

**FINANCE WALES INVESTMENTS (3)  
LIMITED**

**Report and Financial Statements**

**31 March 2011**

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## **FINANCE WALES INVESTMENTS (3) LIMITED**

### **REPORT AND FINANCIAL STATEMENTS 2011**

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## **FINANCE WALES INVESTMENTS (3) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTOR**

S Lloyd-Jones

#### **SECRETARY**

J Oates

#### **REGISTERED OFFICE**

Oakleigh House  
Park Place  
Cardiff  
CF10 3DQ

#### **BANKERS**

Barclays Bank Plc  
PO Box 69  
Queen Street  
Cardiff  
CF10 1SG

#### **AUDITOR**

Deloitte LLP  
Cardiff

## **DIRECTOR'S REPORT**

The director presents her annual report and the audited financial statements for the year ended 31 March 2011

This director's report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies' exemption

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The principal activity of the company is to facilitate the provision of financial services to Small and Medium Enterprises ("SMEs"). The company manages investments both in companies requiring funding for rescue or restructuring, and in relation to the Technology and Commercialisation Centre programme - a legacy fund from the former Welsh Development Agency. It is not envisaged that new commitments will be entered into in respect of the technology programme fund. The company will continue with the remaining activities for the foreseeable future.

During the year, the company made five investments totalling £600,000 (2010 - five investments totalling £338,000). These investments were into two companies requiring funding for rescue or restructuring. It should be noted that Rescue and Restructuring Fund investments are subject to European Commission eligibility rules.

Bad debts of £282,000 (2010 - £228,000) were written off during the year. These debts had previously been fully provided and formal write-off had been delayed by the process pertaining at that time.

#### *Going concern*

The current economic environment is challenging. The company provides financial services to SMEs and is working closely with management at investee companies to support and help them manage the effects of the current economic environment.

The company is financed through grant funding provided by the Welsh Government and European Structural Funds.

The group's business activities, together with the factors likely to affect its future development, performance and position, its financial position at the balance sheet date, its cash flows and the liquidity position, are set out in the Directors' report on pages 2 to 7 within the financial statements of Finance Wales plc. In addition, note 23 of the Finance Wales plc financial statements includes the group's objectives and policies and processes around managing capital risk, its financial risk management objectives, and its exposure to market, credit and liquidity risk. The relevant information for Finance Wales Investments (3) Limited is set out within the Directors' report.

Exploratory discussions are taking place with Finance Wales plc's ultimate parent, the Welsh Ministers, acting through the Welsh Government with a view to the separation of Finance Wales plc, the company's immediate parent, from the aforesaid Welsh Ministers. This is a natural step in Finance Wales plc's development which, whilst ensuring long-term sustainability, would not significantly change the focus of the company's activities.

Whilst no conclusion has been reached as to the outcome of these debates, the Welsh Government has indicated in a letter of support that it will not seek to realise its investment in the group and will continue to provide both revenue and capital support at a level sufficient to enable Finance Wales (even if it is in private ownership) to continue as a going concern, until at least 30 September 2012.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance and the financial support of the Welsh Government, show that the group will be able to operate within the level of its current facility over the next 12 months from signing. The group's forecasts include a forecast in respect of this company.

After making enquiries and taking account of the factors noted above, the director has a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, she continues to adopt the going concern basis in preparing the financial statements.

### **DIVIDENDS**

The director does not recommend the payment of a dividend (2010 - £nil).

### **DIRECTOR**

The director of the company, who served throughout the financial year, is as shown on page 1.

## FINANCE WALES INVESTMENTS (3) LIMITED

### DIRECTOR'S REPORT (continued)

#### AUDITOR

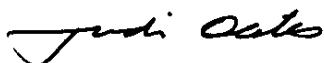
In the case of the person who is a director of the company at the date when this report is approved

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that she ought to have taken as a director to make herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte LLP will be its auditor for the forthcoming financial year under the provisions of section 386(2) of the Companies Act 2006

Approved by the Director  
and signed on behalf of the Director



J Oates  
Company Secretary

11 July 2011

**DIRECTOR'S RESPONSIBILITIES STATEMENT**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FINANCE WALES INVESTMENTS (3) LIMITED**

We have audited the financial statements of Finance Wales Investments (3) Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of director and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

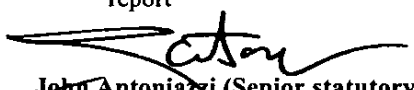
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the director was not entitled to take advantage of the small companies exemption in preparing the director's report.

