Company Registration No. 8516240

FINANCE WALES INVESTMENTS (11) LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Staziker
G Thorley (appointed 4 April 2016)
K O'Leary
M Owen

SECRETARY

J Oates

REGISTERED OFFICE

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

BANKERS

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

AUDITOR

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2017.

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 the provision of financial services to Small and Medium Enterprises (''SMEs'').

The Company has raised £10 million to provide loan finance for small-scale property developers across Wales.

During the period, the Company made investments totalling £7.15m (2016: £6.54m). These investments were into 6 companies (2016: 6 companies) requiring funding.

The directors expect the general level of activity to remain consistent with 2017 in the forthcoming year. The Wales Property Fund is an evergreen fund with returns from investments being recycled.

There were no significant events since the balance sheet date.

Going concern

The Wales Property Fund held by Finance Wales Investments (11) is facilitated by means of funding from the Welsh Government.

The Finance Wales Group comprises Finance Wales plc acting as the holding company and its subsidiaries, which provide financial services to SMEs. The relevant information for Finance Wales Investments (11) Limited is set out within the Finance Wales plc Strategic report which addresses 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. In addition, note 21 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.

Finance Wales plc's ultimate controlling party, the Welsh Ministers, acting through the Welsh Government has indicated in a letter of support that it will continue to provide revenue support until March 2018 and capital support until at least March 2021 at a level sufficient to enable Finance Wales to continue as a going concern.

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 balance sheet. 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 (2016 - £nil).

DIRECTORS

The directors of the Company, who served throughout the financial year and subsequently to the date of the report unless stated otherwise, 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 Group has a policy of tendering the external audit every five years. The audit was tendered during the previous financial year and the incumbents Deloitte were reappointed.

Approved by the Board of Directors
and signed on behalf of the Board

Judi Oates

J Oates
Company Secretary

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 MEMBERS OF FINANCE WALES INVESTMENTS (11) LIMITED

We have audited the financial statements of Finance Wales Investments (11) Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, incorporating the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13. 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) including FRS 101, "Reduced Disclosure Framework".

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.

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 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 2017 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, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE WALES INVESTMENTS (11) LIMITED

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.

D Heaton

David Heaton
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

5 September 2017

STATEMENT OF COMPREHENSIVE INCOME, INCORPORATING THE PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	742,733	602,830
Administrative Expenses:			
Impairment released against loans receivable	5	-	569,164
Other administrative expenses		(366,660)	(364,317)
Total Administrative expenses		(366,660)	(204,847)
OPERATING PROFIT	5	376,073	807,677
PROFIT BEFORE FINANCE CHARGES		376,073	807,677
Interest receivable and similar income	4	7,666	197
PROFIT BEFORE TAXATION		383,739	807,874
Tax on profit	8	-	-
PROFIT FOR THE FINANCIAL YEAR BEING TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		383,739	807,874

All activities in both the current and preceding period derive from continuing operations.

BALANCE SHEET
At 31 March 2017

	Note	2017 £	2016 £
CURRENT ASSETS			
Debtors			
- due within one year	9	1,672,445	2,452,170
- due after one year	9	4,253,627	2,016,166
Cash at bank and in hand		4,725,999	5,807,535
		10,652,071	10,275,871
CREDITORS: Amounts falling due within one year	10	(76,390)	(83,929)
NET CURRENT ASSETS		10,575,681	10,191,942
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		10,575,681	10,191,942
CAPITAL AND RESERVES			
Public equity		10,000,000	10,000,000
Called up share capital	12	1	1
Profit and loss account		575,680	191,941
TOTAL SHAREHOLDER'S FUNDS		10,575,681	10,191,942

The financial statements of Finance Wales Investments (11) Limited, registered number 8516240, were approved by the Board of Directors and authorised for issue on 21 August 2017.

Signed on its behalf by

Giles Thorley
Director

STATEMENT OF CHANGES IN EQUITY
At 31 March 2017

	Public equity £	Share capital £	Profit and loss account £	Total £
Balance at 31 March 2015	10,000,000	1	(615,933)	9,384,068
Profit for the year	-	-	807,874	807,874
Balance at 31 March 2016	10,000,000	1	191,941	10,191,942
Profit for the year	-	-	383,739	383,739
Balance at 31 March 2017	10,000,000	1	575,680	10,575,681

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

Finance Wales Investments (11) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Director's Report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) '*Reduced Disclosure Framework*' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis. In addition, for financial reporting purposes fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of Finance Wales plc. Details of the parent in whose consolidated financial statements the Company is included are shown in note 11 to the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, presentation of a statement of cash flows, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Finance Wales plc. The Group accounts of Finance Wales plc are available to the public and can be obtained as set out in note 13.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Going concern

Finance Wales' business activities, which include the activities of this entity, 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 within the financial statements of Finance Wales plc. In addition, note 21 of the Finance Wales plc financial statements includes the Group's objectives, policies and processes around managing capital risk, its financial risk management objectives; and its exposure to market, credit and liquidity risk.

