 2021, when emissions from travel were limited because of COVID-19 pandemic restrictions. For 2022, necessary business travel, which is an important enabler of investing development finance in our regions, has been possible for the whole year. In 2023 we will work further to explore how to manage and reduce our operational carbon footprint including through offsetting these operational emissions.

Our operational GHG emissions footprint in tonnes of CO_2 equivalent (tCO_2e) by category and year

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2021* (tCO_2e)	2022* (tCO_2e)
Category 1: Direct emissions	Scope 1	78	86
Category 2: Indirect emissions from imported energy (location-based method*)	Scope 2	198	395
Category 3: Indirect emissions from transportation	Scope 3	651	4,832
Category 4: Indirect emissions from products used by organisation	Scope 3	10	31
Total emissions		**937**	**5,346**
Emissions (tCO_2e) per employee		**1.86**	**8.50**

Task Force on Climate-related Financial Disclosures 2022 continued

Physical climate risks to BII's offices

In 2022 we screened our own facilities for exposure to drivers of physical climate risks, applying the same approach we use in the context of direct investments. We assessed the location of four of our largest offices – London, Bengaluru (Bangalore), Nairobi and Johannesburg – against eight climate change-related hazard categories over three climate change scenarios. This exercise highlighted that:

+ Three of the four locations assessed – London, Bengaluru, and Johannesburg – are exposed to high risk of water scarcity today and in the future under all scenarios. This is not deemed a material risk driver to our operations given the offices in these locations do not have water-intensive operations. However, it highlights the relevance of implementing water efficiency measures.
+ Three locations – Bengaluru, Nairobi and Johannesburg – are exposed to high risk of wildfires. This highlights the relevance of deepening our understanding of such a hazard in these locations and carrying out the necessary air quality and smoke filter changes to ensure the safety of the workplace.
+ One location, Bengaluru, is exposed to an increasingly high risk of extreme heat. The office building, like all our offices, is fitted with a heating, ventilation and cooling system (HVAC) which can help manage the risks associated with increasing heat on employees' health and productivity while minimising energy use. Consequently, this hazard is unlikely to be material for our operations on this site.

The targets we use to manage climate-related risks and opportunities, and our performance against them

Overview of BII's climate targets

	2022 £m	2021 £m
Net zero by 2050	Reach net-zero GHG emissions at the portfolio level by 2050	In progress
Climate finance	30 per cent of our annual commitments, over the 2022–2026 strategy period	On track given 2022 performance

Net zero portfolio emissions by 2050

Our Climate Change Strategy sets out our commitment to reach net-zero emissions at the portfolio level by 2050. To deliver on this commitment, in 2022 we developed a Net Zero Transition Strategy setting out the decarbonisation required and the avenues through which we will reduce emissions from our portfolio and pipeline and play an active role in supporting the transition in the real economy and thereby contribute to sustainable development in the developing and emerging markets we invest in which face particular challenges to decouple economic growth from emissions.

As explained in the Strategy section, to develop the Net Zero Transition Strategy we first developed an emissions baseline of our portfolio emissions and considered the necessary reductions for emerging markets based on the IEA's Net Zero by 2050 scenario.[41] This determined what is required for aligning with a 1.5°C pathway by 2050.

We acknowledge that our ability to deliver our net zero target is dependent on endogenous factors, including our investment choices and engagement approach with investees, and exogenous factors, such as the rate of technological and policy progress both within and beyond our markets to close the current gap between international commitments and policy actions and the 1.5°C temperature goal.

Based on endogenous factors, we expect our financed emissions intensity will fall consistently over time. This is because we are actively shaping our pipeline in a way that considers each transaction's Paris alignment and engaging and supporting investees to decarbonise their assets, operations, and business models through the accelerated deployment of climate technologies and in a way that is mindful of the need for a just transition. In line with our development mandate, in fact, we aim to achieve real-world decarbonisation rather than divesting from highest-emitting assets. However, we may see our absolute financed emissions go up in the shorter-term. This is because we will also allocate capital to high-emitting industry sectors relevant for achieving sustainable development and driving the net zero transition, such as agriculture and manufacturing.

This position reflects the fact that a rapid and deep global transformation is required in all sectors in this decade to achieve the 1.5°C goal of the Paris Agreement; any investor would face significant challenges to meet net zero in their portfolio unless they divested or stopped investing in high-emissive sectors which might lead to decabonisation on paper, but not in the real economy. However, we believe that we have an important role to play to contribute to accelerated progress as technology and policy in our markets increasingly support low-carbon development and our investees see the business case for it.

Climate finance commitments

We have set a climate finance target of 30 per cent of our annual commitments as a rolling average for the 2022–2026 strategy period.[42] As the table below shows, our climate finance commitments have continued to increase. In 2022 we committed $722 million of climate finance, or 46 per cent of total new commitments. Our Annual Review provides a full list of our climate finance commitments.

Total 2020–2022 climate finance commitments in £ and $ millions and as a share of total annual commitments

Climate finance (£ millions)

2020	2021	2022
80	479	591

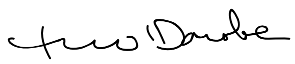
Climate finance ($ millions)

2020	2021	2022
104	648	722

Share of total commitments (%)

2020	2021	2022
7%	26%	46%

The Strategic and Directors' Report was approved by the Board and signed on its behalf by



Nick O'Donohoe
Chief Executive
20 April 2023

41 When available, we will update our analysis with more regional data for Africa and South Asia as the IEA's emerging markets scenarios has a wider scope than the markets served by BII.

42 For more information, please see our **2022–2026 strategy.**

Governance Report

Chair's introduction

Diana Layfield

I am, as ever, hugely appreciative of the diligence, hard work and support shown by my fellow Directors during the year who work tirelessly for the benefit of BII."

I am pleased to introduce the Governance Report for the year ending 31 December 2022. This report includes an overview of the Group's governance structure and a description of the key activities of the Board and its committees during the year.

2022 was another busy year for BII and my first year as Chair. Implementing our agreed strategy has been a focus for the Board, in a period when there has been significant geo-political instability and economic pressures that none of us were expecting. I am, as ever, hugely appreciative of the diligence, hard work and support shown by my fellow Directors during the year who work tirelessly for the benefit of BII. The following pages evidence the activities of the Board committees during 2022.

Sir Graham Wrigley stood down from the Board on 4 February 2022 and Michele Giddens also retired from the Board on 22 April 2022. I thank them both for their significant contributions to the success of BII. Following a comprehensive search we appointed Simon Rowlands in July 2022. Simon has a wealth of experience in investing in our markets and is a great addition to the Board. He is also a co-investor with us and is very aligned with all we seek to achieve.

Towards the end of the year we undertook an external Board evaluation. As I write, the Board is assimilating the results but overall we were seen to be "positive, disciplined and collegiate" with a good team spirit. Of course, there are always ways in which we can improve and further information is available in the Nominations Committee report.

I am delighted to report that we have a diverse Board in terms of gender and ethnicity. The Board continues to be appropriately balanced, with 50 per cent of our members being female and 50 per cent male. In addition, 30 per cent of our Board members are based in our markets in Africa and Asia. The People Development and Remuneration Committee continues to monitor the diversity of our colleagues in BII and further details can be found in that report.

As always, our Investment Committees, a pivotal part of our execution capability and a key plank of our governance structure, have continued to be very busy during 2022 with 177 meetings held and nine delegated authority deals. Three members retired and three were appointed in their place. I would like to thank all external members, both past and present, for their guidance and commitment. BII is very lucky to have such committed talent to support its investment decision-making. From a gender and ethnicity perspective our external Investment Committee members now comprise nine men and three women of whom five members are based in our markets (see **page 44** for more information on the Investment Committee). BII will continue to prioritise diversity and market knowledge in the new strategy period.

On **pages 47 and 48** we explain how, as a Board, we work with our employees, partners, suppliers, other development finance institutions, NGOs and the UK Government including our shareholder, FCDO. I want to thank all our stakeholders for their continued support.

Diana Layfield
Chair
20 April 2023

Board of Directors

○ Member
● Chair
N Nominations Committee
R Risk Committee
A Audit and Compliance Committee
D Development Impact Committee
P People Development and Remuneration Committee
E Employee Forum

Diana Layfield
Chair
N P

Appointed on 1 December 2021 as Non-executive Director and Chair with effect from 1 January 2022.

As GM/VP Search International and Growth (among other roles) at Google, Diana's work spans technology as well as business. As Vice-President, Next Billion Users and VP Product Management she has been responsible for driving the development of products for future users, primarily in emerging markets. She is also the global co-lead for Google's cryptocurrency research and activities.

Before Google, Diana served as CEO, Africa Region, at Standard Chartered Bank, responsible for leading the bank's businesses across wholesale, investment and consumer banking in 27 countries. At Standard Chartered, Diana held a variety of senior management roles, including Group Head of Strategy and Corporate Development, and Chief Operating Officer for the Wholesale Bank. During her time there, she played a key role in coming up with the idea of a joint risk-share facility with BII to support the country's businesses to continue trading during the Ebola crisis.

Before that, Diana was Chief Executive of Finexi Ltd, a technology company and she also worked for McKinsey & Company where she was a sector lead in biotech/life sciences. Having completed early pilot training with the Royal Air Force, she has also worked as a medical relief pilot in war zones in Africa. Diana is also a Non-executive Director at AstraZeneca plc and a Council Member of the London School of Hygiene & Tropical Medicine.

Nick O'Donohoe CMG
Chief Executive

Appointed Chief Executive and Executive Director in June 2017.

Nick was previously a Senior Adviser to the Bill & Melinda Gates Foundation where he specialised in the use of blended finance models to support the work of the Foundation. Before taking this role, Nick co-founded Big Society Capital with Sir Ronald Cohen. He served as its CEO from 2011 to 2015.

Big Society Capital is an independent financial institution established by the UK Government as 'the world's first social investment bank' and is capitalised with unclaimed UK bank accounts and investment by the largest UK banks.

Previously Nick worked at JP Morgan, latterly as Global Head of Research. He was a member of the Management Committee of the Investment Bank and the Executive Committee of JP Morgan Chase, as well as the senior sponsor for JP Morgan's Social Finance Unit. Nick co-authored Impact Investments: An Emerging Asset Class, published by JP Morgan and the Rockefeller Foundation in November 2010. Before JP Morgan, Nick spent 15 years at Goldman Sachs.

Nick served as Chairman of the UK Dormant Assets Commission which reported in March 2017. He is Deputy Chairman of the Global Steering Group for Impact Investment and was a Board member of the Global Impact Investing Network (GIIN).

Nick has an MBA from the Wharton School and a BA in Mathematical Economics and Statistics from Trinity College, Dublin.

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Appointed in September 2020.

Previously, Carolyn worked for Schroders where she was Chief Financial Officer of the Wealth Management Division and a member of the Group Management Committee. Before that, she was the Chief Financial Officer for Cazenove Capital Management from 2007 until its sale to Schroders in 2013.

Carolyn started her career with Touche Ross & Co where she qualified as a Chartered Accountant. She then joined Lazard where her roles included Chief Operating Officer for Global Capital Markets and Finance Director in the UK. Carolyn was appointed as a Non-executive Director at Temple Bar Investment Trust plc on 1 January 2023.

Andrew Alli
Non-executive Director
A N P

Appointed in September 2018.

Andrew is an investor and advisor with extensive experience of investing in Africa, including in the role of President and CEO of Africa Finance Corporation, a multilateral financial institution focused on improving Africa's critical infrastructure.

A financial professional with over 30 years' experience in both developed and developing countries, Andrew is a Non-executive Director of the Development Bank of Nigeria where he chairs the Audit Committee. He spent over a decade with the IFC, where he held senior positions including as Country Manager for Nigeria and South Africa. A dual citizen of the UK and Nigeria, Andrew is a Fellow of the Institute of Chartered Accountants and has a BEng in Electronics and Electrical Engineering from King's College, University of London and an MBA from INSEAD. He is also a Non-executive director of FBN Bank (UK) Limited.

Board of Directors continued

Member
Chair
N Nominations Committee
R Risk Committee
A Audit and Compliance Committee
D Development Impact Committee
P People Development and Remuneration Committee
E Employee Forum

Dolika Banda
Non-executive Director

D N P

Appointed in September 2018.

Dolika is Non-executive Director on the boards of Harith General Partners, South Africa, CARE USA and ZCCM Investments Holdings Plc, Zambia, of which she is Chair.

Dolika is an independent consultant with over 30 years experience in banking and development finance. She served as CEO of African Risk Capacity Insurance Ltd and was non-executive director at Ecobank Transnational and the FCDO's (previously DFID's) Financial Sector Deepening Africa programme.

A Zambian national based in Johannesburg and Lusaka, she has worked across the world in Africa, Europe, Latin America, the Caribbean and the USA.

She has held senior positions at Barclays and Citibank in Zambia. Dolika holds a Master's degree in International Business from Schiller University, USA, and has received awards as Zambian Woman of the Year 2018 and Africa Femmes Performantes (Africa's Performing Women) 2012 for vision and courage.

Since 2013, Dolika has focused on economic, inclusive, transformational and climate-conscious development for Africa and innovative interventions in education and how to bring these global issues into the impact governance structure of organisations. She is a Founding Partner of Mondiale Impact, a firm focused on governance for shaping sustainable and impactful investment. Dolika also serves as a trustee for Education Sub-Saharan Africa, the Education Outcomes Fund and the nature and tourism-based community intervention, Time + Tide Foundation in Zambia and Madagascar and is also a Global Ambassador for the Global Steering Group for Impact Investment.

Kathryn Matthews
Non-executive Director

A N R

Appointed in January 2021.

Kathryn has been involved in financial services for the last 40 years. Her last executive role was as Chief Investment Officer, Asia Pacific (ex-Japan) for Fidelity International based in Hong Kong. She has also previously been on the Board of Directors for a number of investment companies including Fidelity Asian Values and JP Morgan Chinese Investment Trust and on the Board of Trustees for the Nuffield Trust. She was also a member of the Council for the Duchy of Lancaster.

Kathryn is a Non-executive Director of the Vietnam Opportunities Fund as well as being a Non-executive Chair of Barclays Investment Services Limited and a Non-executive Director of Perpetual Limited, a global asset management company based in Australia. She was also a Non-executive Director of Barclays UK plc.

Krishnakumar Natarajan
Non-executive Director

N D P

Appointed in July 2020.

A leading authority in the global IT sector, Krishnakumar co-founded Mindtree in 1999 and has played key roles in building the company's innovative approach to delivering IT services and solutions to global 2000 enterprises.

A 40-year IT industry veteran, Krishnakumar held several key positions at Wipro before co-founding Mindtree. In 2013, Krishnakumar served as Chairman of the National Association of Software and Services Companies (NASSCOM), where he worked to strengthen the Indian IT industry to build a globally competitive ecosystem. He currently serves as the Chairman of NASSCOM Foundation.

Krishnakumar is an active partner of Social Venture Partners – an organisation involved in impactful philanthropy – and he co-runs the Mela Foundation.

Krishnakumar is also an active member of the Confederation of Indian Industry. He has a BA in mechanical engineering from the College of Engineering, Chennai, India, and an MA in Business Administration from the Xavier Institute, Jamshedpur, India.

Board of Directors continued

Member · Chair · N Nominations Committee · R Risk Committee · A Audit and Compliance Committee · D Development Impact Committee · P People Development and Remuneration Committee · E Employee Forum

Simon Rowlands
Non-executive Director
D N R

Appointed on 22 July 2022.

Simon was a co-founding partner of the private equity firm Cinven where he worked for over 22 years until 2017. Simon led a wide range of healthcare as well as other sector transactions, building strong companies and enabling them to thrive beyond Cinven's exit. Simon founded a new private equity firm in 2016, Africa Platforms Capital, focused on healthcare and disruptive technology in Africa. Before joining Cinven, he worked with an international consulting firm on multidisciplinary engineering projects in the UK and southern Africa.

Simon also has governance experience in the not-for-profit sector, he co-founded the Victoria Falls Wildlife Trust in Zimbabwe, active at the interface of human and wildlife conflict.

Simon is also a Non-executive Director of Spire Healthcare Plc, Jacobs Holdings, a member of the Council of Cranfield University and a Director of CDC North Africa Healthcare Limited.

Simon has an MBA, a degree in Engineering and is a chartered engineer.

Laurie Spengler
Non-executive Director and Senior Independent Director
A D E N

Appointed in July 2016.

Laurie is an impact investment banker, Board member and a recognised contributor to the impact investing industry.

Laurie has over 25 years' experience in international development with a focus on strategy, capital raising, mergers and acquisitions and private equity transactions. She has developed a particular expertise in structuring and launching investment vehicles that align different types of capital to allow operating enterprises, financial institutions and funds to generate positive social, environmental and development outcomes while delivering appropriate financial returns.

Laurie is CEO of Courageous Capital Advisors, LLC, an impact investing advisory firm dedicated to generating outsized positive impact by providing targeted strategy, transaction advisory and governance services. From 2006 to 2019, Laurie was President & CEO of Enclude, a global advisory firm dedicated to building inclusive, sustainable and prosperous local economies. Previously, Laurie was founder and CEO of Central European Advisory Group and worked as an attorney at White & Case.

Among her current board engagements, Laurie serves as a Non-executive Director of Lendable Inc, is a member of the advisory council of the UK Impact Investing Institute and is a Founding Partner of Mondiale Impact, a firm focused on governance for shaping sustainable and impactful investment.. She serves as Global Ambassador to the Global Steering Group on Impact Investing and is Senior Fellow and Advisory Council member at Casei3 at the Fuqua Business School. She is a member of the Council on Foreign Relations. Laurie has a Juris Doctor degree from Harvard University and an undergraduate degree from Stanford University.

Chris Woodruff
Non-executive Director
D N R

Appointed in August 2021.

Christopher is Professor of Development Economics and a Fellow at Wolfson College, University of Oxford. He is the Scientific Coordinator for the FCDO – Centre for Economic Policy Research (CEPR) joint research venture on Private Enterprise Development in Low Income Countries (PEDL) and directs the Firm Capabilities group at the International Growth Centre. In addition to his position at Oxford, Professor Woodruff is a Research Fellow at the CEPR, and a Senior Fellow of the Bureau for Research and Economic Analysis of Development (BREAD) and a Research Fellow at the Institute of Labor Economics (IZA).

Professor Woodruff's research is widely published in leading academic journals and focuses on enterprises in low-income countries, with noted work on returns to capital investments in microenterprises and the effect of formal registration on enterprise performance. He is a pioneer in the use of field experiments in firms. His research has been supported by an Advanced Grant from the European Research Council and grants from the Economic and Social Research Council (UK), the US National Science Foundation and many other foundations.

How the Board operates

Introduction

Role of the Board

The BII Board's primary role is to provide leadership to the Company as a whole, and to ensure that it is appropriately managed and delivers on the objectives of the Company's shareholder. This role can be broken down into the following elements:

- Work with the Executive team to determine the direction and strategy of BII in accordance with the 2022–2026 strategy and the revised Investment Policy.
- Monitor the achievement of the Company's performance objectives.
- Monitor BII's impact consistent with our mission.
- Ensure that the Company's responsibilities to its shareholder are met.
- Ensure that risks are identified and controls are in place.
- Ensure that the Company's employees apply appropriate ethical standards in the performance of their duties in accordance with the Policy on Responsible Investing.
- Promote the success of BII in accordance with section 172 of the Companies Act 2006 (see also **pages 47 and 48**).

Certain matters are reserved for Board approval or decision and there is a clear delegation of authority to the Chief Executive, the Investment Committee and other senior executives in the Company for other specific matters.

Board size and composition

The Board has ten members: the chair, two executive directors and seven independent non-executive directors. The Board's members come from a range of backgrounds and it is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. Details of our directors and their biographies are set out on **pages 39 to 41**.

Board diversity

The Board acknowledges the benefits that diversity can bring to the Board and to all levels of the Group's operations. From a gender perspective, the Board has a 50:50 split between female and male directors. From an ethnicity perspective, 30 per cent of our Board members are based in our markets in Africa and Asia and have a deep understanding of the continents and countries in which they live. The Board recognises the importance of having a Board with a range of skills, knowledge and experience including direct experience of the geographic regions in which we operate among its members. It also embraces the benefits to be derived from having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making.

Definitions of Board roles and responsibilities

Role of the Chair and Chief Executive

The roles of the Chair and Chief Executive are separate and there is a clear division of responsibilities between the two.

The Chair is Diana Layfield.
Diana was appointed as Chair on 1 January 2022 and succeeded Sir Graham Wrigley, who resigned as a non-executive director on 4 February 2022. The Chair is responsible for leading the Board in determining BII's strategy and objectives but does not participate in the day-to-day management of the Company. Diana also has responsibility for leading the development of the Company's culture by the Board and for ensuring that the Board sets the tone from the top.

The Chief Executive is Nick O'Donohoe.
Nick is primarily responsible for the day-to-day management of the Company and for overseeing the adoption of the Group's culture. An internal governance framework supports management oversight of the Company, led by the Executive Committee.

Role of the independent non-executive directors

The non-executive directors are regarded as independent and diverse in terms of background and experience. They provide constructive challenge and independent thought in decision-making. They also contribute to strategy and policy formation and monitor BII's financial and managerial performance.

Role of the Senior Independent Director

The Senior Independent Director is Laurie Spengler who succeeded Michele Giddens on 22 April 2022. The Senior Independent Director acts as a sounding board for the Chair and executive directors and leads the Chair's annual performance review. In addition to the existing channels for shareholder communications, the shareholder may discuss any issues or concerns they have with the Senior Independent Director.

Appointment and removal of directors

The Company's Articles of Association require that all the directors retire and offer themselves for re-election at the Annual General Meeting (AGM). Accordingly, all the directors will offer themselves for re-election at the AGM.

The Foreign Secretary, as shareholder, appoints the Chair and two of the Company's non-executive directors (currently Chris Woodruff and Laurie Spengler), who are deemed to be independent.

Governance framework

Our shareholder

The ultimate parent of the Company is the Secretary of State for Foreign, Commonwealth and Development Affairs (the Foreign Secretary).

Board governance structure

The Board has delegated responsibility in respect of the management of BII to the CEO and for certain matters to its committees, as set out in written terms of reference which are reviewed annually.

The Chair of each committee reports regularly to the Board on matters discussed at committee meetings. Reports for each of the Board's committees are set out later in this report and include further detail on each committee's role and responsibilities, and the activities undertaken during the year.

Investment Committee

In addition, the Board has delegated authority to make certain investment decisions to the Investment Committee, which forms an important part of BII's governance structure. The Committee is the body by which BII makes decisions on significant new investment commitments, as well as certain decisions relating to its existing portfolio. The Investment Committee considers all aspects of such investment proposals, scrutinising and calibrating development impact, additionality, financial, other commercial, business integrity and E&S matters. The membership of the Investment Committee includes independent members and members of senior management. BII has recruited highly experienced investors to complement the internal members of the Investment Committee of which three are female and nine are male. As at 20 April 2023, these are Solomon Asamoah, Sriram Balasubramanyam, Ngalaah Chuphi, Ashley Dunster, Cathy Echeozo, Rod Evison, Mark Gidney, Anne Glover, Anne-Marie Harris, James Heath, Nikunj Jinsi and Richard Munn. In 2022 the Delegated Authority Framework was updated which enables certain lower-level decisions to be taken outside the Investment Committee process, enabling deal teams to work more quickly and efficiently.

Meetings of the Board

At each scheduled meeting the Board receives a report from the Chief Executive on the performance of the Company including performance against the annual corporate objectives (the number of meetings held can be found in the table on **page 46**). In addition, the other members of the BII Executive Committee attend by invitation to update the Board on performance, strategic developments and initiatives in their respective areas. There is an annual schedule of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

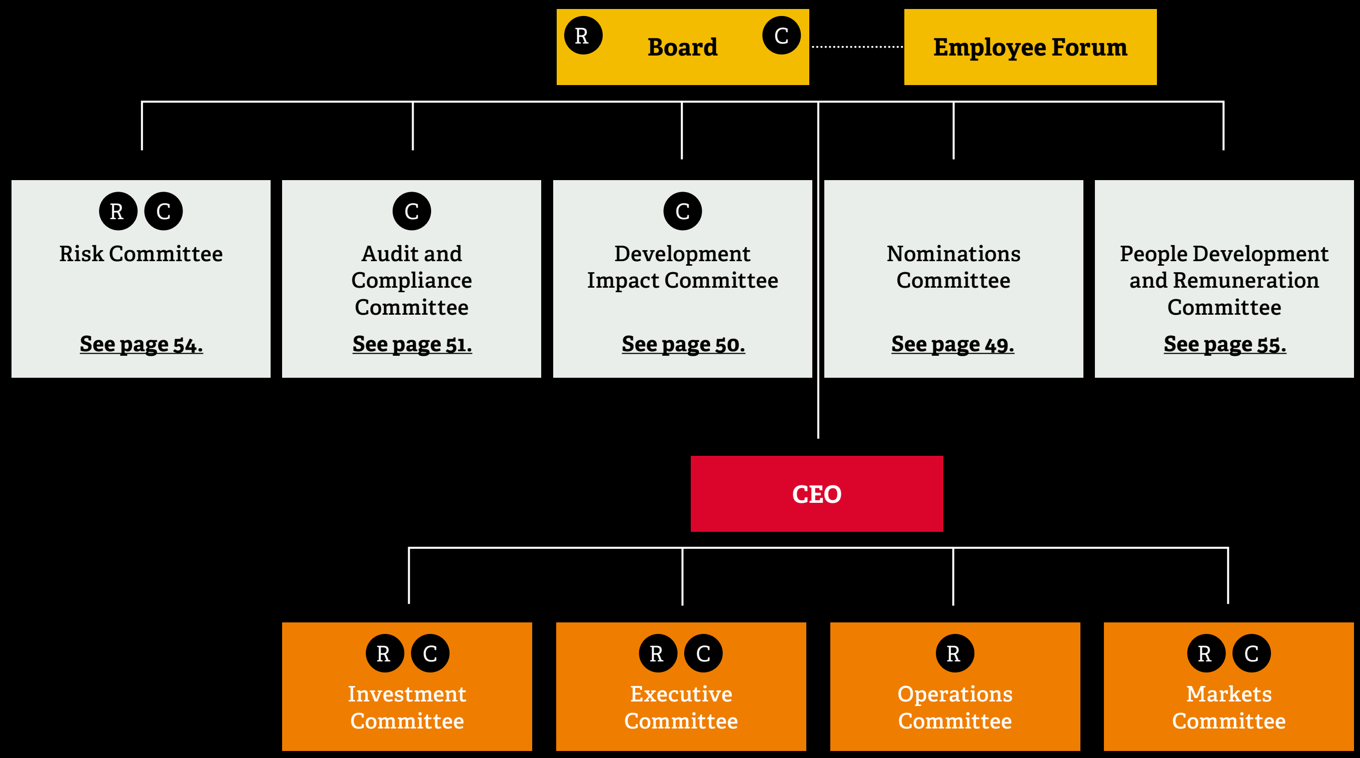
The directors receive detailed papers in advance of each Board meeting. The Board agenda is carefully structured by the Chair in consultation with the Chief Executive and the Company Secretary. Each director may review the agenda and propose items for discussion with the Chair's agreement. Additional information is also circulated to directors between meetings as required.

Each Board meeting includes time for discussion between the Chair and non-executive directors without the executive directors present. All Board and committee meetings are appropriately minuted and summary Board minutes are published on our website after each meeting.

Overview of governance structure

R **Risk**
Please see **pages 11** of the Risk Management section for further details of how these committees relate to BII's Risk Framework.

C **Climate**
Please see **pages 20 to 22** of the Risk Management section for further details of how these committees relate to BII's Climate Governance structure.



Key Board activities in 2022

During 2022 the Board particularly spent time monitoring and reviewing the following:

Area of focus	Activity
2017-2021 performance	Considered performance over the 2017–2021 period
Progress against objectives	Considered progress against 2022 objectives and approved the 2023 objectives in relation to the 2022–2026 strategy
Investment performance	Monitored investment performance, including the approval of and enhancements to the Investment Committee process
The people agenda	Covered the pace and level of resourcing retention and actions to support D&I, culture within BII and the management action plan arising from the 2022 Annual Engagement Survey, as well as hearing from the Employee Forum
Financial performance	Considered the challenging macroeconomic environment confronting BII's markets which included reviews of liquidity, valuations within the portfolio, organisational structure and financial budgets
Transactions	Considered specific transactions where there may be political or reputational risk
Net-Zero	Considered and approved BII's Net-Zero Transition Strategy
Transparency and Disclosures	Approved a review of BII's Transparency and Disclosures Policy and the work done to benchmark BII's transparency against its peer group
Team spotlights	Team spotlights were regularly shared at Board meetings to give the Board the opportunity to hear from colleagues they might not ordinarily meet and to share insights and improve understanding of the operation of our business
Stakeholder engagement	Continued engagement with our shareholder, as well as ongoing engagement with UK parliamentarians, NGOs and other UK stakeholders

Training, support and advice

Training, where appropriate, is provided to the Board and employees. All directors have access to the advice and services of Colin Buckley, the General Counsel, and Jane Earl, the Company Secretary, and they can take independent professional advice at BII's expense, if needed. During 2022, a comprehensive induction process was carried out for both Diana Layfield and Simon Rowlands. In addition, training was provided on BII's net-zero target, a refresher session was given on the TCFD and ad hoc teach-ins were provided on different areas of the business.

Indemnities

The Company's Articles of Association permit the Board to grant indemnities to the directors in relation to their duties as directors. Such indemnities are in respect of liabilities incurred by a director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company unless the director is ultimately held to be at fault. In line with market practice, each director benefits from an indemnity which includes provisions in relation to duties as a director or an associated company and protection against derivative actions.

Key Board activities 2022 continued

Attendance at Board and committee meetings in 2022

The Board was scheduled to meet five times during 2022. An additional meeting was held to discuss the annual report and accounts. Separate to this, there is regular communication between the Company and the Board between meetings.

Industry group	Board	Audit and Compliance	Development Impact	People Development and Remuneration	Risk	Nominations
Number of meetings during the year	6	4	4	4	4	3
Sir Graham Wrigley[1]	1	1	1	1	1	1
Diana Layfield	6	–	–	3	–	3
Nick O'Donohoe (Chief Executive)	6	3	4	4	4	1
Carolyn Sims (Chief Financial Officer and Chief Operating Officer)	6	4	–	4	4	1
Andrew Alli	5	4	–	–	4	2
Dolika Banda	6	–	4	3	–	3
Michele Giddens[1]	3	–	2	–	2	2
Kathryn Matthews	6	3	–	–	4	3
Krishnakumar Natarajan	6	2	2	4	–	3
Simon Rowlands[2]	2	–	–	–	–	–
Laurie Spengler	5	4	4	2	–	3
Chris Woodruff	6	–	4	–	4	3

Nick O'Donohoe and Carolyn Sims are not members of any of the committees but attend by invitation. Diana Layfield joined the Board on 1 December 2021 and succeeded Sir Graham Wrigley as Chair on 1 January 2022. Sir Graham Wrigley resigned from the Board on 4 February 2022. Simon Rowlands was appointed on 22 July 2022 and Michele Giddens resigned on 22 April 2022.

1 Resigned during the year.
2 Joined during the year.

How we engage with our stakeholders

The Companies Act 2006 and the UK Corporate Governance Code 2018 require the Annual Report to provide information that enables our stakeholders to assess how the directors of BII have performed their duties under section 172 of the Act. The Act provides that BII directors must act in a way that they consider, in good faith, would be most likely to promote the success of BII for the benefit of shareholders as a whole. In doing so, BII's directors must have regard, among other things, to the factors set out over the next two pages.

The likely consequences of any decision in the long term

The directors have direct input into BII's long-term success through their leadership of our strategic direction and in 2021 agreed a new framework for the strategy period 2022–2026.

The interests of BII's colleagues

We would not be able to deliver our strategic objectives without our people. Ensuring that we have a dynamic workforce is critical. This is a long-term aim and the directors are responsible for ensuring that we have the staff we need to take us into our new strategic period and beyond.

The People Development and Remuneration Committee report on **pages 55 to 65**, including the letter from the Committee Chair, explains the directors' work to fulfil their duties to our employees. This has included reviewing attrition rates, remuneration and reward, promotions and progressions, D&I as well as culture and learning. At each Board meeting, the Chair of the People Development and Remuneration Committee updates the other directors on the key people issues that were reviewed and discussed by the Committee.

As set out on **page 18**, we are fully committed to D&I and the Board is aware of its relevance in the context of its decision-making. Each director has received training in unconscious bias, inclusive behaviour and safeguarding.

As part of our annual monitoring of our cultural health we measure the extent of interactions between our Board and staff.

The Employee Forum, chaired by Laurie Spengler, has provided more insight to the Board by serving as a further channel of communication with the workforce. It comprises 18 members of staff representing diverse attitudes, perspectives, functions and levels of seniority to further strengthen our commitment to building an inclusive culture. The Chair of the Employee Forum also provides an update to the Board meetings on topics discussed by the Forum. In addition, Board members meet with Forum members.

The need to foster the Company's business relationships with suppliers, customers and others

A development-focused mission is at the heart of all the Board's deliberations. We support the sustainable long-term growth of businesses in Africa and South Asia; our goal is to help support the economic stability that will enable countries to leave poverty behind. We are also a champion of the UN's Sustainable Development Goals (SDGs) – the global blueprint to achieve a better and more sustainable future for us all. The Board is committed to building its understanding of the challenges and opportunities of the countries where we invest. Every year the Board visits (either virtually or in person) one or more of the countries that BII invests in and meets with key stakeholders including investee companies and government officials. Due to the death of HM Queen Elizabeth II when the trip was due to take place, in 2022, the Board did not visit in person, but instead took part in a two-day 'virtual Board trip' to India, learning from partners about the important role we play in ongoing development in the country.

We work and engage with a wide range of civil society organisations – from business and industry associations to think tanks and charities – recognising the role that all of these play in delivering economic development and achieving the UN SDGs. We run a proactive engagement programme with these organisations including hosting an annual stakeholder day which provides the opportunity to understand our progress during the year and to raise questions. In addition, we hold dialogue events on key global development challenges where participants exchange learning and best practice. As well as hosting our own programme of activities, we regularly engage in roundtables, public forums and information exchanges hosted by civil society organisations.

How we engage with our stakeholders continued

The impact of BII's operations on the community and the environment

The Board has overseen the development of our Impact Score (see **page 50**), a tool for managing strategic impact on a portfolio basis during our 2022–2026 strategy period. The Impact Score is designed to recognise and incentivise investments that are likely to contribute most to our three strategic impact objectives of productive, sustainable and inclusive development.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is aware of the importance of carefully considering business relationships with our suppliers, and we have established practices and processes in line with our Procurement and Payment Policy to ensure the continued strength of our supplier relationship management. We aim for propriety, fairness, consistency, good practice and value for money in all contracts for services, supplies and works entered into or on behalf of BII. Work with staff networks across the organisation, such as 'Green works' and 'Umoja works' (which brings together employees associated with the African continent), emphasise our continued commitment when purchasing goods, services or work, to select those which have the least negative impact on the environment, and address diversity and equality in our supply base. We work to pay our suppliers promptly by embedding a robust finance structure and providing clear and consistent guidance to all third parties.

The need to act fairly for all our stakeholders

The Chair working with the Chief Executive and Company Secretary ensure that Board agendas and papers enable Board decisions to be made in the context of our stakeholder responsibilities. As BII is a mission-led, government-owned institution, the Board is very sensitive to its stakeholders and its responsibility for stewardship and good governance at all levels. Our aim is to maintain a trusted relationship with our shareholder, wider government and political stakeholders, ensuring our licence to operate and raising the visibility and accountability of the work we do.

We do this both through our formal relationship with the UK Government as a shareholder – including through agreement of the five-year strategy and investment policies, annual shareholder meetings (attended by the FCDO Permanent Under-Secretary and including an update on KPIs and the strategy), quarterly shareholder meetings (attended by the relevant FCDO Director General and including general information sharing) and weekly discussions with the FCDO. In addition, we work across government as a partner, sharing learning and expertise and contributing to UK Government objectives at both country and international level, such as the COP27 and G7 processes in 2022.

As well as maintaining strong relationships with the UK Government and FCDO, we run a proactive engagement programme across a broad range of political stakeholders. This includes regular events, roundtables, meetings and briefings on BII activities as well as engagement in formal accountability mechanisms, through parliamentary committees and oversight bodies.

See also a summary of our business objectives and model on **page 6**, which contains further information about how we have worked with the FCDO during the year.

In addition, the UN's SDG 17 highlights the importance of global partnerships for achieving sustainable development. As the UK's development finance institution investing on behalf of the UK taxpayer across Africa and South Asia, stakeholder engagement is a key part of how we operate – with our own people, our partners, our suppliers, governments and civil society.

Our Global Affairs and Communications functions, working with the Chair and Chief Executive, put together a comprehensive stakeholder engagement plan. This plan is discussed by the Board and management and sets out our approach to engaging with our stakeholder groups. A regular stakeholder engagement survey (including UK parliamentarians, UK Government, the third sector, businesses and investors) is conducted to ensure we are responding to and learning from external views.

More about how we operate is given in our report on Responsible Investing on **pages 17 and 18**. In addition, **pages 19 to 36** present a summary of the progress made to date towards our goal of integrating climate-related risks and opportunities into our governance, business strategy, risk management processes, metrics and targets. A summary of the Board's activities is set out on **page 45**. BII also publishes an **Annual Review** which contains more details about BII's development impact in our markets.

Nominations Committee report

Diana Layfield

Committee membership as at 31 December 2022
Diana Layfield (Committee Chair)
Andrew Alli
Dolika Banda
Krishnakumar Natarajan
Simon Rowlands
Laurie Spengler
Chris Woodruff

Sir Graham Wrigley resigned 4 February 2022, Michele Giddens resigned 22 April 2022. Simon Rowlands was appointed 22 July 2022.

Number of committee meetings: 3

Letter from the Chair of the Nominations Committee

The Nominations Committee meets as required with a quorum of two members. All non-executive directors are members and our remit includes appointing new Board members and reviewing the Board's independence, structure, size and composition as well as the composition of our Board committees. The Nominations Committee also considers succession planning and makes recommendations to the Foreign Secretary as a holder of a special share in the Company, as appropriate. All directors are required to stand for re-election by the shareholder at the AGM in accordance with the provisions of the Articles of Association.

During 2022 the Nominations Committee received regular updates from the Chair on the recruitment of the successor to Michele Giddens. The search for Michele Giddens' replacement was led by Sapphire Partners and, having reviewed the Board skills matrix, the clear intention was to recruit an individual with strong investment experience and a good understanding of our markets. After an extensive search we were delighted to appoint Simon Rowlands as a Non-executive Director, whose relevant background and understanding were instrumental in appointing him to this role. Sapphire Partners does not have any other connection with the Company.

Performance and evaluation
A requirement of the UK Corporate Governance Code is that Boards appoint an independent third party to conduct an evaluation of their performance every three years. The previous external Board evaluation was undertaken in 2019 and the Committee appointed Chris Saul Associates, an independent Board Evaluator, to undertake the evaluation in 2022. Chris Saul Associates does not have any other connection with the Company.

Overall the Board was considered to be positive, disciplined, collegiate and well managed with high standards and professionalism."

The external evaluation focused on a range of different areas relevant to Board effectiveness and corporate governance, including:

- Board and Board committee dynamics;
- mix of skills and experience;
- Board focus on key business areas;
- Board processes and procedures;
- agendas and papers;
- relationship with Government; and
- relationship with management.

Preliminary findings from the external evaluation were presented to the Board in February 2023 and an update on the findings of the review will be set out in the Annual Report 2023. Overall, the Board was considered to be positive, disciplined, collegiate and well managed with high standards and professionalism.

I would like to thank the Directors for all their support in 2022. Each brings a unique set of skills and experience and has continued to contribute hugely to the success of the organisation through their dedication.

Diana Layfield
Chair

Development Impact Committee report

Chris Woodruff

Committee membership as at 31 December 2022
Chris Woodruff (Committee Chair)
Dolika Banda
Krishnakumar Natarajan
Laurie Spengler

Sir Graham Wrigley resigned on 4 February 2022, Michele Giddens resigned on 22 April 2022, Krishnakumar Natarajan joined on 15 July 2022 and Simon Rowlands joined on 2 February 2023.

Number of committee meetings: 4

Letter from the Chair of the Development Impact Committee

I am pleased to present my report on the 2022 activities of the Development Impact Committee.

