

**FINANCE WALES INVESTMENTS (3)  
LIMITED**

**Report and Financial Statements**

**31 March 2014**



**REPORT AND FINANCIAL STATEMENTS 2014**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

S Lloyd-Jones  
K O'Leary (appointed 28 January 2014)  
M Owen (appointed 28 January 2014)  
N Maguinness (appointed 28 January 2014)

**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

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

This directors' 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. A company, Finance Wales Investments (11) Limited, 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 six investments totalling £1,190,750 (2013 - eight investments totalling £995,700). These investments were into seven 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 £205,604 (2013 - £559,229) 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 Finance Wales Group comprises Finance Wales plc acting as the holding company and its subsidiaries, which provide financial services to Small and Medium Sized Enterprises ("SMEs"). 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 Strategic report on pages 2 to 8 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 Strategic 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 directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2013 - £nil).

### **DIRECTORS**

The directors of the company, with dates of appointment where appropriate, are as shown on page 1.

**DIRECTORS' REPORT (continued)**

**AUDITOR**

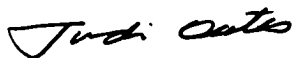
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves 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 section 418 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 Board of Directors  
and signed on behalf of the Board



J Oates  
Company Secretary

14 July 2014

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

## **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 2014 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 directors and auditor**

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. 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 directors; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit 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 Directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing a Strategic Report or in preparing the Directors' Report.

*Delyth Jones*

**Delyth Jones (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cardiff, United Kingdom

16 July 2014

# FINANCE WALES INVESTMENTS (3) LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2014

	Note	2014 £	2013 £
<b>TURNOVER</b>	1	160,643	237,895
Administrative expenses:			
Bad debts provided and amounts written off loan receivables		(116,214)	(283,241)
Amounts provided against fixed asset investment		-	(56,644)
Other administrative expenses		(33,741)	(20,329)
Total administrative expenses		<u>(149,955)</u>	<u>(360,214)</u>
<b>OPERATING PROFIT/(LOSS)</b>	2	10,688	(122,319)
Interest receivable and similar income	3	<u>3,263</u>	<u>3,168</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		13,951	(119,151)
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	12	<u><u>13,951</u></u>	<u><u>(119,151)</u></u>

All results 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.



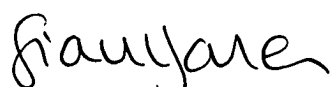
# FINANCE WALES INVESTMENTS (3) LIMITED

## BALANCE SHEET As at 31 March 2014

			2014		2013
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Investments	6		-		-
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	7	514,353		686,972	
Debtors: amounts falling due after more than one year	7	729,634		199,838	
Cash at bank and in hand	13	4,508,995		11,970,801	
		<u>5,752,982</u>		<u>12,857,611</u>	
<b>CURRENT LIABILITIES</b>					
Creditors: amounts falling due within one year	9	(7,835)		(5,137)	
Creditors: amounts falling due after more than one year	9	(3,007,763)		-	
		<u></u>		<u></u>	
<b>NET CURRENT ASSETS</b>			2,737,384		12,852,474
<b>ACCRUALS AND DEFERRED INCOME</b>	10		(3,125)		(132,166)
			<u>2,734,259</u>		<u>12,720,308</u>
<b>NET ASSETS</b>					
<b>CAPITAL AND RESERVES</b>					
Public equity	8	4,154,250		14,154,250	
Called up share capital	11	1		1	
Profit and loss account	12	(1,419,992)		(1,433,943)	
		<u>2,734,259</u>		<u>12,720,308</u>	
<b>SHAREHOLDER'S FUNDS</b>	14		<u>2,734,259</u>		<u>12,720,308</u>

The financial statements of Finance Wales Investments (3) Limited, registered number 5210122, were approved by the Board of Directors and authorised for issue on 14 July 2014.

Signed on behalf of the Board of Directors



S Lloyd-Jones  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

**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 Government.

The Finance Wales Group comprises Finance Wales plc acting as the holding company and its subsidiaries, which provide financial services to Small and Medium Sized Enterprises ("SMEs"). 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 Strategic report on pages 2 to 8 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 Finance Wales plc Strategic 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 31 March 2014 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 2014 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 directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

**Turnover**

All turnover relates to one class of business and arises in the UK. 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 2014**

### **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.

During the year there has been a reclassification of some of the Public Equity received from the Welsh Government. £22.9m originally received during the financial year as Public Equity in relation to the Welsh Life Sciences Fund, and £0.8m legacy balances in relation to the Creative Industries Fund have been reclassified as Financial Transaction Reserve ('FTR') money. Additional funding in the form of FTR money has been received from the Welsh Government during the year in relation to the Help to Buy Wales scheme (£34.5m), Welsh Life Sciences Fund (£6.5m); Wales Growth Fund (£3m). These balances are shown in note 20.