  
**John Antoniazzi (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Cardiff, United Kingdom

Date *12 July 2011*

# FINANCE WALES INVESTMENTS (3) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2011

	Note	£	2011 £	£	2010 £
<b>TURNOVER</b>	1		137,701		38,422
Administrative expenses					
Bad debts provided and amounts written off loan receivables		(308,358)		(275,175)	
Other administrative expenses		(29,773)		(21,231)	
			<u>(338,131)</u>		<u>(296,406)</u>
<b>OPERATING LOSS</b>	2		(200,430)		(257,984)
Interest receivable and similar income	3		<u>356</u>		<u>1,159</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(200,074)		(256,825)
Tax on loss on ordinary activities	5		<u>-</u>		<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	10		<u>(200,074)</u>		<u>(256,825)</u>

All activities derive from continuing operations

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented



# FINANCE WALES INVESTMENTS (3) LIMITED

## BALANCE SHEET 31 March 2011

	Note	£	2011 £	£	2010 £
<b>CURRENT ASSETS</b>					
Debtors amounts falling due within one year	6	342,092		53,651	
Debtors amounts falling due after more than one year	6	121,879		147,984	
Cash at bank and in hand		472,201		934,610	
		<u>936,172</u>		<u>1,136,245</u>	
<b>NET CURRENT ASSETS</b>			936,172		1,136,245
<b>ACCRUALS AND DEFERRED INCOME</b>	8		<u>(2,400)</u>		<u>(2,400)</u>
<b>NET ASSETS</b>			<u>933,772</u>		<u>1,133,845</u>
<b>CAPITAL AND RESERVES</b>					
Public equity	7		2,154,250		2,154,250
Called up share capital	9		1		1
Profit and loss account	10		<u>(1,220,479)</u>		<u>(1,020,405)</u>
<b>SHAREHOLDER'S FUNDS</b>	11		<u>933,772</u>		<u>1,133,846</u>

The financial statements of Finance Wales Investments (3) Limited, registered number 5210122, were approved by the Director and authorised for issue on // July 2011

Signed by the Director



S Lloyd-Jones - Director

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2011**

**1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Going concern**

The current economic environment is challenging. The company provides financial services to SMEs and is working closely with management at investee companies to support and help them manage the effects of the current economic environment.

The company is financed through cash on deposit at bank and grant funding, provided by the Welsh Government and European Structural Funds.

The group's business activities, together with the factors likely to affect its future development, performance and position, its financial position at the balance sheet date, its cash flows and the liquidity position, are set out in the Directors' report on pages 2 to 7 within the financial statements of Finance Wales plc. In addition, note 23 of the Finance Wales plc financial statements includes the group's objectives and policies and processes around managing capital risk, its financial risk management objectives, and its exposure to market, credit and liquidity risk. The relevant information for Finance Wales Investments (3) Limited is set out within the Directors' report.

Exploratory discussions are taking place with Finance Wales plc's ultimate parent, the Welsh Ministers, acting through the Welsh Government with a view to the separation of Finance Wales plc, the company's immediate parent, from the aforesaid Welsh Ministers. This is a natural step in Finance Wales plc's development which, whilst ensuring long-term sustainability, would not significantly change the focus of the company's activities.

Whilst no conclusion has been reached as to the outcome of these debates, the Welsh Government has indicated in a letter of support that it will not seek to realise its investment in the group and will continue to provide both revenue and capital support at a level sufficient to enable Finance Wales (even if it is in private ownership) to continue as a going concern, until at least 30 September 2012.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance and the financial support of the Welsh Government, show that the group will be able to operate within the level of its current facility over the next 12 months. The group's forecasts include a forecast in respect of this company.

After making enquiries and taking account of the factors noted above, the director has a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, she continues to adopt the going concern basis in preparing the financial statements.

**Turnover**

Turnover represents interest receivable on loans, application and arrangement fees, and release of grant income in respect of ERDF funding. Turnover is recognised over the period to which it relates.

**Cash flow statement**

The company has taken advantage of the exemption not to prepare a cash flow statement under FRS 1 as a consolidated cash flow statement is produced in the ultimate parent company's financial statements.