Development impact is at the core of BII's mission and at the heart of its values as an impact-led, commercially rigorous investor. The role of the Development Impact Committee is to guide, monitor and validate BII's development impact activities, including compliance with our Policy on Responsible Investing and related policies and procedures. The Committee continues to oversee the activities of BII's Impact Group, led by Liz Lloyd, BII's Chief Impact Officer.

Topics for specific meetings during the year follow the agreed annual plan for meeting agendas and are also discussed at agenda-setting meetings led by the Chair with support from the Company Secretary's office. At each Committee meeting we have a number of standing items for discussion, including the Development Impact Management report, which covers the activities of the Impact Group such as performance against its corporate targets during the year and progress made on other Impact Group goals and objectives.

The report also covers the current focus areas and priority activities for Impact Group teams, and how the 2022–2026 strategy is shaping its activities. In addition, the Committee receives some background and learning at each meeting, to give Committee members the opportunity to learn about specific transactions and strategic issues.

An important area of focus during 2022 was the oversight and continuing review of the Impact Score implementation."

An important area of focus during 2022 was the oversight and the continuing review of the Impact Score implementation. A six-month review was conducted and the findings presented to the Committee for discussion. BII is now included in BlueMark's '**Practice Leaderboard**' which highlights impact investors with best-in-class impact management practices. The Committee also approved a new process for assuring the score implementation and the appointment of Ernst & Young LLP as the assurance provider.

Following its launch in April, the implementation of the Policy of Responsible Investing has continued with an inaugural annual assurance presented to the Committee which was discussed before further assurances were provided by the Board to the FCDO.

The Committee has also held a number of informal meetings to draw out any items of particular complexity or importance, for example on the plans for BII to meet the new Net-Zero commitment, which gives Committee members more time to ask questions of management or delve into areas of interest or concern ahead of the formal discussion at the meeting.

As always, there are many other worthy initiatives and successes that could be highlighted here. Allow me to recommend to you BII's **Annual Review**, published alongside these Annual Accounts and Financial Statements, where you will learn more about our development impact in our markets.

Development impact continues to form the very core of what we do at BII. I would like to thank all BII's employees who have contributed both to the work of the Committee and to this important area in 2022.

Chris Woodruff
Chair

Audit and Compliance Committee report

Andrew Alli

Committee membership as at 31 December 2022

Andrew Alli (Committee Chair)
Kathryn Matthews
Laurie Spengler

Sir Graham Wrigley resigned on 4 February 2022 and Krishnakumar Natarajan stepped down on 3 February 2022. The Chair of BII has the right to attend meetings of the Committee.

Number of committee meetings: 4

Letter from the Chair of the Audit and Compliance Committee

I am pleased to present my report as Chair of the Audit and Compliance Committee. The Committee's main duties are to:

- review the financial statements;
- review the findings of the external auditor and assess the independence of the external auditor;
- direct the internal audit programme and receive regular reports from internal audit;
- monitor BII's management accounting and the policies and procedures relating to valuations;
- monitor the Group's whistleblowing procedures and outcomes; and
- oversee the Company's regulated activities and compliance function.

I draw your attention to the biographical information on each Committee member set out on **pages 39 to 41**. You will see that I have recent and relevant financial experience and the Committee as a whole has competence relevant to the business sectors in which BII operates.

"The Committee undertook a comprehensive process to support the Board in reaching its conclusion that the 2022 Annual Report is fair, balanced and understandable."

Financial reporting

BII's Annual Report and Accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee reviewed the Annual Report and Accounts for 2022, which included supporting information from our finance team that the going concern basis of accounting was appropriate (see **note 1** on **page 82** of the financial statements for more information). Following a detailed review by the Committee, it was agreed to recommend to the Board that it continues to be appropriate to adopt the going concern basis in respect of the preparation of the Group's (the Group being British International Investment plc and its subsidiaries) financial statements.

The review of the Financial Statements was supported by analysis and discussion provided by the Finance team and the reports of the external auditor. Having considered these inputs and the Committee's own independent judgements, the Committee recommended to the Board the approval of the Annual Report and Accounts.

Audit and Compliance Committee report continued

Fair, balanced and understandable
The Committee undertook a comprehensive process to support the Board in reaching its conclusion that the 2022 Annual Report is fair, balanced and understandable and that it provides the necessary information to assess the Group's performance, business model and strategy. The process which enabled the Committee to reach this conclusion included:

Production	Ahead of the production of the Annual Report and Accounts, the Board considered the proposed themes of the report and a summary of the process for its production and sign off. The subsequent production of the 2022 Annual Report and Accounts has been managed closely by the Chief Financial Officer. A draft of the Annual Report and Accounts was provided to the Committee and the Board for review and comment ahead of the formal meetings to approve the final version.
Cross-functional support	Cross-functional support was provided in drafting the 2022 Annual Report and Accounts, which included input from Communications, Finance, Risk, Corporate Secretariat, HR and wider business leaders.
Review of disclosures	A review of the 2022 Annual Report and Accounts by all contributors, to ensure disclosures were balanced, accurate and verified, with further comprehensive reviews by senior management.
Assessment of fair, balanced and understandable	A paper was provided to the Committee which detailed the 2022 year-end assessment of fair, balanced and understandable.
Audit and Compliance Committee review	In addition to the above, a formal review was carried out by the Committee of the draft 2022 Annual Report and Accounts during its meeting in advance of final sign-off by the Board.

Having carefully reviewed and considered all relevant information, the Committee is satisfied that, taken as a whole, the 2022 Annual Report and Accounts are fair, balanced and understandable and has confirmed that to the BII Board.

Key accounting judgements

Management presented a paper on the key accounting judgements which the Committee reviewed and challenged ahead of the year end. Key judgements and estimates considered by the Committee relating to the Annual Report and Accounts 2022 primarily related to the treatment of investment valuations in respect of both equity and debt.

Area of focus	Issue and role of the Committee
Valuation of equity and debt investments The main area of significant judgement in relation to BII's Annual Report and Accounts relates to investment valuations as IFRS requires investment assets to be carried at fair value, which in cases of unquoted investments entails a certain degree of subjectivity.	Equity investments are valued using a methodology that is appropriate in light of the nature, facts and circumstances of the investment using assumptions and estimates. Where possible, more than one valuation technique is used to benchmark against the chosen methodology. Depending on the nature of the investment, measures may include a number of methodologies including discounted cash flows, net asset value, realisation proceeds, earnings multiples and appropriate industry benchmarks. These methodologies are prepared in accordance with BII's Valuation Policy, considered and approved by the Committee in 2022, which sets out the fair value principles, policies and procedures commensurate with BII's assessment of the business risk to ensure that BII complies with applicable rules, regulations and accounting standards. The purpose of the Valuation Policy is to ensure that investments are valued and reported in a manner that enables BII to produce financial statements that represent a true and fair view of BII's portfolio in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines and IFRS requirements, as well as market best practice. Debt investments are measured using discounted cash flow models. This methodology requires BII to form a view on the recoverability of expected cash flows of each debt instrument in the context of the market or company-specific credit events. The biggest judgement area in such debt valuations is the discount rates used to calculate the net present value of future expected cash flows. In addition, the Committee receives and discusses reports from the Valuations Department in accordance with the new Valuation Policy that was approved by the Committee in April 2022, which summarises the back testing carried out by the Valuations team on at least an annual basis.

Audit and Compliance Committee report continued

Valuations

The valuation of portfolio investments is a key area for the Company, especially as there are a large number of unlisted portfolio investments. Valuations for debt and equity are conducted quarterly, subject to materiality criteria. Valuations for all debt and equity investments are carried out as at the year-end reporting date. Fund valuations are applied quarterly in line with fund managers' reporting. Valuations are approved by the Valuations Steering Committee which is chaired by the Chief Financial Officer.

An independent BII valuations team is in place to oversee governance and reporting in this important area. In addition to doing this, the team has bolstered consistency of valuation approaches and increased the rigour of interrogating the valuations judgments made.

Controls over financial reporting

It is important to demonstrate that appropriate controls are in place in respect of financial reporting and to ensure findings from internal and external audits are sufficiently addressed in a timely fashion. There are clear, documented workflows and controls in place for funding investments and making payments. Workflows and finance systems have been enabled to add a layer of control for approvals to make investment disbursements and supplier payments.

The Committee continues to review the internal financial controls and governance framework that underpins our financial reporting to provide reasonable assurance on the reliability of financial reporting and the preparation of the financial statements.

Internal audit

The Committee reviews the scope, activity, resources and independence of the Company's internal audit function. The Committee approves the annual internal audit plan and, semi-annually, receives formal reports against this plan from the BII Internal Audit Director, Siobhan Foley. The Internal Audit Director has a direct reporting line to the Chair of the Committee and they meet regularly throughout the year.

External audit and auditor independence

The Committee has satisfied itself as to the independence of the external auditor, Deloitte. In doing so, it looked at the following factors, and considered the views of management, internal audit and information provided by the external auditor:

- the external auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those permitted by the Financial Reporting Council's Ethical Standard in the UK;
- the external auditor's policies for rotating the lead partner and key audit personnel; and
- adherence by management and the external auditor during the year to BII's and its subsidiaries' policies for procuring non-audit services and employing former audit staff.

The Committee has established and reviewed policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditor to be engaged only for work that is not prohibited by professional or other regulatory requirements. Even where the policy allows for the external auditor to be engaged to provide non-audit services, prior approval is required from either the Chief Financial Officer, the Committee Chair or the Committee itself.

During the year the Committee reviewed the fees paid to the external auditor. A summary of the fees paid and other services is set out in **note 10** on **page 92** of the financial statements. In addition, a review of the effectiveness of Deloitte LLP as auditor was carried out and concluded in 2022. The Committee agreed that the services provided by Deloitte continued to be effective and identified some minor areas for development.

Deloitte was appointed as the external auditor for the year ending 2022. Consequently, this is Deloitte's and the relevant audit partner's fourth year in office.

Modern Slavery Statement

During 2022 the Committee reviewed BII's Modern Slavery Act statement, which is published on our website.

Internal controls

The Committee forms an integral part of BII's three lines of defence model and its framework of internal controls. Further information on internal controls and the role the Committee performs in this area is given in the Risk Management section on **pages 11 to 16**.

Whistleblowing

Kathryn Matthews, Chair of the Risk Committee, was the Whistleblowing Champion for BII until November 2022, following which the role was undertaken by the Chair of the Audit and Compliance Committee, Andrew Alli. The Audit and Compliance Committee reviewed and assessed the whistleblowing processes and all staff have received training to reinforce good practice.

Regulatory and compliance matters

As a financial services organisation, BII is authorised and regulated by the FCA and governed by a number of regulations. The Committee receives reports on ongoing compliance and data protection matters at each meeting from the Head of Compliance and Money Laundering Reporting Officer, Taiwo Fayose. These also include updates on regulatory developments, data protection, financial regulation and financial crime compliance. A summary of the outcomes of assurance and monitoring activities is also presented at each meeting of the Committee.

As set out above, the Committee covered a significant amount of work in 2022 and I would like to convey my thanks to all those involved.

Andrew Alli
Chair

Risk Committee report

Kathryn Matthews

Committee membership as at 31 December 2022

Kathryn Matthews (Committee Chair)
Andrew Alli
Chris Woodruff

Sir Graham Wrigley resigned on 4 February 2022, Michele Giddens resigned on 22 April 2022. Simon Rowlands joined on 3 February 2023. Andrew Alli stepped down on 3 February 2023 but continues to attend the Committee as an observer.

Number of committee meetings: 4

Letter from the Chair of the Risk Committee

I am pleased to present my report as the Chair of the Risk Committee. The Committee's main duties are to oversee the implementation of the Risk Management Framework and the principal risks facing BII (as set out on **pages 11 to 16** of the report). In 2021 we reported on the significant work undertaken to build the Risk function in the second line of defence and enhance our governance frameworks and risk measurement capabilities. I am happy to say that we have built on these solid foundations in 2022 in respect of reporting, with various changes made to improve the information provided to the Committee in addition to continuing to provide regular oversight of risk management at BII. I have set out below some of the highlights in relation to improvements to our reporting and significant matters considered by the Committee in 2022.

At each meeting the Committee considers a report on the main risks facing BII, including risks within the investment portfolio as well as any operational, conduct or compliance risks in the organisation as a whole. The monitoring of the financial health of the portfolio is also of paramount interest to the Committee, especially in the current macro-economic climate. Significant enhancements were made to this report during 2022, including a Risk Appetite dashboard, emerging risks, limit governance, country risk monitoring, a watchlist summary of funds in the portfolio, a high-level summary of the Special Situations portfolio and information on liquidity risk management and interest rate risk.

The Committee receives a presentation at each meeting on specific areas of interest or concern, During 2022, these included an overview of BII's Special Situations team and activities, a Reputational Impact summary report and an analysis on the impact of the Ukraine War on BII's investment portfolio.

The Committee also re-reviewed the Risk Appetite Statement and agreed that it remains appropriate and is consistent with the 2022–2026 corporate strategy. No material changes were proposed to the overall Risk Appetite Statement or taxonomy. Some changes to metrics and thresholds were agreed, based on experience of operating metrics for the first year and discussion with Risk Custodians in the organisation.

The Committee also carried out a thorough review of its terms of reference and reporting to the Committee to ensure that its responsibilities were being properly discharged and reflect current practice. An action plan was presented which included minor enhancements to reporting.

The Committee also held some informal sessions during 2022 on improvements to the Country Risk Framework, to further enhance our understanding of this important area.

A report is provided to the Committee on an annual basis which contains a review of BII's approach to managing cyber risks, enhancing tracking of threat actors and internal governance to facilitate a more effective response to identified threats.

At the start of 2023, the Committee also considered the first annual self-assessment of the Risk team's activities during 2022 and work programme for 2023. I am happy to say that outstanding work has been carried out by the team in 2022, including those reporting improvements referred to above.

I would like to express my gratitude to my BII colleagues for the work they have done in 2022 in respect of the improvements to risk reporting and oversight we have made to develop our risk processes to ensure that a robust framework remains in place to support the 2022–2026 strategy.

Kathryn Matthews
Chair

People Development and Remuneration Committee report

Dolika Banda

Committee membership as at 31 December 2022

Dolika Banda (Committee Chair)
Diana Layfield
Krishnakumar Natarajan

Sir Graham Wrigley resigned on 4 February 2022 and was replaced by Diana Layfield from 30 June 2022. On 3 February 2022, Dolika Banda assumed the position of Chair of the Committee, replacing Laurie Spengler, who stepped down from the Committee in April. Andrew Alli joined the Committee on 3 February 2023.

Number of committee meetings: 4

Letter from the Chair of the People Development and Remuneration Committee

I am pleased to present my first report since becoming Chair of the People Development and Remuneration Committee (PremCo). I would like to express my thanks to the previous Chair, my colleague Laurie Spengler, for her unwavering commitment to the people agenda at BII. Diana Layfield, our new Board Chair, has joined PremCo and is committed to BII's people strategy continuing to be at the heart of the Board's priorities.

PremCo's main duties are to apply Board-level scrutiny to core aspects of BII's people strategy, including: 1) recruitment and retention, 2) training and development, 3) culture and communication, 4) diversity and inclusion (D&I), 5) performance and succession, and 6) remuneration. The duties are carried out in the context of BII's strategy and with due regard to the budget and financial implications of all activity.

From a people perspective, BII has three key drivers: talent, values and seeing everyone at BII as an individual. To ensure that the tone is set from the top, PremCo operates in line with three 'Guiding Principles':

+ enabling the recruitment, retention and development of individuals of the calibre to allow BII to achieve its mission;
+ a clear understanding of the needs of the shareholder and other key stakeholders; and
+ the goal of building a team that encapsulates and is inspired by BII's values.

Since 1 December 2021 PremCo has been supported by Louise Meikle who joined as Chief People Officer. One of Louise's key objectives is to ensure we build a 'one BII' culture and as part of that she has visited our offices in India, Kenya and South Africa so far. PremCo also retains PwC as an external advisor to support its work.

A talent-driven approach

We are a talent-driven organisation that relies on high-quality, passionate people to deliver our mission. PremCo was very pleased to see management add a new sourcing channel to our attraction strategy in 2022 by launching our Graduate Analyst Programme to address the increased competitiveness in the market for junior professionals. The programme seeks to attract candidates who demonstrate an interest in, and passion for, impact investing, emerging markets and development finance. The first cohort of six started the two-year programme in August 2022. After an initial six-week training period, they complete rotations in investment and impact followed by a six-month international rotation. The programme will provide unique experience and exposure to development finance.

Management has conducted a talent review across the organisation during 2022 and will be providing an update to PremCo in early 2023. The aim of this exercise is to drive high performance, retain top talent and be the basis for succession planning of our team head positions and critical roles which is a key area of focus for PremCo. PremCo will continue to work with management to evolve our approach to talent assessment and performance management.

Our desire to recruit high-quality individuals means we need a powerful employee value proposition. Our status as the UK's development finance institution and the unique opportunities we can offer in the UK and in our markets is a strong part of this proposition. Reward also has a part to play and 2022 has been the year when we transitioned to a new long-term incentive plan which was agreed with our shareholder as part of the new Remuneration Framework, with the first payments under the scheme due in 2023. Management has worked hard to ensure that the new plan is well understood by employees.

A values-driven approach

PremCo remains committed to embedding the culture and values of BII across all business areas and geographical locations. One of BII's three core values is collaborative and caring. As we have emerged from the pandemic, management and PremCo have been guided by that value in supporting employees with the return to the office. During 2022 management have:

+ embedded our hybrid working model globally (which has received very positive feedback from employees in the 2022 engagement survey) and launched new guidelines highlighting the importance of team/country anchor days in all offices, increasing opportunities to collaborate and learn face to face; and
+ hosted a benefits and wellbeing fair for UK employees, highlighting the physical, mental and financial health support in place.

People Development and Remuneration Committee report continued

PremCo takes BII's duty of care towards its employees very seriously and has ensured that management remain focused on the wellbeing and work-life balance of our employees.

PremCo receives regular metrics to ensure it provides appropriate scrutiny and support and has reviewed the following in 2022:

Annual Employee Engagement Survey 2022

- The full outputs from the survey, including all staff comments, are reviewed by HR with key points summarised for PremCo. Survey participation remained high in 2022, as did the overall level of employee engagement.
- The survey demonstrated improvement in our line management capability from the 2021 results. This reflected the emphasis placed on upskilling line managers following the 2021 results, including the rollout of our Management Development Programme for all current and future people managers. Line management continues to be a focus given how key this is for our people to thrive.
- The employee survey results, along with exit feedback, show how much people enjoy and value working at BII: 84 per cent of people (83 per cent in 2021) said that they are proud to do so. This is reinforced by how many people applied for our Investment and Impact Graduate Analyst Programme and our continuing ability to recruit experienced hires when the recruitment market has been so active.
- Positive developments notwithstanding, there remains room for improvement and areas of focus for 2023 will be D&I, speak-up culture and efficiency/effectiveness.

Culture Dashboard 2022

- Management evolved the Culture Dashboard in 2022 which was well received by PremCo and the Board. The Dashboard shows how we are tracking against organisational culture metrics and provides a helpful basis for PremCo to suggest areas of focus. Our overall cultural health has improved when compared to 2021.
- Overall attrition in 2022 has been in line with national averages. Leavers continue to be positive, with 94 per cent of people in exit interviews stating that they would recommend BII as a place to work.
- HR monitors all outputs from employee networks and our speak-up channels, formal and informal. Themes arising from these channels are fed back to PremCo. We will be doing more work on speak-up culture in the year ahead.

PremCo understands that a positive view of employee wellbeing and work-life balance at BII increases overall employee engagement and drives a high performing culture.

An individual-driven approach

PremCo wants every individual at BII to feel that they belong, add value and have a voice. The feedback that PremCo receives from the Employee Forum are an important part of that. We want to create and support an inclusive culture throughout BII so that all employees can participate and fulfil their potential in an environment where they are valued and respected. This relies on everyone, regardless of role and location, playing their part in creating that environment. Our Head of Diversity and Inclusion and our Chief People Officer work together across the HR team and the wider organisation to address any real or perceived barriers to inclusion. Our networks play a critical role encompassing advice, support, advocacy and celebration of diversity. They have continued to run engaging events for all our employees, many delivered both in-person and using hybrid technology, and covering subjects such as women's health and wellbeing, parenting skills, 'Building inclusive financial services' and 'Driving D&I in the African economy'.

We continue to benchmark against external organisations and PremCo was delighted that the efforts of people across BII were recognised through the Employers Network for Equality & Inclusion (enei) Gold Award for 2022 as part of their Talent Inclusion and Diversity Evaluation benchmark (TIDEmark).

Also, as part of continued progress, our Head of Diversity and Inclusion has developed and delivered training covering microaggressions, inclusive leadership, inclusive recruitment and inclusive communications. We produce a UK gender pay gap report as legally required and voluntarily produce a UK report on ethnicity. We have seen improvements in both gaps, especially in the ethnicity pay gap. We recognise the importance of improving the gender and ethnicity balance in our leadership as a key driver of closing these gaps and strive to ensure diverse representation when hiring externally as well as ensuring our recruitment processes are bias free.

Conclusion

2022 has seen a new rhythm of work emerge post-pandemic but has not been without its challenges as the cost of living crisis impacts people in different locations and new external career development opportunities have emerged. PremCo will continue to work with management to ensure that the value of working at BII is widely understood and that the lived experience of individuals matches the expectation. After a noticeable employee headcount growth in 2022 from 494 to 577, 2023 will be an opportunity to provide stability and take stock, ensuring that we have the tools to retain talent globally to deliver our strategy. As we move further into our current strategy period, we will maintain our approach of continuous improvement with a particular focus in the year ahead on culture, D&I and talent development.

It has been my pleasure to chair PremCo this year and I thank the other members of PremCo for their dedication to ensuring that people are at the heart of BII's mission to solve the biggest global development challenges by delivering maximum development impact while being a sustainable financial institution.

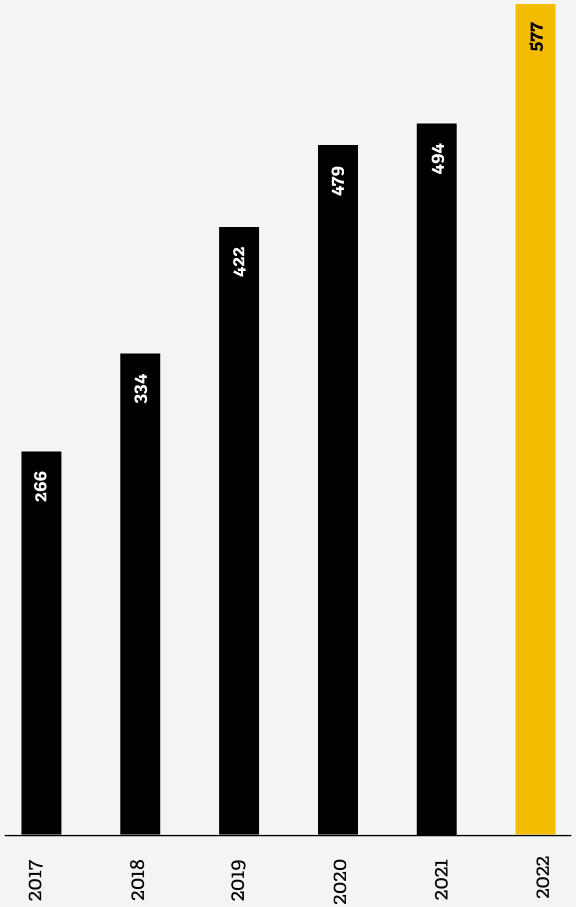
Dolika Banda
Chair

BII workforce growth and distribution

In the first and second half of 2022 new offices were opened in Ghana and Singapore respectively. The Singapore office is a hub for investments in the Indo-Pacific region, which was added to BII's investment remit under the 2022–2026 strategy. Headcount had reached 577 across our global locations by the end of 2022.

BII workforce growth and distribution

BII year-end headcount



BII global locations

Key

At 31 December 2017
India, Bangalore
South Africa, Johannesburg
UK, London
Zimbabwe, Victoria Falls

Additional locations at 31 December 2022
Bangladesh, Dhaka
Egypt, Cairo
Ghana, Accra
India, Mumbai
Kenya, Nairobi
Myanmar, Yangon
Nepal, Kathmandu
Nigeria, Lagos
Pakistan, Karachi
Singapore

BII workforce growth and distribution continued

Workforce policies and engagement

The organisation has a range of policies designed to strengthen engagement and ensure that employees can effectively balance their professional life and family responsibilities.

We continue to build on this and, since the COVID-19 pandemic, have introduced and embedded a new model of hybrid working. The model strikes a balance between the ability to work from home and collaboration with our teams face to face in the office. We will review this model of working again at the end of Q1 2023 to ensure that it remains fit for purpose both from an employee wellbeing and organisational delivery perspective.

In 2022, we completed a training and development analysis review and will be launching the new all-BII curriculum, which will build on our management development programme. Its purpose is to build bespoke training that is consistent at each level across BII and at each stage of employees' career journeys. Refer to section 172 statement on **pages 47 and 48**.

Duty of care

BII recognises a duty of care towards our employees. This is grounded in our values of collaboration and caring and means taking all reasonable steps to ensure employees' wellbeing, health and safety. It covers our commitment to ensuring a good work-life balance, safeguarding employees in an atmosphere of psychological safety, free from harassment, and providing active support for their mental and physical health. We also aim to ensure the safety of employees in our offices and especially while travelling in our markets, where security can be compromised. In addition, our support for mental wellbeing is supported by our healthcare provider, and Employee Assistance Programme. Our HR Business Partner team members are also now qualified mental health first aiders.

Gender and ethnicity pay reporting

Each year since 2018 we have published our UK Gender Pay Gap Report on our website. The data for the end of March 2022 shows median and mean gender pay gaps of 30 per cent and 25 per cent respectively in favour of men. It is disappointing that the mean gender pay gap has not reduced in 2022, despite a number of promotions of women from manager to director. Some of these promotions have been in areas of BII which attract slightly lower salaries meaning that these new directors have not moved from the upper middle to the highest pay quartile. The gap is also impacted by a small number of senior women who were on maternity leave (and therefore not included in the calculations) and others who left BII between 5 April 2021 and 31 March 2022 and whose roles had not been backfilled at the point the pay gap calculations were performed.

This year, for the third time, the report also includes our ethnicity pay gap, ahead of any mandatory reporting requirement. The mean ethnicity pay gap has reduced significantly from 11 per cent from last year to 5 per cent this year, and the median gap has decreased slightly from 10 to 9 per cent. Overall our ethnicity pay gap is smaller than our gender pay gap as a result of greater ethnic diversity through all levels of BII. Our reports set out the commitments we are making to close these pay gaps and to improve both gender and ethnic diversity. These include strong leadership, advocacy, increased governance, nurturing of thriving employee networks, continuing to provide high-quality training on inclusive behaviours and promoting an open, 'speak-up' culture. D&I remain key focus areas for PremCo as we strive to build a more inclusive and dynamic organisation.

Women make up 50 per cent of our Board, 54 per cent of our workforce, and occupy 36 per cent of the roles at director level and above. Our Women in Finance Charter global gender diversity target is to achieve 40 per cent females at director level or above by the end of 2023. In 2021 we set ethnicity targets for our UK director population, in line with Office for National Statistics' projected data for the London population, and we aim to increase our black leadership population from 7 to 11 per cent by the end of 2023.

In addition to being signatories of HM Treasury's Women in Finance Charter, we are members of Working Families, Carers UK and the Employers Network for Equality & Inclusion (enei). This year we are pleased to have been awarded a Gold Award by enei in recognition of our ongoing commitment to creating a more inclusive workplace. We are also signatories of Business in the Community's Race at Work Charter, demonstrating our ongoing commitment to increasing our ethnically diverse employee population at all levels.

Values and culture

BII is guided by three core values which underpin all aspects of our culture and the standards of behaviour we expect across the organisation globally, from Board to new hires:

- impact-led, commercially rigorous;
- tenacious in the face of challenges; and
- collaborative and caring.

These are embedded into our performance assessment and promotion processes and measured in our employee engagement survey and in exit interviews. We now also collate and measure our cultural health in our Culture Dashboard as mentioned on **page 56**. The ongoing measurement of cultural health will remain a key metric for the Board to ensure we sustain alignment with our values.

Remuneration Policy

The Remuneration Policy is articulated within the Remuneration Framework, which PremCo is responsible for agreeing with the FCDO as our shareholder. The current framework was finalised in November 2021, following the triennial review. The Remuneration Policy is unchanged from 2021 except for the sections below – see pages 74 to 78 of the 2021 Annual Report for details of the remaining elements.

Remuneration Policy for Chief Executive

Components	Operation and implementation
Support for objectives of BII	To be successful BII needs to attract both world-class senior investment professionals to lead it and a comparable calibre of professionals to provide operational and transactional support. It is recognised that BII cannot provide competitive market salaries for such people and that commitment to the BII mission will always be the key motivating factor for the Chief Executive. The Chief Executive reward cap, which was last increased marginally in 2017, reinforces the remuneration philosophy as being mission driven.
Total reward	The Chief Executive will receive a base salary of £304,999 from 1 January 2023 (£295,745 in 2022), which is the maximum allowed under the current Chief Executive cap described below. Until now this base salary has had the potential to be reviewed annually by reference to inflation data, in line with base salaries of employees as governed under the base salary policy below. The maximum pay-out to the Chief Executive in any one year, with respect to salary and Long-term Incentive Performance Plan (LTIPP), will remain below a cap of £305,000, while other benefits cannot exceed 18 per cent of base salary. The Chief Executive's remuneration will be part of the benchmarking exercise to be undertaken every three years. The Chief Executive will be eligible to participate in the benefits in kind, captured on page 77 in the 2021 Annual report, with the exception that while private medical insurance will be available for overseas travel, the Chief Executive will not have access to UK private medical insurance paid for by BII.

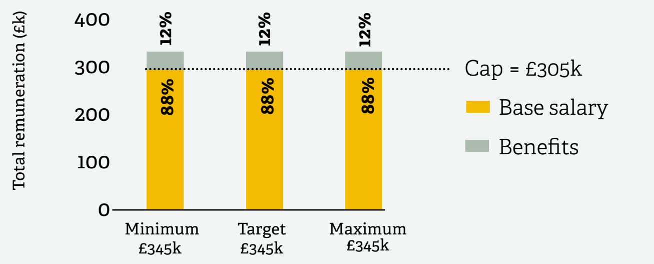
Recruitment Policy

Any new executive director, non-executive director or chair will be engaged on the same terms and conditions as the current incumbents described in this section unless noted otherwise, and provided that such engagement shall be consistent with the terms of the Remuneration Framework in effect at the time of such engagement.

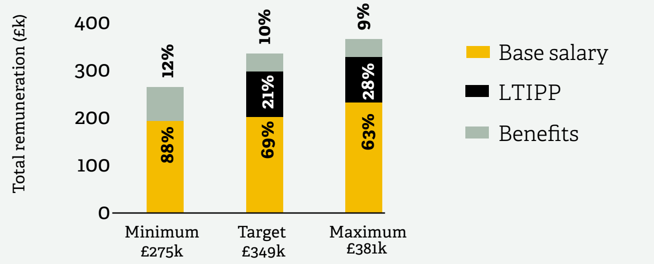
The current incumbent Chief Executive has a service agreement which, as noted above, is subject to a cap such that their compensation (consisting of salary and LTIPP payment) must remain below £305,000, plus up to 18 per cent of annual salary for other benefits.

Executive director scenario charts for total remuneration, 2023

Chief Executive



Chief Financial Officer



The charts above provide an indication of the level of remuneration that would be received by executive directors in 2022 assuming they remain in office for a full year, under the current Remuneration Policy in three different scenarios.

The following assumptions were made in preparing these charts:

Minimum	This includes only the fixed elements of pay, being base salary, benefits and pension.
Target	This includes the fixed elements and the target LTIPP award of 70 per cent as stated in the Remuneration Framework.
Maximum	This includes the fixed elements and the maximum LTIPP award.

Remuneration Policy continued

Service agreements

The Chief Executive will receive a salary of £304,999 from 1 January 2023 (2022: £295,745) and while entitled to participate in BII's LTIPP, will receive no payment under the LTIPP due to the £305,000 cap mentioned above.

The current Chief Financial Officer, who joined in September 2020, has a statement of written particulars of employment which is terminable on either side by 6 months' notice. The Chief Financial Officer will receive a salary of £240,990 from 1 January 2023 (2022: £227,350) and is entitled to participate in BII's LTIPP.

The non-executive directors have letters of appointment including the terms disclosed in the table below. Non-executive directors will be subject to re-election at an AGM in accordance with the provisions for retirement of directors by rotation contained in BII's Articles of Association.

The employment contracts and letters of appointment of the directors include the following terms:

Name and position	Date of appointment	Notice period (months)
Executive directors		
Nick O'Donohoe	19 June 2017[1]	9
Carolyn Sims	23 September 2020[1]	6
Non-Executive directors		
Andrew Alli	24 September 2018	3
Dolika Banda	24 September 2018	3
Michele Giddens (until 22 April 2022)	1 December 2014	3
Diana Layfield[2]	1 December 2021	3
Kathryn Matthews	1 January 2021	3
Krishnakumar Natarajan	15 July 2020	3
Simon Rowlands	22 July 2022	3
Laurie Spengler	28 July 2016	3
Chris Woodruff	1 August 2021	3
Sir Graham Wrigley (until 4 February 2022)	4 December 2013	3

1 Nick O'Donohoe and Carolyn Sims have employment contracts with the Company dated 24 April 2017 and 15 June 2020 respectively.

2 Appointed Chair of the Board from 1 January 2022.

External appointments

The Company believes that it can benefit from executive directors holding non-executive appointments, and that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. The Chief Executive is a non-executive director on the Board of the European Development Finance Institution. The Chief Financial Officer was appointed a non-executive director on the Board of Temple Bar Investment Trust plc effective 1 January 2023.

Annual report on remuneration

The remuneration of the non-executive directors who held office during the year is shown in the following table:

Non-executive Directors	2022 fee £	2021 fee[4] £
Sir Graham Wrigley (until 4 February 2022)	5,833	35,208
Diana Layfield (from 1 December 2021)	70,000	5,833
Andrew Alli[1]	28,000	29,208
Dolika Banda	26,500	22,208
Michele Giddens (until 22 April 2022)	7,333	22,208
Kathryn Matthews	28,000	27,708
Krishnakumar Natarajan	22,000	22,208
Simon Rowlands (from 22 July 2022)[2]	11,000	-
Laurie Spengler[3]	27,500	32,208
Chris Woodruff (from 1 August 2021)	28,000	11,693

1 Andrew Alli, Chair of the Audit and Compliance Committee, was also the acting Chair of the Risk Committee until the end of February 2021, and so received two committee chair fees during the first two months of 2021.

2 Prior to joining the Board of British International Investment plc (BII plc), Simon Rowlands and BII plc jointly set up an investment vehicle, CDC North Africa Healthcare Limited, with BII plc owning 98 per cent and Mr Rowlands 2 per cent of the share capital respectively.
Mr Rowlands was appointed by CDC North Africa Healthcare Limited to represent it on the Boards of three investee companies for a fee of £25,000 per annum, which Mr Rowlands has waived (with respect to all past, present and future fees) following his appointment to the BII plc Board.
A specialist investment firm and consultancy, Africa Platform Capital LLP, owned by Mr Rowlands and his family, provided consultancy services for a period of over three years to CDC North Africa Healthcare Limited for a total fee of £200,000 plus VAT. The consultancy agreement between CDC North Africa Healthcare Limited and Africa Platform Capital LLP has been terminated by mutual agreement, including future consultancy fees, following Mr Rowlands' appointment to the BII plc Board.

3 Laurie Spengler stepped down on 3 February 2022 as Chair of PremCo. Laurie was also Chair of the Employee Forum, for which she was paid an annual fee of £4,000.

4 The previous 2021 year fees include an HMRC-approved tax-free allowance of £6 per week available for employees forced to work from home, which became a necessity due to COVID. This allowance was paid until August 2021.

Non-executive directors do not receive any pension, benefits or long-term incentives.

2022 single total figure of remuneration for executive directors

The remuneration of executive directors who held office during the year is shown in the table below:

Executive directors	Base salary £	Non-pension benefits £	Incentive plan[1] £	Pension[2] £	Total[3] £
Nick O'Donohoe[4]					
2022	**295,745**	**–**	**9,254**	**38,735**	**343,734**
2021	287,130	208	17,869	37,847	343,054
Carolyn Sims					
2022	**227,350**	**2,526**	**55,617**	**29,777**	**315,270**
2021	220,730	3,023	34,250	29,542	287,545

1 The LTIPP was newly introduced in 2022 replacing the previous Long-term Development Performance Plan (LTDPP).

2 Represents a cash allowance in lieu of contributions to a pension scheme, net of employer National Insurance contributions.

3 Excluding the incentive plan there are no other variable elements to total actual remuneration.

4 The CEO is subject to a pay cap of £305,000, which restricts any payment under the incentive plan such that base salary and incentive plan payment together do not exceed the cap.

Annual report on remuneration continued

CEO and employee pay ratios

PremCo is pleased to disclose the ratio of CEO single total figure of remuneration (shown in the preceding executive directors' table) in accordance with the Companies (Miscellaneous Reporting) Requirements 2018. The following table sets out the total compensation expressed as a ratio of the CEO's remuneration at each quartile along with the total compensation and salary for the representative employee.

	Statistic	25th percentile	Median	75th percentile
2022	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
	Representative employee total compensation	£89,624	£125,377	£202,426
	Representative employee salary	£79,610	£99,335	£133,245

	Statistic	25th percentile	Median	75th percentile
2021	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
2020	Pay ratio – total compensation (Option A)	4:1	3:1	2:1
2019	Pay ratio – total compensation (Option A)	4:1	3:1	2:1

We elected to use the preferred method of Option A, which is based on all UK employees on a full-time equivalent basis, as the UK Government considers this to produce the most statistically accurate results. The ratios are calculated on the equivalent total compensation of the 25th percentile, median and 75th percentile or UK employees. Total compensation, which is determined as at 31 December 2022 for UK employees employed throughout 2022, consists of base salary, allowances, benefits and payments relating to the 2022 LTIPP.

The 2022 median pay ratio above is consistent with the pay and progression policies for our UK employees as a whole.

Performance of the Long-term Incentive Performance Plan in 2022

The LTIPP was introduced with effect from 1 January 2022. Its performance metrics are based on the corporate objectives set by the Board, which are linked to our mission. The first two of these objectives represent the development impact component and the financial performance measure, equally weighted (40 per cent of the LTIPP each, or 80 per cent in total). The remaining 20 per cent of the LTIPP will be awarded based on the performance of up to five other corporate objectives selected annually by the Board.

The executive directors are entitled to a payment, as a percentage of their base salary, which depends on their level and length of time in the plan ('maximum award'), and achievement against the corporate metrics.

Calculation of the maximum amount

The maximum amount that can be awarded to the Chief Executive is capped so that pay (including base salary and LTIPP payment) remains below £305,000 in any one year. The maximum award for the Chief Financial Officer, subject to achievement of the performance metrics, is based on the length of participation in the plan (the same as for all eligible staff) which is as shown in the table below:

Number of years' participation	0–1	1	2	3	4	5	5+6
Percentage of base salary	0–14%	14%	28%	42%	56%	70%	70%

The maximum award which executive directors who join BII after 1 October are entitled to is determined from 1 January of the following year. The maximum award directors joining before 1 October are entitled to is determined from the start of the same year but the amount is reduced by 1.167 per cent for each full month between 1 January and the date of joining.

The LTIPP replaced the Long-term Development Performance Plan (LTDPP) in which the Executive Directors participated and under which their maximum award potential increased with tenure in that plan. To recognise that previous tenure, in moving to the LTIPP, their maximum award as at 31 December 2021 under the LTDPP was carried forward to the LTIPP.

