

Finance Wales Group

Annual review 2012-13



Our mission

“ To maintain our position as the UK’s leading SME fund manager, delivering commercial investments from public and private funds to support and encourage SME growth and create sustainable businesses in Wales, fully aligned with Welsh Government policies. ”

Welcome

Finance Wales was established in 2001 as a result of a Welsh Government policy to increase the availability of commercial investment to Welsh small and medium-sized businesses (SMEs). We focus on growth SMEs and in recent years we've provided a critical source of investment for start-ups as well as established SMEs.

Today, the Finance Wales Group is one of the UK's largest SME investors. Headquartered in Cardiff, we operate through our Finance Wales and FW Capital brands and have local offices in the areas we invest in. xénos, the Wales Business Angel Network is also part of the Group.

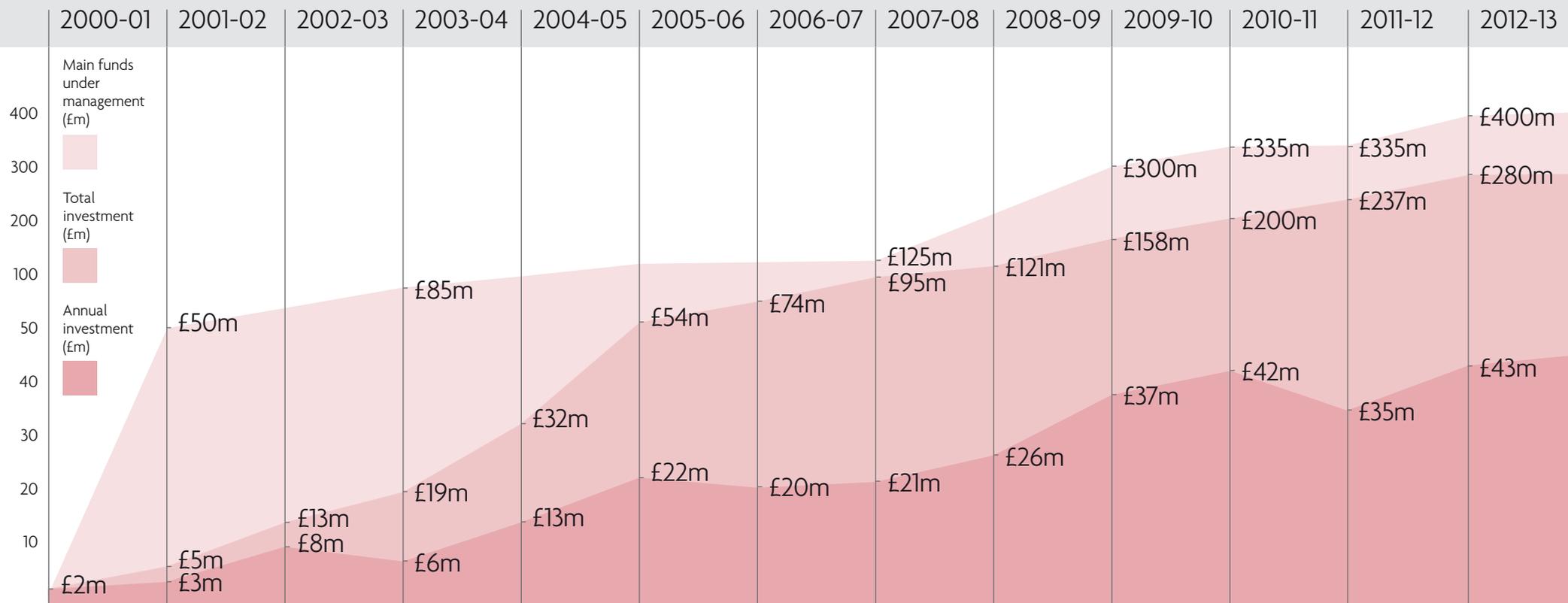
The Group currently manages funds approaching £400m and has invested over £288m through 3101 investments to date. These investments have leveraged an additional £455m private sector investment.

2012-13 highlights

Finance Wales **£31m** invested, **189** debt and equity investments, **£22m** private sector leverage. **FW Capital** **£12m** invested, **63** debt and equity investments, **£7m** private sector leverage.

