

**FINANCE WALES INVESTMENTS (3)
LIMITED**

Report and Financial Statements

31 March 2013



FINANCE WALES INVESTMENTS (3) LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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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 2013

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. An investment of £10 million by the Welsh Government to facilitate a property development fund, was received in March 2013 and was held on the balance sheet pending the setting up of a company to manage this fund. The company, Finance Wales Investments (11) Ltd, was subsequently set up early in the new financial year and the cash transferred accordingly. 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 eight investments totalling £995,700 (2012 - eight investments totalling £701,000). These investments were into eight 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 £364,090 (2012 - £nil) were written off during the year. These debts were fully provided prior to being written off.

Going concern

The current economic environment continues to be 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.

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 Director's report.

Finance Wales plc's ultimate parent, the Welsh Ministers, acting through the Welsh Government has indicated in a letter of support that it will continue to provide both revenue and capital support at a level sufficient to enable Finance Wales to continue as a going concern, until at least 30 September 2015.

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 audit report. 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 (2012 - £nil).

DIRECTOR

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

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

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 they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 them 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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 2013 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.

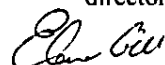
Opinion on other matter prescribed by the Companies Act 2006

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.



Elanor Gill (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

Date 30 July 2013

FINANCE WALES INVESTMENTS (3) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2013

	Note	2013 £	2012 £
TURNOVER	1	237,895	45,735
Administrative expenses			
Bad debts provided and amounts written off			
loan receivables	(283,241)	(131,668)	
Amounts provided against fixed asset investment	(56,644)	-	
Other administrative expenses	(20,329)	(8,862)	
		<u>(360,214)</u>	<u>(140,530)</u>
OPERATING LOSS	2	(122,319)	(94,795)
Interest receivable and similar income	3	<u>3,168</u>	<u>482</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(119,151)	(94,313)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	12	<u><u>(119,151)</u></u>	<u><u>(94,313)</u></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

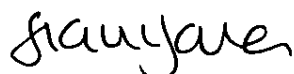
FINANCE WALES INVESTMENTS (3) LIMITED

BALANCE SHEET 31 March 2013

	Note	£	2013 £	2012 £
FIXED ASSETS				
Investments	6		-	-
CURRENT ASSETS				
Debtors amounts falling due within one year	7	686,972	87,568	
Debtors amounts falling due after more than one year	7	199,838	590,939	
Cash at bank and in hand	13	11,970,801	2,164,826	
		<u>12,857,611</u>	<u>2,843,333</u>	
CREDITORS: amounts falling due within one year	9	<u>(5,137)</u>	<u>-</u>	
NET CURRENT ASSETS			12,852,474	2,843,333
ACCRUALS AND DEFERRED INCOME	10		<u>(132,166)</u>	<u>(3,874)</u>
NET ASSETS			<u>12,720,308</u>	<u>2,839,459</u>
CAPITAL AND RESERVES				
Public equity	8	14,154,250	4,154,250	
Called up share capital	11	1	1	
Profit and loss account	12	<u>(1,433,943)</u>	<u>(1,314,792)</u>	
SHAREHOLDER'S FUNDS	14		<u>12,720,308</u>	<u>2,839,459</u>

The financial statements of Finance Wales Investments (3) Limited, registered number 5210122, were approved by the Director and authorised for issue on 30 July 2013

Signed by the Director



S Lloyd-Jones
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2013

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 grant funding provided by the Welsh

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 Director's report.

Finance Wales plc's ultimate parent, the Welsh Ministers, acting through the Welsh Government has indicated in a letter of support that it will continue to provide both revenue and capital support at a level sufficient to enable Finance Wales to continue as a going concern, until at least 30 September 2015.

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 audit report. The group's forecasts include a forecast in respect of this company.

At 31st March 2013 the Company held cash of £10 million, from the Welsh Government with the intention of setting up a property development fund. Whilst it was originally envisaged that this Company would provide a suitable vehicle for the fund, it was subsequently decided to set the fund up in a separate company. The cash therefore transferred to the new company early in April 2013 and thus has no implications for going concern or the future activity of this vehicle.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2013

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

	2013	2012
	£	£
Operating loss is after charging		
Auditor's remuneration – audit	3,874	5,035
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£	£
Bank interest	3,168	482
	<u> </u>	<u> </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 2013

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £	2012 £
Current taxation		
United Kingdom corporation tax		
Current tax on income for the year at 24% (2012 - 26%)	-	-
	<u>-</u>	<u>-</u>
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	(119,151)	(94,313)
	<u>(119,151)</u>	<u>(94,313)</u>
Tax at 24% (2012 - 26%)	28,596	24,521
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(13,595)	-
Movement in short-term timing differences not recognised	(4,644)	(7,145)
Increase in tax losses	(10,357)	(17,376)
	<u>(28,596)</u>	<u>(24,521)</u>
Current tax charge for the year	-	-
	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to provisions of £22,477 (2012 - £18,810), non-trade financial losses of £209,651 (2012 - £213,281) and excess management expenses of £37,815 (2012 - £34,587). The asset would be recovered if there were sufficient suitable future profits to absorb all such assets.

The reduction in the mainstream corporation tax rate from 24% to 23% from 1 April 2013, to 22% from 1 April 2014 and further to 20% from 1 April 2015 is not anticipated to materially affect the future tax charge.

FINANCE WALES INVESTMENTS (3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2013

6. FIXED ASSET INVESTMENTS

	Investments £
Cost	
At 1 April 2012	-
Additions	56,644
	<u>56,644</u>
At 31 March 2013	<u>56,644</u>
Provisions	
At 1 April 2012	-
Charge for the year	(56,644)
	<u>(56,644)</u>
At 31 March 2013	<u>(56,644)</u>
Net book value	
At 31 March 2013 and 31 March 2012	<u>-</u>

7. DEBTORS

	2013 £	2012 £
Due within one year		
Loans receivable	679,691	82,355
Other debtors	7,281	5,213
	<u>686,972</u>	<u>87,568</u>
	£	£
Due after more than one year		
Loans receivable	<u>199,838</u>	<u>590,939</u>

8. PUBLIC EQUITY

	2013 £	2012 £
Public equity invested by parent company	<u>14,154,250</u>	<u>4,154,250</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade creditors	<u>(5,137)</u>	<u>-</u>

FINANCE WALES INVESTMENTS (3) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2013

10. ACCRUALS AND DEFERRED INCOME

	2013 £	2012 £
Accruals	132,166	3,874

11. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Authorised Share Capital 1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 1 Ordinary share of £1	1	1

12. STATEMENT OF MOVEMENTS ON RESERVES

	2013 £	2012 £
Profit and loss account		
Brought forward at 1 April	(1,314,792)	(1,220,479)
Loss for the financial year	(119,151)	(94,313)
Carried forward at 31 March	(1,433,943)	(1,314,792)

13. CASH AT BANK

	2013 £	2012 £
Rescue & Restructure fund cash in hand and at bank	1,970,801	2,164,826
Property Fund cash	10,000,000	-
Cash at bank and in hand	11,970,801	2,164,826

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £	2012 £
Loss for the financial year, being net decrease in shareholder's funds	(119,151)	(94,313)
Public equity invested by parent company	10,000,000	2,000,000
Opening shareholder's funds	2,839,459	933,772
Closing shareholder's funds	12,720,308	2,839,459

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

15. 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, Mandy, 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.