The maximum awards for directors in 2022 were therefore calculated as:

Statistic	Nick O'Donohoe	Carolyn Sims
Employment start date	24 April 2017	15 June 2020
Percentage of base salary as at 31 December 2021 under previous LTDPP	47.50%	15.83%
Increase in maximum award in 2022	14.00%	14.00%
Maximum award	61.50%	29.83%

Annual report on remuneration continued

Calculation of the 2022 outcomes

Components	Corporate objectives	Deliverables	Weighting	Achievement	Weighted Achievement
Impact	Maximise development impact of portfolio	Measured by the aggregate Impact Score across investments, which focuses on how 'productive', 'sustainable' and 'inclusive' investments are. Refer to the Investment Policy (for the period from 1 January 2022 to 31 December 2026) on the BII website for more information. The overall scoring scale is 5-8, where less than 5 = 0% achievement, 5 = 25% and 8 or above = 100% achievement, with any other score assessed on a straight line basis.	40.0%	75.0%	30.0%
Financial	Maintain portfolio financial health	A weighted cumulative investment return of at least 2% on the total portfolio over a 7-year period.	40.0%	100.0%	40.0%
Corporate	Maintain a strong origination and commitment pace	On track to originate and commit an average of ~$2 billion per year of new investments over the 2022–2026 period and least 10–15% of total portfolio value in Catalyst investments by end of 2026.	20.0%	60.0%	12.0%
	Meet our climate and gender finance ambitions	On track to have 30% of new commitments in climate finance and 25% of new commitments that are 2x qualified over the 2022-2026 period.			
	Stay within operating cost framework	Aim to maintain operating costs below 1.7% of portfolio value plus unfunded commitments, excluding agreed cost carve-outs.			
	Improve people and cultural health	Improve BII culture (with reference to a dashboard of people metrics and qualitative analysis) and improvements in staff D&I (e.g. increase proportion of black and female senior staff).			
	Maintain strong HM Government relationships	Maintain strong HM Government relations (to be assessed qualitatively and quantitatively, based on a range of HM Government surveys and feedback from HM Government key stakeholders).			
				Total weighted average achievement	**82.0%**

Annual report on remuneration continued

Calculation of the 2022 outcomes

As such, executive director awards were calculated as:

Statistic	Nick O'Donohoe	Carolyn Sims
Base salary at 31 December 2022	£295,745	£227,350
Maximum amount	61.5%	29.83%
Performance achievement percentage	82.0%	82.0%
LTIPP award	£149,144	£55,617
Reduction for Chief Executive capped remuneration	£(139,890)	–
Net LTIPP award	£9,254	£55,617

Employee remuneration

BII recognises that it is important to provide full transparency over its remuneration to all its employees. A disclosure on all employees' remuneration was previously made separately to the Annual Accounts but since 2017 it has been incorporated within these remuneration disclosures. As expected and communicated in the 2021 report, the change in incentive plan with the introduction of the LTIPP in 2022, has resulted in the number of employees in the top bands of total compensation falling or remaining the same year on year. Going forwards the number of employees in both the total salary and total compensation bands are expected to remain balanced proportionately and consistent with the growth in the company. There are no other forms of remuneration other than those set out in the remuneration report above.

The number of Group employees, who were employed for the full 12-month period, excluding executive directors, in the year by remuneration band is shown below:

	Number of employees Base salary		Number of employees Total compensation	
Statistic	2022	2021	2022	2021
£450,001–£500,000	–	–	–	1
£400,001–£450,000	–	–	–	4
£350,001–£400,000	–	–	6	3
£300,001–£350,000	–	–	24	22
£250,001–£300,000	1	1	27	27
£200,001–£250,000	16	12	51	43
£150,001–£200,000	58	57	55	57
£100,001–£150,000	119	102	91	70
£50,001–£100,000	165	165	141	146
£0–£50,000	62	70	26	34
Total	421	407	421	407

Implementation of pay in 2023

Base salary

Following a review in the year, due to the Chief Executive cap, PremCo agreed an increase in the CEO's base salary capped at 3.1 per cent from £295,745 to £304,999. PremCo agreed a 6 per cent increase in the Chief Financial Officer's salary from £227,350 to £240,990 in line with the wider UK workforce. The increases are effective from 1 January 2023.

LTIPP

The performance metrics for 2023 selected from the 2023 corporate objectives set by the Board are set out below.

Each year the Board will assess the level of performance of these seven objectives, with the five weighted 4 per cent each representing the corporate component scored on a scale of 1 to 5, and award the LTIPP accordingly.

Corporate objectives	Deliverables	Weighting
Development impact of portfolio	Maximise development impact, as measured by the aggregate Impact Score across investments, which focuses on the extent to which they are 'productive', 'sustainable' and 'inclusive'. Refer to the Investment Policy (for the period 1 January 2022 to 31 December 2026) on the BII website for more information.	40%
Portfolio financial performance	Maintain portfolio financial health by staying on track to meet the commercial hurdle of a weighted cumulative investment return of at least 2% on the total portfolio over a 7-year period.	40%
Commitment pace	On track to maintain a commitment pace of ~$3.5 billion over a rolling two-year period and 10–15% of total portfolio value in Catalyst investments by the end of 2026.	4%
'Quality of finance' goals: climate and gender	On track to have 30% of new commitments in climate finance and 25% of new commitments that are 2x qualified over the 2022–2026 period.	4%
Operating cost framework and budget	Keep operating costs within the agreed operating expenditure policy of 1.7% of portfolio value plus unfunded commitments, excluding agreed cost carve-outs, and within the 2023 Board-approved budget.	4%
People and cultural health	Continue to improve people and cultural health by: + improving staff engagement and morale (based on the Culture Dashboard); and + increasing the proportion of senior staff at director level and above: (i) who are black to 11% in the UK and (ii) who are female to 40% globally.	4%
Stakeholder relationships	Provide HM Government and HM opposition with strong visibility and understanding of BII's work.	4%

Committee Adviser

The Committee's external adviser PwC attends each meeting to provide independent advice and updates to the Committee on relevant corporate governance and market-related developments. PwC is a signatory to the Remuneration Consultants Group's Code of Conduct; this gives the Committee additional confidence that the advice received is objective and independent of conflicts of interest. During 2022, PwC also provided services to the rest of the Group on tax compliance and immigration.

On behalf of the Board

Dolika Banda
Chair

Additional strategy and corporate governance information

Principal activities and Investment Policy

BII is a development finance institution that invests its capital in private sector businesses in developing countries. Our principal activity is providing the flexible long-term investment that these businesses need to grow. We invest directly in companies through debt and equity instruments. We also invest in companies indirectly through fund investments and other investment vehicles managed by third-party investment fund managers.

Governance Code

BII is an unlisted public limited company which is wholly owned by the UK Government. Although BII does not meet the governance reporting criteria of the Companies (Miscellaneous Reporting) Regulations 2018, as good practice the Board has considered both the UK Corporate Governance Code issued in July 2018 and the Wates Corporate Governance Principles for Large Private Companies issued in December 2018. The Board has reviewed its governance in line with both Wates and the UK Corporate Governance Code.

Strategic review

The information that fulfils the requirements of the strategic review can be found in the Strategic and Directors' Report on **pages 3 to 36**. Further information on BII's investments, development impact and case studies can be found in our Annual Review.

Information on future developments and investment strategies can be found in the Chair's statement on **page 3**.

Regulation

BII is authorised and regulated by the FCA under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the UK are regulated by national regulators.

Matters concerning the financial statements

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for at least 12 months from the date of approval of the financial statements (see **note 1** on **page 82** of the financial statements for more information).

Dividend recommendation

The directors do not recommend payment of a dividend for the year (2021: nil).

Disclosure of information to auditor

So far as each director is aware at the date of approval of this report, there is no relevant audit information of which the Company's auditor is unaware and each director confirms that they have taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Deloitte LLP is the auditor of the Company. A resolution to reappoint Deloitte was passed at the AGM of the Company held on 20 May 2022 and Deloitte will be seeking reappointment in 2023.

Change of name

The name of CDC Group plc was changed to British International Investment plc on 29 March 2022.

Ownership and shareholder governance

At the beginning of the year, the Foreign Secretary held 4,682 million ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

On 29 March 2022, a further 214,650,000 ordinary shares were issued to the Foreign Secretary. As at 31 December 2022, the Foreign Secretary held 4,896,650,000 ordinary shares of £1 each (2021: 4,682 million ordinary shares) and one special rights redeemable preference share of £1 each.

The Foreign Secretary appoints the Chair and two of the non-executive directors. The Foreign Secretary also agreed the five-year strategy and the change of name from CDC to British International Investment as well as BII's Investment Policy which sets five-year objectives including instruments, geographies, excluded activities, reporting obligations and performance targets linked to financial returns and development impact. FCDO, as the sole shareholder, exercises oversight and monitors performance through regular interaction with our Board. Working on a principle of openness and transparency there is regular interaction between the senior principals at FCDO and BII. In addition, formal quarterly meetings are held with FCDO officials and the Chair, Chief Executive, Chief Financial Officer and Chief Operating Officer as well as other members of the Executive team. Annually the Permanent Under-Secretary meets with the Chair and the non-executive directors and the individual Board committee chairs meet annually with a senior member of the FCDO team to discuss the committees' activities and priorities.

Additional strategy and corporate governance information continued

Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company has processes to disclose and identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

Employees

BII's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees. Formal employee appraisals and informal discussions are our principal means of updating itself on the views and opinions of its employees. In addition, our managers are responsible for keeping their employees up to date with developments and performance of the business, which is achieved by way of regularly scheduled meetings.

Further information on the Company's approach to being a responsible employer can be found in the Strategic and Directors' Report on **page 17**.

Employment of disabled persons

It is important that we provide a working environment in which people can perform at their best and harmoniously with their colleagues. Discrimination or harassment at work because of a protected characteristic (age, disability, gender re-assignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation) is unlawful, and will be treated as a serious disciplinary matter. The Company will deal with all persons with the same attention, courtesy and consideration regardless of any protected characteristic save that it recognises its duty to make reasonable adjustments for disabled persons.

Website

The maintenance and integrity of our website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Jane Earl FCG
Company Secretary
British International Investment plc
On behalf of the Board of Directors
20 April 2023

Statement of Directors' responsibilities

In respect of the Annual Accounts, Strategic and Directors' Report, Governance Report and Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the UK. 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 Group (as defined on **page 51**) and Parent company (being British International Investment plc) and of the profit or loss of the Group and Parent 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
+ assess the Group and Parent 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 Group and Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and Parent 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 Group and Parent company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Financial Statements

Independent auditor's report to the members of British International Investment plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of British International Investment plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated and Company Statements of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Cash Flow Statements; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards International Financial Reporting Standards (IFRSs) as issued by IASB, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: + valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs; and + valuation of debt investments with a high degree of judgement. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £152m which was determined on the basis of 2% of net assets.
Scoping	Our group audit scope included the audit of the parent company, which accounts for more than 99% of the net assets of the group. We performed analytical procedures on the remaining components.
Significant changes in our approach	There were no significant changes in our approach this year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of the:

- adequacy of the liquidity position through our audit procedures performed on the balance sheet, including agreeing promissory notes receivable to the signed shareholder agreement and reviewing post year end bank statements;
- headroom available between the liquidity position and the commitments;
- appropriateness of the going concern disclosures in the financial statements.

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

Independent auditor's report to the members of British International Investment plc continued

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs

Key audit matter description	At 31 December 2022, the Group held investments totalling £4,847.3 (2021: £4,216m) in unquoted companies which are classified at fair value through profit and loss. Within that balance we identified a key audit matter relating to unquoted direct equity investments which are valued using the discounted cash flow (DCF) method totalling £1,062.7 (2021: £736.1m). The investments are required to be compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments. The complex nature of the methodologies employed, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated and there is an inherent risk of potential management bias associated with significant judgements. Key assumptions relating to these investments have been summarised as: + the appropriateness of the discount rate applied to the DCF model; + the valuations assigned to intangible assets such as platform value; + the appropriateness of the inputs into the DCF model including the timing and size of cash flows (including arrears), growth rates and terminal values. The significant accounting policies with respect to the Group's application of IFRS 9 *Financial Instruments* and valuation methodologies are described in note 18 to the financial statements. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 3 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: + obtained an understanding of the relevant controls. We tested these controls and were able to rely on their operating effectiveness around valuation of equity investments; + evaluated the accuracy and completeness of the valuation disclosures to assess whether they are compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments. And for a sample of unquoted direct equity investments we: + considered the appropriateness of the valuation methodology selected; + engaged our valuation specialists to perform an assessment and challenge management on the appropriateness of the discount rate, the growth rate and terminal value on investments where necessary; + assessed other key judgements and valuations assigned to intangible assets such as the platform value; + tested the accuracy and completeness of the inputs into the DCF model, including the timing and size of cash flows, including agreeing factual inputs to third party support where possible; + performed sensitivity analysis on key inputs to understand the susceptibility of the valuations to changes in key assumptions; + tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts where possible; + tested the consistency of macroeconomic assumptions used in the cash flow forecasts with those used in the discount rate assumptions; + compared the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts; + employed audit analytic tools on the valuation models to assess complex investments for model integrity;
Key observations	Although we noted sensitivity to significant judgements in these valuations that could change the valuations by more than materiality, we considered the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range.

Independent auditor's report to the members of British International Investment plc continued

5.2. Valuation of debt investments with a high degree of judgement

Key audit matter description	The debt investments have been disaggregated into 3 categories, namely those where no credit risk triggers have occurred, those where specific credit triggers have occurred and those with significant uncertainty of future cash flows. As described in note 4, £1,420m (2021: £1,376m) of the loans were valued using the discounted cash flows method and £226m (2021: £60.6m) were valued using a methodology based on a DCF valuation methodology but also includes additional elements of judgement, for example probability weighted scenario analysis or collateral valuations. The number of significant judgements involved in valuations where there is significant uncertainty of future cash flows, in addition to those involved in determining discount rates, means there is increased risk that the fair value of these debt investments is materially misstated. In addition, there is an inherent risk of potential management bias associated with significant judgements. The significant accounting policies with respect to the Group's application of IFRS 9 *Financial Instruments* and valuation methodologies are described in note 18 to the financial statements. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 4 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: + obtained an understanding of the processes and the relevant controls around valuation of debt instruments including the new credit rating framework. We tested and were able to rely on the operating effectiveness of these controls; + evaluated the accuracy and completeness of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*; For a sample of unquoted direct debt investments we: + considered the appropriateness of the valuation methodology selected; + considered the appropriateness of the credit rating used; + tested the accuracy and completeness of factual inputs into the financial model by agreeing to underlying contracts; + tested cash collections by tracing through to bank statements; + tested the calibration of the discount rate used at origination and engaged our valuation specialists to assist in assessing the appropriateness of the discount rates used at year end; + understood the sensitivity of the valuations to any probability weightings used by management and assessed if they were within threshold.
Key observations	Although we note sensitivity to judgements in the discount rates applied that could change the valuations by more than materiality, we consider the judgements and assumptions utilised in determining the fair value of the Group's debt investments, when considered in aggregate, to be within an acceptable range.

6. Our application of materiality

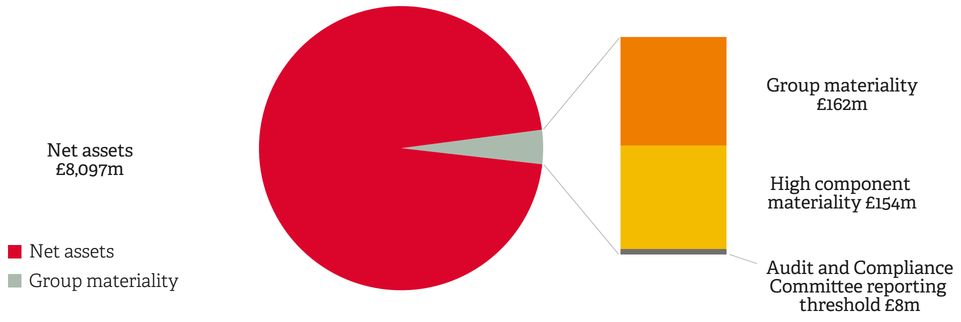
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£162m (2021: £152m)	£154m (2021: £144m)
Basis for determining materiality	2% (2021: 2%) of net assets	2% (2021: 2%) of net assets, capped at 95% of group materiality Parent company materiality therefore equates to 1.9% of net assets.
Rationale for the benchmark applied	The Group's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity.	The company's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity.

Independent auditor's report to the members of British International Investment plc continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our assessment of the control environment and the fact that we were able to rely on controls for our testing of investments, and b. the nature and level of misstatements identified during the previous years' audit.	

6.3. Error reporting threshold

We agreed with the Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £8.0m (2021: £7.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Compliance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level. The most significant component of the group is the parent company. Our group audit scope included the full scope audit of the parent company which accounted for more than 99% of net assets of the group. At the group level we also tested the consolidation process and performed analytical procedures on the remaining components to component materialities which ranged from £0.01m to £154m (2021: £0.01m to £144m). All of the work is performed by the group audit team. The approach is in line with the prior year.

7.2. Our consideration of the control environment

We identified the financial reporting, payroll expenditure, expenses, equity, fund and debt investment business cycles to be the most relevant to the audit. We tested relevant controls and take a controls reliance approach over the payroll expenditure, equity, fund and equity investments cycles. In addition, we performed general IT controls testing over the group's financial reporting system.

7.3. Our consideration of climate-related risks

In planning our audit, we considered the potential financial impacts on the group and parent company's financial statements of climate change and the transition to a low carbon economy. We held meetings with the Climate Change team and the Environmental, Social and Governance (ESG) Impact team to understand the process of assessing climate-related transition and physical risks both for the existing portfolio of investments and for new investments as part of the due diligence process. Based on these discussions, we understand that the high carbon-related investments in the existing portfolio will have matured by 2050. We considered the maturity date and potential impact of climate-related risks on the terminal value of these investments in our samples and concluded that the terminal values are not material. Regarding new investments, the assessment of climate-related risk drivers is embedded in the due diligence process in line with the group's Policy on Responsible Investing which prevents further investments into high carbon-related assets that are identified in group's Fossil Fuel Policy.

We further considered management's own assessment of the related risks and opportunities as described on **page 13**, together with our cumulative knowledge and experience of the group and the environment in which it operates. We assessed management's going concern and viability disclosures and identified no significant impact of climate change on those disclosures. We have considered whether information included in the climate related disclosures in the Annual Report is consistent with our understanding and knowledge of the business and the financial statements. Our knowledge obtained in the audit is from attending meetings with key management personnel responsible for climate change at the group, reviewing the group's risk register, reviewing the group's policy on responsible investing, climate change strategy and fossil fuel policy, reviewing board packs and meeting minutes and evaluating any public announcements or initiatives to which the group has committed.

Independent auditor's report to the members of British International Investment plc continued

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the directors, Internal Audit, Compliance, the Chairman and the Audit and Compliance Committee about their own identification and assessment of the risks of irregularities; , including those that are specific to the group's sector.
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and the relevant internal specialists, including valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs, and
- valuation of debt investments with a high degree of significant judgement.

These involve the selection and application of an appropriate valuation methodology and the use of assumptions which require significant management judgement and therefore there is potential for management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Independent auditor's report to the members of British International Investment plc continued

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included UK Bribery Act 2010.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs and valuation of debt investments with significant judgements as a key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

+ reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
+ enquiring of management, the Audit and Compliance Committee and Chief Legal Officer concerning actual and potential litigation and claims;
+ performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
+ reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
+ in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

+ the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
+ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

+ we have not received all the information and explanations we require for our audit; or
+ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
+ the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Independent auditor's report to the members of British International Investment plc continued

14. Use of our report

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. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Allee Bonnard
(Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

20 April 2023

Consolidated Statement of Financial Position
As at 31 December

Assets	Notes	2022 £m	2021 £m
Non-current assets			
Plant and equipment	13	**11.7**	14.3
Intangible asset	14	**1.8**	2.4
Equity investments at FVTPL	3	**5,086.2**	4,557.9
Loan investments at FVTPL	4	**1,350.8**	1,209.5
Guarantees	5	**87.0**	97.9
Other receivables		**0.6**	0.2
Deferred tax asset	12	**0.2**	0.2
		6,538.3	5,882.4
Current assets			
Trade and other receivables	15	**402.3**	309.4
Note receivable	24	**30.0**	901.0
Forward foreign exchange contracts (FFECs)	8	**86.4**	15.3
Cash and cash equivalents	6	**1,159.1**	706.3
		1,677.8	1,932.00
Total assets		**8,216.1**	7,814.4
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	7	**4,896.7**	4,682.0
Foreign currency translation reserves		**0.2**	–
Retained earnings		**3,200.7**	3,033.2
Total equity		**8,097.6**	7,715.2
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**4.8**	0.7
Long-term lease liability	22	**8.2**	9.1
Deferred government grant income	20	**39.3**	7.1
		52.3	16.9
Current liabilities			
Trade and other payables	16	**50.4**	52.2
Forward foreign exchange contracts (FFECs)	8	**12.2**	17.9
Expected credit loss provision on unfunded loan commitments	4	**0.4**	8.6
Short-term lease liability	22	**3.2**	3.6
		66.2	82.3
Total liabilities		**118.5**	99.2
Total equity and liabilities		**8,216.1**	7,814.4

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 20 April 2023 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Consolidated Statement of Comprehensive Income
For the 12 months to 31 December

	Notes	2022 Total £m	2021 Total £m
Investment income	9	**158.1**	110.3
Fair value (losses)/gains on equity investments	3	**(191.9)**	495.6
Fair value losses on loan investments	4	**(96.9)**	(31.6)
Fair value gains and expected credit losses on guarantees	5	**3.4**	(2.6)
Expected credit loss on unfunded loan commitments	4	**4.1**	(5.1)
Foreign exchange gains on equity investments	3, 11	**453.2**	19.2
Foreign exchange gains on loan investments	4, 11	**156.9**	6.5
Foreign exchange gains on guarantees	5, 11	**14.9**	0.1
Government grant income	20	**0.5**	–
Other income	9	**13.9**	12.6
Foreign exchange losses arising on FFECs	11	**(218.9)**	(21.3)
Administrative and other expenses	10	**(134.8)**	(116.3)
Profit from operations before tax and finance costs		**162.5**	467.4
Finance costs		**(0.4)**	(0.2)
Finance income		**11.6**	0.4
Foreign exchange gains/(losses) (cash and cash equivalents)	11	**13.4**	(2.7)
Profit from operations before tax		**187.1**	464.9
Income tax expense	12	**(20.0)**	(2.8)
Profit for the year		**167.1**	462.1
Items that will not be reclassified to profit and loss (net of tax):			
Recognised actuarial gain on pensions	17	**0.4**	1.0
Items that will be reclassified to profit and loss (net of tax):			
Foreign currency translation reserves		**0.2**	0.4
Other comprehensive income		**0.6**	1.4
Total comprehensive profit for the year		**167.7**	463.5

Notes 1 to 27 form part of the financial statements.

Consolidated Statement of Cash Flows
For the 12 months to 31 December

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit from operations before tax		**187.1**	464.9
Adjustments for:			
Depreciation of plant and equipment	13	**5.2**	4.9
Amortisation of intangible asset	14	**0.6**	0.4
Finance income		**(11.6)**	(0.4)
Dividend income		**(24.9)**	(16.0)
Finance costs		**0.4**	0.2
Change in fair value of equity investments	3	**191.9**	(495.6)
Change in fair value of loan investments	4	**96.9**	31.6
Fair value and expected credit losses on guarantees	5	**(3.4)**	2.6
Defined benefit pension costs	10	**0.8**	1.0
Expected credit loss on unfunded loan commitments	4	**(4.1)**	5.1
Deferred government grant income	20	**32.2**	7.1
Effect of exchange rate fluctuations on non FFEC transactions		**(637.0)**	(22.4)
Cash flows from operations before changes in working capital		**(165.9)**	(16.6)
Increase in trade and other receivables		**(16.2)**	(23.1)
(Decrease)/increase in derivative financial instruments		**(76.8)**	57.5
(Decrease)/increase in trade and other payables		**(2.1)**	5.8
Cash flows from operations		**(261.0)**	23.6
Finance costs		**(0.4)**	(0.2)
Defined benefit pension contributions paid		**(0.4)**	–
Taxes paid		**(19.6)**	(2.9)
Cash flows from operating activities		**(281.4)**	20.5

	Notes	2022 £m	2021 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**630.8**	428.5
Acquisition of equity investments	3	**(897.8)**	(642.2)
Acquisition of plant and equipment	13	**(2.0)**	(1.1)
Acquisition of intangible asset	14	**–**	(2.6)
Interest received		**11.6**	0.4
Investment transfers		**–**	3.9
Dividend received		**24.9**	16.0
Loan advances	4	**(494.7)**	(459.2)
Loan repayments	4	**336.7**	203.5
Guarantee advances	5	**(47.0)**	(167.3)
Guarantee repayments	5	**76.3**	205.9
Cash flows from investing activities		**(361.2)**	(414.2)
Cash flows from financing activities			
Proceeds from promissory notes		**1,085.7**	650.0
Lease payments	22	**(3.7)**	(3.7)
Cash flows from financing activities		**1,082.0**	646.3
Net increase in cash and cash equivalents		**439.4**	252.6
Effect of foreign exchange rate changes		**13.4**	(2.6)
Cash and cash equivalents at 1 January		**706.3**	456.3
Cash and cash equivalents at 31 December	6	**1,159.1**	706.3

Notes 1 to 27 form part of the financial statements.

Consolidated Statement of Changes in Equity For the 12 months to 31 December

	Notes	Share capital £m	Recognised actuarial gain on pensions £m	Foreign currency translation reserves £m	Retained earnings £m	Total £m
At 1 January 2021		4,236.0	0.7	(0.4)	2,569.4	6,805.7
Profit for the year		–	–	–	462.1	462.1
Other comprehensive income for the year		–	1.0	0.4	–	1.4
Total comprehensive profit for the year		–	1.0	0.4	462.1	463.5
Issue of ordinary shares	7	446.0	–	–	–	446.0
At 31 December 2021		4,682.0	1.7	–	3,031.5	7,715.2
Changes in equity for 2022						
Profit for the year		**–**	**–**	**–**	**167.1**	**167.1**
Other comprehensive income for the year		**–**	**0.4**	**0.2**	**–**	**0.6**
Total comprehensive profit for the year		**–**	**0.4**	**0.2**	**167.1**	**167.7**
Issue of ordinary shares	7	**214.7**	**–**	**–**	**–**	**214.7**
At 31 December 2022		**4,896.7**	**2.1**	**0.2**	**3,198.6**	**8,097.6**

Company Statement of Changes in Equity For the 12 months to 31 December

	Notes	Share capital £m	Recognised actuarial gain on pensions £m	Retained earnings £m	Total £m
At 1 January 2021		4,236.0	0.7	2,569.0	6,805.7
Profit for the year		–	–	462.5	462.5
Other comprehensive income for the year		–	1.0	–	1.0
Total comprehensive profit for the year		–	1.0	462.5	463.5
Issue of ordinary shares	7	446.0	–	–	446.0
At 31 December 2021		4,682.0	1.7	3,031.5	7,715.2
Changes in equity for 2022					
Profit for the year		**–**	**–**	**167.3**	**167.3**
Other comprehensive income for the year		**–**	**0.4**	**–**	**0.4**
Total comprehensive profit for the year		**–**	**0.4**	**167.3**	**167.7**
Issue of ordinary shares	7	**214.7**	**–**	**–**	**214.7**
At 31 December 2022		**4,896.7**	**2.1**	**3,198.8**	**8,097.6**

Notes 1 to 27 form part of the financial statements.

Company Statement of Financial Position
As at 31 December

Assets	**Notes**	**2022 £m**	**2021 £m**
Non-current assets			
Plant and equipment	13	**9.3**	12.6
Intangible asset	14	**1.8**	2.4
Equity investments at FVTPL	3	**5,095.9**	4,565.3
Loan investments at FVTPL	4	**1,350.8**	1,209.5
Guarantees	5	**87.0**	97.9
		6,544.8	5,887.7
Current assets			
Trade and other receivables	15	**401.6**	309.2
Note receivable	24	**30.0**	901.0
Forward foreign exchange contracts (FFECs)	8	**86.4**	15.3
Cash and cash equivalents	6	**1,151.4**	698.3
		1,669.4	1,923.8
Total assets		**8,214.2**	7,811.5
Equity and liabilities			
Issued capital	7	**4,896.7**	4,682.0
Retained earnings		**3,200.9**	3,033.2
Total equity		**8,097.6**	7,715.2
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**4.8**	0.7
Long-term lease liability	22	**6.0**	8.0
Deferred government grant income	20	**39.3**	7.1
		50.1	15.8
Current liabilities			
Trade and other payables	16	**51.0**	50.7
Forward foreign exchange contracts (FFECs)	8	**12.2**	17.9
Expected credit loss provision on unfunded loan commitments	4	**0.4**	8.6
Short-term lease liability	22	**2.9**	3.3
		66.5	80.5
Total liabilities		**116.6**	96.3
Total equity and liabilities		**8,214.2**	7,811.5

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 20 April 2023 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Company Statement of Comprehensive Income
For the 12 months to 31 December

	Notes	**2022 Total £m**	**2021 Total £m**
Investment income	9	**158.1**	110.3
Fair value (losses)/gains on equity investments	3	**(189.8)**	497.7
Fair value losses on loan investments	4	**(96.9)**	(31.6)
Fair value gains and expected credit losses on guarantees	5	**3.4**	(2.6)
Expected credit loss on unfunded loan commitments	4	**4.1**	(5.1)
Foreign exchange gains on equity investments	3, 11	**453.4**	19.2
Foreign exchange gains on loan investments	4, 11	**156.9**	6.5
Foreign exchange gains on guarantees	5, 11	**14.9**	0.1
Government grant income	20	**0.5**	–
Other income	9	**12.2**	12.2
Foreign exchange losses arising on FFECs	11	**(218.9)**	(21.3)
Administrative and other expenses	10	**(136.3)**	(118.1)
Profit from operations before tax and finance costs		**161.6**	467.3
Finance costs		**(0.4)**	(0.2)
Finance income		**11.6**	0.3
Foreign exchange gains/(losses) (cash and cash equivalents)	11	**14.0**	(2.6)
Profit from operations before tax		**186.8**	464.8
Income tax expense	12	**(19.5)**	(2.3)
Profit for the year		**167.3**	462.5
Items that will not be reclassified to profit and loss:			
Other comprehensive income (net of tax)			
Recognised actuarial gain on pensions	17	**0.4**	1.0
Total comprehensive profit for the year		**167.7**	463.5

Notes 1 to 27 form part of the financial statements.

Company Statement of Cash Flows
For the 12 months to 31 December

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit from operations before tax		**186.8**	464.8
Adjustments for:			
Depreciation of plant and equipment	13	**4.4**	4.4
Amortisation of intangible asset	14	**0.4**	0.4
Finance income		**(11.6)**	(0.3)
Dividend income		**(24.9)**	(16.0)
Finance costs		**0.4**	0.2
Change in value of equity investments	3	**189.8**	(497.7)
Change in value of loan investments	4	**96.9**	31.6
Fair value and expected credit losses on guarantees	5	**(3.4)**	2.6
Defined benefit pension costs	10	**0.8**	1.0
Expected credit loss on unfunded loan commitments	4	**(4.1)**	5.1
Deferred government grant income	20	**32.2**	7.1
Effect of exchange rate fluctuations on non FFEC transactions		**(637.6)**	(23.1)
Cash flows from operations before changes in working capital		**(169.9)**	(19.9)
Increase in trade and other receivables		**(16.1)**	(22.7)
(Decrease)/increase in derivative financial instruments		**(76.8)**	57.5
Increase in trade and other payables		**0.3**	4.3
Cash flows from operations		**(262.5)**	19.2
Finance cost		**(0.4)**	(0.2)
Defined benefit pension contributions paid		**(0.4)**	–
Taxes paid		**(19.5)**	(2.3)
Cash flows from operating activities		**(282.8)**	16.7

	Notes	2022 £m	2021 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**630.8**	428.5
Acquisition of equity investments	3	**(897.8)**	(642.6)
Acquisition of plant and equipment	13	**(1.2)**	(0.8)
Acquisition of intangible asset	14	**–**	(2.6)
Interest received		**11.6**	0.3
Investment transfers		**–**	3.9
Dividend received		**24.9**	16.0
Loan advances	4	**(494.7)**	(459.2)
Loan repayments	4	**336.7**	203.5
Guarantee advances	5	**(47.0)**	(167.3)
Guarantee repayments	5	**76.3**	205.9
Cash flows from investing activities		**(360.4)**	(414.4)
Cash flows from financing activities			
Proceeds from promissory notes	22	**1,085.7**	650.0
Lease payments		**(3.4)**	(3.4)
Cash flows from financing activities		**1,082.3**	646.6
Net increase in cash and cash equivalents		**439.1**	248.9
Effect of foreign exchange rate changes		**14.0**	(2.6)
Cash and cash equivalents at 1 January		**698.3**	452.0
Cash and cash equivalents at 31 December	6	**1,151.4**	698.3

Notes 1 to 27 form part of the financial statements.

Notes to the accounts

1. Corporate information and accounts preparation

Corporate information

CDC Group plc was renamed as British International Investment plc on 4 April 2022. The financial statements of British International Investment plc (BII or the 'Company') for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 20 April 2023. BII is a limited company incorporated in England and Wales whose shares are not publicly traded. The registered is located at 123 Victoria Street, London, England, SW1E 6DE.

The Group's primary activity is investing in emerging markets. More details on BII's primary activities can be found on **page 6** of the Strategic and Directors' Report and **page 66** of the Governance Report. Both the Company and some of the Group's subsidiaries make investments.

Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the UK.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented on a going concern basis and in Pounds Sterling, which is the Company's functional currency. All values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

Going concern

BII's business activities are set out in the Strategic and Directors' Report on **page 6** and these financial statements include information on BII's approach to managing its financial risk and its exposures to liquidity, credit and market risk.

BII is well capitalised with equity share capital of £4,896.7 million and retained earnings of £3,200.7 million. At 31 December 2022, net assets were £8,097.6 million including cash and short-term deposits of £1,192.1 million (including non-consolidated subsidiaries), and promissory notes receivable of £30.0 million. FCDO lodged a new promissory note for £289.5 million on 22 March 2023. Additionally, BII has access to a £496.6 million ($600.0 million) revolving credit facility (RCF) via a wholly owned non-consolidated subsidiary. Long-term liabilities mostly comprise outstanding investment commitments of £2,526.8 million and investment pace in 2023 is expected to be in the region of £1.4 billion ($1.75 billion).

Regular cash flow forecasts are prepared by management and considered by the Directors. Current forecasts demonstrate there are sufficient liquid resources to maintain planned investment pace until the end of 2024 without needing to call on the RCF. The Board introduced two new liquidity metrics in January 2023: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due (this replaces the commitment coverage ratio).

Having performed the assessment on going concern, the Directors consider it appropriate to prepare the financial statements of the Group and Company on a going concern basis. The Group has adequate financial resources and liquidity, and is well placed to manage business risks in the current economic environment to continue operations for a period of at least 12 months from the date of issue of the financial statements.

Key sources of estimation uncertainty and critical accounting judgements

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity and debt investments. The Group's fair value methodologies for equity investments are disclosed in note 26.

Key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the use of estimates. The key accounting estimates are the carrying value of our level 3 investment assets, which are stated at fair value.

Given the importance of the valuation of investments, BII has a separate Valuations Steering Committee to discuss and review the valuation of its portfolio. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions in expected cash flows.

There is heightened uncertainty around valuations given the macro-economic challenges experienced by many of BII's core countries such as acceleration of inflation, raising interest rates and depreciation of currencies. As a result the Valuations Steering Committee specifically considered the impact of these macro-economic challenges on the valuations as at year end for each investment.

For more information refer to note 3, note 4 and note 5.

Critical accounting judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in applying relevant accounting policies.

The key area involving a higher degree of judgement or complexity, where assumptions are significant to the consolidated and individual financial statements, is meeting the definition of an investment entity. Being an investment entity means that BII holds all investments at fair value and does not consolidate any investments even if BII has a controlling stake.

Notes to the accounts continued

1. Corporate information and accounts preparation continued

There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material gains or losses to the Group, beyond what was anticipated or provided for.

Further development of standards and interpretations under IFRS could also materially impact the financial results, conditions and prospects of BII.

In the process of applying the accounting policies, BII has made the following judgement which has a significant effect on the amounts recognised in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

BII's purpose is to invest for capital appreciation and investment income so as to contribute to sustainable development and economic growth in markets in which we invest by creating lasting employment.

BII has one investor, FCDO. Its funds are provided by FCDO in the form of share capital with the intention that BII provides investment management services by using those funds to invest in developing countries through a mixture of direct investment and fund of funds private equity structures.

BII's mission is to invest to support the growth of all sizes of private sector businesses from the micro level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. In addition to creating jobs, BII intends to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including, in time, fully commercial capital. Whilst BII's mission statement does not explicitly state that BII commits to investing for capital return and/or investment income, the nature of the investments made by BII and its track record in recent years indicate that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover, BII currently invests in a range of large and mid-market private equity houses which are clearly focused on such capital appreciation. These houses have a diverse range of investors including high net worth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

BII also seeks to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital. BII therefore plans a path to investment exit and a new ownership that will take the investment to its next level, as successful exits from investments have this demonstration effect.

BII manages, measures and reports its investment portfolio of over 400 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Whilst BII has one investor, the nature of the investor, being the UK Government, is such that it is in effect investing on behalf of the UK taxpayer.

On the basis of the above, BII has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries which provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2022. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies. Full details of the principal subsidiaries are given in note 27.

Subsidiaries are all entities over which the Company has control. Control is defined as the rights to direct relevant activities of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity.

Non-investment subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated in full on consolidation.

All investment entity subsidiaries are accounted for at fair value through profit and loss.

Notes to the accounts continued

1. Corporate information and accounts preparation continued

Associates

Associates are entities which the Group has significant influence over, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights.

No associates are presented in the consolidated statement of financial position as the Group elects to hold such investments as fair value financial assets. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value are recognised in the Statement of Comprehensive Income for the period.

Foreign currency translation

Items included in the financial statements of each of the Group's non-investment subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's functional and presentational currency is Pounds Sterling.

Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transaction. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year-end exchange rate are recognised in the Statement of Comprehensive Income.

The results and financial position of all non-investment subsidiaries that have a functional currency different from the reporting currency of the Group are translated into the presentation currency as follows:

+ Assets and liabilities: Closing rate at the date of the statement of financial position.
+ Income and expenses: Average rate.
+ Cash flows: Average rate.

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the statement of comprehensive income.

A summary of other significant accounting policies can be found in note 26.

2. Operating segments analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

BII operates in one segment. The Group's Chief Executive, who is the chief operating decision maker, monitors the overall operating results of the business for the purpose of making decisions and assessing performance. The business targets an annual commitment level across all product types with no capital or funding allocation given for different product types. BII's operating segment is internally reported to the Group's Chief Executive and reviewed at least quarterly.

Information related to the operating segment is set out below. Portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the operating segment.

	2022 £m	2021 £m
Portfolio return	**285.6**	584.4
Assets – Portfolio value	**6,888.6**	6,011.0

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance Report on **pages 7 to 10**, BII consolidates investment entity subsidiaries acting as investment holding companies in order to track the underlying performance and financial position of BII. This does not impact these subsidiaries' investment entity status under IFRS 10. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The results in the management reports give the same total return and net assets as the primary statements but give rise to differences in classification. The classification differences relate mainly to portfolio, cash and cash flows. Forward foreign exchange contracts relating to the investment portfolio are included in portfolio return and portfolio value in the management reports.

Notes to the accounts continued

2. Operating segments analysis continued

Statement of comprehensive income

	Notes	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio return	3,4,5&9*	**497.7**	**(212.1)**	**–**	**285.6**
Administrative expenses/ operating costs	10	**(134.8)**	**–**	**(1.3)**	**(136.1)**
Other net (expense)/income		**(206.4)**	**212.1**	**12.5**	**18.2**
Finance costs		**(0.4)**	**–**	**0.4**	**–**
Finance income		**11.6**	**–**	**(11.6)**	**–**
Total comprehensive income/ total return after tax		**167.7**	**–**	**–**	**167.7**
		2021 £m	**2021 £m**	**2021 £m**	**2021 £m**
Portfolio return	3,4,5&9*	597.5	(13.1)	–	584.4
Administrative expenses/ operating costs	10	(116.3)	–	4.8	(111.5)
Other net (expense)/income		(17.9)	13.1	(4.6)	(9.4)
Finance costs		(0.2)	–	0.2	–
Finance income		0.4	–	(0.4)	–
Total comprehensive income/ total return after tax		463.5	–	–	463.5

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.

Statement of financial position

	Notes	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio value	3,4&5*	**6,843.8**	**74.3**	**(29.5)**	**6,888.6**
Net cash and short-term deposits	6	**1,159.1**	**–**	**33.0**	**1,192.1**
Other net assets/(liabilities)		**94.7**	**(74.3)**	**(3.5)**	**16.9**
Total net assets attributable to equity holders of the Company		**8,097.6**	**–**	**–**	**8,097.6**
		2021 £m	**2021 £m**	**2021 £m**	**2021 £m**
Portfolio value	3,4&5*	6,108.8	(6.2)	(91.6)	6,011.0
Net cash and short-term deposits	6	706.3	–	16.4	722.7
Other net assets/(liabilities)		900.1	6.2	75.2	981.5
Total net assets attributable to equity holders of the Company		7,715.2	–	–	7,715.2

* Portfolio per the primary statements is the aggregate of equity investments in note 3, the total of current and non-current loan investments in note 4 and guarantees in note 5.