No formal repayment terms are in place with the Welsh Government at present, however there is no expectation that this will be repaid within the next 25 years.

### **2. OPERATING PROFIT/(LOSS)**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Operating profit/(loss) is after charging</b>		
Fees payable to the company's auditor		
for the audit of the company's annual		
accounts	<u>2,801</u>	<u>3,874</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Bank interest	<u>3,263</u>	<u>3,168</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

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

The directors were the only employees of the company during the current and the prior financial year.

**5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 23% (2013 - 24%)	<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 profit/(loss) before tax is as follows:		
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<u>13,951</u>	<u>(119,151)</u>
Tax at 23% (2013 - 24%)	3,209	28,596
<b>Factors affecting charge for the year</b>		
Expenses not deductible for tax purposes	-	(13,595)
Movement in short-term timing differences not recognised	6,756	(4,644)
Increase in tax losses	<u>(9,965)</u>	<u>(10,357)</u>
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to provisions of £25,420 (2013 - £22,477), non-trade financial losses of £166,896 (2013 - £209,651) and excess management expenses of £39,628 (2013 - £37,815). 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 23% to 21% from 1 April 2014 and further to 20% from 1 April 2015 is not anticipated to materially affect the future tax charge.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

**6. FIXED ASSET INVESTMENTS**

	<b>£</b>
<b>Cost</b>	
At 1 April 2013 and 31 March 2014	56,644
<b>Provisions</b>	
At 1 April 2013 and 31 March 2014	(56,644)
<b>Net book value</b>	
At 31 March 2014 and 31 March 2013	-

**7. DEBTORS**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Due within one year:		
Loans receivable	487,064	679,691
Other debtors	27,289	7,281
	<u>514,353</u>	<u>686,972</u>
	<b>£</b>	<b>£</b>
Due after more than one year:		
Loans receivable	729,634	199,838
	<u>729,634</u>	<u>199,838</u>

**8. PUBLIC EQUITY**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Public equity invested by parent company	4,154,250	14,154,250
	<u>4,154,250</u>	<u>14,154,250</u>

**9. CURRENT LIABILITIES**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Due within one year:		
Trade creditors	7,835	5,137
	<u>7,835</u>	<u>5,137</u>
	<b>£</b>	<b>£</b>
Due after more than one year:		
Amounts falling due to group companies	3,000,000	-
Other creditors	7,763	-
	<u>3,007,763</u>	<u>-</u>

Amounts falling due to group companies relates to amounts due to Finance Wales plc in relation to Financial Transaction Reserve money received from the Welsh Government. No formal repayment terms are in place with the Welsh Government at present, however there is no expectation that this will be repaid within the next 25 years

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2014**

**10. ACCRUALS AND DEFERRED INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Accruals	3,125	132,166
	<u>          </u>	<u>          </u>

**11. CALLED UP SHARE CAPITAL**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Authorised share capital</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	1	1
	<u>          </u>	<u>          </u>

**12. STATEMENT OF MOVEMENTS ON RESERVES**

	<b>Profit and loss account £</b>
At 1 April 2013	(1,433,943)
Profit for the financial year	13,951
	<u>          </u>
At 31 March 2014	(1,419,992)
	<u>          </u>

**13. CASH AT BANK**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Rescue and restructure fund cash in hand and at bank	1,508,995	1,970,801
Property fund cash	-	10,000,000
Working capital cash	3,000,000	-
	<u>          </u>	<u>          </u>
Cash at bank and in hand	4,508,995	11,970,801
	<u>          </u>	<u>          </u>

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the financial year	13,951	(119,151)
Public equity invested by parent company	-	10,000,000
Public equity transferred to group company	(10,000,000)	-
Opening shareholder's funds	12,720,308	2,839,459
	<u>          </u>	<u>          </u>
Closing shareholder's funds	2,734,259	12,720,308
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2014**

**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, Maindy, Cardiff CF14 3UZ.