New funds **£40m** Wales SME investment fund, **£6m** Wales Micro-business Loan Fund. **Extra** **£10m** for North West Loans Plus Fund

Investment history



Investing in growth SMEs

The right investment at the right time

We're currently investing funds in SMEs in Wales as well as the North East and North West of England. In 2012-13 we started investing the £40m Wales SME Investment Fund and the £6m Wales Micro-business Loan Fund. Building on our success, we also started investing an additional £10m in the North West from The North West Fund for Loans Plus.

Investing at all stages, we provide SMEs in a wide range of sectors with debt, mezzanine and equity investments to help them achieve their growth plans. We assess each business plan individually, tailoring any investment to meet the SME's needs.

We invest for long-term growth and can invest follow-on rounds as an SME grows. We know the backing of a strong investor can play a key role in an SME's success and our experienced investment staff build long-term relationships with the businesses we invest in.

As our reputation has grown, we've built an extensive network in the corporate finance sector and also focused on building relationships with partner investors to increase the amount of investment available to the SMEs we invest in. We're a committed co-investor and we partner with leading UK fund managers, banks as well as business angels and others.

“ The Wales JEREMIE Fund is recognised as one of the most successful funds of its type. Welsh SMEs can access the most comprehensive source of growth capital available in the UK from Finance Wales. ”

Ian Johnson, Chairman, Finance Wales Group

Proud co-investors

Disruptive Capital Finance Vanguard Atlantic ERA Technology
Notion Capital Longbow Oxford Technology ECF
Porton Capital **Altima Partners E-Synergy**
IP Group New Hill Management Rainbow Seed Fund
Mercia Technology Fund Midven **Fusion IP**

Regional focus

Wales



Finance Wales has been backing Welsh SMEs at all growth stages since 2001. We've continued to invest through the tough economic conditions since 2008, launching the £150m Wales JEREMIE Fund in 2009. In 2012-13 we started to invest two new Welsh Government funds, making a further £46m available to Welsh SMEs.

The Welsh Government-backed £40m Wales SME Investment Fund and £6m Wales Micro-business Loan Fund complement the Wales JEREMIE Fund. This has increased the number of businesses potentially eligible for investment from Finance Wales, including those selling goods and services to consumers rather than businesses.

We have staff based throughout Wales at offices in Cardiff, Llanelli, Newtown and St Asaph. We're committed to backing all types of Welsh SMEs from start-ups through to more established businesses. Finance Wales can invest from £1,000 to £2m at a time and up to a total of £5m in one SME through follow-on investments.

We encourage our locally based staff to understand the businesses we invest in to make sure our investments are tailored to their needs and structured to underpin their long-term growth. We also use our expertise and experience to work with businesses as they grow to maximise the benefit of our investment.

2012-13 highlights

- £31m invested through 189 debt and equity investments
- £22m additional investment leveraged
- £9m invested in high-growth, IP-rich Welsh technology-based businesses
- £7m co-invested through 18 investments
- 5 exits, including largest to date with a 2.4X return
- Enterprise Finance Guarantee lender accreditation achieved



xénos, the Wales Business Angel Network works with businesses to prepare them for investment and then matches them with private investors from its extensive database. It facilitated £2.2m of business angel investment in 20 Welsh SMEs in 2012-13. Network membership currently exceeds 120 registered UK and overseas-based business angels investing in a wide range of Welsh SMEs.

Established in 1997, xénos continues to facilitate investment in Welsh SMEs. It also encourages syndicated investment, strengthening its relationships with other networks such as the South West Angel and Investor Network (SWAIN). xénos also boosted its professional services network in 2012-13.

2012-13 highlights

- £2.2m of business angel investment facilitated in 20 SMEs
- £1.7m additional private investment leveraged
- Over 120 registered business angels investing in all types of businesses
- £19m of private investment in 182 Welsh SMEs facilitated since 1997

Regional focus

The North East



FW Capital can structure single-round debt, mezzanine and equity investments of between £350,000 and £1.25m in SMEs based throughout the North East of England from the North East Growth Plus Fund. We manage the fund, which is part of the £125m Finance for Business North East JEREMIE Fund, for North East Finance.