Notes to the accounts continued

2. Operating segments analysis continued

Statement of cash flows

	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio drawdowns	**(1,439.5)**	**(74.6)**	**(52.4)**	**(1,566.5)**
Portfolio receipts	**1,043.8**	**186.8**	**26.2**	**1,256.8**
Net investment flows	**(395.7)**	**112.2**	**(26.2)**	**(309.7)**
Other cash flows	**848.5**	**(112.2)**	**46.6**	**782.9**
Net increase in cash and cash equivalents	**452.8**	**–**	**20.4**	**473.2**

	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio drawdowns	(1,268.7)	72.5	(88.8)	(1,285.0)
Portfolio receipts	837.9	184.4	45.2	1,067.5
Net investment flows	(430.8)	256.9	(43.6)	(217.5)
Other cash flows	680.8	(256.9)	47.3	471.2
Net increase in cash and cash equivalents	250.0	–	3.7	253.7

Geographic information

The following tables show the distribution of BII's portfolio return allocated based on the region of the investments.

	Notes	Africa 2022 £m	South Asia 2022 £m	Rest of World 2022 £m	Multi-region† 2022 £m	Total 2022 £m
Portfolio return	3,4,5&9*	**192.2**	**317.9**	**–**	**(12.4)**	**497.7**

	Notes	2021 £m	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio return	3,4,5&9*	216.0	342.9	2.6	36.0	597.5

* Portfolio return is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.
† Multi-region includes investments which span across all three of the other geographic segments.

3. Equity investments

Group	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Total 2021 £m
At 1 January, at fair value	**341.9**	**4,216.0**	**4,557.9**	357.0	3,516.3	3,873.3
Additions	**–**	**897.8**	**897.8**	–	642.2	642.2
Disposals	**(114.2)**	**(516.6)**	**(630.8)**	(94.4)	(334.1)	(428.5)
Transfers	**–**	**–**	**–**	–	(43.9)	(43.9)
Fair value gains/(losses)	**15.5**	**(207.4)**	**(191.9)**	93.2	402.4	495.6
Foreign exchange (losses)/gains	**(4.3)**	**457.5**	**453.2**	(13.9)	33.1	19.2
At 31 December, at fair value	**238.9**	**4,847.3**	**5,086.2**	341.9	4,216.0	4,557.9

Company	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Shares held in Group companies* 2021 £m	Total 2021 £m
At 1 January, at fair value	**341.9**	**4,216.0**	**7.4**	**4,565.3**	357.0	3,516.3	4.9	3,878.2
Additions	**–**	**897.8**	**–**	**897.8**	–	642.2	0.4	642.6
Disposals	**(114.2)**	**(516.6)**	**–**	**(630.8)**	(94.4)	(334.1)	–	(428.5)
Transfers	**–**	**–**	**–**	**–**	–	(43.9)	–	(43.9)
Fair value gains/(losses)	**15.5**	**(207.4)**	**2.1**	**(189.8)**	93.2	402.4	2.1	497.7
Foreign exchange (losses)/gains	**(4.3)**	**457.5**	**0.2**	**453.4**	(13.9)	33.1	–	19.2
At 31 December, at fair value	**238.9**	**4,847.3**	**9.7**	**5,095.9**	341.9	4,216.0	7.4	4,565.3

* Amounts represent consolidated subsidiaries only.

Notes to the accounts continued

3. Equity investments continued

Fair value gains/(losses) on equity instruments comprises:

Group	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Total 2021 £m
Realised fair value gains	**57.9**	**131.9**	**189.8**	37.0	14.3	51.3
Unrealised fair value losses	**(42.4)**	**(339.3)**	**(381.7)**	56.2	388.1	444.3
Fair value gains/(losses) on equity instruments	**15.5**	**(207.4)**	**(191.9)**	93.2	402.4	495.6

Company	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Shares held in Group companies* 2021 £m	Total 2021 £m
Realised fair value gains	**57.9**	**131.9**	**–**	**189.8**	37.0	14.3	–	51.3
Unrealised fair value (losses)/ gains	**(42.4)**	**(339.3)**	**2.1**	**(379.6)**	56.2	388.1	2.1	446.4
Fair value gains/ (losses) on equity instruments	**15.5**	**(207.4)**	**2.1**	**(189.8)**	93.2	402.4	2.1	497.7

* Amounts represent consolidated subsidiaries only.

Listed shares represent Level 1 of the fair value hierarchy, unless they are valued on a basis other than the quoted price as explained in note 26. The current value of quoted investments that are included within Level 3 is £35.4 million (2021: £37.2 million). Unlisted shares are included within Level 3. BII holds no Level 2 equity investments.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The transfers out of Level 3 reflect the conversion of unlisted equity investments in to loan investments (note 4).

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Group's fair value methodology for equity investments is disclosed in note 26. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, BII uses internally developed models and methodologies based on inputs that are unobservable to derive the fair value.

BII's governance framework includes a number of controls to ensure that investments are valued and reported in a manner that enables BII to produce financial statements that represent a true and fair view. Level 3 valuations are reviewed on a quarterly basis by BII's Valuation Steering Committee. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using various valuation methods and techniques generally recognised as standard within the industry.

Level 3 equity investments amount to £4,847.3 million (2021: £4,216.0 million) and consist of private equity positions. Included in Level 3 equity investments are investments into private equity funds which are valued using BII's attributable proportion of the reported fund net asset value which is derived from the fair value of the underlying investments. The current value of such investments is £2,356.7 million (2021: £2,082.5 million).

Valuation uncertainty

Valuation uncertainty arises in BII's direct equity investments because they are valued based on unobservable inputs. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows, comparable trading multiples and net asset value.

Fossil fuel assets are potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited, about 10 per cent of our portfolio by value in 2021, and even less in 2022. Most of our equity investments in these assets are contractually-insulated from direct transition risks, thus having limited exposure to direct cash flow risk (see related analysis in BII's Annual Accounts 2021, **page 32**). Revenue and cost impacts from policy shifts, reduction in demand, and taxes are usually considered in the estimated future cash flows where relevant. Potential changes in investor appetite remains the primary valuation uncertainty for longer-maturity assets. Refer to page 32 for the TCFD investment portfolio metrics.

Notes to the accounts continued

3. Equity investments continued

Discounted cash flows

£1,062.7 million (2021: £558.9 million) of BII's equity investments are valued using the net present value of estimated future cash flows. This approach is mostly based on unobservable inputs, where the reliability of any measurement depends on the quality of, support for, the assumptions used to form the cash flow projections. The discount rates adopted by BII are supported by the Capital Asset Pricing Model framework adjusted for differences in country, sector, size and project-specific risk, such as construction and technology risk. Other than the expected cash flow projections, the significant unobservable inputs in the discount rate include cost of equity, weighted average cost of capital, and capitalisation rates.

Trading multiples

£994.9 million (2021: £882.5 million) of BII's equity investments are valued using market-based multiples, reflected in market valuations of quoted companies or similar transactions. Management determines the set of comparable companies based on various factors, such as industry, size, country of operations, developmental stage and strategy. Management adjusts the multiple of each comparable company for differences in risk and growth prospects, liquidity, and control.

The significant unobservable inputs used in the market approach are EBITDA multiples, price/book multiples and revenue multiples.

Net Asset Value

£2,691.4 million (2021: £2,450.6 million) of BII's equity investments are valued using the net asset value (NAV) approach, where the value is derived by reference to the fair value of the company's net assets. BII uses this method for going concern valuations of intermediated equity investments and non-consolidated subsidiaries. The selection of the Fund Manager and the consideration to invest in a Fund follow an extensive due diligence process where the Fund Manager's valuation approach, estimation procedures, and consistency of application is gathered via initial due diligence. Based on these considerations, BII relies on the Fund Manager's reported NAV and accepts their valuations subject to internal review.

This method is also used to value loss-making companies and companies in liquidation.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2022 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Global equity securities	**994.9**	Comparable trading multiples	EBITDA multiple	8.6x	15.0%	+54.0 -48.4
			Price/book multiple	2.3x	15.0%	+4.7 -46.8
			Revenue multiple	3.9x	15.0%	+43.6 -50.1
Global equity securities	**1,062.7**	DCF	Discount rate	13.5%	3.5%	+428.4 -256.3
Intermediated equity and non-consolidated subsidiaries	**2,691.4**	Net asset value			10.0%	+269.1 -269.1
Global equity securities	**98.3**	Other				–
TOTAL	**4,847.3**					+799.8 -670.7

The fair value hierarchy also applies to forward foreign exchange contracts; see note 8 for further details.

The Group has exposure to several unconsolidated structured entities as a result of its investment activities in equity. They are limited life private equity funds or co-investments managed by general partners under a limited partnership agreement. The risk and maximum exposure to loss arising from the Group's involvement with these entities is their fair value of £1,701.6 million and undrawn commitments of £988.5 million (2021: fair value of £1,414.7 million and undrawn commitments of £909.0 million). The Group earned investment income of £8.8 million (2021: £0.9 million) and generated fair value gains of £85.5 million (2021: losses of £126.1 million) from these entities during the year.

Notes to the accounts continued

4. Loan investments

	Group and Company					
	Level 1 2022 £m	**Level 3 2022 £m**	**Total 2022 £m**	**Level 1 2021 £m**	**Level 3 2021 £m**	**Total 2021 £m**
At 1 January	**–**	**1,446.1**	**1,446.1**	–	1,175.5	1,175.5
Loan advances	**18.6**	**476.1**	**494.7**	–	459.2	459.2
Loan repayments	**–**	**(336.7)**	**(336.7)**	–	(203.5)	(203.5)
Transfers	**–**	**–**	**–**	–	40.0	40.0
Fair value (losses)	**(2.6)**	**(94.3)**	**(96.9)**	–	(31.6)	(31.6)
Foreign exchange gains/(losses)	**2.2**	**154.7**	**156.9**	–	6.5	6.5
At 31 December	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1
Less: Loan investments due within one year (note 15)	**–**	**(313.3)**	**(313.3)**	–	(236.6)	(236.6)
At 31 December	**18.2**	**1,332.6**	**1,350.8**	–	1,209.5	1,209.5

Loan investments are held at fair value through profit and loss.

BII classifies majority of its loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data. BII holds no Level 2 equity investments.

Valuation uncertainty

Valuation uncertainty arises in BII's loan investments because they are valued based on unobservable inputs. Level 3 inputs are sensitive to assumptions when ascertaining the fair value. The valuation techniques for debt instruments that require significant unobservable inputs are the net present value of estimated future cash flows.

Fossil fuel assets are potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited, about 10 per cent of our portfolio by value in 2021, and even less in 2022. Most of our debt investments in these assets are contractually insulated from direct transition risks where offtaker willingness to pay is not affected by the fossil fuel portfolio. Potential increase in margins demanded by fossil fuel debt investors due to risk or shareholder pressure is a primary valuation uncertainty for longer-maturity assets which does not seem to be priced in the debt markets yet. Refer to **page 32** for the TCFD investment portfolio metrics.

Discounted cash flows

£1,570.3 million (2021: £1,446.1 million) of BII's loan investments are valued using the net present value of future cash flows. At the establishment of the contractual relationship (i.e. signing date or restructure date), the discount rate for a given loan investment is calibrated based on observable risk-free rate and spreads derived from a proxy curve with similar duration and credit quality. The unobservable spread is the additional risk premium over the market-derived observable inputs and the implied discount rate at signing date. At subsequent reporting periods, the inputs are adjusted based on changes in credit quality and market conditions. Management takes into account the risk, coupon, time to maturity, call risk arising from voluntary prepayment, and exit potential in estimating the fair value.

Most of BII's loan investments are valued based on the contractual cash flows defined by the amortisation schedule. Loan investments with high market and company-specific risk, as well as investments with cash sweep structures, may be valued based on estimated future cash flows. High-risk loan investments (2022: £21.5 million, 2 investments (2021: £41.4 million, 2 investments)) are commonly valued using scenario analysis, where additional judgement is involved in assigning probabilities.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2022 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Loan investments at fair value through profit and loss	**1,563.3**	Discounted cash flows	Discount rate	10.7%	+1.8%	-68.3
					-1.8%	+53.0
	82.6	Other				–
Total	**1,645.9**					-68.3
						+53.0

Unfunded loan commitments

Expected credit losses are calculated for unfunded loan commitments in accordance with IFRS 9. Further details on the Group's methodology is disclosed in note 26.

The Group and Company's expected credit losses on unfunded loan commitments comprise:

	Group and Company	
	2022 £m	**2021 £m**
Current liabilities	**0.4**	8.6
Non-current liabilities	**4.8**	0.7
Total	**5.2**	9.3

Notes to the accounts continued

5. Guarantees

	Group and Company					
	Funded 2022 £m	Unfunded 2022 £m	Total 2022 £m	Funded 2021 £m	Unfunded 2021 £m	Total 2021 £m
At 1 January	**105.0**	**(0.1)**	**104.9**	142.8	0.5	143.3
Guarantee advances	**47.0**	**–**	**47.0**	167.3	–	167.3
Guarantee repayments	**(76.3)**	**–**	**(76.3)**	(205.9)	–	(205.9)
Movement in deferred income	**0.4**	**(0.8)**	**(0.4)**	0.4	2.3	2.7
Fair value and expected credit losses	**1.5**	**1.9**	**3.4**	0.3	(2.9)	(2.6)
Foreign exchange gains/(losses)	**15.4**	**(0.5)**	**14.9**	0.1	–	0.1
At 31 December	**93.0**	**0.5**	**93.5**	105.0	(0.1)	104.9
Less: deferred income due within one year (note 15)	**(2.4)**	**(4.1)**	**(6.5)**	(2.1)	(4.9)	(7.0)
At 31 December	**90.6**	**(3.6)**	**87.0**	102.9	(5.0)	97.9

Guarantees comprise funded and unfunded trade and supply chain finance risk participation agreements.

Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model. The Group classifies guarantees under the Level 3 hierarchy: inputs that are not based on observable market data. Further details on the Group's methodology for accounting for guarantees is disclosed in note 26.

The Group and the Company had contingent liabilities in respect of unfunded risk participation agreements with a value of £296.9 million (2021: £430.9 million).

6. Cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash at bank and in hand	**49.0**	35.9	**42.5**	29.8
Short-term deposits receivable	**1,110.1**	670.4	**1,108.9**	668.5
Total cash and cash equivalents	**1,159.1**	706.3	**1,151.4**	698.3

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 180 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £1,159.1 million (2021: £706.3 million).

7. Issued capital

	2022 Number	2022 £m	2021 Number	2021 £m
Authorised, allotted, called up and fully paid				
At 1 January, ordinary shares of £1 each	**4,682,000,000**	**4,682.0**	4,236,000,000	4,236.0
Issued, ordinary shares of £1 each	**214,650,000**	**214.7**	446,000,000	446.0
At 31 December, ordinary shares of £1 each	**4,896,650,000**	**4,896.7**	4,682,000,000	4,682.0

Ordinary shares

During the year ended 31 December 2022, the Company issued 214,650,000 ordinary shares (2021: 446,000,000 ordinary shares) to its parent entity; see note 24 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2021: nil shares).

Special rights redeemable preference share

One special rights redeemable preference share of £1 is issued and fully paid. The ownership of the special rights redeemable preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the Company's Memorandum and Articles of Association and changes to the Company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of the Company.

Parent and ultimate parent entity

The Company's parent and ultimate parent and controlling party is the Secretary of State for Foreign, Commonwealth and Development Affairs.

Notes to the accounts continued

8. Forward foreign exchange contracts

Forward foreign exchange contracts (FFECs) comprise:

	Group and Company 2022 £m	2021 £m
Gross FFECs in profit	**86.4**	15.3
Gross FFECs in loss	**(12.2)**	(17.9)
Net total	**74.2**	(2.6)

In the statement of financial position, these are analysed as follows:

	Group and Company 2022 £m	2021 £m
Current assets	**86.4**	15.3
Current liabilities	**(12.2)**	(17.9)
Total	**74.2**	(2.6)

In accordance with the fair value hierarchy described in note 3, FFECs are measured using Level 2 inputs. The fair value of the FFECs at the year-end is derived from the difference between the agreed forward rate with the counterparty bank and the forward rate at the statement of financial position date. BII uses Thomson Reuters to obtain the forward rate at the statement of financial position date. There has been no change in the valuation technique used to fair value the instruments during the year.

Contracts not designated for hedge accounting

At 31 December 2022, the Group held 63 FFECs (2021: 59 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, Euro and Indian rupee denominated debt investments and cash balances. The tables below are presented under the weighted average spot rate method.

The Group's Sterling denominated contracts comprise:

Foreign currency	Foreign currency in millions 2022	Weighted average spot price 2022	2022 £m	Foreign currency in millions 2021	Weighted average spot price 2021	2021 £m
US dollar	**2,244.4**	**1.1675**	**1,922.4**	2,002.4	1.3544	1,478.4
Euro	**159.0**	**1.1552**	**137.7**	103.1	1.1792	87.4
South African and	**1,033.8**	**20.85**	**49.6**	–	–	–
Indian rupee	**41,111.4**	**96.5339**	**425.9**	32,963.9	101.3022	325.4

The Group's non-Sterling denominated contracts with investment entities comprise:

Foreign currency	Foreign currency in millions 2022	Weighted average spot price 2022	2022 US$m	Foreign currency in millions 2021	Weighted average spot price 2021	2021 US$m
Indian rupee	**3,175.2**	**82.3508**	**38.6**	19,113.7	75.2666	253.9

Gains or losses arising from the movement in fair values of these FFECs are taken to the statement of comprehensive income.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance report on **pages 7 to 10**.

9. Income

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Investment income				
Interest income	**120.0**	84.0	**120.0**	84.0
Loan and guarantee fee income	**13.2**	10.3	**13.2**	10.3
Dividend income	**24.9**	16.0	**24.9**	16.0
Total investment income	**158.1**	110.3	**158.1**	110.3
Other income				
Management fee income	**13.5**	11.7	**12.0**	11.2
Other operating income	**0.4**	0.9	**0.2**	1.0
Total other income	**13.9**	12.6	**12.2**	12.2

Notes to the accounts continued

10. Administrative and other expenses

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Wages and salaries	**(55.2)**	(49.2)	**(49.0)**	(43.4)
Social security costs	**(9.0)**	(7.3)	**(8.9)**	(7.3)
Pension costs – defined benefit	**(0.8)**	(1.0)	**(0.8)**	(1.0)
Pension costs – defined contribution	**(5.7)**	(5.0)	**(5.2)**	(4.5)
Long-term Investment Performance Plan (LTIPP) accrual*	**(10.3)**	(11.7)	**(8.5)**	(10.0)
Total employee benefits expense	**(81.0)**	(74.2)	**(72.4)**	(66.2)
Professional services	**(6.2)**	(4.1)	**(5.7)**	(3.8)
Auditor remuneration (see below)	**(0.8)**	(0.6)	**(0.7)**	(0.6)
Operating leases expense	**(0.1)**	–	**0.1**	–
Other administrative expenses	**(40.9)**	(28.9)	**(52.5)**	(39.8)
Total administrative expenses	**(129.0)**	(107.8)	**(131.2)**	(110.4)
Depreciation of plant and equipment	**(5.2)**	(4.9)	**(4.5)**	(4.4)
Amortisation of intangible asset	**(0.6)**	(0.4)	**(0.6)**	(0.4)
Other expenses	**–**	(3.2)	**–**	(2.9)
Total administrative and other expenses	**(134.8)**	(116.3)	**(136.3)**	(118.1)

* The LTIPP was newly introduced in 2022 replacing the previous Long-term Development Performance Plan (LTDPP).

The average monthly number of Group employees during the year was 545 (2021: 490). The average monthly number of Company employees during the year was 468 (2021: 424).

The aggregate of Directors' remuneration in 2022 was £0.9 million (2021: £0.9 million). Refer to **pages 61 to 64** for the Annual Report on Remuneration which gives more details on remuneration and the LTIPP.

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Audit of the Group financial statements	**(0.6)**	(0.5)	**(0.6)**	(0.5)
Audit of the consolidated subsidiaries	**(0.1)**	–	**–**	–
Audit related assurance services	**–**	–	**–**	–
Other services	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Total auditor remuneration	**(0.8)**	(0.6)	**(0.7)**	(0.6)

11. Net foreign exchange differences

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Exchange gains arising on equity investments	**453.2**	19.2	**453.4**	19.2
Exchange gains arising on loan investments	**156.9**	6.5	**156.9**	6.5
Exchange gains arising on guarantees	**14.9**	0.1	**14.9**	0.1
Exchange losses arising on FFECs	**(218.9)**	(21.3)	**(218.9)**	(21.3)
Exchange gains/(losses) arising on cash and cash equivalents	**13.4**	(2.7)	**14.0**	(2.6)
Total foreign exchange differences	**419.5**	1.8	**420.3**	1.9

12. Income tax

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Current tax				
Withholding tax expense	**19.5**	2.3	**19.5**	2.3
Current UK tax charge	**–**	–	**–**	–
Current overseas tax charge	**0.5**	0.5	**–**	–
Total current tax	**20.0**	2.8	**19.5**	2.3
Foreign deferred tax				
Attributable to timing difference arising in the current year	**–**	–	**–**	–
Total income tax expense	**20.0**	2.8	**19.5**	2.3
Reconciliation of deferred tax asset				
As of 1 January	**0.2**	0.2	**–**	–
Tax expenses during the year	**–**	–	**–**	–
As at 31 December	**0.2**	0.2	**–**	–

Notes to the accounts continued

12. Income tax continued

The UK corporation tax rate is reconciled to the effective tax rate for the year as follows:

	Group		Company	
	2022 %	2021 %	**2022 %**	2021 %
UK corporation tax rate	**19.0**	19.0	**19.0**	19.0
Effect of overseas taxation	**(15.1)**	(1.6)	**(14.4)**	(1.6)
Effect of UK tax exemption	**6.8**	(16.8)	**5.8**	(16.9)
Effective tax rate for the year	**10.7**	0.6	**10.4**	0.5

UK tax exemption

By virtue of the CDC Act, 1999, British International Investment plc (formerly known as CDC Group plc) has the benefit of a statutory exemption from UK corporation tax. However, as the Company is an investment company, much of the investment income it generates is exempt under usual UK corporation tax rules. Therefore, the benefit of this statutory exemption to the Company is estimated to be £nil million on profit before tax of £186.8 million for FY 2022 (2021: benefit of £0.24 million on profit before tax of £464.8 million). This statutory exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions in which they operate.

13. Plant and equipment

	Group					
	Furniture and equipment 2022 £m	**Right of use asset 2022 £m**	**Total 2022 £m**	**Furniture and equipment 2021 £m**	**Right of use asset 2021 £m**	**Total 2021 £m**
At 1 January	**1.9**	**12.4**	**14.3**	2.2	15.9	18.1
Additions	**–**	**2.0**	**2.0**	0.8	0.3	1.1
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(1.2)**	**(4.0)**	**(5.2)**	(1.1)	(3.8)	(4.9)
Exchange differences	**–**	**0.6**	**0.6**	–	–	–
At 31 December	**0.7**	**11.0**	**11.7**	1.9	12.4	14.3

	Company					
	Furniture and equipment 2022 £m	**Right of use asset 2022 £m**	**Total 2022 £m**	**Furniture and equipment 2021 £m**	**Right of use asset 2021 £m**	**Total 2021 £m**
At 1 January	**1.7**	**10.9**	**12.6**	1.8	14.4	16.2
Additions	**–**	**1.2**	**1.2**	0.8	–	0.8
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(1.0)**	**(3.5)**	**(4.5)**	(0.9)	(3.5)	(4.4)
At 31 December	**0.7**	**8.6**	**9.3**	1.7	10.9	12.6

14. Intangible asset

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
At 1 January	**2.4**	0.2	**2.4**	0.2
Additions	**–**	2.6	**–**	2.6
Amortisation charge for the year	**(0.6)**	(0.4)	**(0.6)**	(0.4)
At 31 December	**1.8**	2.4	**1.8**	2.4

The intangible asset comprises the purchase and development of an investment software system.

Notes to the accounts continued

15. Trade and other receivables

	Group		Company	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**
Loan investments due within one year (note 4)	**313.3**	236.6	**313.3**	236.6
Guarantees	**6.5**	7.0	**6.5**	7.0
Amounts owed by investment entities	**10.5**	14.7	**10.5**	14.7
Amounts owed by non-investment subsidiaries	**–**	–	**1.2**	1.9
Prepayments	**2.5**	2.9	**2.5**	2.9
Government grant receivable	**32.7**	7.1	**32.7**	7.1
VAT recoverable	**1.6**	2.0	**1.4**	1.3
Other receivables	**35.2**	39.1	**33.5**	37.7
Total trade and other receivables	**402.3**	309.4	**401.6**	309.2

The amounts relating to other receivables and amounts owed by investment entities are repayable within 30 days, the rest are repayable on demand.

16. Trade and other payables

	Group		Company	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**
Trade payables*	**1.4**	1.2	**1.5**	1.2
Amounts owed to investment entities	**21.4**	19.5	**21.4**	19.5
Amounts owed to non-investment subsidiaries	**–**	–	**3.0**	1.6
Tax payable	**0.4**	0.1	**–**	–
LTIPP accrual	**12.3**	13.5	**10.5**	11.9
Other accruals and deferred income	**14.9**	17.9	**14.6**	16.5
Total trade and other payables	**50.4**	52.2	**51.0**	50.7

* The average credit for trade payable is 31 days.

The amount owed to investment entities in 2022 for Group and Company is £21.4 million (2021: £19.5 million) of which £16.3 million is interest bearing at an effective interest rate of 1.4 per cent.

17. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme ('Scheme'). This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. The Scheme has been closed and employees that joined after 1 April 2000 are eligible for membership of a separate defined contribution scheme. The scheme is governed by a Board of Trustees which is responsible for the administration of the plan assets and for the definition of the investment strategy. The pension scheme is funded by the payment of contributions directly from BII.

The vast majority of the benefits payable from the Scheme are fully secured under an insurance policy with Rothesay Life, held in the name of CDC Pensions Trust Limited ("the Trustee"). However, this policy does not cover in full the benefits that may be awarded to dependants. The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. For example, if the discount rate was to decrease by 0.25 per cent, scheme liabilities would increase by 4.1 per cent but this would be largely offset by an increase in scheme assets of 4.0 per cent.

Description of funding arrangements and policies

The results of the 31 March 2021 actuarial valuation showed that, including the buy-in policy, the Technical Provisions were £473.4 million and the scheme assets were £475.9 million, giving a funding surplus of £2.5 million. Given the surplus, the Trustees and the Company agreed that a reduced rate of contributions of £0.4 million per year would be payable to the Scheme during the Scheme years ending 31 March 2022, 2023 and 2024. These contributions would be to cover ongoing expenses of the Scheme (no contributions are required in respect of accrual as there were no remaining active members as at 31 March 2021).

Annual valuations are prepared by Willis Towers Watson using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates. The weighted average duration of the defined benefit obligations is 16 years.

The discount rate has been derived after consideration of the changes in several market indicators of AA rated corporate bonds over the year at a term consistent with the Scheme's liabilities.

Notes to the accounts continued

17. Pension commitments continued

Main assumptions:	2022 %	2021 %
Discount rate	**4.8**	1.8
RPI Inflation assumption	**3.5**	3.6
CPI Inflation assumption	**2.9**	3.0
Deferred pension revaluation		
Excess over GMP (RPI capped at 5% pa)	**3.8**	3.6
GMP	**5.3**	5.3
Pension increases in payment		
Fixed 5% pensions	**5.0**	5.0
RPI capped at 5% pa pensions	**3.2**	3.4
"Scheme Benefit Limit" (greater of 3% pa and RPI)	**4.1**	4.1
Pre 88 GMPs	**0.0**	0.0
Post 88 GMPs (CPI capped at 3% pa)	**2.4**	2.5

Life expectancy of a pensioner reaching age 60	2022	2021
for a male, currently aged 60	**29.0**	28.9
for a female, currently aged 60	**31.1**	31.0
for a male, reaching age 60 in 10 years' time	**30.1**	30.0
for a female, reaching age 60 in 10 years' time	**32.2**	32.1

Concentration risk is relatively low as Rothesay Life is required to provide a level of capital that would enable it to meet its liabilities and to hold ring-fenced collateral against BII policy obligations. In addition, BII policy falls under the Financial Services Compensation Scheme which will guarantee 100 per cent of the value of the payments promised under the buy-in arrangement should Rothesay Life be unable to.

Scheme asset information	Allocation percentage 31 Dec-22 Quoted	Allocation percentage 31 Dec-22 Unquoted	Allocation percentage 31 Dec-22 Total
Buy-in contract with Rothesay Life	**0.0%**	**97.2%**	**97.2%**
In 2022	**0.0%**	**97.2%**	**2.8%**
Cash/net current assets/other	**2.8%**	**0.0%**	**2.8%**
In 2022	**2.8%**	**0.0%**	**2.8%**
Fair value of scheme assets at 31 December 2022	**£8.4m**	**£288.4m**	**£296.8m**
Fair value of scheme assets at 31 December 2021	£11.3m	£423.9m	£435.2m

Assets and liabilities of the scheme at 31 December	2022 £m	2021 £m
Buy-in contract with Rothesay Life	**288.4**	423.9
Net current assets	**8.4**	11.3
Fair value of assets	**296.8**	435.2
Defined benefit obligation	**(290.1)**	(426.5)
Surplus	**6.7**	8.7
Restriction due to asset ceiling	**(6.7)**	(8.7)
Net pension liability	**–**	–

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/asset £m
At 31 December 2021	**(426.5)**	**435.2**	**(8.7)**	**–**
Administration costs incurred during the year	**–**	**(0.8)**	**–**	**(0.8)**
Interest cost	**(7.5)**	**7.7**	**(0.2)**	**–**
Past service cost – plan amendments	**–**	**–**	**–**	**–**
Cost recognised in administrative expenses	**(7.5)**	**6.9**	**(0.2)**	**(0.8)**
Actuarial gain due to liability experience	**(19.4)**	**–**	**–**	**(19.4)**
Actuarial gain due to liability assumptions	**148.6**	**–**	**–**	**148.6**
Actuarial gain on assets	**–**	**(131.0)**	**–**	**(131.0)**
Change in effect of asset ceiling	**–**	**–**	**2.2**	**2.2**
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	**129.2**	**(131.0)**	**2.2**	**0.4**
Employer contributions to the CDC Pensions Scheme	**–**	**0.4**	**–**	**0.4**
Benefits paid (including administration costs)	**14.7**	**(14.7)**	**–**	**–**
Cash flows	**14.7**	**(14.3)**	**–**	**0.4**
At 31 December 2022	**(290.1)**	**296.8**	**(6.7)**	**–**

Notes to the accounts continued

17. Pension commitments continued

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/ asset £m
At 31 December 2020	(473.3)	482.5	(9.2)	–
Administration costs incurred during the year	–	(0.9)	–	(0.9)
Interest cost	(6.1)	6.2	(0.1)	–
Past service cost – plan amendments	(0.1)	–	–	(0.1)
Cost recognised in administrative expenses	(6.2)	5.3	(0.1)	(1.0)
Actuarial gain due to liability experience	14.1	–	–	14.1
Actuarial gain due to liability assumptions	23.4	–	–	23.4
Actuarial gain on assets	–	(37.1)	–	(37.1)
Change in effect of asset ceiling	–	–	0.6	0.6
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	37.5	(37.1)	0.6	1.0
Employer contributions to the CDC Pensions Scheme	–	–	–	–
Benefits paid (including administration costs)	15.5	(15.5)	–	–
Cash flows	15.5	(15.5)	–	–
At 31 December 2021	(426.5)	435.2	(8.7)	–

Maturity profile of defined benefit obligations at 31 December	2022 £m	2021 £m
Expected benefit payments due within 1 year	**17.4**	17.7
Expected benefit payments due within 1-2 years	**18.1**	18.2
Expected benefit payments due within 2-3 years	**18.4**	18.6
Expected benefit payments due within 3-4 years	**18.7**	19.0
Expected benefit payments due within 4-5 years	**18.9**	19.3
Expected benefit payments due within 5-10 years	**96.5**	99.9
Expected benefit payments due after 10 years	**397.1**	276.5

18. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, foreign exchange contracts, trade receivables, notes receivable, guarantees, loan investments and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise trade and other payables and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month IBOR rates.

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest* £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: cash							
2022	**–**	**22.5**	**26.5**	**49.0**	**–**	**–**	*
2021	–	20.1	15.8	35.9	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2022	**1,110.0**	**–**	**–**	**1,110.0**	**3.64%**	**1.0**	**–**
2021	618.5	–	–	618.5	0.09%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2022	**0.1**	**–**	**–**	**0.1**	**0.00%**	**1.0**	**–**
2021	51.9	–	–	51.9	0.18%	1.0	–
Financial assets: loan investments							
2022	**603.9**	**1,050.8**	**9.4**	**1,664.1**	**8.30%**	**7.2**	**–**
2021	464.7	981.3	–	1,446.1	7.98%	5.29	–

* The Group's no interest cash is repayable on demand.

Notes to the accounts continued

18. Financial instruments continued

Interest rate exposures – Company

	Fixed rate £m	Floating rate £m	No interest* £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: cash							
2022	**–**	**22.5**	**26.5**	**49.0**	**–**	**–**	*****
2021	–	20.1	9.7	29.8	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2022	**1,108.9**	**–**	**–**	**1,108.9**	**3.64%**	**1.0**	**–**
2021	618.5	–	–	618.5	0.09%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2022	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2021	50.0	–	–	50.0	0.02%	1.0	–
Financial assets: loan investments							
2022	**603.9**	**1,050.8**	**9.4**	**1,664.1**	**8.30%**	**7.2**	**–**
2021	464.7	981.3	–	1,446.1	7.98%	5.29	–

* The Company's no interest cash is repayable on demand.

Currency exposures – Group

The tables below show the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency. In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Group's foreign currency denominated cash and cash equivalents balances:

Currency	US dollars 2022 £m	Other 2022 £m	Total 2022 £m	US dollars 2021 £m	Other 2021 £m	Total 2021 £m
Pound sterling	**466.3**	**25.9**	**492.2**	277.7	9.7	287.4
Total	**466.3**	**25.9**	**492.2**	277.7	9.7	287.4

The following table shows the currency of the Group's equity investments:

Currency	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m	Listed equity at valuation 2021 £m	Unlisted equity at valuation 2021 £m	Total 2021 £m
US dollar	**9.0**	**4,005.5**	**4,014.5**	5.8	3,513.5	3,519.3
Indian rupee	**59.8**	**511.9**	**571.7**	134.3	438.2	572.5
Euro	**–**	**244.3**	**244.3**	–	210.5	210.5
Moroccan dirham	**153.0**	**–**	**153.0**	166.0	–	166.0
Pakistani rupee	**17.1**	**–**	**17.1**	35.8	–	35.8
Pound sterling	**–**	**17.1**	**17.1**	–	16.7	16.7
Chinese yuan	**–**	**0.4**	**0.4**	–	0.7	0.7
South African rand	**–**	**43.3**	**43.3**	–	19.5	19.5
Nepalese rupee	**–**	**19.5**	**19.5**	–	12.3	12.3
Other	**–**	**5.3**	**5.3**	–	4.6	4.6
Total	**238.9**	**4,847.3**	**5,086.2**	341.9	4,216.0	4,557.9

The following table shows the currency of the Group loan investments:

Currency	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m	Level 1 2021 £m	Level 3 2021 £m	Total 2021 £m
US dollar	**18.2**	**1,193.7**	**1,211.9**	–	1,173.0	1,173.0
Indian rupee	**–**	**270.8**	**270.8**	–	157.3	157.3
Euro	**–**	**95.5**	**95.5**	–	84.2	84.2
South African rand	**–**	**57.1**	**57.1**	–	–	–
Kenyan Shilling	**–**	**28.3**	**28.3**	–	25.9	25.9
Other	**–**	**0.5**	**0.5**	–	5.7	5.7
Total	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1

Group guarantee investments of £93.5 million are all denominated in US dollars.

Notes to the accounts continued

18. Financial instruments continued

Currency exposures – Company

The tables below show the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency. In order to protect the Company's Sterling statement of financial position and reduce cash flow risk, the Company uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Company's foreign currency denominated cash and cash equivalents balances:

Currency	US dollars 2022 £m	Other 2022 £m	Total 2022 £m	US dollars 2021 £m	Other 2021 £m	Total 2021 £m
Pound sterling	**463.6**	**20.9**	**484.4**	275.6	6.6	282.2
Total	**463.6**	**20.9**	**484.4**	275.6	6.6	282.2

The following table shows the currency of the Company's equity investments:

Currency	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m	Listed equity at valuation 2021 £m	Unlisted equity at valuation 2021 £m	Total 2021 £m
US dollar	**9.0**	**4,008.1**	**4,017.1**	5.8	3,515.3	3,521.1
Indian rupee	**59.8**	**515.8**	**571.7**	134.3	441.3	575.6
Euro	**–**	**244.3**	**244.3**	–	210.5	210.5
Moroccan dirham	**153.0**	**–**	**153.0**	166.0	–	166.0
Pakistani rupee	**17.1**	**–**	**17.1**	35.8	–	35.8
Pound sterling	**–**	**20.3**	**19.5**	–	19.2	19.2
Chinese yuan	**–**	**0.4**	**0.4**	–	0.7	0.7
South African rand	**–**	**43.3**	**43.3**	–	19.5	19.5
Nepalese rupee	**–**	**19.5**	**19.5**	–	12.3	12.3
Other	**–**	**5.3**	**5.3**	–	4.6	4.6
Total	**238.9**	**4,857.0**	**5,095.9**	341.9	4,223.4	4,565.3

The following table shows the currency of the Company's loan investments:

Currency	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m	Level 1 2021 £m	Level 3 2021 £m	Total 2021 £m
US dollar	**18.2**	**1,193.7**	**1,211.9**	–	1,173.0	1,173.0
Indian rupee	**–**	**270.8**	**270.8**	–	157.3	157.3
Euro	**–**	**95.5**	**95.5**	–	84.2	84.2
South African rand	–	**57.1**	**57.1**	–	–	–
Kenyan Shilling	**–**	**28.3**	**28.3**	–	25.9	25.9
Other	**–**	**0.5**	**0.5**	–	5.7	5.7
Total	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1

Company guarantee investments of £93.5 million are all denominated in US dollars.

Liquidity risk – Group

The following tables show the maturity profile of the Group's financial assets and liabilities other than cash, equity investments and guarantees:

2022 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	**1,110.1**	**402.3**	**313.3**	**87.0**	**86.4**
Due within one to two years	**–**	**–**	**194.9**	**–**	**–**
Due within two to three years	**–**	**–**	**177.8**	**–**	**–**
Due within three to four years	**–**	**–**	**173.8**	**–**	**–**
Due within four to five years	**–**	**–**	**169.7**	**–**	**–**
Due after five years	**–**	**0.6**	**634.6**	**–**	**–**
Total	**1,110.1**	**402.9**	**1,664.10**	**87.0**	**86.4**

Notes to the accounts continued

18. Financial instruments continued

2021 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	670.4	309.4	236.6	97.9	15.3
Due within one to two years	–	–	298.3	–	–
Due within two to three years	–	–	147.0	–	–
Due within three to four years	–	–	126.0	–	–
Due within four to five years	–	–	111.8	–	–
Due after five years	–	0.2	526.4	–	–
Total	670.4	309.6	1,446.1	97.9	15.3

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**3.2**	**50.4**	**12.2**
Due within one to two years	**2.1**	**–**	**–**
Due within two to three years	**2.0**	**–**	**–**
Due within three to four years	**2.0**	**–**	**–**
Due within four to five years	**2.1**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**11.4**	**50.4**	**12.2**

2021 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.6	52.2	17.9
Due within one to two years	2.7	–	–
Due within two to three years	1.9	–	–
Due within three to four years	1.8	–	–
Due within four to five years	1.8	–	–
Due after five years	0.9	–	–
Total	12.7	52.2	17.9

The Group does not net off contractual amounts of financial assets and liabilities.