**Interest receivable**

Interest received on loans is allocated over the period of the loan in proportion to the capital amount outstanding and credited to the profit and loss account accordingly.

# FINANCE WALES INVESTMENTS (3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

### 1 ACCOUNTING POLICIES (continued)

#### Related party transactions

In accordance with the exemption conferred by paragraph 17 of FRS 8 "Related party disclosures" the company has not disclosed transactions with other group companies where 100% of the voting rights are controlled by the group

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

#### Public equity

The Welsh Ministers, acting through the Welsh Government, have from time to time provided funds for investment purposes. Some of this Welsh Government funding was made as Public Dividend Capital (PDC) whilst the remainder was classified as Grant in Aid or Core Funding for Investment purposes

The funding was to invest in the long-term sustainability of Finance Wales and within the Welsh Government's own accounting arrangements the funds are regarded as being an investment. Finance Wales treats the funds as "Public Equity". This is in line with the treatment adopted by other publicly owned bodies

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

### 2. OPERATING LOSS

	2011 £	2010 £
<b>Operating loss is after charging</b>		
Auditor's remuneration - audit	2,400	2,400
	<u>2,400</u>	<u>2,400</u>

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £	2010 £
Bank interest	356	1,159
	<u>356</u>	<u>1,159</u>

### 4. INFORMATION REGARDING DIRECTOR AND EMPLOYEES

The director received no emoluments from the company in the current or the prior financial year. It is not practicable to allocate her remuneration between her services as a director of this company and other group companies. Further details of the director's remuneration are presented in the financial statements of Finance Wales plc

The director was the only employee of the company during the current and the prior financial year

# FINANCE WALES INVESTMENTS (3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

### 5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2011 £	2010 £
<b>Current taxation</b>		
United Kingdom corporation tax		
Current tax on income for the year at 28% (2010 - 28%)	-	-
The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows		
	£	£
Loss on ordinary activities before tax	(200,074)	(256,825)
Tax at 28% (2010 - 28%)	56,021	71,911
<b>Factors affecting charge for the year</b>		
Movement in short-term timing differences not recognised	(8,827)	(344)
Tax losses not recognised	-	(71,567)
Increase in tax losses	(47,194)	-
<b>Current tax charge for the year</b>	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to provisions of £13,232 (2010 - £5,423), non-trade financial losses of £215,983 (2010 - £189,478) and excess management expenses of £35,165 (2010 - £33,795). The asset would be recovered if there were sufficient suitable future profits to absorb all such assets.

### 6. DEBTORS

	2011 £	2010 £
<b>Due within one year</b>		
Loans receivable	336,163	53,621
Other debtors	5,929	30
	342,092	53,651
<b>Due after more than one year</b>		
Loans receivable	121,879	147,984

# FINANCE WALES INVESTMENTS (3) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2011

### 7. PUBLIC EQUITY

	2011 £	2010 £
Public equity invested by parent company	<u>2,154,250</u>	<u>2,154,250</u>

### 8. ACCRUALS AND DEFERRED INCOME

	2011 £	2010 £
Accruals	<u>2,400</u>	<u>2,400</u>

### 9. CALLED UP SHARE CAPITAL

	2011 £	2010 £
<b>Authorised</b> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b> 1 ordinary share of £1	<u>1</u>	<u>1</u>

### 10. STATEMENT OF MOVEMENTS ON RESERVES

	2011 £	2010 £
<b>Profit and loss account</b>		
Brought forward at 1 April	(1,020,405)	(763,580)
Loss for the financial year	<u>(200,074)</u>	<u>(256,825)</u>
Carried forward at 31 March	<u>(1,220,479)</u>	<u>(1,020,405)</u>

### 11. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2011 £	2010 £
Loss for the financial year, being net decrease in shareholder's funds	(200,074)	(256,825)
Public equity invested by parent company	-	200,000
Opening shareholder's funds	<u>1,133,846</u>	<u>1,190,671</u>
Closing shareholder's funds	<u>933,772</u>	<u>1,133,846</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2011**

**12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate parent undertaking is Finance Wales plc, a company incorporated in Great Britain. Finance Wales plc is the parent of the smallest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the group financial statements of Finance Wales plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

Finance Wales plc regards the Welsh Ministers, acting through the Welsh Government (formerly the Welsh assembly Government), as the ultimate controlling party.