Our Newcastle-based team structures growth investments for established SMEs based in Northumberland, Tyne and Wear, Durham and the Tees Valley. We can also back the SMEs we invest in with follow-on rounds as they grow and in 2012-13 we invested a follow-on round in Gateshead-based Propeller Holdings.

2012-13 highlights

- £3.2m invested through 8 investments
- £3.1m additional investment leveraged
- 1 follow-on investment

Regional focus

The North West



Building on our success in the North West, we started investing an additional £10m in 2013 when the £35m North West Fund for Business Loans was increased by £10m and renamed The North West Fund for Loans Plus. The Loans Plus Fund provides established SMEs in the North West with loans and mezzanine finance from £50,000 to £750,000 – up from the previous maximum of £250,000.

Our North West team operates from offices in Liverpool, Manchester and Preston and works with SMEs to provide loans for a range of purposes, including owner-occupier property purchases, asset/equipment purchases or working capital requirements.

2012-13 highlights

- £8.7m invested through 55 loans
- £3.5m additional investment leveraged
- Started investing an additional £10m in the North West from The North West Fund for Loans Plus

Main funds under management

Finance Wales

Fund	Size	Stakeholders	Remit	Coverage	Status
Wales Property Development Fund Launched May 2013	£10m	Welsh Government	Short-term property development loans	Wales	Investing
Wales Micro-business Loan Fund	£6m	Welsh Government	Start-up Development capital	Wales	Investing
Wales SME Investment Fund	£40m	Welsh Government Barclays Bank	Development capital Succession Acquisition	Wales	Investing
Wales JEREMIE Fund	£150m	European Investment Bank Welsh Government European Regional Development Fund	Early stage/Technology ventures Development capital Acquisition	Wales	Investing
Interim	£30m	Barclays Bank Welsh Government	Early stage/Technology ventures Development capital Succession Acquisition	Wales	Closed
Objective 1	£45m	Barclays Bank European Regional Development Fund	Early stage/Technology ventures Development capital Acquisition	Wales	Closed
Objective 2	£35.9m	Barclays Bank Welsh Government European Regional Development Fund	Early stage/Technology ventures Development capital Acquisition	Wales	Closed

FW Capital

Tees Valley Catalyst Fund Launched June 2013	£10m	Tees Valley Unlimited Stockton-on-Tees Borough Council Regional Growth Fund	Security for performance bonds	Tees Valley	Investing
North East Growth Plus Fund	£20m	European Investment Bank European Regional Development Fund North East Finance	Development capital	North East of England	Investing
The North West Fund for Loans Plus	£45m	European Investment Bank European Regional Development Fund North West Business Finance	Development capital	North West of England	Investing

Financial summary 2012-13

	2011-12	2012-13
	£000	£000
Investment and fee income	9,616	8,767
Profit/(loss) on disposal of equity investments	(1,089)	457
Other income/ERDF grant release	4,769	7,631
Welsh Government support	4,222	3,147
Total income	17,518	20,002
Administrative costs	(12,394)	(13,679)
Impairments/provisions	(13,617)	(13,372)
Operating profit/(loss)	(8,493)	(7,049)
Net interest and other movements	(463)	(1,593)
Profit/(loss) before taxation	(8,956)	(8,642)

2012-13 financial highlights

- The sale of our stake in Unite Technologies contributed to our profit from the disposal of our equity investments
- We continued to reduce our reliance on Welsh Government support as our fund management fee income increased
- Our impairments/provisions were slightly lower despite economic conditions
- Our administrative costs rose as we recruited new staff to invest the Wales SME Investment and Wales Micro-business Loan Funds

Our future

A sustainable long-term investment company

SMEs play a key role in the economy and their success not only means a stronger economy, but also better returns on our investments so we can continue to back SMEs in future. The Finance Wales Group is a leading UK SME fund manager and we aim to be a sustainable long-term investment company. We raise our funds from a range of commercial and public sources and we need to ensure we achieve effective returns when we invest these funds. The fees we earn on the funds we manage also contribute to running costs and sustainability.

Find out more

The Finance Wales Group is committed to investing in SMEs and helping them to maximise their growth plans by providing the right investment at the right time. To find out more about us, please visit one of our web sites:



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Available in Welsh and other formats. Please contact us to discuss your needs.