Liquidity risk – Company

The following tables show the maturity profile of the Company's financial assets and liabilities other than cash, equity investments and guarantees:

2022 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	**1,108.9**	**401.6**	**313.3**	**87.0**	**86.4**
Due within one to two years	**–**	**–**	**194.9**	**–**	**–**
Due within two to three years	**–**	**–**	**177.8**	**–**	**–**
Due within three to four years	**–**	**–**	**173.8**	**–**	**–**
Due within four to five years	**–**	**–**	**169.7**	**–**	**–**
Due after five years	**–**	**–**	**634.6**	**–**	**–**
Total	**1,108.9**	**401.6**	**1,664.10**	**87.0**	**86.4**

2021 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	668.5	309.2	236.6	97.9	15.3
Due within one to two years	–	–	298.3	–	–
Due within two to three years	–	–	147.0	–	–
Due within three to four years	–	–	126.0	–	–
Due within four to five years	–	–	111.8	–	–
Due after five years	–	–	526.4	–	–
Total	668.5	309.2	1,446.1	97.9	15.3

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**2.9**	**51.0**	**12.2**
Due within one to two years	**1.7**	**–**	**–**
Due within two to three years	**1.7**	**–**	**–**
Due within three to four years	**1.8**	**–**	**–**
Due within four to five years	**0.8**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**8.9**	**51.0**	**12.2**

Notes to the accounts continued

18. Financial instruments continued

2021 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.3	50.7	17.9
Due within one to two years	2.2	–	–
Due within two to three years	1.6	–	–
Due within three to four years	1.6	–	–
Due within four to five years	1.7	–	–
Due after five years	0.8	–	–
Total	11.2	50.7	17.9

The Company does not net off contractual amounts of financial assets and liabilities.

Fair value of financial assets and liabilities – Group and Company

Financial assets

Quoted and unquoted equity investments, loan investments and funded guarantees are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, notes receivable or trade and other receivables. The Group's foreign exchange contracts are held in the statement of financial position at fair value.

Reconciliation of Level 3 fair value measurement of financial assets

The following table details the movements in non-current financial assets valued using the Level 3 basis of measurement in aggregate.

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Opening value	**5,767.0**	4,835.1	**5,774.4**	4,840.0
Additions	**1,420.9**	1,268.7	**1,420.9**	1,269.1
Disposals and repayments	**(929.6)**	(743.5)	**(929.6)**	(743.5)
Transfers	**–**	(3.9)	**–**	(3.9)
Deferred income movement	**(0.4)**	2.7	**(0.4)**	2.7
Fair value movement	**(298.3)**	368.2	**(296.2)**	370.3
Foreign exchange movement	**627.1**	39.7	**627.2**	39.7
Closing value	**6,586.7**	5,767.0	**6,596.4**	5,774.4

Financial liabilities

There is no material difference between the fair value and the book value of the Group's trade and other payables. The Group's foreign exchange contracts in loss are held in the statement of financial position at fair value.

19. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use FFECs to manage their financial risks associated with their underlying business activities and the financing of those activities. The Group and Company do not undertake any trading activity in financial instruments.

Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. Up until the end of December 2022, BII targeted having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments as well as a cash balance within BII's desired range of 0-10 per cent of its net asset value in cash. The Board introduced two new liquidity metrics in January 2023: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due (this replaces the commitment coverage ratio). The Group's cash balance at 31 December 2022 was £1,159.1 million (2021: £706.3 million) and its capital commitments including long-term commitments were £2,526.8 million (2021: £2,611.7 million).

	Group		Company	
Analysis of total cash balance	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Cash at bank and in hand	**49.0**	35.9	**42.5**	29.8
Short-term deposits receivable	**1,110.1**	670.4	**1,108.9**	668.5
Total	**1,159.1**	706.3	**1,151.4**	698.3

The short-term deposits receivable can easily be converted into cash. The Company has promissory notes of £30.0 million from its parent entity which can be drawn down on demand.

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 18 and risk participation commitments in note 23.

Investment commitments: Maturity profile

Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. Direct investment commitments are typically drawn down over a shorter term.

In forecasting cash flows, BII uses industry standard models for drawdown profiles. The Board considers this regularly when reviewing BII's ability to meet these commitments.

Notes to the accounts continued

19. Financial risk management continued

The following table shows the vintage year of the outstanding commitments to the Group's investments as at 31 December. The commitments are not accounted for as liabilities on BII's balance sheet and are only recognised when called upon. Outstanding commitments can fluctuate year-on-year when recycling is permitted.

	2022 £m	2021 £m
2012 and prior	**274.8**	317.5
2013	**47.7**	43.7
2014	**37.8**	38.5
2015	**42.2**	78.5
2016	**86.0**	82.2
2017	**140.8**	246.2
2018	**147.1**	222.5
2019	**413.1**	409.6
2020	**210.6**	240.8
2021	**451.8**	932.2
2022	**674.9**	–
Total	**2,526.8**	2,611.7

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

		Group		Company	
	Notes	2022 £m	2021 £m	2022 £m	2021 £m
Loan investments	4	**1,664.1**	1,446.1	**1,664.1**	1,446.1
Guarantees	5	**87.0**	97.9	**87.0**	97.9
FFECs in profit	8	**86.4**	15.3	**86.4**	15.3
Trade and other receivables (excluding loans)	15	**89.0**	72.8	**88.3**	72.6
Notes receivable	24	**30.0**	901.0	**30.0**	901.0
Short-term deposits	6	**1,110.1**	670.4	**1,108.9**	668.5
Cash and cash equivalents	6	**49.0**	51.9	**42.5**	50.0
Total		**3,115.6**	3,255.4	**3,107.2**	3.251.4

Credit risk on the Company's Sterling cash balance is mitigated as cash not required for day-to-day operations is deposited with the UK Government Debt Management Office. Credit risk on other currency balances and FFECs is mitigated as the Group and Company transact with institutions with high credit ratings. Share certificates for listed company investments are held in custody accounts with financial institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above. As of 31 December 2022, all deposits and listed share certificates were held with such financial institutions.

There is no recourse to the Company for the debt balances within subsidiaries.

Market risk

Interest rate risk

The Group's and Company's interest rate risk arises primarily from exposure to the investment loan and bond portfolio and to a lesser degree, term deposits at financial institutions. The exposure to fixed rate assets gives rise to fair value (price) risk while the exposure to floating rate assets gives rise mostly to variations in cash flow receipts over time. Interest rate risk is monitored and reported to management (starting in Q4 22) on quarterly basis. The Group currently does not hedge this risk as it is within risk appetite but will continue to evaluate and monitor its levels and impacts in the future. During 2023, the Group will be defining its policies and procedures for interest rate risk management in relation to the investment portfolio.

British International Investment plc has a portfolio of loans valued at £1,664.1 million (2021: £1,446.2 million), of which £603.9 million (2021: £1,446.2 million) are charged interest at a fixed rate, exposing the Group to interest rate risk. Most of these loans have prepayment options for the borrower and a fall in interest rates will have a very limited impact on the fair value. However, if interest rates were to increase, the fair value of these loans will decrease. A 1.0% increase in interest rates across maturities would cause a fair value loss of approximately £14.9 million based on year-end figures.

As at 31 December 2022 the weighted average interest rate earned on the Group's and Company's bank deposit was 3.65 per cent (2021: 0.08 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 2.0 per cent increase and 2.0 per cent decrease (2021: 1.0 per cent increase and 0.5 per cent decrease) change in all interest rates. With all other variables held constant, a 2.0 per cent increase would have a £1.1 million positive impact on the Group's profit before tax (2021: 1.0 per cent, £0.34 million positive impact on the Group's profit before tax). A 2.0 per cent decrease would have a £1.1 million negative impact on the Group's profit before tax (2021: 0.5 per cent, £0.2 million negative impact on the Group's profit before tax). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

Notes to the accounts continued

19. Financial risk management continued

Foreign currency risk

The Group has exposures to foreign currency risk through its investments and foreign cash balances. In order to protect the Group's statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts from the loan and guarantee portfolio and non-Sterling cash balances on its largest exposures.

The table below shows the impact on profit of a 10 per cent increase or 15 per cent decrease (2021: 10 per cent increase or 10 per cent decrease) in the year-end exchange rate would have on the unhedged financial assets and each of the outstanding hedged positions if all other variables are held constant.

2022	+ 10%			-15%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	(760.7)	(168.9)	(929.5)	1,141.0	327.8	1,468.8
Indian rupee	(126.2)	(29.8)	(156.0)	189.2	72.9	262.1
Euro	(18.6)	(6.7)	(25.3)	26.5	24.8	51.3
Moroccan dirham	(16.0)	–	(16.0)	23.9	–	23.9
Pakistani rupee	(1.8)	–	(1.8)	2.7	–	2.7
Chinese yuan	–	–	–	0.1	–	0.1
South African rand	(15.2)	(4.6)	(19.7)	22.8	8.9	31.7
Nepalese rupee	(2.0)	–	(2.0)	2.9	–	2.9
Other	(0.8)	–	(0.8)	1.2	–	1.2

2021	+ 10%			-10%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	(359.5)	(101.8)	**(461.3)**	359.5	118.1	**477.6**
Indian rupee	(40.4)	(29.8)	**(70.2)**	40.4	36.5	**76.9**
Euro	(21.0)	(6.7)	**(27.7)**	21.0	8.0	**29.0**
Moroccan dirham	(17.0)	–	**(17.0)**	17.0	–	**17.0**
Pakistani rupee	(3.7)	–	**(3.7)**	3.7	–	**3.7**
Chinese yuan	(0.1)	–	**(0.1)**	0.1	–	**0.1**
South African rand	(2.0)	–	**(2.0)**	2.0	–	**2.0**
Nepalese rupee	(1.2)	–	**(1.2)**	1.2	–	**1.2**
Other	(3.7)	–	**(3.7)**	3.7	–	**3.7**

Equity price risk

The Group and Company invest in a wide range of fund investments managed by a variety of fund managers, along with a range of direct equity investments. The Group manages this risk by maintaining a diversified portfolio of assets and by using a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio.

As at 31 December 2022, the Group had equity investments of £5,086.2 million (2021: £4,557.9 million). Included in this balance is an investment in a wholly owned investment entity with a value of £1,206.7 million which represented 23.7% per cent of the Group's equity investments (2021: £1,143.7 million, 25.0 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £508.6 million (2021: 10 per cent change, impact £455.8 million).

Valuation risk

The Group values its portfolio according to BII's valuation methodology. The BII valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by portfolio reviews of BII's investments and the underlying investments in its private equity funds which are carried out quarterly by the relevant BII investment managers. As part of these reviews, valuations are prepared and reviewed by BII management and then approved by the Valuation Steering Committee. For more details on the valuation methodology refer to note 26.

Capital management

BII considers its capital to be the total equity shown in the statement of changes of equity. The Company's objectives when managing capital are:

- to comply with the capital requirements set by FCDO regarding investing in eligible countries and sectors;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
- to maintain a strong capital base to support the development of the Group's businesses.

The Board monitors the results of the Group and its financial position.

Notes to the accounts continued

20. Government grant

The Group and Company receive capital grants from its parent entity FCDO to make blended finance investments. Promissory notes are issued in advance of investments being made and capital is drawn down as required. On issuance, a promissory note receivable and deferred grant income creditor are recognised in the Statement of Financial Position. The receivable is reduced upon receipt of cash from the parent entity. Grant income is recognised in the Statement of Comprehensive Income over the expected life of each investment asset. Investments made and gains or losses in fair value from the grant capital are included in the Group and Company's fair value financial assets.

	Notes	2022 £m	2021 £m
Fair value financial assets		**3.3**	0.4
Grant income recognised	9	**0.5**	–
As at 31 December			
Deferred grant income (non-current)		**(39.3)**	(7.1)
Promissory note receivable (current)	15	**32.7**	7.1

21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £2,526.8 million (2021: £2,611.7 million) for investment commitments (see note 19 for further details).

22. Leases

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Right of use assets – cost	**24.2**	22.4	**21.3**	20.1
Total	**24.2**	22.4	**21.3**	20.1

Information about leases for which BII is a lessee is presented below.

Right of use assets – accumulated depreciation

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance at 1 January	**10.1**	6.5	**8.8**	5.7
Depreciation charged for the year	**4.0**	3.6	**3.5**	3.1
Balance at 31 December	**14.1**	10.1	**12.3**	8.8

Lease liabilities

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current liabilities	**3.2**	3.6	**2.9**	3.3
Non-current liabilities	**8.2**	9.1	**6.0**	8.0
Total lease liabilities	**11.4**	12.7	**8.9**	11.3

During the year, total lease payments made by the Group were £3.7 million (2021: £3.7 million) and £3.4 million (2021: £3.4 million) by the Company.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Interest on lease liabilities/finance costs	**0.4**	0.2	**0.4**	0.2
Depreciation	**4.0**	3.6	**3.5**	3.5
	4.4	3.8	**3.9**	3.7

23. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2022:

+ In respect of unfunded risk participation agreements with a value of £296.9 million (2021: £430.9 million).
+ In respect of undertakings to power distributors and governments in connection with the operation of power generating investments with a maximum legal liability of £8.1 million (2021: £nil million).

These may, but probably will not, require an outflow of resources.

Notes to the accounts continued

24. Related party transactions

Parent entity

During 2021 and 2022, the Company entered into subscription agreements with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issuing promissory notes for the value of the shares of £214.7 million in 2022 (2021: £446.0 million).

During the year the Company received £446.0 million (2021: £650.0 million) from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2022, the Company had promissory notes of £30.0 million (2021: £901.0 million) due from its parent entity. The receivable is payable on demand and without interest.

During 2022, the Company received a capital grant of £39.3 million (2021: £7.1 million) by issuance of a promissory note. As at 31 December 2022, the Company had £32.7 million (2021: £7.1 million) of promissory notes receivable.

Key management personnel

BII defines its key management personnel (KMP) as the members of the Executive Committee, including the Chief Executive and Chief Financial Officer. KMP are remunerated on the basis of the PremCo report outlined on **pages 55 to 65**. In addition to their remuneration, there are no other short or long-term benefits, post-employment benefits, termination benefits or share-based benefits given to BII's key management personnel.

Subsidiaries

During the year, the Company entered into transactions with its consolidated and non-consolidated subsidiary companies.

The transactions entered into and trading balances outstanding at 31 December were as follows:

	2022 £m	2021 £m
Statement of comprehensive income		
Interest income	**8.4**	10.1
Management fee income	**12.0**	11.2
Management fee expense	**(16.6)**	(12.5)
Interest payable	**–**	–
Statement of financial position		
Equity investments	**1,719.3**	1,420.6
Equity investments – non-holding companies	**234.4**	226.3
Trade and other receivables	**11.7**	16.6
Trade and other payables	**(24.4)**	(21.1)

Outstanding balances at the year-end are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

25. Subsequent events

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2022. Events after the reporting period that are indicative of conditions that arose after the reporting date but which do not lead to adjustment of the financial statements are disclosed in the event that they are material.

FCDO lodged a new promissory note for £289.5 million on 22 March 2023.

A number of our investments and creditors bank with Silicon Valley Bank and Credit Suisse, which collapsed in early March 2023. BII does not have any direct exposures with either bank. The US Government has announced that it will guarantee all deposits held at Silicon Valley Bank, given which any subsequent risk to the valuation of BII's investments is considered to be low, but possible. At present BII is not aware of any potential losses with its investees or creditors.

26. Summary of significant accounting policies

The accounting policies for plant and equipment and intangible asset are not specified as both are not material to the Group or Company.

Non-current assets

Investments

The Group and Company classify their loan investments and equity investments, including investments in investment entities, as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit and loss

These financial assets are designated as assets held at fair value through profit and loss by management at the date of inception. FFECs are also classified as held for trading in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2018). The valuation methodology is selected based on informed judgement considering the nature, facts, and circumstances of the investment and in the expected view of market participants. The approach to calculating the fair value of equity investments is described below:

+ For equity investments in companies whose shares are publicly traded, information about pricing, trading, and financial data is generally available. BII considers the level of trading activity in evaluating the relevance and reliability of the information, as price is considered fair value if it is derived from an active market.

Notes to the accounts continued

26. Summary of significant accounting policies continued

- The market approach is used for estimating fair value of companies with significant revenues and at least twelve months of transparent and verifiable financial statements, where reasonably comparable public companies or transactions exist from which to source valuation multiples.
- The income approach is typically applied for valuation of a company in a start-up phase or has not reached its optimal level of operations. The discount rate selected must be consistent with the benefit stream with risk profile of the cash flow estimate to be discounted.
- Net Asset Value is used for loss-making companies and companies in liquidation. It is also be applied for going-concern fund valuations whose value derives mainly from the underlying Fair Value of its assets rather than its earnings.
- The price of a recent investment from an observable transaction, in most cases represents fair value as of the transaction date. At subsequent valuation dates, this price is only used as a supporting estimate for fair value that is calibrated to that price.
- Some seed, start-up or early-stage investments are valued using a milestone approach, or scenario analysis because there are no current and no short-term future earnings or positive cash flows.
- Where BII has committed capital in a Fund, BII relies on Valuations commissioned by the Fund Manager. It is acknowledged these valuations may not comply with IPEV because of difference in accounting standards; however, BII makes relevant adjustments to bring the valuations in line with IPEV.

Loan investments are recognised at the fair value of the consideration given to originate the loan and are subsequently measured at fair value. Specifically, BII classifies loans at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Information about these loans is reported to management on that basis.

In determining the fair value of the loans, BII has elected to use the discounted cash flow method. Cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment including past events, current market conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Non-performing loans, loans expected to be restructured because the borrower is a going concern, and loans subject to increased market risk, are valued based on the most likely cash flows discounted at the appropriate discount rate. Where the outcome is uncertain or could follow different trajectories, a probability weighted-scenario valuation approach is adopted.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous statement of financial position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the statement of comprehensive income.

Guarantees

The Group enters into risk participation agreements in return for fees. Under a risk participation agreement, the Group undertakes to meet a customer's obligations under the terms of an agreement if the customer fails to do so. Guarantees comprise funded and unfunded risk participation agreements. Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model.

Forward foreign exchange contracts

The Group and Company use FFECs as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use FFECs for speculative purposes.

The fair value of the FFECs at the year-end is the difference between the agreed forward rate and the forward rate at the balance sheet date.

Gains and losses on FFECs transacted as economic hedges but not qualifying for hedge accounting are taken to the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, such as short-term deposits, with maturities of three months or less on initial recognition.

Trade and notes receivable

Trade and notes receivable are non-interest-bearing and are recognised when BII becomes a party to the contractual provision of the instrument. They are initially measured at fair value and subsequently at amortised cost less provision for impairment.

Impairment of assets

The carrying amounts of assets, other than deferred tax assets, financial instruments and retirement benefit assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use, calculated as the present value of expected future cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the accounts continued

26. Summary of significant accounting policies continued

An impairment loss in respect of all assets is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss and unfunded loan commitments.

Measurement and recognition of expected credit losses

Recognition of credit losses is no longer dependent on BII first identifying a credit loss event. Instead BII considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

+ financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
+ financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit loss' is recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

To meet the financial needs of BII's borrowers, BII enters into loan commitments and guarantee contracts (funded and unfunded).

Whilst funded guarantees are recognised on balance sheet, BII's unfunded obligations are not. BII consider the unfunded obligations to share a credit risk similar to loans to the private sector. Therefore, Expected Credit Losses (ECLs) are calculated for financial guarantees and unfunded loan commitments in accordance with IFRS 9.

ECLs reflect the probability-weighted estimate based on loss expectations resulting from default events over either a 12-month period from the reporting date or the remaining life of the financial instrument. A default event is triggered when a guarantee is called as a result of the customer failing to meet its obligations under the terms of the agreement. The method used to calculate the ECLs are based on the following inputs:

Guarantee Contracts

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio team use two credit models (Moody's and S&P) and apply these models against the underlying obligors most recent financial statements. An average PD is then generated and applied against a credit conversion factor in line with Basel IV.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. The LGDs are in line with Basel IV LGDs for unsecured debt instruments.

Exposure: The exposure for the guarantees are the total of the funded and unfunded underlying outstanding obligor contracts.

Unfunded Loan Commitments

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio teams use a series of scorecard models which are based on quantitative and qualitative indicators to formulate a credit rating. The credit rating is then mapped to a Moody's equivalent which is then mapped to PD tables which are structured by country and sector.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cash flows.

Exposure: The exposure for unfunded loan commitments is the available remaining commitment that is expected to be drawn within the availability period.

Financial liabilities

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, contractual obligations, excluding FFECs, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Capital commitments

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a liability or impact the Group's financial results for the year. These commitments do not include potential future commitments approved by the Group that are not yet legally binding.

Notes to the accounts continued

26. Summary of significant accounting policies continued

Investment income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends

Dividend income, classified within investment income, is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

Interest

The interest on a loan investment and guarantees is recognised on a time apportioned basis when due on the loan with investment income. Where there is objective evidence of loss of value or inability to collect loan interest, for example where loan interest remains unpaid after 90 days, a provision is recognised.

Management fee income

A fixed percentage management fee is earned for providing asset management services to subsidiaries. These fees are recognised as revenue each period in accordance with the terms of the agreements.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to the acquisition of investments are recognised as deferred income in the consolidated statement of financial position and recognised as grant income on a systematic and rational basis over the expected useful lives of the related asset. Any gains or losses arising from the investments funded by the Grants will be reflected in the Group and Company Statement of Comprehensive Income as fair value gains or losses.

Employee benefits

The Company operates a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

The CDC Pensions Scheme is funded by the payment of contributions to a separately administered trust fund. The cost of providing benefits under the Company's funded defined benefit plan is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out triennially.

The costs of providing defined contribution pensions are charged to the statement of comprehensive income as they become payable.

The cost of the performance related compensation programme (LTIPP) is charged to the statement of comprehensive income in the year to which the award relates.

Income tax

The CDC Act 1999 provided the Company with exemption from UK corporation tax with effect from 1 May 2003. This does not affect overseas taxation of the Company or of its subsidiaries.

Current tax is recognised as income or expense and is included in the net profit for the year, unless it relates to a transaction or event which is recognised directly in equity, whereupon the current tax is charged or credited to equity accordingly.

Current and deferred tax assets and liabilities are offset only when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

Current and deferred taxes are recognised as a tax credit or expense in the year in which they arise except for deferred taxes recognised or disposed of upon the acquisition or disposal of a subsidiary.

Some dividend and interest income received is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the statement of financial position date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Operating leases

IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. Refer to note 22 for more details.

IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases.

Notes to the accounts continued

26. Summary of significant accounting policies continued

Lessees will be required to recognise both: 1) A lease liability, measured at the present value of remaining cash flows on the lease; and 2) A right of use asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The right of use asset will amortise to the income statement over the life of the lease.

There is a recognition exemption in IFRS 16 for short-term leases and leases of low-value assets which allows the lessee to apply similar accounting as an operating lease under IAS 17.

BII has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets including IT equipment. BII recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Additionally, BII applies IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative period.

Operating segments

IFRS 8 Operating Segments requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 2 presents the summarised financial information in order to explain more fully BII's investment activities, together with the financial results that are presented under IFRS in which BII consolidates all non-investment subsidiaries.

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the Group's financial statements.

New and revised IFRS Standards in issue but not yet effective

The accounting policies set out in these financial statements have been applied consistently to all periods presented.

The following standards are issued but not yet effective and have not been applied to these financial statements. The Group intends to adopt these standards when they become effective. These are not expected to have any material impact on the Group's financial statements:

- IFRS 17 Insurance Contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard is currently effective from 1 January 2023. BII has assessed the requirements of the standard as having no impact on the Group.
- Amendments to IFRS 10 and IAS 28 - Sale of Contribution of Assets between an Investor and its Associate or Joint Venture. The standard is effective from 1 January 2024.
- Amendments to IAS 1 Classification of liabilities as Current or Non-Current. The standard is effective from 1 January 2024.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies. The standard is effective from 1 January 2023.
- Amendments to IAS 8 – Definition of Accounting Estimates. The standard is effective from 1 January 2023.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The standard is effective from 1 January 2023.

Notes to the accounts continued

27. Related undertakings

The principal subsidiaries of BII at the end of the year and the percentage of equity capital are set out below.

Subsidiaries consolidated

Company and registered address	Class of share	Percentage held by BII	Principal activities
British International Investment India Advisers Private Limited^ Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India	Ordinary	100.0	Investment advisory
British International Investment Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
British International Investment East Africa Advisers Limited Twentieth Floor, Lonrho House, Plot LR/No. 209/7155, Standard Street, Nairobi, Kenya	Ordinary	100.0	Investment advisory
BII West Africa Investments Limited KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria	Ordinary	100.0	Investment advisory
Dayton Advisers Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
BII Pakistan (Private) Limited 1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan	Ordinary	100.0	Investment advisory
BII Bangladesh Advisers (Private) Limited C/o Locus, Tower-52, Level-4, Road-11, Block-C, Banani, Bangladesh	Ordinary	100.0	Investment advisory
British International Investment (Singapore) Pte Ltd 1 Robinson Road #17-00 ,AIA Tower Singapore	Ordinary	100.0	Investment advisory
BII LLC Office no.424-425, building no.47 North Teseen St, 5th Settlement New Cairo – Cairo, Egypt	Ordinary	100.0	Investment advisory

^ Directly held by the Company.

Subsidiaries not consolidated

Company Registered address and principal place of business	Class of share	Percentage held by BII	Principal activities	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Africa Power Group Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	In liquidation	USD	(6.2)	171.8
CDC Africa Cement Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	In liquidation	USD	–	–
BII Africa Power Limited c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius	Ordinary	100.0	Investment holding	USD	(0.3)	65.3
BII Asset Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
British International Investment Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Emerging Markets Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(3.1)	7.1
Growth Investment Partners Ghana Ltd Ground Floor, Regimanuel Gray Head Office Building A02 Maale Dada St, PO Box 2617 Accra, Ghana	Ordinary	100.0	Investment holding	USD	–	–
BII Financial Services (Mauritius) Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	(0.3)	13.8
BII Gateway Holdings LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(27.9)	229.8
BII Gateway A LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	EUR	(0.9)	87.8
BII Gateway B LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(12.3)	3.5
BII Gateway C LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(18.6)	132.5

Notes to the accounts continued

27. Related undertakings continued

Company Registered address and principal place of business	Class of share	Percentage held by BII	Principal activities	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
BII Holdings Guernsey Limited^ x 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	(18.7)	414.6
CDC India Investments Private Limited^ Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051	Ordinary	100.0	Investment holding	INR	74.9	10.3
CDC India Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	28.1	14.1
BII Investment Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	–	3.6
BII Nepal Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	8.2	12.0
British International Investment Overseas Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	GBP	–	–
CDC Pakistan Power Projects Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(2.2)	3.7
BII Scots GP Limited^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Ordinary	100.0	Investment holding	USD	–	(0.1)
CDC South Asia Limited^ c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
BII South Asia Renewables Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	1.9	1.2
BII Nominee No.1 Limited (Previously The Africa List Limited)^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
Gridworks Development Partners LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(9.7)	22.9
MedAccess Guarantee Limited^ 84 Eccleston Square, Pimlico, London SW1V 1PX	Ordinary	100.0	Operating company	USD	9.9	194.4
North African Foods Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
Pan African Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	GBP	–	3.2
Sinndar Holdings Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	3.7	50.1
BII Scots LP^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Partnership interest	99.9	Investment holding	USD	(15.4)	53.9
CDC North Africa Healthcare Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	98.0	Investment holding	USD	(35.6)	67.5
Globeleq Limited Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW	Ordinary	70.0	Operating holding company	USD	(23.7)	360.1
CDC PTL Holdings Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	62.0	In liquidation	USD	–	–
Dayton Investments Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	50.0	Investment holding	USD	(13.0)	79.7

* Profit/(loss) for the year and aggregate capital and reserves for the subsidiary as at the end of its relevant financial year.
^ Directly held by the Company.
x BII Holdings Guernsey Limited is the borrower of record for the committed standby US$600m (£496.6m) Revolving Credit Facility (RCF). The assets of BII Holdings Guernsey will be used as security should there be any drawings under the RCF. With British International Investment plc being exempt from UK corporation tax there is no tax advantage to be gained from this company being incorporated in Guernsey.

Notes to the accounts continued

27. Related undertakings continued

These subsidiaries are not consolidated due to the application of IFRS 10 and are carried at fair value through profit and loss. There are no restrictions on the ability of the unconsolidated subsidiaries to transfer cash to BII. There are no contractual arrangements that require BII to provide financial support to the unconsolidated subsidiaries. BII has not provided any non-contractual assistance to any of the unconsolidated subsidiaries during the reporting year.

Under section 409 of the Companies Act 2006, BII is required to disclose specified details of all its related undertakings including significant holdings. The significant holdings in undertakings of BII are equity investments including funds, carried at fair value through profit and loss, in which BII's holding amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking. BII's holdings operate across several sectors including infrastructure, financial services, health and education, trade, communications, agribusiness, microfinance, business services, manufacturing, construction and real estate, and mineral extraction.

The significant holdings in undertakings of BII at the end of the year are set out below.

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
A4C S Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	(2.2)	28.4
Actis Energy 3C Sub-Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	5.4	55.6
Actis Africa Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	In liquidation	
Advent Latin America Private Equity Fund IV LP 75 State Street, Boston, MA 02109, USA	Partnership interest	100.0	USD	–	2.2
Ancile Trade Access Program Sub-Fund C/O Inoks Capital S.A., Rue de l'athénée 32, Geneva, Switzerland	Ordinary shares	100.0	USD	–	20.0
Pragati India Fund Limited 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	99.0	USD	In liquidation	
Qiming Venture Partners II LP PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands	Partnership interest	98.9	USD	(32.4)	27.8
Happy Travel Rolling Investors LP 2 More London Riverside, London, SE1 2JT	Partnership interest	92.1	USD	In liquidation	
Kotak India Affordable Housing Fund I 27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India	Units	90.9	INR	2.4	339.8
Actis South Asia Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	90.7	USD	In liquidation	
Actis Infrastructure 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	83.8	USD	In liquidation	
Momentum Africa Real Estate Parallel Company Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	83.3	USD	–	2.9
Actis Latin America 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	75.5	USD	(0.2)	1.5
Kotak India Private Equity Fund III 10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	75.0	USD	(0.1)	10.4
Actis ASEAN Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	69.2	USD	In liquidation	
Altra Private Equity Fund I LP PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands	Partnership interest	53.9	USD	In liquidation	
Actis China 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	51.0	USD	In liquidation	
The Africa Power Platform PCC Platinum Square. Hola Road Industrial Area, Suite No. 10. Nairobi, Kenya	Ordinary shares	49.9	USD	^	^
Klinchenberg B.V. Fridtjof Nansens plass 4 N-0160, Oslo	Ordinary shares	49.9	USD	^	^
Aavishkaar Goodwell India Microfinance Development Company II Limited Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Ordinary shares	49.7	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Takura II African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	49.5	USD	^	^
Kendall Court Mezzanine (Asia) Bristol Merit Fund LP PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands	Partnership interest	49.2	USD	^	^
14 Trees Limited c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland	Ordinary shares	48.9	CHF	^	^
Pan African Housing Fund LLC Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	47.7	USD	^	^
COVID-19 Energy Access Relief Fund, B.V. Hoogoorddreef 15 ,1101 BA Amsterdam The Netherlands	Ordinary shares	47.6	USD	^	^
Kotak India Private Equity Fund Limited Suite 2005, Level 2, Alexander House, 35 Cybercity,Ebene, Mauritius	Ordinary shares	47.3	USD	^	^
Zephyr Power (PVT.) Limited 68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan	Ordinary shares	46.7	USD	^	^
Actis Africa Real Estate Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	46.6	USD	^	^
APF-II India Holdings Private Limited Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited 6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986	Partnership interest	45.2	USD	^	^
Aavishkaar Emerging India Fund GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius	Ordinary shares	44.6	USD	^	^
Dynamic India Fund S4 I IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	44.4	USD	^	^
APF-I (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	43.7	USD	^	^
Endure Capital 21 C.V. 228 Hamiltion Avenue, 3rd Floor, Palo Alto, CA 94301, United States.	Partnership interest	43.5	USD	^	^
Insitor Impact Asia Fund 2 140B Neil Road 088869 Singapore	Ordinary shares	42.9	USD	^	^
Africa Logistics Properties Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius	Ordinary shares	41.9	USD	^	^
Divercity Urban Property Fund Proprietary Limited Eyethu house, 270 Marshall Street City & Surburban, Johannesburg	Ordinary shares	41.3	USD	^	^
Aureos South Asia Fund (Holdings) LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	41.2	USD	^	^
ARM Cement Limited L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya	Ordinary shares	41.0	USD	^	^
Actis China Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	40.0	USD	^	^
TIDE Africa II LP 5th Floor, Senteu Plaza Galana Road, Kilimani, Nairobi	Partnership interest	38.1	USD	^	^
Feronia Inc 181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9	Ordinary shares	37.9	USD	^	^
TVS Industrial & Logistics Parks Pvt Ltd B-106,10th Floor, Mittal Tower, B Wing, Nariman Point, Mumbai, Maharashtra 400021, India	Ordinary shares	37.6	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Kelix Bio Ltd (previously Zanzibar Pharma) 1 Bartholomew Ln, London EC2N 2AX	Ordinary shares	37.5	USD	^	^
Bujagali Holding Power Company Limited Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda	Ordinary shares and redeemable preference shares	37.4	USD	^	^
ShoreCap III c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	37.0	USD	^	^
DI Frontier Market Energy & Carbon Fund c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark	Partnership interest	36.4	EUR	^	^
Actis Sunrise Development Limited c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	36.0	USD	^	^
Adlevo Capital Africa LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	35.4	USD	^	^
Actis Africa 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	35.3	USD	^	^
Green Growth Feeder Fund Pte. Ltd 163 Penang Road, #08-01 Winsland House Ii Singapore	Partnership interest	35.3	USD	^	^
Faering Capital Fund III 95, Maker Chambers III, Nariman Point, Mumbai 400 021, India	Ordinary shares	35.2	USD	^	^
Saratoga Asia II LP c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands	Partnership interest	35.2	USD	^	^
Manipal c/o CIM Corporate Services Ltd, Les Cascades Building, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares & preference shares	35.0	USD	^	^
Metro Wind Power Limited 7th Floor, Al-Tijarah Centre, 32-1-A, Block-6, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi-75400, Pakistan	Ordinary shares	35.0	USD	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Ascent India Fund IV IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	33.0	USD	^	^
Amicus Capital Partners Private Equity I Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India	Ordinary shares	32.5	USD	^	^
Growth Catalyst Partners – Annex Fund 318 W. Adams Street #1607 Chicago, IL 60606	Ordinary shares	31.9	USD	^	^
Solon Capital Holdings c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	31.4	USD	^	^
GEF Africa-LC Sustainable Forestry Fund LP 5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815	Partnership interest	31.2	USD	^	^
Pembani Remgro Infrastructure Mauritius Fund I LP c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Partnership interest	31.1	USD	^	^
Garden City c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	30.9	USD	^	^
Actis India Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	30.7	USD	^	^
Injaro Agricultural Capital Holdings Limited c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius	Ordinary shares	30.5	USD	^	^
Fibonacci India Fund Co Limited IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	29.9	USD	^	^
Kendall Court Mezzanine (Asia) Fund 1 LP PO Box 709 GT, 122 Mary Street, Zephyr House, Grand Cayman, Cayman Islands	Partnership interest	29.7	USD	^	^
BluePeak Private Capital Fund Merchant Square, 4th Floor, D Block Riverside Drive, Nairobi, Kenya	Partnership interest	29.4	USD	^	^
Jacoma Estates Limited Hyde Park House, 5 Manfred Road, London	Ordinary shares	29.4	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Adiwale Fund I c/o Ocorian Corporate Services, Tower A, 1 CyberCity Ebene Mauritius	Partnership interest	29.3	EUR	^	^
Anthem Asia SME Venture Fund 1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore	Partnership interest	29.0	USD	^	^
The Sierra Investment Fund 5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	28.9	USD	^	^
COVID-19 Emerging and Frontier Market MSME Support Fund Hoogoorddreef 15 ,1101 BA Amsterdam The Netherlands	Partnership interest	28.8	USD	^	^
Sawari Ventures Fund I Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands	Ordinary shares	28.7	USD	^	^
Aureos South East Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.6	USD	^	^
Energy Access Ventures Fund 7 Boulevard Malesherbes, 75008 Paris, France	Units	28.6	EUR	^	^
Aureos Central Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.5	USD	^	^
Aavishkaar India Fund VI 13B, 6th Floor, Techniplex II, IT Park · Off Veer Sarvarkar Fly Over, Goregaon West · Mumbai, Maharashtra 400062 · India.	Ordinary shares	28.3	USD	^	^
Helios Investors IV Helios Investors IV, L.P. P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Ordinary shares	28.2	USD	^	^
HR Food Processing Private Limited Osam Dairy, House No 448/A, Ground Floor, Near Argora Chowk, Road No. 04, Ashok Nagar Ranchi Jh 834002 India	Ordinary shares & Compulsory convertible preference shares	28.0	INR	^	^
CardinalStone Capital Advisers Growth Fund 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Partnership interest	27.8	USD	^	^
Abraaj Pakistan Fund I LP Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	27.5	USD	^	^
VenturEast Proactive Fund II LLC St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius	Ordinary shares	27.5	INR	^	^
Atlantic Coast Regional Fund LLC c/o Abax Corporate Services, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Mauritius	Ordinary shares	27.3	USD	^	^
BTS India Private Equity Fund 4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	27.2	USD	^	^
International Finance Participation Trust (Cayman 2004) PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands	Units	27.0	USD	^	^
Growth Catalyst Partners LLC 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.9	USD	^	^
Ankur Capital II N5, Jetha Compund, Dr B Ambedkar Road, Byculla (east, Mumbai 400 027	Partnership Interest	26.7	INR	^	^
Regional Education Finance Fund for Africa 2, rue d'Alsace, L-1122 Luxembourg	Ordinary shares	26.7	USD	^	^
Ethos Private Equity Fund V 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	26.5	USD	^	^
Capital Alliance Property Investment Company LP c/o Caledonian Trust (Cayman) Limited, 69 Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands KY1-1102	Partnership interest	26.2	USD	^	^
Actis Umbrella Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	26.1	USD	^	^
Aureos West Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.0	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Africa Forestry Fund II IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	25.9	USD	^	^
Metier AMN Partnership LP 4th Floor, Building 3, Oxford Parks 8 Parks Boulevard , Rosebank Johannesburg, 2196, South Africa	Partnership interest	25.9	USD	^	^
Aureos Southern Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	25.1	USD	^	^
Ascent Rift Valley Fund II Ascent Capital Advisory Services 3rd Floor, Block E, ABC Place, Waiyaki Way, Nairobi, Kenya	Partnership interest	25.0	USD	^	^
Convergence Partners Digital Infrastructure Fund 3rd Floor 30 Jellicoe Avenue Rosebank, 2196. Johannesburg South Africa	Partnership interest	25.0	USD	^	^
Incofin India Progress Fund I JAMBU TOWERS, No:99, Sree sastha Building, 1st Floor, New Avadi Rd, Kilpauk, Chennai, Tamil Nadu 600010, India	Partnership interest	25.0	INR	^	^
Progression Eastern African Microfinance Equity Fund c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	24.9	USD	^	^
India Infrastructure Fund II (Singapore) Private Limited #04-02 112 Robinson Road, Singapore, 068902	Ordinary shares	24.8	USD	^	^
Takura III African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	24.7	USD	^	^
Pravega Ventures Fund II No. 164, 3rd Floor, 9th Main,Sector 6, HSR Layout, Bengaluru 560102, India	Partnership interest	24.6	INR	^	^
Frontier Bangladesh II LP PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	24.5	USD	^	^
VenturEast Life Fund III IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Preference shares	24.5	INR	^	^
Seefund2 International IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	24.2	USD	^	^
GEF South Asia Fund II # 1118, One BKC, C Wing, G Block, Bandra Kurla Complex, Mumbai – 400051, India	Partnership Interest	24.1	USD	^	^
Bangladesh Managed Account C.V. B45 Twenty-Foot Road, 3rd Floor, La Croisette, Grand Baie, Mauritius.	Partnership interest	24.0	USD	^	^
Kula Fund II Limited c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu	Ordinary shares	23.8	USD	^	^
Aavishkaar India II Company Limited 608 St James Court, St Denis Street, Port Louis, Mauritius	Ordinary shares	23.7	USD	^	^
Emerge Central America Growth Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	23.7	USD	^	^
Lynx Food Group Level 5 Alexander House 35 Cybercity Ebene Mauritius	Ordinary shares	23.6	USD	^	^
Africa Capitalworks Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	23.3	USD	^	^
CX Partners Fund II 22 Saint Georges Street, Port Louis, Mauritius	Ordinary shares	23.2	USD	^	^
Sahel Capital – FAFIN c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	22.8	USD	^	^
Sarva Capital LLC 6, Seethammal Colony, 1st Cross Street, Teynampet, Alwarpet, Chennai, Tamilnadu 600018 India	Ordinary shares	22.7	USD	^	^
Techxila Fund I Room 2702, Gefei Zhongxin 757 Mengzi Road, Shanghai, Huangpu 200023 China	Partnership interest	22.6	USD	^	^
Central Africa Growth Sicar SA 16 Boulevard Royal, L-2449 Luxembourg	Ordinary shares	22.5	EUR	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
India Financial Inclusion Fund Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.5	USD	^	^
Myanmar Opportunities Fund II c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	Partnership interest	22.4	USD	^	^
DP World Sokhna FZE Attaka, Suez Governorate 8131003, Egypt	Ordinary shares	22.2	USD	^	^
Ventureast Proactive Fund LLC IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	22.2	USD	^	^
Chemistry Holdings Limited 1/A, Sarguna Salai, Nagalkeni, Chromepet, Chennai 600044, India	Ordinary shares & Compulsory convertible preference shares	21.7	USD	^	^
Africa Renewable Energy Fund II C/O Berkeley Energy 4 Old Park Ln, London, Greater London W1K 1QW	Partnership interest	21.6	EUR	^	^
BluePeak Private Capital Fund Green Center - Bloc D 2.2 Rue du Lac de Constance Les Berges du Lac 1053 Tunis, Tunisia	Partnership interest	21.5	USD	^	^
iMerit Inc. 985 University Avenue Suite 8, Los Gatos, CA 95032, United States	Ordinary shares	21.3	USD	^	^
TLCom TIDE Africa Fund 85 Great Portland Street W1W 7LT London United Kingdom	Partnership Interest	21.3	USD	^	^
Green Growth Feeder Fund Pte. Ltd 163 Penang Road, #08-01, Winsland House II, Singapore 238463	Partnership Interest	21.2	USD	^	^
Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli – 110019, India	Ordinary shares	21.0	USD	^	^
Dolma Impact Fund II Level 5, Maeva Tower Bank Street, Cybercity, Ebène Republic of Mauritius	Ordinary shares	20.4	USD	^	^
Phatisa Food Fund 2 S3-S4, 2nd Floor Palm Square Complex, La Mivoie Mauritius	Ordinary shares	20.1	USD	^	^
Actis India 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	20.0	USD	^	^
African Rivers Fund c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
Aureos East Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	20.0	USD	^	^
H1 Capital (Pty) Ltd 130 Bree St, Manhattan Place, Cape Town, South Africa	Redeemable preference shares	20.0	USD	^	^
India Agribusiness Fund II Limited 5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
UNIC Online Limited 4 Inomenon Ethnon, Anastasia Building Floor 3, 6042, Larnaca, Cyprus	Ordinary shares	20.0	EUR	^	^

* Profit/(loss) for the year and aggregate capital and reserves for the significant holding as at the end of its relevant financial year.
^ Information not required as British International Investment plc's holding is less than 50 per cent and undertaking's financial information is not published.

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British International Investment plc is wholly owned by the UK Government.

@BritishIntInv

Independent auditor's report to the members of British International Investment plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of British International Investment plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated and Company Statements of Comprehensive Income;
- the Consolidated and Company Statements of Financial Position;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Cash Flow Statements; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards International Financial Reporting Standards (IFRSs) as issued by IASB, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: + valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs; and + valuation of debt investments with a high degree of judgement. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £152m which was determined on the basis of 2% of net assets.
Scoping	Our group audit scope included the audit of the parent company, which accounts for more than 99% of the net assets of the group. We performed analytical procedures on the remaining components.
Significant changes in our approach	There were no significant changes in our approach this year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of the:

- adequacy of the liquidity position through our audit procedures performed on the balance sheet, including agreeing promissory notes receivable to the signed shareholder agreement and reviewing post year end bank statements;
- headroom available between the liquidity position and the commitments;
- appropriateness of the going concern disclosures in the financial statements.

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

Independent auditor's report to the members of British International Investment plc continued

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs

Key audit matter description

At 31 December 2022, the Group held investments totalling £4,847.3 (2021: £4,216m) in unquoted companies which are classified at fair value through profit and loss.

Within that balance we identified a key audit matter relating to unquoted direct equity investments which are valued using the discounted cash flow (DCF) method totalling £1,062.7 (2021: £736.1m). The investments are required to be compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments. The complex nature of the methodologies employed, combined with the number of significant judgements, means there is a risk that the fair value of the investments could be misstated and there is an inherent risk of potential management bias associated with significant judgements. Key assumptions relating to these investments have been summarised as:

- the appropriateness of the discount rate applied to the DCF model;
- the valuations assigned to intangible assets such as platform value;
- the appropriateness of the inputs into the DCF model including the timing and size of cash flows (including arrears), growth rates and terminal values.

The significant accounting policies with respect to the Group's application of IFRS 9 *Financial Instruments* and valuation methodologies are described in note 18 to the financial statements. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 3 to the financial statements.

How the scope of our audit responded to the key audit matter

We performed the following procedures:

- obtained an understanding of the relevant controls. We tested these controls and were able to rely on their operating effectiveness around valuation of equity investments;
- evaluated the accuracy and completeness of the valuation disclosures to assess whether they are compliant with IFRS 13 Fair Value Measurement and IFRS 9 Financial Instruments.

And for a sample of unquoted direct equity investments we:

- considered the appropriateness of the valuation methodology selected;
- engaged our valuation specialists to perform an assessment and challenge management on the appropriateness of the discount rate, the growth rate and terminal value on investments where necessary;
- assessed other key judgements and valuations assigned to intangible assets such as the platform value;
- tested the accuracy and completeness of the inputs into the DCF model, including the timing and size of cash flows, including agreeing factual inputs to third party support where possible;
- performed sensitivity analysis on key inputs to understand the susceptibility of the valuations to changes in key assumptions;
- tested the macroeconomic assumptions included in the forecasts with reference to observable market data and external forecasts where possible;
- tested the consistency of macroeconomic assumptions used in the cash flow forecasts with those used in the discount rate assumptions;
- compared the historical accuracy of the cash flow forecasts against actual results in order to assess the reliability of the forecasts;
- employed audit analytic tools on the valuation models to assess complex investments for model integrity;

Key observations

Although we noted sensitivity to significant judgements in these valuations that could change the valuations by more than materiality, we considered the judgements and assumptions utilised in determining the fair value of the Group's investments, when considered in aggregate, to be within an acceptable range.

Independent auditor's report to the members of British International Investment plc continued

5.2. Valuation of debt investments with a high degree of judgement

Key audit matter description	The debt investments have been disaggregated into 3 categories, namely those where no credit risk triggers have occurred, those where specific credit triggers have occurred and those with significant uncertainty of future cash flows. As described in note 4, £1,420m (2021: £1,376m) of the loans were valued using the discounted cash flows method and £226m (2021: £60.6m) were valued using a methodology based on a DCF valuation methodology but also includes additional elements of judgement, for example probability weighted scenario analysis or collateral valuations. The number of significant judgements involved in valuations where there is significant uncertainty of future cash flows, in addition to those involved in determining discount rates, means there is increased risk that the fair value of these debt investments is materially misstated. In addition, there is an inherent risk of potential management bias associated with significant judgements. The significant accounting policies with respect to the Group's application of IFRS 9 *Financial Instruments* and valuation methodologies are described in note 18 to the financial statements. The sensitivity analysis of key inputs on the Group's valuation methodologies are described in note 4 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: + obtained an understanding of the processes and the relevant controls around valuation of debt instruments including the new credit rating framework. We tested and were able to rely on the operating effectiveness of these controls; + evaluated the accuracy and completeness of the valuation disclosures to assess whether they are compliant with IFRS 13 *Fair Value Measurement* and IFRS 9 *Financial Instruments*; For a sample of unquoted direct debt investments we: + considered the appropriateness of the valuation methodology selected; + considered the appropriateness of the credit rating used; + tested the accuracy and completeness of factual inputs into the financial model by agreeing to underlying contracts; + tested cash collections by tracing through to bank statements; + tested the calibration of the discount rate used at origination and engaged our valuation specialists to assist in assessing the appropriateness of the discount rates used at year end; + understood the sensitivity of the valuations to any probability weightings used by management and assessed if they were within threshold.
Key observations	Although we note sensitivity to judgements in the discount rates applied that could change the valuations by more than materiality, we consider the judgements and assumptions utilised in determining the fair value of the Group's debt investments, when considered in aggregate, to be within an acceptable range.

6. Our application of materiality

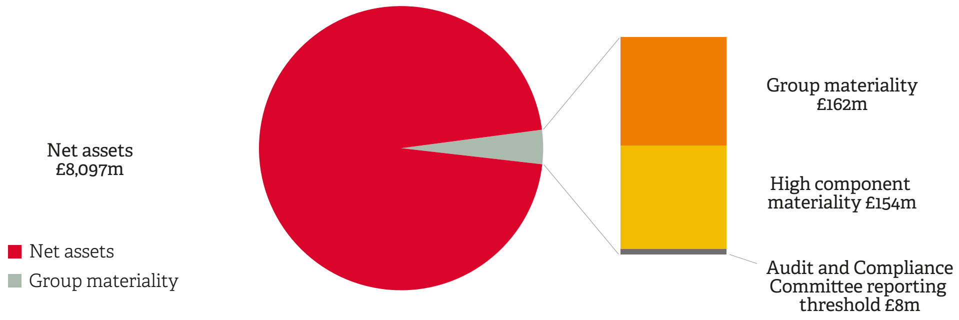
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£162m (2021: £152m)	£154m (2021: £144m)
Basis for determining materiality	2% (2021: 2%) of net assets	2% (2021: 2%) of net assets, capped at 95% of group materiality Parent company materiality therefore equates to 1.9% of net assets.
Rationale for the benchmark applied	The Group's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity.	The company's primary activity is making investments to support local development. The users of the financial statements will make decisions based on the performance of the assets held by the entity which ultimately impact the overall net assets of the entity.

Independent auditor's report to the members of British International Investment plc continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our assessment of the control environment and the fact that we were able to rely on controls for our testing of investments, and b. the nature and level of misstatements identified during the previous years' audit.	

6.3. Error reporting threshold

We agreed with the Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £8.0m (2021: £7.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Compliance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level. The most significant component of the group is the parent company. Our group audit scope included the full scope audit of the parent company which accounted for more than 99% of net assets of the group. At the group level we also tested the consolidation process and performed analytical procedures on the remaining components to component materialities which ranged from £0.01m to £154m (2021: £0.01m to £144m). All of the work is performed by the group audit team. The approach is in line with the prior year.

7.2. Our consideration of the control environment

We identified the financial reporting, payroll expenditure, expenses, equity, fund and debt investment business cycles to be the most relevant to the audit. We tested relevant controls and take a controls reliance approach over the payroll expenditure, equity, fund and equity investments cycles. In addition, we performed general IT controls testing over the group's financial reporting system.

7.3. Our consideration of climate-related risks

In planning our audit, we considered the potential financial impacts on the group and parent company's financial statements of climate change and the transition to a low carbon economy. We held meetings with the Climate Change team and the Environmental, Social and Governance (ESG) Impact team to understand the process of assessing climate-related transition and physical risks both for the existing portfolio of investments and for new investments as part of the due diligence process. Based on these discussions, we understand that the high carbon-related investments in the existing portfolio will have matured by 2050. We considered the maturity date and potential impact of climate-related risks on the terminal value of these investments in our samples and concluded that the terminal values are not material. Regarding new investments, the assessment of climate-related risk drivers is embedded in the due diligence process in line with the group's Policy on Responsible Investing which prevents further investments into high carbon-related assets that are identified in group's Fossil Fuel Policy.

We further considered management's own assessment of the related risks and opportunities as described on **page 13**, together with our cumulative knowledge and experience of the group and the environment in which it operates. We assessed management's going concern and viability disclosures and identified no significant impact of climate change on those disclosures. We have considered whether information included in the climate related disclosures in the Annual Report is consistent with our understanding and knowledge of the business and the financial statements. Our knowledge obtained in the audit is from attending meetings with key management personnel responsible for climate change at the group, reviewing the group's risk register, reviewing the group's policy on responsible investing, climate change strategy and fossil fuel policy, reviewing board packs and meeting minutes and evaluating any public announcements or initiatives to which the group has committed.

Independent auditor's report to the members of British International Investment plc continued

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the directors, Internal Audit, Compliance, the Chairman and the Audit and Compliance Committee about their own identification and assessment of the risks of irregularities; , including those that are specific to the group's sector.
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and the relevant internal specialists, including valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs, and
- valuation of debt investments with a high degree of significant judgement.

These involve the selection and application of an appropriate valuation methodology and the use of assumptions which require significant management judgement and therefore there is potential for management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Independent auditor's report to the members of British International Investment plc continued

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included UK Bribery Act 2010.

11.2. Audit response to risks identified
As a result of performing the above, we identified valuation of unquoted investments relating to material direct equity investments with a high degree of judgemental or complex inputs and valuation of debt investments with significant judgements as a key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

+ reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
+ enquiring of management, the Audit and Compliance Committee and Chief Legal Officer concerning actual and potential litigation and claims;
+ performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
+ reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
+ in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

+ the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
+ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

+ we have not received all the information and explanations we require for our audit; or
+ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
+ the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Independent auditor's report to the members of British International Investment plc continued

14. Use of our report

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. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Allee Bonnard

Allee Bonnard
(Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

20 April 2023

Consolidated Statement of Financial Position
As at 31 December

Assets	**Notes**	**2022 £m**	**2021 £m**
Non-current assets			
Plant and equipment	13	**11.7**	14.3
Intangible asset	14	**1.8**	2.4
Equity investments at FVTPL	3	**5,086.2**	4,557.9
Loan investments at FVTPL	4	**1,350.8**	1,209.5
Guarantees	5	**87.0**	97.9
Other receivables		**0.6**	0.2
Deferred tax asset	12	**0.2**	0.2
		6,538.3	5,882.4
Current assets			
Trade and other receivables	15	**402.3**	309.4
Note receivable	24	**30.0**	901.0
Forward foreign exchange contracts (FFECs)	8	**86.4**	15.3
Cash and cash equivalents	6	**1,159.1**	706.3
		1,677.8	1,932.00
Total assets		**8,216.1**	7,814.4
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	7	**4,896.7**	4,682.0
Foreign currency translation reserves		**0.2**	–
Retained earnings		**3,200.7**	3,033.2
Total equity		**8,097.6**	7,715.2
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**4.8**	0.7
Long-term lease liability	22	**8.2**	9.1
Deferred government grant income	20	**39.3**	7.1
		52.3	16.9
Current liabilities			
Trade and other payables	16	**50.4**	52.2
Forward foreign exchange contracts (FFECs)	8	**12.2**	17.9
Expected credit loss provision on unfunded loan commitments	4	**0.4**	8.6
Short-term lease liability	22	**3.2**	3.6
		66.2	82.3
Total liabilities		**118.5**	99.2
Total equity and liabilities		**8,216.1**	7,814.4

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 20 April 2023 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Consolidated Statement of Comprehensive Income
For the 12 months to 31 December

	Notes	**2022 Total £m**	**2021 Total £m**
Investment income	9	**158.1**	110.3
Fair value (losses)/gains on equity investments	3	**(191.9)**	495.6
Fair value losses on loan investments	4	**(96.9)**	(31.6)
Fair value gains and expected credit losses on guarantees	5	**3.4**	(2.6)
Expected credit loss on unfunded loan commitments	4	**4.1**	(5.1)
Foreign exchange gains on equity investments	3, 11	**453.2**	19.2
Foreign exchange gains on loan investments	4, 11	**156.9**	6.5
Foreign exchange gains on guarantees	5, 11	**14.9**	0.1
Government grant income	20	**0.5**	–
Other income	9	**13.9**	12.6
Foreign exchange losses arising on FFECs	11	**(218.9)**	(21.3)
Administrative and other expenses	10	**(134.8)**	(116.3)
Profit from operations before tax and finance costs		**162.5**	467.4
Finance costs		**(0.4)**	(0.2)
Finance income		**11.6**	0.4
Foreign exchange gains/(losses) (cash and cash equivalents)	11	**13.4**	(2.7)
Profit from operations before tax		**187.1**	464.9
Income tax expense	12	**(20.0)**	(2.8)
Profit for the year		**167.1**	462.1
Items that will not be reclassified to profit and loss (net of tax):			
Recognised actuarial gain on pensions	17	**0.4**	1.0
Items that will be reclassified to profit and loss (net of tax):			
Foreign currency translation reserves		**0.2**	0.4
Other comprehensive income		**0.6**	1.4
Total comprehensive profit for the year		**167.7**	463.5

Notes 1 to 27 form part of the financial statements.

Consolidated Statement of Cash Flows
For the 12 months to 31 December

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit from operations before tax		**187.1**	464.9
Adjustments for:			
Depreciation of plant and equipment	13	**5.2**	4.9
Amortisation of intangible asset	14	**0.6**	0.4
Finance income		**(11.6)**	(0.4)
Dividend income		**(24.9)**	(16.0)
Finance costs		**0.4**	0.2
Change in fair value of equity investments	3	**191.9**	(495.6)
Change in fair value of loan investments	4	**96.9**	31.6
Fair value and expected credit losses on guarantees	5	**(3.4)**	2.6
Defined benefit pension costs	10	**0.8**	1.0
Expected credit loss on unfunded loan commitments	4	**(4.1)**	5.1
Deferred government grant income	20	**32.2**	7.1
Effect of exchange rate fluctuations on non FFEC transactions		**(637.0)**	(22.4)
Cash flows from operations before changes in working capital		**(165.9)**	(16.6)
Increase in trade and other receivables		**(16.2)**	(23.1)
(Decrease)/increase in derivative financial instruments		**(76.8)**	57.5
(Decrease)/increase in trade and other payables		**(2.1)**	5.8
Cash flows from operations		**(261.0)**	23.6
Finance costs		**(0.4)**	(0.2)
Defined benefit pension contributions paid		**(0.4)**	–
Taxes paid		**(19.6)**	(2.9)
Cash flows from operating activities		**(281.4)**	20.5

	Notes	2022 £m	2021 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**630.8**	428.5
Acquisition of equity investments	3	**(897.8)**	(642.2)
Acquisition of plant and equipment	13	**(2.0)**	(1.1)
Acquisition of intangible asset	14	**–**	(2.6)
Interest received		**11.6**	0.4
Investment transfers		**–**	3.9
Dividend received		**24.9**	16.0
Loan advances	4	**(494.7)**	(459.2)
Loan repayments	4	**336.7**	203.5
Guarantee advances	5	**(47.0)**	(167.3)
Guarantee repayments	5	**76.3**	205.9
Cash flows from investing activities		**(361.2)**	(414.2)
Cash flows from financing activities			
Proceeds from promissory notes		**1,085.7**	650.0
Lease payments	22	**(3.7)**	(3.7)
Cash flows from financing activities		**1,082.0**	646.3
Net increase in cash and cash equivalents		**439.4**	252.6
Effect of foreign exchange rate changes		**13.4**	(2.6)
Cash and cash equivalents at 1 January		**706.3**	456.3
Cash and cash equivalents at 31 December	6	**1,159.1**	706.3

Notes 1 to 27 form part of the financial statements.

Consolidated Statement of Changes in Equity For the 12 months to 31 December

	Notes	Share capital £m	Recognised actuarial gain on pensions £m	Foreign currency translation reserves £m	Retained earnings £m	Total £m
At 1 January 2021		4,236.0	0.7	(0.4)	2,569.4	6,805.7
Profit for the year		–	–	–	462.1	462.1
Other comprehensive income for the year		–	1.0	0.4	–	1.4
Total comprehensive profit for the year		–	1.0	0.4	462.1	463.5
Issue of ordinary shares	7	446.0	–	–	–	446.0
At 31 December 2021		4,682.0	1.7	–	3,031.5	7,715.2
Changes in equity for 2022						
Profit for the year		**–**	**–**	**–**	**167.1**	**167.1**
Other comprehensive income for the year		**–**	**0.4**	**0.2**	**–**	**0.6**
Total comprehensive profit for the year		**–**	**0.4**	**0.2**	**167.1**	**167.7**
Issue of ordinary shares	7	**214.7**	**–**	**–**	**–**	**214.7**
At 31 December 2022		**4,896.7**	**2.1**	**0.2**	**3,198.6**	**8,097.6**

Company Statement of Changes in Equity For the 12 months to 31 December

	Notes	Share capital £m	Recognised actuarial gain on pensions £m	Retained earnings £m	Total £m
At 1 January 2021		4,236.0	0.7	2,569.0	6,805.7
Profit for the year		–	–	462.5	462.5
Other comprehensive income for the year		–	1.0	–	1.0
Total comprehensive profit for the year		–	1.0	462.5	463.5
Issue of ordinary shares	7	446.0	–	–	446.0
At 31 December 2021		4,682.0	1.7	3,031.5	7,715.2
Changes in equity for 2022					
Profit for the year		**–**	**–**	**167.3**	**167.3**
Other comprehensive income for the year		**–**	**0.4**	**–**	**0.4**
Total comprehensive profit for the year		**–**	**0.4**	**167.3**	**167.7**
Issue of ordinary shares	7	**214.7**	**–**	**–**	**214.7**
At 31 December 2022		**4,896.7**	**2.1**	**3,198.8**	**8,097.6**

Notes 1 to 27 form part of the financial statements.

Company Statement of Financial Position
As at 31 December

Assets	**Notes**	**2022 £m**	**2021 £m**
Non-current assets			
Plant and equipment	13	**9.3**	12.6
Intangible asset	14	**1.8**	2.4
Equity investments at FVTPL	3	**5,095.9**	4,565.3
Loan investments at FVTPL	4	**1,350.8**	1,209.5
Guarantees	5	**87.0**	97.9
		6,544.8	5,887.7
Current assets			
Trade and other receivables	15	**401.6**	309.2
Note receivable	24	**30.0**	901.0
Forward foreign exchange contracts (FFECs)	8	**86.4**	15.3
Cash and cash equivalents	6	**1,151.4**	698.3
		1,669.4	1,923.8
Total assets		**8,214.2**	7,811.5
Equity and liabilities			
Issued capital	7	**4,896.7**	4,682.0
Retained earnings		**3,200.9**	3,033.2
Total equity		**8,097.6**	7,715.2
Non-current liabilities			
Expected credit loss provision on unfunded loan commitments	4	**4.8**	0.7
Long-term lease liability	22	**6.0**	8.0
Deferred government grant income	20	**39.3**	7.1
		50.1	15.8
Current liabilities			
Trade and other payables	16	**51.0**	50.7
Forward foreign exchange contracts (FFECs)	8	**12.2**	17.9
Expected credit loss provision on unfunded loan commitments	4	**0.4**	8.6
Short-term lease liability	22	**2.9**	3.3
		66.5	80.5
Total liabilities		**116.6**	96.3
Total equity and liabilities		**8,214.2**	7,811.5

Notes 1 to 27 form part of the financial statements. The accounts were approved by the members of the Board on 20 April 2023 and were signed on their behalf by:

Nick O'Donohoe
Chief Executive

Carolyn Sims
Chief Financial Officer and Chief Operating Officer

Company Statement of Comprehensive Income
For the 12 months to 31 December

	Notes	**2022 Total £m**	**2021 Total £m**
Investment income	9	**158.1**	110.3
Fair value (losses)/gains on equity investments	3	**(189.8)**	497.7
Fair value losses on loan investments	4	**(96.9)**	(31.6)
Fair value gains and expected credit losses on guarantees	5	**3.4**	(2.6)
Expected credit loss on unfunded loan commitments	4	**4.1**	(5.1)
Foreign exchange gains on equity investments	3, 11	**453.4**	19.2
Foreign exchange gains on loan investments	4, 11	**156.9**	6.5
Foreign exchange gains on guarantees	5, 11	**14.9**	0.1
Government grant income	20	**0.5**	–
Other income	9	**12.2**	12.2
Foreign exchange losses arising on FFECs	11	**(218.9)**	(21.3)
Administrative and other expenses	10	**(136.3)**	(118.1)
Profit from operations before tax and finance costs		**161.6**	467.3
Finance costs		**(0.4)**	(0.2)
Finance income		**11.6**	0.3
Foreign exchange gains/(losses) (cash and cash equivalents)	11	**14.0**	(2.6)
Profit from operations before tax		**186.8**	464.8
Income tax expense	12	**(19.5)**	(2.3)
Profit for the year		**167.3**	462.5
Items that will not be reclassified to profit and loss:			
Other comprehensive income (net of tax)			
Recognised actuarial gain on pensions	17	**0.4**	1.0
Total comprehensive profit for the year		**167.7**	463.5

Notes 1 to 27 form part of the financial statements.

Company Statement of Cash Flows
For the 12 months to 31 December

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit from operations before tax		**186.8**	464.8
Adjustments for:			
Depreciation of plant and equipment	13	**4.4**	4.4
Amortisation of intangible asset	14	**0.4**	0.4
Finance income		**(11.6)**	(0.3)
Dividend income		**(24.9)**	(16.0)
Finance costs		**0.4**	0.2
Change in value of equity investments	3	**189.8**	(497.7)
Change in value of loan investments	4	**96.9**	31.6
Fair value and expected credit losses on guarantees	5	**(3.4)**	2.6
Defined benefit pension costs	10	**0.8**	1.0
Expected credit loss on unfunded loan commitments	4	**(4.1)**	5.1
Deferred government grant income	20	**32.2**	7.1
Effect of exchange rate fluctuations on non FFEC transactions		**(637.6)**	(23.1)
Cash flows from operations before changes in working capital		**(169.9)**	(19.9)
Increase in trade and other receivables		**(16.1)**	(22.7)
(Decrease)/increase in derivative financial instruments		**(76.8)**	57.5
Increase in trade and other payables		**0.3**	4.3
Cash flows from operations		**(262.5)**	19.2
Finance cost		**(0.4)**	(0.2)
Defined benefit pension contributions paid		**(0.4)**	–
Taxes paid		**(19.5)**	(2.3)
Cash flows from operating activities		**(282.8)**	16.7

	Notes	2022 £m	2021 £m
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**630.8**	428.5
Acquisition of equity investments	3	**(897.8)**	(642.6)
Acquisition of plant and equipment	13	**(1.2)**	(0.8)
Acquisition of intangible asset	14	**–**	(2.6)
Interest received		**11.6**	0.3
Investment transfers		**–**	3.9
Dividend received		**24.9**	16.0
Loan advances	4	**(494.7)**	(459.2)
Loan repayments	4	**336.7**	203.5
Guarantee advances	5	**(47.0)**	(167.3)
Guarantee repayments	5	**76.3**	205.9
Cash flows from investing activities		**(360.4)**	(414.4)
Cash flows from financing activities			
Proceeds from promissory notes	22	**1,085.7**	650.0
Lease payments		**(3.4)**	(3.4)
Cash flows from financing activities		**1,082.3**	646.6
Net increase in cash and cash equivalents		**439.1**	248.9
Effect of foreign exchange rate changes		**14.0**	(2.6)
Cash and cash equivalents at 1 January		**698.3**	452.0
Cash and cash equivalents at 31 December	6	**1,151.4**	698.3

Notes 1 to 27 form part of the financial statements.

Notes to the accounts

1. Corporate information and accounts preparation

Corporate information

CDC Group plc was renamed as British International Investment plc on 4 April 2022. The financial statements of British International Investment plc (BII or the 'Company') for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 20 April 2023. BII is a limited company incorporated in England and Wales whose shares are not publicly traded. The registered is located at 123 Victoria Street, London, England, SW1E 6DE.

The Group's primary activity is investing in emerging markets. More details on BII's primary activities can be found on **page 6** of the Strategic and Directors' Report and **page 66** of the Governance Report. Both the Company and some of the Group's subsidiaries make investments.

Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the UK.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented on a going concern basis and in Pounds Sterling, which is the Company's functional currency. All values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

Going concern

BII's business activities are set out in the Strategic and Directors' Report on **page 6** and these financial statements include information on BII's approach to managing its financial risk and its exposures to liquidity, credit and market risk.

BII is well capitalised with equity share capital of £4,896.7 million and retained earnings of £3,200.7 million. At 31 December 2022, net assets were £8,097.6 million including cash and short-term deposits of £1,192.1 million (including non-consolidated subsidiaries), and promissory notes receivable of £30.0 million. FCDO lodged a new promissory note for £289.5 million on 22 March 2023. Additionally, BII has access to a £496.6 million ($600.0 million) revolving credit facility (RCF) via a wholly owned non-consolidated subsidiary. Long-term liabilities mostly comprise outstanding investment commitments of £2,526.8 million and investment pace in 2023 is expected to be in the region of £1.4 billion ($1.75 billion).

Regular cash flow forecasts are prepared by management and considered by the Directors. Current forecasts demonstrate there are sufficient liquid resources to maintain planned investment pace until the end of 2024 without needing to call on the RCF. The Board introduced two new liquidity metrics in January 2023: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due (this replaces the commitment coverage ratio).

Having performed the assessment on going concern, the Directors consider it appropriate to prepare the financial statements of the Group and Company on a going concern basis. The Group has adequate financial resources and liquidity, and is well placed to manage business risks in the current economic environment to continue operations for a period of at least 12 months from the date of issue of the financial statements.

Key sources of estimation uncertainty and critical accounting judgements

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity and debt investments. The Group's fair value methodologies for equity investments are disclosed in note 26.

Key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the use of estimates. The key accounting estimates are the carrying value of our level 3 investment assets, which are stated at fair value.

Given the importance of the valuation of investments, BII has a separate Valuations Steering Committee to discuss and review the valuation of its portfolio. However, asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate such as trading multiples, discount rates and assumptions in expected cash flows.

There is heightened uncertainty around valuations given the macro-economic challenges experienced by many of BII's core countries such as acceleration of inflation, raising interest rates and depreciation of currencies. As a result the Valuations Steering Committee specifically considered the impact of these macro-economic challenges on the valuations as at year end for each investment.

For more information refer to note 3, note 4 and note 5.

Critical accounting judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in applying relevant accounting policies.

The key area involving a higher degree of judgement or complexity, where assumptions are significant to the consolidated and individual financial statements, is meeting the definition of an investment entity. Being an investment entity means that BII holds all investments at fair value and does not consolidate any investments even if BII has a controlling stake.

Notes to the accounts continued

1. Corporate information and accounts preparation continued

There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material gains or losses to the Group, beyond what was anticipated or provided for.

Further development of standards and interpretations under IFRS could also materially impact the financial results, conditions and prospects of BII.

In the process of applying the accounting policies, BII has made the following judgement which has a significant effect on the amounts recognised in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

BII's purpose is to invest for capital appreciation and investment income so as to contribute to sustainable development and economic growth in markets in which we invest by creating lasting employment.

BII has one investor, FCDO. Its funds are provided by FCDO in the form of share capital with the intention that BII provides investment management services by using those funds to invest in developing countries through a mixture of direct investment and fund of funds private equity structures.

BII's mission is to invest to support the growth of all sizes of private sector businesses from the micro level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. In addition to creating jobs, BII intends to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including, in time, fully commercial capital. Whilst BII's mission statement does not explicitly state that BII commits to investing for capital return and/or investment income, the nature of the investments made by BII and its track record in recent years indicate that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover, BII currently invests in a range of large and mid-market private equity houses which are clearly focused on such capital appreciation. These houses have a diverse range of investors including high net worth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

BII also seeks to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital. BII therefore plans a path to investment exit and a new ownership that will take the investment to its next level, as successful exits from investments have this demonstration effect.

BII manages, measures and reports its investment portfolio of over 400 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Whilst BII has one investor, the nature of the investor, being the UK Government, is such that it is in effect investing on behalf of the UK taxpayer.

On the basis of the above, BII has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries which provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2022. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies. Full details of the principal subsidiaries are given in note 27.

Subsidiaries are all entities over which the Company has control. Control is defined as the rights to direct relevant activities of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity.

Non-investment subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated in full on consolidation.

All investment entity subsidiaries are accounted for at fair value through profit and loss.

Notes to the accounts continued

1. Corporate information and accounts preparation continued

Associates

Associates are entities which the Group has significant influence over, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights.

No associates are presented in the consolidated statement of financial position as the Group elects to hold such investments as fair value financial assets. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value are recognised in the Statement of Comprehensive Income for the period.

Foreign currency translation

Items included in the financial statements of each of the Group's non-investment subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's functional and presentational currency is Pounds Sterling.

Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transaction. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year-end exchange rate are recognised in the Statement of Comprehensive Income.

The results and financial position of all non-investment subsidiaries that have a functional currency different from the reporting currency of the Group are translated into the presentation currency as follows:

+ Assets and liabilities: Closing rate at the date of the statement of financial position.
+ Income and expenses: Average rate.
+ Cash flows: Average rate.

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the statement of comprehensive income.

A summary of other significant accounting policies can be found in note 26.

2. Operating segments analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

BII operates in one segment. The Group's Chief Executive, who is the chief operating decision maker, monitors the overall operating results of the business for the purpose of making decisions and assessing performance. The business targets an annual commitment level across all product types with no capital or funding allocation given for different product types. BII's operating segment is internally reported to the Group's Chief Executive and reviewed at least quarterly.

Information related to the operating segment is set out below. Portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the operating segment.

	2022 £m	2021 £m
Portfolio return	**285.6**	584.4
Assets – Portfolio value	**6,888.6**	6,011.0

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance Report on **pages 7 to 10**, BII consolidates investment entity subsidiaries acting as investment holding companies in order to track the underlying performance and financial position of BII. This does not impact these subsidiaries' investment entity status under IFRS 10. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The results in the management reports give the same total return and net assets as the primary statements but give rise to differences in classification. The classification differences relate mainly to portfolio, cash and cash flows. Forward foreign exchange contracts relating to the investment portfolio are included in portfolio return and portfolio value in the management reports.

Notes to the accounts continued

2. Operating segments analysis continued

Statement of comprehensive income

	Notes	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio return	3,4,5&9*	**497.7**	**(212.1)**	**–**	**285.6**
Administrative expenses/ operating costs	10	**(134.8)**	**–**	**(1.3)**	**(136.1)**
Other net (expense)/income		**(206.4)**	**212.1**	**12.5**	**18.2**
Finance costs		**(0.4)**	**–**	**0.4**	**–**
Finance income		**11.6**	**–**	**(11.6)**	**–**
Total comprehensive income/ total return after tax		**167.7**	**–**	**–**	**167.7**

	Notes	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio return	3,4,5&9*	597.5	(13.1)	–	584.4
Administrative expenses/ operating costs	10	(116.3)	–	4.8	(111.5)
Other net (expense)/income		(17.9)	13.1	(4.6)	(9.4)
Finance costs		(0.2)	–	0.2	–
Finance income		0.4	–	(0.4)	–
Total comprehensive income/ total return after tax		463.5	–	–	463.5

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.

Statement of financial position

	Notes	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio value	3,4&5*	**6,843.8**	**74.3**	**(29.5)**	**6,888.6**
Net cash and short-term deposits	6	**1,159.1**	**–**	**33.0**	**1,192.1**
Other net assets/(liabilities)		**94.7**	**(74.3)**	**(3.5)**	**16.9**
Total net assets attributable to equity holders of the Company		**8,097.6**	**–**	**–**	**8,097.6**

	Notes	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio value	3,4&5*	6,108.8	(6.2)	(91.6)	6,011.0
Net cash and short-term deposits	6	706.3	–	16.4	722.7
Other net assets/(liabilities)		900.1	6.2	75.2	981.5
Total net assets attributable to equity holders of the Company		7,715.2	–	–	7,715.2

* Portfolio per the primary statements is the aggregate of equity investments in note 3, the total of current and non-current loan investments in note 4 and guarantees in note 5.

Notes to the accounts continued

2. Operating segments analysis continued

Statement of cash flows

	Primary statements 2022 £m	Reconciling items: Reclassify portfolio items 2022 £m	Reconciling items: Other items and reclassifications 2022 £m	Management reports 2022 £m
Portfolio drawdowns	**(1,439.5)**	**(74.6)**	**(52.4)**	**(1,566.5)**
Portfolio receipts	**1,043.8**	**186.8**	**26.2**	**1,256.8**
Net investment flows	**(395.7)**	**112.2**	**(26.2)**	**(309.7)**
Other cash flows	**848.5**	**(112.2)**	**46.6**	**782.9**
Net increase in cash and cash equivalents	**452.8**	**–**	**20.4**	**473.2**

	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio drawdowns	(1,268.7)	72.5	(88.8)	(1,285.0)
Portfolio receipts	837.9	184.4	45.2	1,067.5
Net investment flows	(430.8)	256.9	(43.6)	(217.5)
Other cash flows	680.8	(256.9)	47.3	471.2
Net increase in cash and cash equivalents	250.0	–	3.7	253.7

Geographic information

The following tables show the distribution of BII's portfolio return allocated based on the region of the investments.

	Notes	Africa 2022 £m	South Asia 2022 £m	Rest of World 2022 £m	Multi-region† 2022 £m	Total 2022 £m
Portfolio return	3,4,5&9*	**192.2**	**317.9**	**–**	**(12.4)**	**497.7**

	Notes	2021 £m	2021 £m	2021 £m	2021 £m	2021 £m
Portfolio return	3,4,5&9*	216.0	342.9	2.6	36.0	597.5

* Portfolio return is the aggregate of the increase/(decrease) in fair value and foreign exchange of equity and debt investments in note 3 and 4, fair value and expected credit losses and foreign exchange of guarantees in note 5 and total investment income in note 9.
† Multi-region includes investments which span across all three of the other geographic segments.

3. Equity investments

Group	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Total 2021 £m
At 1 January, at fair value	**341.9**	**4,216.0**	**4,557.9**	357.0	3,516.3	3,873.3
Additions	**–**	**897.8**	**897.8**	–	642.2	642.2
Disposals	**(114.2)**	**(516.6)**	**(630.8)**	(94.4)	(334.1)	(428.5)
Transfers	**–**	**–**	**–**	–	(43.9)	(43.9)
Fair value gains/(losses)	**15.5**	**(207.4)**	**(191.9)**	93.2	402.4	495.6
Foreign exchange (losses)/gains	**(4.3)**	**457.5**	**453.2**	(13.9)	33.1	19.2
At 31 December, at fair value	**238.9**	**4,847.3**	**5,086.2**	341.9	4,216.0	4,557.9

Company	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Shares held in Group companies* 2021 £m	Total 2021 £m
At 1 January, at fair value	**341.9**	**4,216.0**	**7.4**	**4,565.3**	357.0	3,516.3	4.9	3,878.2
Additions	**–**	**897.8**	**–**	**897.8**	–	642.2	0.4	642.6
Disposals	**(114.2)**	**(516.6)**	**–**	**(630.8)**	(94.4)	(334.1)	–	(428.5)
Transfers	**–**	**–**	**–**	**–**	–	(43.9)	–	(43.9)
Fair value gains/(losses)	**15.5**	**(207.4)**	**2.1**	**(189.8)**	93.2	402.4	2.1	497.7
Foreign exchange (losses)/gains	**(4.3)**	**457.5**	**0.2**	**453.4**	(13.9)	33.1	–	19.2
At 31 December, at fair value	**238.9**	**4,847.3**	**9.7**	**5,095.9**	341.9	4,216.0	7.4	4,565.3

* Amounts represent consolidated subsidiaries only.

Notes to the accounts continued

3. Equity investments continued

Fair value gains/(losses) on equity instruments comprises:

Group	Listed shares 2022 £m	Unlisted shares 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Total 2021 £m
Realised fair value gains	**57.9**	**131.9**	**189.8**	37.0	14.3	51.3
Unrealised fair value losses	**(42.4)**	**(339.3)**	**(381.7)**	56.2	388.1	444.3
Fair value gains/(losses) on equity instruments	**15.5**	**(207.4)**	**(191.9)**	93.2	402.4	495.6

Company	Listed shares 2022 £m	Unlisted shares 2022 £m	Shares held in Group companies* 2022 £m	Total 2022 £m	Listed shares 2021 £m	Unlisted shares 2021 £m	Shares held in Group companies* 2021 £m	Total 2021 £m
Realised fair value gains	**57.9**	**131.9**	**–**	**189.8**	37.0	14.3	–	51.3
Unrealised fair value (losses)/gains	**(42.4)**	**(339.3)**	**2.1**	**(379.6)**	56.2	388.1	2.1	446.4
Fair value gains/(losses) on equity instruments	**15.5**	**(207.4)**	**2.1**	**(189.8)**	93.2	402.4	2.1	497.7

* Amounts represent consolidated subsidiaries only.

Listed shares represent Level 1 of the fair value hierarchy, unless they are valued on a basis other than the quoted price as explained in note 26. The current value of quoted investments that are included within Level 3 is £35.4 million (2021: £37.2 million). Unlisted shares are included within Level 3. BII holds no Level 2 equity investments.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The transfers out of Level 3 reflect the conversion of unlisted equity investments in to loan investments (note 4).

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Group's fair value methodology for equity investments is disclosed in note 26. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, BII uses internally developed models and methodologies based on inputs that are unobservable to derive the fair value.

BII's governance framework includes a number of controls to ensure that investments are valued and reported in a manner that enables BII to produce financial statements that represent a true and fair view. Level 3 valuations are reviewed on a quarterly basis by BII's Valuation Steering Committee. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using various valuation methods and techniques generally recognised as standard within the industry.

Level 3 equity investments amount to £4,847.3 million (2021: £4,216.0 million) and consist of private equity positions. Included in Level 3 equity investments are investments into private equity funds which are valued using BII's attributable proportion of the reported fund net asset value which is derived from the fair value of the underlying investments. The current value of such investments is £2,356.7 million (2021: £2,082.5 million).

Valuation uncertainty

Valuation uncertainty arises in BII's direct equity investments because they are valued based on unobservable inputs. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows, comparable trading multiples and net asset value.

Fossil fuel assets are potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited, about 10 per cent of our portfolio by value in 2021, and even less in 2022. Most of our equity investments in these assets are contractually-insulated from direct transition risks, thus having limited exposure to direct cash flow risk (see related analysis in BII's Annual Accounts 2021, **page 32**). Revenue and cost impacts from policy shifts, reduction in demand, and taxes are usually considered in the estimated future cash flows where relevant. Potential changes in investor appetite remains the primary valuation uncertainty for longer-maturity assets. Refer to page 32 for the TCFD investment portfolio metrics.

Notes to the accounts continued

3. Equity investments continued

Discounted cash flows

£1,062.7 million (2021: £558.9 million) of BII's equity investments are valued using the net present value of estimated future cash flows. This approach is mostly based on unobservable inputs, where the reliability of any measurement depends on the quality of, support for, the assumptions used to form the cash flow projections. The discount rates adopted by BII are supported by the Capital Asset Pricing Model framework adjusted for differences in country, sector, size and project-specific risk, such as construction and technology risk. Other than the expected cash flow projections, the significant unobservable inputs in the discount rate include cost of equity, weighted average cost of capital, and capitalisation rates.

Trading multiples

£994.9 million (2021: £882.5 million) of BII's equity investments are valued using market-based multiples, reflected in market valuations of quoted companies or similar transactions. Management determines the set of comparable companies based on various factors, such as industry, size, country of operations, developmental stage and strategy. Management adjusts the multiple of each comparable company for differences in risk and growth prospects, liquidity, and control.

The significant unobservable inputs used in the market approach are EBITDA multiples, price/book multiples and revenue multiples.

Net Asset Value

£2,691.4 million (2021: £2,450.6 million) of BII's equity investments are valued using the net asset value (NAV) approach, where the value is derived by reference to the fair value of the company's net assets. BII uses this method for going concern valuations of intermediated equity investments and non-consolidated subsidiaries. The selection of the Fund Manager and the consideration to invest in a Fund follow an extensive due diligence process where the Fund Manager's valuation approach, estimation procedures, and consistency of application is gathered via initial due diligence. Based on these considerations, BII relies on the Fund Manager's reported NAV and accepts their valuations subject to internal review.

This method is also used to value loss-making companies and companies in liquidation.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2022 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Global equity securities	**994.9**	Comparable trading multiples	EBITDA multiple	8.6x	15.0%	+54.0
						-48.4
			Price/book multiple	2.3x	15.0%	+4.7
						-46.8
			Revenue multiple	3.9x	15.0%	+43.6
						-50.1
Global equity securities	**1,062.7**	DCF	Discount rate	13.5%	3.5%	+428.4
						-256.3
Intermediated equity and non-consolidated subsidiaries	**2,691.4**	Net asset value			10.0%	+269.1
						-269.1
Global equity securities	**98.3**	Other				–
TOTAL	**4,847.3**					+799.8
						-670.7

The fair value hierarchy also applies to forward foreign exchange contracts; see note 8 for further details.

The Group has exposure to several unconsolidated structured entities as a result of its investment activities in equity. They are limited life private equity funds or co-investments managed by general partners under a limited partnership agreement. The risk and maximum exposure to loss arising from the Group's involvement with these entities is their fair value of £1,701.6 million and undrawn commitments of £988.5 million (2021: fair value of £1,414.7 million and undrawn commitments of £909.0 million). The Group earned investment income of £8.8 million (2021: £0.9 million) and generated fair value gains of £85.5 million (2021: losses of £126.1 million) from these entities during the year.

Notes to the accounts continued

4. Loan investments

	Group and Company					
	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m	Level 1 2021 £m	Level 3 2021 £m	Total 2021 £m
At 1 January	**–**	**1,446.1**	**1,446.1**	–	1,175.5	1,175.5
Loan advances	**18.6**	**476.1**	**494.7**	–	459.2	459.2
Loan repayments	**–**	**(336.7)**	**(336.7)**	–	(203.5)	(203.5)
Transfers	**–**	**–**	**–**	–	40.0	40.0
Fair value (losses)	**(2.6)**	**(94.3)**	**(96.9)**	–	(31.6)	(31.6)
Foreign exchange gains/(losses)	**2.2**	**154.7**	**156.9**	–	6.5	6.5
At 31 December	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1
Less: Loan investments due within one year (note 15)	**–**	**(313.3)**	**(313.3)**	–	(236.6)	(236.6)
At 31 December	**18.2**	**1,332.6**	**1,350.8**	–	1,209.5	1,209.5

Loan investments are held at fair value through profit and loss.

BII classifies majority of its loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data. BII holds no Level 2 equity investments.

Valuation uncertainty

Valuation uncertainty arises in BII's loan investments because they are valued based on unobservable inputs. Level 3 inputs are sensitive to assumptions when ascertaining the fair value. The valuation techniques for debt instruments that require significant unobservable inputs are the net present value of estimated future cash flows.

Fossil fuel assets are potentially exposed to a particular set of financial risks driven by the ongoing decarbonisation of the economy. BII's financial exposure to fossil fuel assets is relatively limited, about 10 per cent of our portfolio by value in 2021, and even less in 2022. Most of our debt investments in these assets are contractually insulated from direct transition risks where offtaker willingness to pay is not affected by the fossil fuel portfolio. Potential increase in margins demanded by fossil fuel debt investors due to risk or shareholder pressure is a primary valuation uncertainty for longer-maturity assets which does not seem to be priced in the debt markets yet. Refer to **page 32** for the TCFD investment portfolio metrics.

Discounted cash flows

£1,570.3 million (2021: £1,446.1 million) of BII's loan investments are valued using the net present value of future cash flows. At the establishment of the contractual relationship (i.e. signing date or restructure date), the discount rate for a given loan investment is calibrated based on observable risk-free rate and spreads derived from a proxy curve with similar duration and credit quality. The unobservable spread is the additional risk premium over the market-derived observable inputs and the implied discount rate at signing date. At subsequent reporting periods, the inputs are adjusted based on changes in credit quality and market conditions. Management takes into account the risk, coupon, time to maturity, call risk arising from voluntary prepayment, and exit potential in estimating the fair value.

Most of BII's loan investments are valued based on the contractual cash flows defined by the amortisation schedule. Loan investments with high market and company-specific risk, as well as investments with cash sweep structures, may be valued based on estimated future cash flows. High-risk loan investments (2022: £21.5 million, 2 investments (2021: £41.4 million, 2 investments)) are commonly valued using scenario analysis, where additional judgement is involved in assigning probabilities.

Valuation inputs and sensitivity analysis to significant changes in the unobservable inputs

Description	Fair value at 31 December 2022 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m
Loan investments at fair value through profit and loss	**1,563.3**	Discounted cash flows	Discount rate	10.7%	+1.8%	-68.3
					-1.8%	+53.0
	82.6	Other				–
Total	**1,645.9**					-68.3 +53.0

Unfunded loan commitments

Expected credit losses are calculated for unfunded loan commitments in accordance with IFRS 9. Further details on the Group's methodology is disclosed in note 26.

The Group and Company's expected credit losses on unfunded loan commitments comprise:

	Group and Company	
	2022 £m	2021 £m
Current liabilities	**0.4**	8.6
Non-current liabilities	**4.8**	0.7
Total	**5.2**	9.3

Notes to the accounts continued

5. Guarantees

	Group and Company					
	Funded 2022 £m	**Unfunded 2022 £m**	**Total 2022 £m**	**Funded 2021 £m**	**Unfunded 2021 £m**	**Total 2021 £m**
At 1 January	**105.0**	**(0.1)**	**104.9**	142.8	0.5	143.3
Guarantee advances	**47.0**	**–**	**47.0**	167.3	–	167.3
Guarantee repayments	**(76.3)**	**–**	**(76.3)**	(205.9)	–	(205.9)
Movement in deferred income	**0.4**	**(0.8)**	**(0.4)**	0.4	2.3	2.7
Fair value and expected credit losses	**1.5**	**1.9**	**3.4**	0.3	(2.9)	(2.6)
Foreign exchange gains/(losses)	**15.4**	**(0.5)**	**14.9**	0.1	–	0.1
At 31 December	**93.0**	**0.5**	**93.5**	105.0	(0.1)	104.9
Less: deferred income due within one year (note 15)	**(2.4)**	**(4.1)**	**(6.5)**	(2.1)	(4.9)	(7.0)
At 31 December	**90.6**	**(3.6)**	**87.0**	102.9	(5.0)	97.9

Guarantees comprise funded and unfunded trade and supply chain finance risk participation agreements.

Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model. The Group classifies guarantees under the Level 3 hierarchy: inputs that are not based on observable market data. Further details on the Group's methodology for accounting for guarantees is disclosed in note 26.

The Group and the Company had contingent liabilities in respect of unfunded risk participation agreements with a value of £296.9 million (2021: £430.9 million).

6. Cash and cash equivalents

	Group		Company	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**
Cash at bank and in hand	**49.0**	35.9	**42.5**	29.8
Short-term deposits receivable	**1,110.1**	670.4	**1,108.9**	668.5
Total cash and cash equivalents	**1,159.1**	706.3	**1,151.4**	698.3

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 180 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £1,159.1 million (2021: £706.3 million).

7. Issued capital

	2022 Number	**2022 £m**	**2021 Number**	**2021 £m**
Authorised, allotted, called up and fully paid				
At 1 January, ordinary shares of £1 each	**4,682,000,000**	**4,682.0**	4,236,000,000	4,236.0
Issued, ordinary shares of £1 each	**214,650,000**	**214.7**	446,000,000	446.0
At 31 December, ordinary shares of £1 each	**4,896,650,000**	**4,896.7**	4,682,000,000	4,682.0

Ordinary shares

During the year ended 31 December 2022, the Company issued 214,650,000 ordinary shares (2021: 446,000,000 ordinary shares) to its parent entity; see note 24 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2021: nil shares).

Special rights redeemable preference share

One special rights redeemable preference share of £1 is issued and fully paid. The ownership of the special rights redeemable preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the Company's Memorandum and Articles of Association and changes to the Company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of the Company.

Parent and ultimate parent entity

The Company's parent and ultimate parent and controlling party is the Secretary of State for Foreign, Commonwealth and Development Affairs.

Notes to the accounts continued

8. Forward foreign exchange contracts

Forward foreign exchange contracts (FFECs) comprise:

	Group and Company 2022 £m	Group and Company 2021 £m
Gross FFECs in profit	**86.4**	15.3
Gross FFECs in loss	**(12.2)**	(17.9)
Net total	**74.2**	(2.6)

In the statement of financial position, these are analysed as follows:

	Group and Company 2022 £m	Group and Company 2021 £m
Current assets	**86.4**	15.3
Current liabilities	**(12.2)**	(17.9)
Total	**74.2**	(2.6)

In accordance with the fair value hierarchy described in note 3, FFECs are measured using Level 2 inputs. The fair value of the FFECs at the year-end is derived from the difference between the agreed forward rate with the counterparty bank and the forward rate at the statement of financial position date. BII uses Thomson Reuters to obtain the forward rate at the statement of financial position date. There has been no change in the valuation technique used to fair value the instruments during the year.

Contracts not designated for hedge accounting

At 31 December 2022, the Group held 63 FFECs (2021: 59 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, Euro and Indian rupee denominated debt investments and cash balances. The tables below are presented under the weighted average spot rate method.

The Group's Sterling denominated contracts comprise:

Foreign currency	Foreign currency in millions 2022	Weighted average spot price 2022	2022 £m	Foreign currency in millions 2021	Weighted average spot price 2021	2021 £m
US dollar	**2,244.4**	**1.1675**	**1,922.4**	2,002.4	1.3544	1,478.4
Euro	**159.0**	**1.1552**	**137.7**	103.1	1.1792	87.4
South African and	**1,033.8**	**20.85**	**49.6**	–	–	–
Indian rupee	**41,111.4**	**96.5339**	**425.9**	32,963.9	101.3022	325.4

The Group's non-Sterling denominated contracts with investment entities comprise:

Foreign currency	Foreign currency in millions 2022	Weighted average spot price 2022	2022 US$m	Foreign currency in millions 2021	Weighted average spot price 2021	2021 US$m
Indian rupee	**3,175.2**	**82.3508**	**38.6**	19,113.7	75.2666	253.9

Gains or losses arising from the movement in fair values of these FFECs are taken to the statement of comprehensive income.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance report on **pages 7 to 10**.

9. Income

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Investment income				
Interest income	**120.0**	84.0	**120.0**	84.0
Loan and guarantee fee income	**13.2**	10.3	**13.2**	10.3
Dividend income	**24.9**	16.0	**24.9**	16.0
Total investment income	**158.1**	110.3	**158.1**	110.3
Other income				
Management fee income	**13.5**	11.7	**12.0**	11.2
Other operating income	**0.4**	0.9	**0.2**	1.0
Total other income	**13.9**	12.6	**12.2**	12.2

Notes to the accounts continued

10. Administrative and other expenses

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Wages and salaries	**(55.2)**	(49.2)	**(49.0)**	(43.4)
Social security costs	**(9.0)**	(7.3)	**(8.9)**	(7.3)
Pension costs – defined benefit	**(0.8)**	(1.0)	**(0.8)**	(1.0)
Pension costs – defined contribution	**(5.7)**	(5.0)	**(5.2)**	(4.5)
Long-term Investment Performance Plan (LTIPP) accrual*	**(10.3)**	(11.7)	**(8.5)**	(10.0)
Total employee benefits expense	**(81.0)**	(74.2)	**(72.4)**	(66.2)
Professional services	**(6.2)**	(4.1)	**(5.7)**	(3.8)
Auditor remuneration (see below)	**(0.8)**	(0.6)	**(0.7)**	(0.6)
Operating leases expense	**(0.1)**	–	**0.1**	–
Other administrative expenses	**(40.9)**	(28.9)	**(52.5)**	(39.8)
Total administrative expenses	**(129.0)**	(107.8)	**(131.2)**	(110.4)
Depreciation of plant and equipment	**(5.2)**	(4.9)	**(4.5)**	(4.4)
Amortisation of intangible asset	**(0.6)**	(0.4)	**(0.6)**	(0.4)
Other expenses	**–**	(3.2)	**–**	(2.9)
Total administrative and other expenses	**(134.8)**	(116.3)	**(136.3)**	(118.1)

* The LTIPP was newly introduced in 2022 replacing the previous Long-term Development Performance Plan (LTDPP).

The average monthly number of Group employees during the year was 545 (2021: 490). The average monthly number of Company employees during the year was 468 (2021: 424).

The aggregate of Directors' remuneration in 2022 was £0.9 million (2021: £0.9 million). Refer to **pages 61 to 64** for the Annual Report on Remuneration which gives more details on remuneration and the LTIPP.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Audit of the Group financial statements	**(0.6)**	(0.5)	**(0.6)**	(0.5)
Audit of the consolidated subsidiaries	**(0.1)**	–	**–**	–
Audit related assurance services	**–**	–	**–**	–
Other services	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Total auditor remuneration	**(0.8)**	(0.6)	**(0.7)**	(0.6)

11. Net foreign exchange differences

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Exchange gains arising on equity investments	**453.2**	19.2	**453.4**	19.2
Exchange gains arising on loan investments	**156.9**	6.5	**156.9**	6.5
Exchange gains arising on guarantees	**14.9**	0.1	**14.9**	0.1
Exchange losses arising on FFECs	**(218.9)**	(21.3)	**(218.9)**	(21.3)
Exchange gains/(losses) arising on cash and cash equivalents	**13.4**	(2.7)	**14.0**	(2.6)
Total foreign exchange differences	**419.5**	1.8	**420.3**	1.9

12. Income tax

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current tax				
Withholding tax expense	**19.5**	2.3	**19.5**	2.3
Current UK tax charge	**–**	–	**–**	–
Current overseas tax charge	**0.5**	0.5	**–**	–
Total current tax	**20.0**	2.8	**19.5**	2.3
Foreign deferred tax				
Attributable to timing difference arising in the current year	**–**	–	**–**	–
Total income tax expense	**20.0**	2.8	**19.5**	2.3
Reconciliation of deferred tax asset				
As of 1 January	**0.2**	0.2	**–**	–
Tax expenses during the year	**–**	–	**–**	–
As at 31 December	**0.2**	0.2	**–**	–

Notes to the accounts continued

12. Income tax continued

The UK corporation tax rate is reconciled to the effective tax rate for the year as follows:

	Group		Company	
	2022 %	2021 %	**2022 %**	2021 %
UK corporation tax rate	**19.0**	19.0	**19.0**	19.0
Effect of overseas taxation	**(15.1)**	(1.6)	**(14.4)**	(1.6)
Effect of UK tax exemption	**6.8**	(16.8)	**5.8**	(16.9)
Effective tax rate for the year	**10.7**	0.6	**10.4**	0.5

UK tax exemption

By virtue of the CDC Act, 1999, British International Investment plc (formerly known as CDC Group plc) has the benefit of a statutory exemption from UK corporation tax. However, as the Company is an investment company, much of the investment income it generates is exempt under usual UK corporation tax rules. Therefore, the benefit of this statutory exemption to the Company is estimated to be £nil million on profit before tax of £186.8 million for FY 2022 (2021: benefit of £0.24 million on profit before tax of £464.8 million). This statutory exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions in which they operate.

13. Plant and equipment

	Group					
	Furniture and equipment 2022 £m	**Right of use asset 2022 £m**	**Total 2022 £m**	Furniture and equipment 2021 £m	Right of use asset 2021 £m	Total 2021 £m
At 1 January	**1.9**	**12.4**	**14.3**	2.2	15.9	18.1
Additions	**–**	**2.0**	**2.0**	0.8	0.3	1.1
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(1.2)**	**(4.0)**	**(5.2)**	(1.1)	(3.8)	(4.9)
Exchange differences	**–**	**0.6**	**0.6**	–	–	–
At 31 December	**0.7**	**11.0**	**11.7**	1.9	12.4	14.3

	Company					
	Furniture and equipment 2022 £m	**Right of use asset 2022 £m**	**Total 2022 £m**	Furniture and equipment 2021 £m	Right of use asset 2021 £m	Total 2021 £m
At 1 January	**1.7**	**10.9**	**12.6**	1.8	14.4	16.2
Additions	**–**	**1.2**	**1.2**	0.8	–	0.8
Disposals	**–**	**–**	**–**	–	–	–
Depreciation charge for the year	**(1.0)**	**(3.5)**	**(4.5)**	(0.9)	(3.5)	(4.4)
At 31 December	**0.7**	**8.6**	**9.3**	1.7	10.9	12.6

14. Intangible asset

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
At 1 January	**2.4**	0.2	**2.4**	0.2
Additions	**–**	2.6	**–**	2.6
Amortisation charge for the year	**(0.6)**	(0.4)	**(0.6)**	(0.4)
At 31 December	**1.8**	2.4	**1.8**	2.4

The intangible asset comprises the purchase and development of an investment software system.

Notes to the accounts continued

15. Trade and other receivables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Loan investments due within one year (note 4)	**313.3**	236.6	**313.3**	236.6
Guarantees	**6.5**	7.0	**6.5**	7.0
Amounts owed by investment entities	**10.5**	14.7	**10.5**	14.7
Amounts owed by non-investment subsidiaries	**–**	–	**1.2**	1.9
Prepayments	**2.5**	2.9	**2.5**	2.9
Government grant receivable	**32.7**	7.1	**32.7**	7.1
VAT recoverable	**1.6**	2.0	**1.4**	1.3
Other receivables	**35.2**	39.1	**33.5**	37.7
Total trade and other receivables	**402.3**	309.4	**401.6**	309.2

The amounts relating to other receivables and amounts owed by investment entities are repayable within 30 days, the rest are repayable on demand.

16. Trade and other payables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade payables*	**1.4**	1.2	**1.5**	1.2
Amounts owed to investment entities	**21.4**	19.5	**21.4**	19.5
Amounts owed to non-investment subsidiaries	**–**	–	**3.0**	1.6
Tax payable	**0.4**	0.1	**–**	–
LTIPP accrual	**12.3**	13.5	**10.5**	11.9
Other accruals and deferred income	**14.9**	17.9	**14.6**	16.5
Total trade and other payables	**50.4**	52.2	**51.0**	50.7

* The average credit for trade payable is 31 days.

The amount owed to investment entities in 2022 for Group and Company is £21.4 million (2021: £19.5 million) of which £16.3 million is interest bearing at an effective interest rate of 1.4 per cent.

17. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme ('Scheme'). This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. The Scheme has been closed and employees that joined after 1 April 2000 are eligible for membership of a separate defined contribution scheme. The scheme is governed by a Board of Trustees which is responsible for the administration of the plan assets and for the definition of the investment strategy. The pension scheme is funded by the payment of contributions directly from BII.

The vast majority of the benefits payable from the Scheme are fully secured under an insurance policy with Rothesay Life, held in the name of CDC Pensions Trust Limited ("the Trustee"). However, this policy does not cover in full the benefits that may be awarded to dependants. The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. For example, if the discount rate was to decrease by 0.25 per cent, scheme liabilities would increase by 4.1 per cent but this would be largely offset by an increase in scheme assets of 4.0 per cent.

Description of funding arrangements and policies

The results of the 31 March 2021 actuarial valuation showed that, including the buy-in policy, the Technical Provisions were £473.4 million and the scheme assets were £475.9 million, giving a funding surplus of £2.5 million. Given the surplus, the Trustees and the Company agreed that a reduced rate of contributions of £0.4 million per year would be payable to the Scheme during the Scheme years ending 31 March 2022, 2023 and 2024. These contributions would be to cover ongoing expenses of the Scheme (no contributions are required in respect of accrual as there were no remaining active members as at 31 March 2021).

Annual valuations are prepared by Willis Towers Watson using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates. The weighted average duration of the defined benefit obligations is 16 years.

The discount rate has been derived after consideration of the changes in several market indicators of AA rated corporate bonds over the year at a term consistent with the Scheme's liabilities.

Notes to the accounts continued

17. Pension commitments continued

Main assumptions:	2022 %	2021 %
Discount rate	4.8	1.8
RPI Inflation assumption	3.5	3.6
CPI Inflation assumption	2.9	3.0
Deferred pension revaluation		
Excess over GMP (RPI capped at 5% pa)	3.8	3.6
GMP	5.3	5.3
Pension increases in payment		
Fixed 5% pensions	5.0	5.0
RPI capped at 5% pa pensions	3.2	3.4
"Scheme Benefit Limit" (greater of 3% pa and RPI)	4.1	4.1
Pre 88 GMPs	0.0	0.0
Post 88 GMPs (CPI capped at 3% pa)	2.4	2.5

Life expectancy of a pensioner reaching age 60	2022	2021
for a male, currently aged 60	29.0	28.9
for a female, currently aged 60	31.1	31.0
for a male, reaching age 60 in 10 years' time	30.1	30.0
for a female, reaching age 60 in 10 years' time	32.2	32.1

Concentration risk is relatively low as Rothesay Life is required to provide a level of capital that would enable it to meet its liabilities and to hold ring-fenced collateral against BII policy obligations. In addition, BII policy falls under the Financial Services Compensation Scheme which will guarantee 100 per cent of the value of the payments promised under the buy-in arrangement should Rothesay Life be unable to.

Scheme asset information	Allocation percentage 31 Dec-22 Quoted	Allocation percentage 31 Dec-22 Unquoted	Allocation percentage 31 Dec-22 Total
Buy-in contract with Rothesay Life	0.0%	97.2%	97.2%
In 2022	0.0%	97.2%	2.8%
Cash/net current assets/other	2.8%	0.0%	2.8%
In 2022	2.8%	0.0%	2.8%
Fair value of scheme assets at 31 December 2022	£8.4m	£288.4m	£296.8m
Fair value of scheme assets at 31 December 2021	£11.3m	£423.9m	£435.2m

Assets and liabilities of the scheme at 31 December	2022 £m	2021 £m
Buy-in contract with Rothesay Life	288.4	423.9
Net current assets	8.4	11.3
Fair value of assets	296.8	435.2
Defined benefit obligation	(290.1)	(426.5)
Surplus	6.7	8.7
Restriction due to asset ceiling	(6.7)	(8.7)
Net pension liability	–	–

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/ asset £m
At 31 December 2021	(426.5)	435.2	(8.7)	–
Administration costs incurred during the year	–	(0.8)	–	(0.8)
Interest cost	(7.5)	7.7	(0.2)	–
Past service cost – plan amendments	–	–	–	–
Cost recognised in administrative expenses	(7.5)	6.9	(0.2)	(0.8)
Actuarial gain due to liability experience	(19.4)	–	–	(19.4)
Actuarial gain due to liability assumptions	148.6	–	–	148.6
Actuarial gain on assets	–	(131.0)	–	(131.0)
Change in effect of asset ceiling	–	–	2.2	2.2
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	129.2	(131.0)	2.2	0.4
Employer contributions to the CDC Pensions Scheme	–	0.4	–	0.4
Benefits paid (including administration costs)	14.7	(14.7)	–	–
Cash flows	14.7	(14.3)	–	0.4
At 31 December 2022	(290.1)	296.8	(6.7)	–

Notes to the accounts continued

17. Pension commitments continued

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/ asset £m
At 31 December 2020	(473.3)	482.5	(9.2)	–
Administration costs incurred during the year	–	(0.9)	–	(0.9)
Interest cost	(6.1)	6.2	(0.1)	–
Past service cost – plan amendments	(0.1)	–	–	(0.1)
Cost recognised in administrative expenses	(6.2)	5.3	(0.1)	(1.0)
Actuarial gain due to liability experience	14.1	–	–	14.1
Actuarial gain due to liability assumptions	23.4	–	–	23.4
Actuarial gain on assets	–	(37.1)	–	(37.1)
Change in effect of asset ceiling	–	–	0.6	0.6
Remeasurement effects recognised in the Group's Statement of Comprehensive Income	37.5	(37.1)	0.6	1.0
Employer contributions to the CDC Pensions Scheme	–	–	–	–
Benefits paid (including administration costs)	15.5	(15.5)	–	–
Cash flows	15.5	(15.5)	–	–
At 31 December 2021	(426.5)	435.2	(8.7)	–

Maturity profile of defined benefit obligations at 31 December	2022 £m	2021 £m
Expected benefit payments due within 1 year	**17.4**	17.7
Expected benefit payments due within 1-2 years	**18.1**	18.2
Expected benefit payments due within 2-3 years	**18.4**	18.6
Expected benefit payments due within 3-4 years	**18.7**	19.0
Expected benefit payments due within 4-5 years	**18.9**	19.3
Expected benefit payments due within 5-10 years	**96.5**	99.9
Expected benefit payments due after 10 years	**397.1**	276.5

18. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, foreign exchange contracts, trade receivables, notes receivable, guarantees, loan investments and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise trade and other payables and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month IBOR rates.

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest* £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: cash							
2022	**–**	**22.5**	**26.5**	**49.0**	**–**	**–**	*****
2021	–	20.1	15.8	35.9	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2022	**1,110.0**	**–**	**–**	**1,110.0**	**3.64%**	**1.0**	**–**
2021	618.5	–	–	618.5	0.09%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2022	**0.1**	**–**	**–**	**0.1**	**0.00%**	**1.0**	**–**
2021	51.9	–	–	51.9	0.18%	1.0	–
Financial assets: loan investments							
2022	**603.9**	**1,050.8**	**9.4**	**1,664.1**	**8.30%**	**7.2**	**–**
2021	464.7	981.3	–	1,446.1	7.98%	5.29	–

* The Group's no interest cash is repayable on demand.

Notes to the accounts continued

18. Financial instruments continued

Interest rate exposures – Company

	Fixed rate £m	Floating rate £m	No interest* £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: cash							
2022	**–**	**22.5**	**26.5**	**49.0**	**–**	**–**	*****
2021	–	20.1	9.7	29.8	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2022	**1,108.9**	**–**	**–**	**1,108.9**	**3.64%**	**1.0**	**–**
2021	618.5	–	–	618.5	0.09%	1.0	–
Financial assets: short-term deposits receivable after 90 days							
2022	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2021	50.0	–	–	50.0	0.02%	1.0	–
Financial assets: loan investments							
2022	**603.9**	**1,050.8**	**9.4**	**1,664.1**	**8.30%**	**7.2**	**–**
2021	464.7	981.3	–	1,446.1	7.98%	5.29	–

* The Company's no interest cash is repayable on demand.

Currency exposures – Group

The tables below show the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency. In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Group's foreign currency denominated cash and cash equivalents balances:

Currency	US dollars 2022 £m	Other 2022 £m	Total 2022 £m	US dollars 2021 £m	Other 2021 £m	Total 2021 £m
Pound sterling	**466.3**	**25.9**	**492.2**	277.7	9.7	287.4
Total	**466.3**	**25.9**	**492.2**	277.7	9.7	287.4

The following table shows the currency of the Group's equity investments:

Currency	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m	Listed equity at valuation 2021 £m	Unlisted equity at valuation 2021 £m	Total 2021 £m
US dollar	**9.0**	**4,005.5**	**4,014.5**	5.8	3,513.5	3,519.3
Indian rupee	**59.8**	**511.9**	**571.7**	134.3	438.2	572.5
Euro	**–**	**244.3**	**244.3**	–	210.5	210.5
Moroccan dirham	**153.0**	**–**	**153.0**	166.0	–	166.0
Pakistani rupee	**17.1**	**–**	**17.1**	35.8	–	35.8
Pound sterling	**–**	**17.1**	**17.1**	–	16.7	16.7
Chinese yuan	**–**	**0.4**	**0.4**	–	0.7	0.7
South African rand	**–**	**43.3**	**43.3**	–	19.5	19.5
Nepalese rupee	**–**	**19.5**	**19.5**	–	12.3	12.3
Other	**–**	**5.3**	**5.3**	–	4.6	4.6
Total	**238.9**	**4,847.3**	**5,086.2**	341.9	4,216.0	4,557.9

The following table shows the currency of the Group loan investments:

Currency	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m	Level 1 2021 £m	Level 3 2021 £m	Total 2021 £m
US dollar	**18.2**	**1,193.7**	**1,211.9**	–	1,173.0	1,173.0
Indian rupee	**–**	**270.8**	**270.8**	–	157.3	157.3
Euro	**–**	**95.5**	**95.5**	–	84.2	84.2
South African rand	**–**	**57.1**	**57.1**	–	–	–
Kenyan Shilling	**–**	**28.3**	**28.3**	–	25.9	25.9
Other	**–**	**0.5**	**0.5**	–	5.7	5.7
Total	**18.2**	**1,645.9**	**1,664.1**	–	1,446.1	1,446.1

Group guarantee investments of £93.5 million are all denominated in US dollars.

Notes to the accounts continued

18. Financial instruments continued

Currency exposures – Company

The tables below show the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency. In order to protect the Company's Sterling statement of financial position and reduce cash flow risk, the Company uses FFECs to mitigate the risk of foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

The following table shows the Company's foreign currency denominated cash and cash equivalents balances:

Currency	US dollars 2022 £m	Other 2022 £m	Total 2022 £m	US dollars 2021 £m	Other 2021 £m	Total 2021 £m
Pound sterling	463.6	20.9	484.4	275.6	6.6	282.2
Total	463.6	20.9	484.4	275.6	6.6	282.2

The following table shows the currency of the Company's equity investments:

Currency	Listed equity at valuation 2022 £m	Unlisted equity at valuation 2022 £m	Total 2022 £m	Listed equity at valuation 2021 £m	Unlisted equity at valuation 2021 £m	Total 2021 £m
US dollar	9.0	4,008.1	4,017.1	5.8	3,515.3	3,521.1
Indian rupee	59.8	515.8	571.7	134.3	441.3	575.6
Euro	–	244.3	244.3	–	210.5	210.5
Moroccan dirham	153.0	–	153.0	166.0	–	166.0
Pakistani rupee	17.1	–	17.1	35.8	–	35.8
Pound sterling	–	20.3	19.5	–	19.2	19.2
Chinese yuan	–	0.4	0.4	–	0.7	0.7
South African rand	–	43.3	43.3	–	19.5	19.5
Nepalese rupee	–	19.5	19.5	–	12.3	12.3
Other	–	5.3	5.3	–	4.6	4.6
Total	238.9	4,857.0	5,095.9	341.9	4,223.4	4,565.3

The following table shows the currency of the Company's loan investments:

Currency	Level 1 2022 £m	Level 3 2022 £m	Total 2022 £m	Level 1 2021 £m	Level 3 2021 £m	Total 2021 £m
US dollar	18.2	1,193.7	1,211.9	–	1,173.0	1,173.0
Indian rupee	–	270.8	270.8	–	157.3	157.3
Euro	–	95.5	95.5	–	84.2	84.2
South African rand	–	57.1	57.1	–	–	–
Kenyan Shilling	–	28.3	28.3	–	25.9	25.9
Other	–	0.5	0.5	–	5.7	5.7
Total	18.2	1,645.9	1,664.1	–	1,446.1	1,446.1

Company guarantee investments of £93.5 million are all denominated in US dollars.

Liquidity risk – Group

The following tables show the maturity profile of the Group's financial assets and liabilities other than cash, equity investments and guarantees:

2022 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	1,110.1	402.3	313.3	87.0	86.4
Due within one to two years	–	–	194.9	–	–
Due within two to three years	–	–	177.8	–	–
Due within three to four years	–	–	173.8	–	–
Due within four to five years	–	–	169.7	–	–
Due after five years	–	0.6	634.6	–	–
Total	1,110.1	402.9	1,664.10	87.0	86.4

Notes to the accounts continued

18. Financial instruments continued

2021 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	670.4	309.4	236.6	97.9	15.3
Due within one to two years	–	–	298.3	–	–
Due within two to three years	–	–	147.0	–	–
Due within three to four years	–	–	126.0	–	–
Due within four to five years	–	–	111.8	–	–
Due after five years	–	0.2	526.4	–	–
Total	670.4	309.6	1,446.1	97.9	15.3

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**3.2**	**50.4**	**12.2**
Due within one to two years	**2.1**	**–**	**–**
Due within two to three years	**2.0**	**–**	**–**
Due within three to four years	**2.0**	**–**	**–**
Due within four to five years	**2.1**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**11.4**	**50.4**	**12.2**

2021 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.6	52.2	17.9
Due within one to two years	2.7	–	–
Due within two to three years	1.9	–	–
Due within three to four years	1.8	–	–
Due within four to five years	1.8	–	–
Due after five years	0.9	–	–
Total	12.7	52.2	17.9

The Group does not net off contractual amounts of financial assets and liabilities.

Liquidity risk – Company

The following tables show the maturity profile of the Company's financial assets and liabilities other than cash, equity investments and guarantees:

2022 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	**1,108.9**	**401.6**	**313.3**	**87.0**	**86.4**
Due within one to two years	**–**	**–**	**194.9**	**–**	**–**
Due within two to three years	**–**	**–**	**177.8**	**–**	**–**
Due within three to four years	**–**	**–**	**173.8**	**–**	**–**
Due within four to five years	**–**	**–**	**169.7**	**–**	**–**
Due after five years	**–**	**–**	**634.6**	**–**	**–**
Total	**1,108.9**	**401.6**	**1,664.10**	**87.0**	**86.4**

2021 Financial assets: Maturity profile	Short-term deposits £m	Other receivables £m	Loan investments £m	Guarantees £m	FFECs £m
Due within one year, but not on demand	668.5	309.2	236.6	97.9	15.3
Due within one to two years	–	–	298.3	–	–
Due within two to three years	–	–	147.0	–	–
Due within three to four years	–	–	126.0	–	–
Due within four to five years	–	–	111.8	–	–
Due after five years	–	–	526.4	–	–
Total	668.5	309.2	1,446.1	97.9	15.3

2022 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	**2.9**	**51.0**	**12.2**
Due within one to two years	**1.7**	**–**	**–**
Due within two to three years	**1.7**	**–**	**–**
Due within three to four years	**1.8**	**–**	**–**
Due within four to five years	**0.8**	**–**	**–**
Due after five years	**–**	**–**	**–**
Total	**8.9**	**51.0**	**12.2**

Notes to the accounts continued

18. Financial instruments continued

2021 Financial liabilities: Maturity profile	Lease liabilities £m	Trade and other payables £m	FFECs £m
Due within one year, but not on demand	3.3	50.7	17.9
Due within one to two years	2.2	–	–
Due within two to three years	1.6	–	–
Due within three to four years	1.6	–	–
Due within four to five years	1.7	–	–
Due after five years	0.8	–	–
Total	11.2	50.7	17.9

The Company does not net off contractual amounts of financial assets and liabilities.

Fair value of financial assets and liabilities – Group and Company

Financial assets

Quoted and unquoted equity investments, loan investments and funded guarantees are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, notes receivable or trade and other receivables. The Group's foreign exchange contracts are held in the statement of financial position at fair value.

Reconciliation of Level 3 fair value measurement of financial assets

The following table details the movements in non-current financial assets valued using the Level 3 basis of measurement in aggregate.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Opening value	**5,767.0**	4,835.1	**5,774.4**	4,840.0
Additions	**1,420.9**	1,268.7	**1,420.9**	1,269.1
Disposals and repayments	**(929.6)**	(743.5)	**(929.6)**	(743.5)
Transfers	**–**	(3.9)	**–**	(3.9)
Deferred income movement	**(0.4)**	2.7	**(0.4)**	2.7
Fair value movement	**(298.3)**	368.2	**(296.2)**	370.3
Foreign exchange movement	**627.1**	39.7	**627.2**	39.7
Closing value	**6,586.7**	5,767.0	**6,596.4**	5,774.4

Financial liabilities

There is no material difference between the fair value and the book value of the Group's trade and other payables. The Group's foreign exchange contracts in loss are held in the statement of financial position at fair value.

19. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use FFECs to manage their financial risks associated with their underlying business activities and the financing of those activities. The Group and Company do not undertake any trading activity in financial instruments.

Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. Up until the end of December 2022, BII targeted having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments as well as a cash balance within BII's desired range of 0-10 per cent of its net asset value in cash. The Board introduced two new liquidity metrics in January 2023: 1) a cash to net asset value ratio below 10 per cent over a rolling 12-month period recognising timing and quantum uncertainties inherent in cash flows for investment disbursements and receipts; 2) a collateral coverage ratio above 100% at all times to demonstrate that we have sufficient liquid resources to meet liabilities as they fall due (this replaces the commitment coverage ratio). The Group's cash balance at 31 December 2022 was £1,159.1 million (2021: £706.3 million) and its capital commitments including long-term commitments were £2,526.8 million (2021: £2,611.7 million).

	Group		Company	
Analysis of total cash balance	2022 £m	2021 £m	2022 £m	2021 £m
Cash at bank and in hand	**49.0**	35.9	**42.5**	29.8
Short-term deposits receivable	**1,110.1**	670.4	**1,108.9**	668.5
Total	**1,159.1**	706.3	**1,151.4**	698.3

The short-term deposits receivable can easily be converted into cash. The Company has promissory notes of £30.0 million from its parent entity which can be drawn down on demand.

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 18 and risk participation commitments in note 23.

Investment commitments: Maturity profile

Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. Direct investment commitments are typically drawn down over a shorter term.

In forecasting cash flows, BII uses industry standard models for drawdown profiles. The Board considers this regularly when reviewing BII's ability to meet these commitments.

Notes to the accounts continued

19. Financial risk management continued

The following table shows the vintage year of the outstanding commitments to the Group's investments as at 31 December. The commitments are not accounted for as liabilities on BII's balance sheet and are only recognised when called upon. Outstanding commitments can fluctuate year-on-year when recycling is permitted.

	2022 £m	2021 £m
2012 and prior	**274.8**	317.5
2013	**47.7**	43.7
2014	**37.8**	38.5
2015	**42.2**	78.5
2016	**86.0**	82.2
2017	**140.8**	246.2
2018	**147.1**	222.5
2019	**413.1**	409.6
2020	**210.6**	240.8
2021	**451.8**	932.2
2022	**674.9**	–
Total	**2,526.8**	2,611.7

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

		Group		Company	
	Notes	2022 £m	2021 £m	2022 £m	2021 £m
Loan investments	4	**1,664.1**	1,446.1	**1,664.1**	1,446.1
Guarantees	5	**87.0**	97.9	**87.0**	97.9
FFECs in profit	8	**86.4**	15.3	**86.4**	15.3
Trade and other receivables (excluding loans)	15	**89.0**	72.8	**88.3**	72.6
Notes receivable	24	**30.0**	901.0	**30.0**	901.0
Short-term deposits	6	**1,110.1**	670.4	**1,108.9**	668.5
Cash and cash equivalents	6	**49.0**	51.9	**42.5**	50.0
Total		**3,115.6**	3,255.4	**3,107.2**	3.251.4

Credit risk on the Company's Sterling cash balance is mitigated as cash not required for day-to-day operations is deposited with the UK Government Debt Management Office. Credit risk on other currency balances and FFECs is mitigated as the Group and Company transact with institutions with high credit ratings. Share certificates for listed company investments are held in custody accounts with financial institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above. As of 31 December 2022, all deposits and listed share certificates were held with such financial institutions.

There is no recourse to the Company for the debt balances within subsidiaries.

Market risk

Interest rate risk

The Group's and Company's interest rate risk arises primarily from exposure to the investment loan and bond portfolio and to a lesser degree, term deposits at financial institutions. The exposure to fixed rate assets gives rise to fair value (price) risk while the exposure to floating rate assets gives rise mostly to variations in cash flow receipts over time. Interest rate risk is monitored and reported to management (starting in Q4 22) on quarterly basis. The Group currently does not hedge this risk as it is within risk appetite but will continue to evaluate and monitor its levels and impacts in the future. During 2023, the Group will be defining its policies and procedures for interest rate risk management in relation to the investment portfolio.

British International Investment plc has a portfolio of loans valued at £1,664.1 million (2021: £1,446.2 million), of which £603.9 million (2021: £1,446.2 million) are charged interest at a fixed rate, exposing the Group to interest rate risk. Most of these loans have prepayment options for the borrower and a fall in interest rates will have a very limited impact on the fair value. However, if interest rates were to increase, the fair value of these loans will decrease. A 1.0% increase in interest rates across maturities would cause a fair value loss of approximately £14.9 million based on year-end figures.

As at 31 December 2022 the weighted average interest rate earned on the Group's and Company's bank deposit was 3.65 per cent (2021: 0.08 per cent). In preparing the sensitivity analysis, a reasonable approximation of possible change is considered to be a 2.0 per cent increase and 2.0 per cent decrease (2021: 1.0 per cent increase and 0.5 per cent decrease) change in all interest rates. With all other variables held constant, a 2.0 per cent increase would have a £1.1 million positive impact on the Group's profit before tax (2021: 1.0 per cent, £0.34 million positive impact on the Group's profit before tax). A 2.0 per cent decrease would have a £1.1 million negative impact on the Group's profit before tax (2021: 0.5 per cent, £0.2 million negative impact on the Group's profit before tax). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

Notes to the accounts continued

19. Financial risk management continued

Foreign currency risk

The Group has exposures to foreign currency risk through its investments and foreign cash balances. In order to protect the Group's statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts from the loan and guarantee portfolio and non-Sterling cash balances on its largest exposures.

The table below shows the impact on profit of a 10 per cent increase or 15 per cent decrease (2021: 10 per cent increase or 10 per cent decrease) in the year-end exchange rate would have on the unhedged financial assets and each of the outstanding hedged positions if all other variables are held constant.

2022	+ 10%			- 15%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	**(760.7)**	**(168.9)**	**(929.5)**	**1,141.0**	**327.8**	**1,468.8**
Indian rupee	**(126.2)**	**(29.8)**	**(156.0)**	**189.2**	**72.9**	**262.1**
Euro	**(18.6)**	**(6.7)**	**(25.3)**	**26.5**	**24.8**	**51.3**
Moroccan dirham	**(16.0)**	**–**	**(16.0)**	**23.9**	**–**	**23.9**
Pakistani rupee	**(1.8)**	**–**	**(1.8)**	**2.7**	**–**	**2.7**
Chinese yuan	**–**	**–**	**–**	**0.1**	**–**	**0.1**
South African rand	**(15.2)**	**(4.6)**	**(19.7)**	**22.8**	**8.9**	**31.7**
Nepalese rupee	**(2.0)**	**–**	**(2.0)**	**2.9**	**–**	**2.9**
Other	**(0.8)**	**–**	**(0.8)**	**1.2**	**–**	**1.2**

2021	+ 10%			- 10%		
Currency	Unhedged financial assets £m	FFECs £m	Total impact on profit £m	Unhedged financial assets £m	FFECs £m	Total impact on profit £m
US dollar	(359.5)	(101.8)	**(461.3)**	359.5	118.1	**477.6**
Indian rupee	(40.4)	(29.8)	**(70.2)**	40.4	36.5	**76.9**
Euro	(21.0)	(6.7)	**(27.7)**	21.0	8.0	**29.0**
Moroccan dirham	(17.0)	–	**(17.0)**	17.0	–	**17.0**
Pakistani rupee	(3.7)	–	**(3.7)**	3.7	–	**3.7**
Chinese yuan	(0.1)	–	**(0.1)**	0.1	–	**0.1**
South African rand	(2.0)	–	**(2.0)**	2.0	–	**2.0**
Nepalese rupee	(1.2)	–	**(1.2)**	1.2	–	**1.2**
Other	(3.7)	–	**(3.7)**	3.7	–	**3.7**

Equity price risk

The Group and Company invest in a wide range of fund investments managed by a variety of fund managers, along with a range of direct equity investments. The Group manages this risk by maintaining a diversified portfolio of assets and by using a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio.

As at 31 December 2022, the Group had equity investments of £5,086.2 million (2021: £4,557.9 million). Included in this balance is an investment in a wholly owned investment entity with a value of £1,206.7 million which represented 23.7% per cent of the Group's equity investments (2021: £1,143.7 million, 25.0 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £508.6 million (2021: 10 per cent change, impact £455.8 million).

Valuation risk

The Group values its portfolio according to BII's valuation methodology. The BII valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by portfolio reviews of BII's investments and the underlying investments in its private equity funds which are carried out quarterly by the relevant BII investment managers. As part of these reviews, valuations are prepared and reviewed by BII management and then approved by the Valuation Steering Committee. For more details on the valuation methodology refer to note 26.

Capital management

BII considers its capital to be the total equity shown in the statement of changes of equity. The Company's objectives when managing capital are:

- to comply with the capital requirements set by FCDO regarding investing in eligible countries and sectors;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
- to maintain a strong capital base to support the development of the Group's businesses.

The Board monitors the results of the Group and its financial position.

Notes to the accounts continued

20. Government grant

The Group and Company receive capital grants from its parent entity FCDO to make blended finance investments. Promissory notes are issued in advance of investments being made and capital is drawn down as required. On issuance, a promissory note receivable and deferred grant income creditor are recognised in the Statement of Financial Position. The receivable is reduced upon receipt of cash from the parent entity. Grant income is recognised in the Statement of Comprehensive Income over the expected life of each investment asset. Investments made and gains or losses in fair value from the grant capital are included in the Group and Company's fair value financial assets.

	Notes	2022 £m	2021 £m
Fair value financial assets		**3.3**	0.4
Grant income recognised	9	**0.5**	–
As at 31 December			
Deferred grant income (non-current)		**(39.3)**	(7.1)
Promissory note receivable (current)	15	**32.7**	7.1

21. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £2,526.8 million (2021: £2,611.7 million) for investment commitments (see note 19 for further details).

22. Leases

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Right of use assets – cost	**24.2**	22.4	**21.3**	20.1
Total	**24.2**	22.4	**21.3**	20.1

Information about leases for which BII is a lessee is presented below.

Right of use assets – accumulated depreciation

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance at 1 January	**10.1**	6.5	**8.8**	5.7
Depreciation charged for the year	**4.0**	3.6	**3.5**	3.1
Balance at 31 December	**14.1**	10.1	**12.3**	8.8

Lease liabilities

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Current liabilities	**3.2**	3.6	**2.9**	3.3
Non-current liabilities	**8.2**	9.1	**6.0**	8.0
Total lease liabilities	**11.4**	12.7	**8.9**	11.3

During the year, total lease payments made by the Group were £3.7 million (2021: £3.7 million) and £3.4 million (2021: £3.4 million) by the Company.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Interest on lease liabilities/finance costs	**0.4**	0.2	**0.4**	0.2
Depreciation	**4.0**	3.6	**3.5**	3.5
	4.4	3.8	**3.9**	3.7

23. Contingent liabilities

The Group and the Company had the following contingent liabilities as at 31 December 2022:

- In respect of unfunded risk participation agreements with a value of £296.9 million (2021: £430.9 million).
- In respect of undertakings to power distributors and governments in connection with the operation of power generating investments with a maximum legal liability of £8.1 million (2021: £nil million).

These may, but probably will not, require an outflow of resources.

Notes to the accounts continued

24. Related party transactions

Parent entity

During 2021 and 2022, the Company entered into subscription agreements with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issuing promissory notes for the value of the shares of £214.7 million in 2022 (2021: £446.0 million).

During the year the Company received £446.0 million (2021: £650.0 million) from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2022, the Company had promissory notes of £30.0 million (2021: £901.0 million) due from its parent entity. The receivable is payable on demand and without interest.

During 2022, the Company received a capital grant of £39.3 million (2021: £7.1 million) by issuance of a promissory note. As at 31 December 2022, the Company had £32.7 million (2021: £7.1 million) of promissory notes receivable.

Key management personnel

BII defines its key management personnel (KMP) as the members of the Executive Committee, including the Chief Executive and Chief Financial Officer. KMP are remunerated on the basis of the PremCo report outlined on **pages 55 to 65**. In addition to their remuneration, there are no other short or long-term benefits, post-employment benefits, termination benefits or share-based benefits given to BII's key management personnel.

Subsidiaries

During the year, the Company entered into transactions with its consolidated and non-consolidated subsidiary companies.

The transactions entered into and trading balances outstanding at 31 December were as follows:

	2022 £m	2021 £m
Statement of comprehensive income		
Interest income	**8.4**	10.1
Management fee income	**12.0**	11.2
Management fee expense	**(16.6)**	(12.5)
Interest payable	**–**	–
Statement of financial position		
Equity investments	**1,719.3**	1,420.6
Equity investments – non-holding companies	**234.4**	226.3
Trade and other receivables	**11.7**	16.6
Trade and other payables	**(24.4)**	(21.1)

Outstanding balances at the year-end are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

25. Subsequent events

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2022. Events after the reporting period that are indicative of conditions that arose after the reporting date but which do not lead to adjustment of the financial statements are disclosed in the event that they are material.

FCDO lodged a new promissory note for £289.5 million on 22 March 2023.

A number of our investments and creditors bank with Silicon Valley Bank and Credit Suisse, which collapsed in early March 2023. BII does not have any direct exposures with either bank. The US Government has announced that it will guarantee all deposits held at Silicon Valley Bank, given which any subsequent risk to the valuation of BII's investments is considered to be low, but possible. At present BII is not aware of any potential losses with its investees or creditors.

26. Summary of significant accounting policies

The accounting policies for plant and equipment and intangible asset are not specified as both are not material to the Group or Company.

Non-current assets

Investments

The Group and Company classify their loan investments and equity investments, including investments in investment entities, as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit and loss

These financial assets are designated as assets held at fair value through profit and loss by management at the date of inception. FFECs are also classified as held for trading in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

The Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines (December 2018). The valuation methodology is selected based on informed judgement considering the nature, facts, and circumstances of the investment and in the expected view of market participants. The approach to calculating the fair value of equity investments is described below:

+ For equity investments in companies whose shares are publicly traded, information about pricing, trading, and financial data is generally available. BII considers the level of trading activity in evaluating the relevance and reliability of the information, as price is considered fair value if it is derived from an active market.

Notes to the accounts continued

26. Summary of significant accounting policies continued

+ The market approach is used for estimating fair value of companies with significant revenues and at least twelve months of transparent and verifiable financial statements, where reasonably comparable public companies or transactions exist from which to source valuation multiples.
+ The income approach is typically applied for valuation of a company in a start-up phase or has not reached its optimal level of operations. The discount rate selected must be consistent with the benefit stream with risk profile of the cash flow estimate to be discounted.
+ Net Asset Value is used for loss-making companies and companies in liquidation. It is also be applied for going-concern fund valuations whose value derives mainly from the underlying Fair Value of its assets rather than its earnings.
+ The price of a recent investment from an observable transaction, in most cases represents fair value as of the transaction date. At subsequent valuation dates, this price is only used as a supporting estimate for fair value that is calibrated to that price.
+ Some seed, start-up or early-stage investments are valued using a milestone approach, or scenario analysis because there are no current and no short-term future earnings or positive cash flows.
+ Where BII has committed capital in a Fund, BII relies on Valuations commissioned by the Fund Manager. It is acknowledged these valuations may not comply with IPEV because of difference in accounting standards; however, BII makes relevant adjustments to bring the valuations in line with IPEV.

Loan investments are recognised at the fair value of the consideration given to originate the loan and are subsequently measured at fair value. Specifically, BII classifies loans at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Information about these loans is reported to management on that basis.

In determining the fair value of the loans, BII has elected to use the discounted cash flow method. Cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment including past events, current market conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Non-performing loans, loans expected to be restructured because the borrower is a going concern, and loans subject to increased market risk, are valued based on the most likely cash flows discounted at the appropriate discount rate. Where the outcome is uncertain or could follow different trajectories, a probability weighted-scenario valuation approach is adopted.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous statement of financial position date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the statement of comprehensive income.

Guarantees
The Group enters into risk participation agreements in return for fees. Under a risk participation agreement, the Group undertakes to meet a customer's obligations under the terms of an agreement if the customer fails to do so. Guarantees comprise funded and unfunded risk participation agreements. Funded guarantees are held at fair value through profit and loss and unfunded guarantees are measured using the expected credit loss model.

Forward foreign exchange contracts
The Group and Company use FFECs as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use FFECs for speculative purposes.

The fair value of the FFECs at the year-end is the difference between the agreed forward rate and the forward rate at the balance sheet date.

Gains and losses on FFECs transacted as economic hedges but not qualifying for hedge accounting are taken to the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, such as short-term deposits, with maturities of three months or less on initial recognition.

Trade and notes receivable
Trade and notes receivable are non-interest-bearing and are recognised when BII becomes a party to the contractual provision of the instrument. They are initially measured at fair value and subsequently at amortised cost less provision for impairment.

Impairment of assets
The carrying amounts of assets, other than deferred tax assets, financial instruments and retirement benefit assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use, calculated as the present value of expected future cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to the accounts continued

26. Summary of significant accounting policies continued

An impairment loss in respect of all assets is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss and unfunded loan commitments.

Measurement and recognition of expected credit losses

Recognition of credit losses is no longer dependent on BII first identifying a credit loss event. Instead BII considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

+ financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
+ financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit loss' is recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

To meet the financial needs of BII's borrowers, BII enters into loan commitments and guarantee contracts (funded and unfunded).

Whilst funded guarantees are recognised on balance sheet, BII's unfunded obligations are not. BII consider the unfunded obligations to share a credit risk similar to loans to the private sector. Therefore, Expected Credit Losses (ECLs) are calculated for financial guarantees and unfunded loan commitments in accordance with IFRS 9.

ECLs reflect the probability-weighted estimate based on loss expectations resulting from default events over either a 12-month period from the reporting date or the remaining life of the financial instrument. A default event is triggered when a guarantee is called as a result of the customer failing to meet its obligations under the terms of the agreement. The method used to calculate the ECLs are based on the following inputs:

Guarantee Contracts

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio team use two credit models (Moody's and S&P) and apply these models against the underlying obligors most recent financial statements. An average PD is then generated and applied against a credit conversion factor in line with Basel IV.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. The LGDs are in line with Basel IV LGDs for unsecured debt instruments.

Exposure: The exposure for the guarantees are the total of the funded and unfunded underlying outstanding obligor contracts.

Unfunded Loan Commitments

PD: The Probability of Default is an estimate of the likelihood of default over a given time. The BII portfolio teams use a series of scorecard models which are based on quantitative and qualitative indicators to formulate a credit rating. The credit rating is then mapped to a Moody's equivalent which is then mapped to PD tables which are structured by country and sector.

LGD: The Loss Given Default is an estimate of BII's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cash flows.

Exposure: The exposure for unfunded loan commitments is the available remaining commitment that is expected to be drawn within the availability period.

Financial liabilities

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, contractual obligations, excluding FFECs, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Capital commitments

Commitments represent amounts the Group has contractually committed to pay third parties but do not yet represent a liability or impact the Group's financial results for the year. These commitments do not include potential future commitments approved by the Group that are not yet legally binding.

Notes to the accounts continued

26. Summary of significant accounting policies continued

Investment income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends

Dividend income, classified within investment income, is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

Interest

The interest on a loan investment and guarantees is recognised on a time apportioned basis when due on the loan with investment income. Where there is objective evidence of loss of value or inability to collect loan interest, for example where loan interest remains unpaid after 90 days, a provision is recognised.

Management fee income

A fixed percentage management fee is earned for providing asset management services to subsidiaries. These fees are recognised as revenue each period in accordance with the terms of the agreements.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to the acquisition of investments are recognised as deferred income in the consolidated statement of financial position and recognised as grant income on a systematic and rational basis over the expected useful lives of the related asset. Any gains or losses arising from the investments funded by the Grants will be reflected in the Group and Company Statement of Comprehensive Income as fair value gains or losses.

Employee benefits

The Company operates a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

The CDC Pensions Scheme is funded by the payment of contributions to a separately administered trust fund. The cost of providing benefits under the Company's funded defined benefit plan is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out triennially.

The costs of providing defined contribution pensions are charged to the statement of comprehensive income as they become payable.

The cost of the performance related compensation programme (LTIPP) is charged to the statement of comprehensive income in the year to which the award relates.

Income tax

The CDC Act 1999 provided the Company with exemption from UK corporation tax with effect from 1 May 2003. This does not affect overseas taxation of the Company or of its subsidiaries.

Current tax is recognised as income or expense and is included in the net profit for the year, unless it relates to a transaction or event which is recognised directly in equity, whereupon the current tax is charged or credited to equity accordingly.

Current and deferred tax assets and liabilities are offset only when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

Current and deferred taxes are recognised as a tax credit or expense in the year in which they arise except for deferred taxes recognised or disposed of upon the acquisition or disposal of a subsidiary.

Some dividend and interest income received is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the statement of financial position date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Operating leases

IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. Refer to note 22 for more details.

IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases.

Notes to the accounts continued

26. Summary of significant accounting policies continued

Lessees will be required to recognise both: 1) A lease liability, measured at the present value of remaining cash flows on the lease; and 2) A right of use asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The right of use asset will amortise to the income statement over the life of the lease.

There is a recognition exemption in IFRS 16 for short-term leases and leases of low-value assets which allows the lessee to apply similar accounting as an operating lease under IAS 17.

BII has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets including IT equipment. BII recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Additionally, BII applies IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative period.

Operating segments

IFRS 8 Operating Segments requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 2 presents the summarised financial information in order to explain more fully BII's investment activities, together with the financial results that are presented under IFRS in which BII consolidates all non-investment subsidiaries.

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the Group's financial statements.

New and revised IFRS Standards in issue but not yet effective

The accounting policies set out in these financial statements have been applied consistently to all periods presented.

The following standards are issued but not yet effective and have not been applied to these financial statements. The Group intends to adopt these standards when they become effective. These are not expected to have any material impact on the Group's financial statements:

+ IFRS 17 Insurance Contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard is currently effective from 1 January 2023. BII has assessed the requirements of the standard as having no impact on the Group.
+ Amendments to IFRS 10 and IAS 28 - Sale of Contribution of Assets between an Investor and its Associate or Joint Venture. The standard is effective from 1 January 2024.
+ Amendments to IAS 1 Classification of liabilities as Current or Non-Current. The standard is effective from 1 January 2024.
+ Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies. The standard is effective from 1 January 2023.
+ Amendments to IAS 8 – Definition of Accounting Estimates. The standard is effective from 1 January 2023.
+ Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The standard is effective from 1 January 2023.

Notes to the accounts continued

27. Related undertakings

The principal subsidiaries of BII at the end of the year and the percentage of equity capital are set out below.

Subsidiaries consolidated

Company and registered address	Class of share	Percentage held by BII	Principal activities
British International Investment India Advisers Private Limited^ Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India	Ordinary	100.0	Investment advisory
British International Investment Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
British International Investment East Africa Advisers Limited Twentieth Floor, Lonrho House, Plot LR/No. 209/7155, Standard Street, Nairobi, Kenya	Ordinary	100.0	Investment advisory
BII West Africa Investments Limited KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria	Ordinary	100.0	Investment advisory
Dayton Advisers Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
BII Pakistan (Private) Limited 1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan	Ordinary	100.0	Investment advisory
BII Bangladesh Advisers (Private) Limited C/o Locus, Tower-52, Level-4, Road-11, Block-C, Banani, Bangladesh	Ordinary	100.0	Investment advisory
British International Investment (Singapore) Pte Ltd 1 Robinson Road #17-00 ,AIA Tower Singapore	Ordinary	100.0	Investment advisory
BII LLC Office no.424-425, building no.47 North Teseen St, 5th Settlement New Cairo – Cairo, Egypt	Ordinary	100.0	Investment advisory

^ Directly held by the Company.

Subsidiaries not consolidated

Company Registered address and principal place of business	Class of share	Percentage held by BII	Principal activities	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Africa Power Group Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	In liquidation	USD	(6.2)	171.8
CDC Africa Cement Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	In liquidation	USD	–	–
BII Africa Power Limited c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius	Ordinary	100.0	Investment holding	USD	(0.3)	65.3
BII Asset Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
British International Investment Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Emerging Markets Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(3.1)	7.1
Growth Investment Partners Ghana Ltd Ground Floor, Regimanuel Gray Head Office Building A02 Maale Dada St, PO Box 2617 Accra, Ghana	Ordinary	100.0	Investment holding	USD	–	–
BII Financial Services (Mauritius) Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	(0.3)	13.8
BII Gateway Holdings LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(27.9)	229.8
BII Gateway A LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	EUR	(0.9)	87.8
BII Gateway B LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(12.3)	3.5
BII Gateway C LLP 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(18.6)	132.5

Notes to the accounts continued

27. Related undertakings continued

Company Registered address and principal place of business	Class of share	Percentage held by BII	Principal activities	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
BII Holdings Guernsey Limited^ x 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	(18.7)	414.6
CDC India Investments Private Limited^ Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051	Ordinary	100.0	Investment holding	INR	74.9	10.3
CDC India Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	28.1	14.1
BII Investment Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	–	3.6
BII Nepal Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	8.2	12.0
British International Investment Overseas Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	GBP	–	–
CDC Pakistan Power Projects Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(2.2)	3.7
BII Scots GP Limited^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Ordinary	100.0	Investment holding	USD	–	(0.1)
CDC South Asia Limited^ c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
BII South Asia Renewables Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	1.9	1.2
BII Nominee No.1 Limited (Previously The Africa List Limited)^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
Gridworks Development Partners LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	(9.7)	22.9
MedAccess Guarantee Limited^ 84 Eccleston Square, Pimlico, London SW1V 1PX	Ordinary	100.0	Operating company	USD	9.9	194.4
North African Foods Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	USD	–	–
Pan African Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	In liquidation	GBP	–	3.2
Sinndar Holdings Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	3.7	50.1
BII Scots LP^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Partnership interest	99.9	Investment holding	USD	(15.4)	53.9
CDC North Africa Healthcare Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	98.0	Investment holding	USD	(35.6)	67.5
Globeleq Limited Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW	Ordinary	70.0	Operating holding company	USD	(23.7)	360.1
CDC PTL Holdings Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	62.0	In liquidation	USD	–	–
Dayton Investments Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	50.0	Investment holding	USD	(13.0)	79.7

* Profit/(loss) for the year and aggregate capital and reserves for the subsidiary as at the end of its relevant financial year.
^ Directly held by the Company.
x BII Holdings Guernsey Limited is the borrower of record for the committed standby US$600m (£496.6m) Revolving Credit Facility (RCF). The assets of BII Holdings Guernsey will be used as security should there be any drawings under the RCF. With British International Investment plc being exempt from UK corporation tax there is no tax advantage to be gained from this company being incorporated in Guernsey.

Notes to the accounts continued

27. Related undertakings continued

These subsidiaries are not consolidated due to the application of IFRS 10 and are carried at fair value through profit and loss. There are no restrictions on the ability of the unconsolidated subsidiaries to transfer cash to BII. There are no contractual arrangements that require BII to provide financial support to the unconsolidated subsidiaries. BII has not provided any non-contractual assistance to any of the unconsolidated subsidiaries during the reporting year.

Under section 409 of the Companies Act 2006, BII is required to disclose specified details of all its related undertakings including significant holdings. The significant holdings in undertakings of BII are equity investments including funds, carried at fair value through profit and loss, in which BII's holding amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking. BII's holdings operate across several sectors including infrastructure, financial services, health and education, trade, communications, agribusiness, microfinance, business services, manufacturing, construction and real estate, and mineral extraction.

The significant holdings in undertakings of BII at the end of the year are set out below.

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
A4C S Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	(2.2)	28.4
Actis Energy 3C Sub-Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	5.4	55.6
Actis Africa Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	In liquidation	
Advent Latin America Private Equity Fund IV LP 75 State Street, Boston, MA 02109, USA	Partnership interest	100.0	USD	–	2.2
Ancile Trade Access Program Sub-Fund C/O Inoks Capital S.A., Rue de l'athénée 32, Geneva, Switzerland	Ordinary shares	100.0	USD	–	20.0
Pragati India Fund Limited 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	99.0	USD	In liquidation	
Qiming Venture Partners II LP PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands	Partnership interest	98.9	USD	(32.4)	27.8
Happy Travel Rolling Investors LP 2 More London Riverside, London, SE1 2JT	Partnership interest	92.1	USD	In liquidation	
Kotak India Affordable Housing Fund I 27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai – 400051, India	Units	90.9	INR	2.4	339.8
Actis South Asia Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	90.7	USD	In liquidation	
Actis Infrastructure 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	83.8	USD	In liquidation	
Momentum Africa Real Estate Parallel Company Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	83.3	USD	–	2.9
Actis Latin America 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	75.5	USD	(0.2)	1.5
Kotak India Private Equity Fund III 10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	75.0	USD	(0.1)	10.4
Actis ASEAN Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	69.2	USD	In liquidation	
Altra Private Equity Fund I LP PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands	Partnership interest	53.9	USD	In liquidation	
Actis China 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	51.0	USD	In liquidation	
The Africa Power Platform PCC Platinum Square. Hola Road Industrial Area, Suite No. 10. Nairobi, Kenya	Ordinary shares	49.9	USD	^	^
Klinchenberg B.V. Fridtjof Nansens plass 4 N-0160, Oslo	Ordinary shares	49.9	USD	^	^
Aavishkaar Goodwell India Microfinance Development Company II Limited Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Ordinary shares	49.7	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Takura II African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	49.5	USD	^	^
Kendall Court Mezzanine (Asia) Bristol Merit Fund LP PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands	Partnership interest	49.2	USD	^	^
14 Trees Limited c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland	Ordinary shares	48.9	CHF	^	^
Pan African Housing Fund LLC Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	47.7	USD	^	^
COVID-19 Energy Access Relief Fund, B.V. Hoogoorddreef 15 ,1101 BA Amsterdam The Netherlands	Ordinary shares	47.6	USD	^	^
Kotak India Private Equity Fund Limited Suite 2005, Level 2, Alexander House, 35 Cybercity,Ebene, Mauritius	Ordinary shares	47.3	USD	^	^
Zephyr Power (PVT.) Limited 68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan	Ordinary shares	46.7	USD	^	^
Actis Africa Real Estate Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	46.6	USD	^	^
APF-II India Holdings Private Limited Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited 6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986	Partnership interest	45.2	USD	^	^
Aavishkaar Emerging India Fund GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius	Ordinary shares	44.6	USD	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Dynamic India Fund S4 I IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	44.4	USD	^	^
APF-I (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	43.7	USD	^	^
Endure Capital 21 C.V. 228 Hamiltion Avenue, 3rd Floor, Palo Alto, CA 94301, United States.	Partnership interest	43.5	USD	^	^
Insitor Impact Asia Fund 2 140B Neil Road 088869 Singapore	Ordinary shares	42.9	USD	^	^
Africa Logistics Properties Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius	Ordinary shares	41.9	USD	^	^
Divercity Urban Property Fund Proprietary Limited Eyethu house, 270 Marshall Street City & Surburban, Johannesburg	Ordinary shares	41.3	USD	^	^
Aureos South Asia Fund (Holdings) LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	41.2	USD	^	^
ARM Cement Limited L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya	Ordinary shares	41.0	USD	^	^
Actis China Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	40.0	USD	^	^
TIDE Africa II LP 5th Floor, Senteu Plaza Galana Road, Kilimani, Nairobi	Partnership interest	38.1	USD	^	^
Feronia Inc 181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9	Ordinary shares	37.9	USD	^	^
TVS Industrial & Logistics Parks Pvt Ltd B-106,10th Floor, Mittal Tower, B Wing, Nariman Point, Mumbai, Maharashtra 400021, India	Ordinary shares	37.6	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Kelix Bio Ltd (previously Zanzibar Pharma) 1 Bartholomew Ln, London EC2N 2AX	Ordinary shares	37.5	USD	^	^
Bujagali Holding Power Company Limited Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda	Ordinary shares and redeemable preference shares	37.4	USD	^	^
ShoreCap III c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	37.0	USD	^	^
DI Frontier Market Energy & Carbon Fund c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark	Partnership interest	36.4	EUR	^	^
Actis Sunrise Development Limited c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	36.0	USD	^	^
Adlevo Capital Africa LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	35.4	USD	^	^
Actis Africa 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	35.3	USD	^	^
Green Growth Feeder Fund Pte. Ltd 163 Penang Road, #08-01 Winsland House Ii Singapore	Partnership interest	35.3	USD	^	^
Faering Capital Fund III 95, Maker Chambers III, Nariman Point, Mumbai 400 021, India	Ordinary shares	35.2	USD	^	^
Saratoga Asia II LP c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands	Partnership interest	35.2	USD	^	^
Manipal c/o CIM Corporate Services Ltd, Les Cascades Building, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares & preference shares	35.0	USD	^	^
Metro Wind Power Limited 7th Floor, Al-Tijarah Centre, 32-1-A, Block-6, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi-75400, Pakistan	Ordinary shares	35.0	USD	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Ascent India Fund IV IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	33.0	USD	^	^
Amicus Capital Partners Private Equity I Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India	Ordinary shares	32.5	USD	^	^
Growth Catalyst Partners – Annex Fund 318 W. Adams Street #1607 Chicago, IL 60606	Ordinary shares	31.9	USD	^	^
Solon Capital Holdings c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	31.4	USD	^	^
GEF Africa-LC Sustainable Forestry Fund LP 5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815	Partnership interest	31.2	USD	^	^
Pembani Remgro Infrastructure Mauritius Fund I LP c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Partnership interest	31.1	USD	^	^
Garden City c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	30.9	USD	^	^
Actis India Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	30.7	USD	^	^
Injaro Agricultural Capital Holdings Limited c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius	Ordinary shares	30.5	USD	^	^
Fibonacci India Fund Co Limited IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	29.9	USD	^	^
Kendall Court Mezzanine (Asia) Fund 1 LP PO Box 709 GT, 122 Mary Street, Zephyr House, Grand Cayman, Cayman Islands	Partnership interest	29.7	USD	^	^
BluePeak Private Capital Fund Merchant Square, 4th Floor, D Block Riverside Drive, Nairobi, Kenya	Partnership interest	29.4	USD	^	^
Jacoma Estates Limited Hyde Park House, 5 Manfred Road, London	Ordinary shares	29.4	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Adiwale Fund I c/o Ocorian Corporate Services, Tower A, 1 CyberCity Ebene Mauritius	Partnership interest	29.3	EUR	^	^
Anthem Asia SME Venture Fund 1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore	Partnership interest	29.0	USD	^	^
The Sierra Investment Fund 5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	28.9	USD	^	^
COVID-19 Emerging and Frontier Market MSME Support Fund Hoogoorddreef 15 ,1101 BA Amsterdam The Netherlands	Partnership interest	28.8	USD	^	^
Sawari Ventures Fund I Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands	Ordinary shares	28.7	USD	^	^
Aureos South East Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.6	USD	^	^
Energy Access Ventures Fund 7 Boulevard Malesherbes, 75008 Paris, France	Units	28.6	EUR	^	^
Aureos Central Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.5	USD	^	^
Aavishkaar India Fund VI 13B, 6th Floor, Techniplex II, IT Park · Off Veer Sarvarkar Fly Over, Goregaon West · Mumbai, Maharashtra 400062 · India.	Ordinary shares	28.3	USD	^	^
Helios Investors IV Helios Investors IV, L.P. P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands	Ordinary shares	28.2	USD	^	^
HR Food Processing Private Limited Osam Dairy, House No 448/A, Ground Floor, Near Argora Chowk, Road No. 04, Ashok Nagar Ranchi Jh 834002 India	Ordinary shares & Compulsory convertible preference shares	28.0	INR	^	^
CardinalStone Capital Advisers Growth Fund 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Partnership interest	27.8	USD	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Abraaj Pakistan Fund I LP Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	27.5	USD	^	^
VenturEast Proactive Fund II LLC St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius	Ordinary shares	27.5	INR	^	^
Atlantic Coast Regional Fund LLC c/o Abax Corporate Services, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Mauritius	Ordinary shares	27.3	USD	^	^
BTS India Private Equity Fund 4th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	27.2	USD	^	^
International Finance Participation Trust (Cayman 2004) PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands	Units	27.0	USD	^	^
Growth Catalyst Partners LLC 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.9	USD	^	^
Ankur Capital II N5, Jetha Compund, Dr B Ambedkar Road, Byculla (east, Mumbai 400 027	Partnership Interest	26.7	INR	^	^
Regional Education Finance Fund for Africa 2, rue d'Alsace, L-1122 Luxembourg	Ordinary shares	26.7	USD	^	^
Ethos Private Equity Fund V 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	26.5	USD	^	^
Capital Alliance Property Investment Company LP c/o Caledonian Trust (Cayman) Limited, 69 Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands KY1-1102	Partnership interest	26.2	USD	^	^
Actis Umbrella Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	26.1	USD	^	^
Aureos West Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.0	USD	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Africa Forestry Fund II IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	25.9	USD	^	^
Metier AMN Partnership LP 4th Floor, Building 3, Oxford Parks 8 Parks Boulevard , Rosebank Johannesburg, 2196, South Africa	Partnership interest	25.9	USD	^	^
Aureos Southern Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	25.1	USD	^	^
Ascent Rift Valley Fund II Ascent Capital Advisory Services 3rd Floor, Block E, ABC Place, Waiyaki Way, Nairobi, Kenya	Partnership interest	25.0	USD	^	^
Convergence Partners Digital Infrastructure Fund 3rd Floor 30 Jellicoe Avenue Rosebank, 2196. Johannesburg South Africa	Partnership interest	25.0	USD	^	^
Incofin India Progress Fund I JAMBU TOWERS, No:99, Sree sastha Building, 1st Floor, New Avadi Rd, Kilpauk, Chennai, Tamil Nadu 600010, India	Partnership interest	25.0	INR	^	^
Progression Eastern African Microfinance Equity Fund c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	24.9	USD	^	^
India Infrastructure Fund II (Singapore) Private Limited #04-02 112 Robinson Road, Singapore, 068902	Ordinary shares	24.8	USD	^	^
Takura III African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	24.7	USD	^	^
Pravega Ventures Fund II No. 164, 3rd Floor, 9th Main,Sector 6, HSR Layout, Bengaluru 560102, India	Partnership interest	24.6	INR	^	^
Frontier Bangladesh II LP PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	24.5	USD	^	^
VenturEast Life Fund III IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Preference shares	24.5	INR	^	^

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Seefund2 International IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	24.2	USD	^	^
GEF South Asia Fund II # 1118, One BKC, C Wing, G Block, Bandra Kurla Complex, Mumbai – 400051, India	Partnership Interest	24.1	USD	^	^
Bangladesh Managed Account C.V. B45 Twenty-Foot Road, 3rd Floor, La Croisette, Grand Baie, Mauritius.	Partnership interest	24.0	USD	^	^
Kula Fund II Limited c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu	Ordinary shares	23.8	USD	^	^
Aavishkaar India II Company Limited 608 St James Court, St Denis Street, Port Louis, Mauritius	Ordinary shares	23.7	USD	^	^
Emerge Central America Growth Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	23.7	USD	^	^
Lynx Food Group Level 5 Alexander House 35 Cybercity Ebene Mauritius	Ordinary shares	23.6	USD	^	^
Africa Capitalworks Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	23.3	USD	^	^
CX Partners Fund II 22 Saint Georges Street, Port Louis, Mauritius	Ordinary shares	23.2	USD	^	^
Sahel Capital – FAFIN c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	22.8	USD	^	^
Sarva Capital LLC 6, Seethammal Colony, 1st Cross Street, Teynampet, Alwarpet, Chennai, Tamilnadu 600018 India	Ordinary shares	22.7	USD	^	^
Techxila Fund I Room 2702, Gefei Zhongxin 757 Mengzi Road, Shanghai, Huangpu 200023 China	Partnership interest	22.6	USD	^	^
Central Africa Growth Sicar SA 16 Boulevard Royal, L-2449 Luxembourg	Ordinary shares	22.5	EUR	^	^

Notes to the accounts continued

27. Related undertakings continued

Company Registered address	Class of share	Percentage held by BII	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
India Financial Inclusion Fund Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.5	USD	^	^
Myanmar Opportunities Fund II c/o PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands	Partnership interest	22.4	USD	^	^
DP World Sokhna FZE Attaka, Suez Governorate 8131003, Egypt	Ordinary shares	22.2	USD	^	^
Ventureast Proactive Fund LLC IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	22.2	USD	^	^
Chemistry Holdings Limited 1/A, Sarguna Salai, Nagalkeni, Chromepet, Chennai 600044, India	Ordinary shares & Compulsory convertible preference shares	21.7	USD	^	^
Africa Renewable Energy Fund II C/O Berkeley Energy 4 Old Park Ln, London, Greater London W1K 1QW	Partnership interest	21.6	EUR	^	^
BluePeak Private Capital Fund Green Center - Bloc D 2.2 Rue du Lac de Constance Les Berges du Lac 1053 Tunis, Tunisia	Partnership interest	21.5	USD	^	^
iMerit Inc. 985 University Avenue Suite 8, Los Gatos, CA 95032, United States	Ordinary shares	21.3	USD	^	^
TLCom TIDE Africa Fund 85 Great Portland Street W1W 7LT London United Kingdom	Partnership Interest	21.3	USD	^	^
Green Growth Feeder Fund Pte. Ltd 163 Penang Road, #08-01, Winsland House II, Singapore 238463	Partnership Interest	21.2	USD	^	^
Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli – 110019, India	Ordinary shares	21.0	USD	^	^
Dolma Impact Fund II Level 5, Maeva Tower Bank Street, Cybercity, Ebène Republic of Mauritius	Ordinary shares	20.4	USD	^	^
Phatisa Food Fund 2 S3-S4, 2nd Floor Palm Square Complex, La Mivoie Mauritius	Ordinary shares	20.1	USD	^	^
Actis India 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	20.0	USD	^	^
African Rivers Fund c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
Aureos East Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	20.0	USD	^	^
H1 Capital (Pty) Ltd 130 Bree St, Manhattan Place, Cape Town, South Africa	Redeemable preference shares	20.0	USD	^	^
India Agribusiness Fund II Limited 5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
UNIC Online Limited 4 Inomenon Ethnon, Anastasia Building Floor 3, 6042, Larnaca, Cyprus	Ordinary shares	20.0	EUR	^	^

* Profit/(loss) for the year and aggregate capital and reserves for the significant holding as at the end of its relevant financial year.
^ Information not required as British International Investment plc's holding is less than 50 per cent and undertaking's financial information is not published.

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