The Company is financed through funding provided by the Welsh Government.

Finance Wales plc's ultimate controlling party, the Welsh Ministers, acting through the Welsh Government has indicated in a letter of support that it will continue to provide revenue support until March 2018 and capital support until at least March 2021 at a level sufficient to enable Finance Wales to continue as a going concern.

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 the date of signing the balance sheet. The Group's forecasts include a forecast in respect of this Company.

After making enquiries and having reviewed the forecasts for the Company, the directors believe there are no material uncertainties that lead to a significant doubt on the Company's ability to continue in business over the next 12 months. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Taxation

Current tax

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 by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. **ACCOUNTING POLICIES (continued)**

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Turnover represents interest receivable on loans, application and arrangement fees. All turnover relates to one class of business and arises in the UK on investments made in Welsh businesses.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income and loan arrangement fees are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the relevant instrument.

Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of financial assets could include the company's past experience of recovery, and the levels and trends of specific impairments made as well as observable changes in national or local economic conditions that correlate with default.

The impact of forbearance is also considered. Forbearance has not materially impacted impairment provision requirements during the year; the collective provision is deemed to provide sufficient provision for impairment.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities

Debt instruments are classified as financial liabilities according to the substance of the contractual arrangements.

Financial Liabilities

Financial Liabilities are recognised as either financial liabilities at FVTPL or other financial liabilities.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial Liabilities and Equity (continued)

<u>Derecognition of Financial Liabilities</u>

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Related party transactions

In accordance with the exemption conferred by paragraph 8 (j) of FRS 101 "Reduced Disclosure Framework" the Company has not disclosed transactions with other Group companies, where 100% of the voting rights are controlled by the Group.

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 originally made as Public Dividend Capital (PDC) whilst the remainder is classified as Grant in Aid or Core Funding for Investment purposes.

The funding is 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.

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 Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Going Concern

In preparing the financial statements, the directors have concluded that the Company is a going concern and have assumed that it will be able to continue to trade in line with its business plan, realising the value of assets and liabilities in the normal course of business.

This judgement has significant impact on the valuation and presentation of the balance sheet as, if the Company were no longer a going concern, the carrying value would need to be restated to market value for assets and settlement values for liabilities. Significant items affected would include non-current assets, loans, and deferred income.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Financial Assets

Finance Wales operates a prudent approach to the provisioning against financial assets primarily including investments. Where uncertainty exists, either about the viability of an investee business, or an inability to meet commitments as and when they fall due, a provision will be recognised. Each provision case is proactively managed to identify the causes for concern and to work with investee businesses to effect repayment or recovery of the at-risk investment.

In accordance with the accounting policy on impairment of financial assets, a provision is made only when there is objective evidence that a loss has been incurred for which a collective assessment of a Group of assets may be undertaken. Such a collective assessment requires input of management judgement and estimation. Management judgement is supported by consideration of underlying trends of historical data regarding the probability of default or failure of the investee business.

3. TURNOVER

An analysis of the Company's turnover, all of which arises in the UK, is as follows:

	2017	2016
	£	£
Fees	310,481	323,492
Loan interest	432,252	279,338
Turnover	742,733	602,830

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Interest receivable:		
- Bank deposits	7,666	197

5. PROFIT BEFORE TAXATION

	2017	2016
	£	£
Profit before taxation is stated after (crediting)/charging:		
Impairment (gain) recognised on loans receivable carried at amortised cost	-	(569,164)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

6. AUDITOR'S REMUNERATION

	2017	2016
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	3,060	3,000

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the financial statements of the parent company are required to disclose such fees on a consolidated basis.

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any 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 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.

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2017	2016
	£	£
Current taxation		
UK corporation tax charge for the year	-	-

The charge for the year can be reconciled to the profit/(loss) in the profit and loss account as follows:

	£	£
Profit/(loss) on ordinary activities before tax	383,739	807,874
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	76,748	161,575
Effects of:		
Group relief / other reliefs	(76,748)	(38,388)
Amounts not recognised	-	(123,187)
Total taxation charge	-	-

From 1 April 2016, the main rate of corporation tax reduced to 20%. In March 2016, the government announced further reductions in the main rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. These changes were substantively enacted in September 2016. The reduction in rate is not anticipated to materially affect the future tax charge of the Company

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9. DEBTORS

	2017	2016
	£	£
Amounts falling due within one year:		
Loans receivable carried at amortised cost	1,671,184	2,450,501
Impairment	-	-
	1,671,184	2,450,501
Other debtors	1,261	1,669
	1,672,445	2,452,170
Amounts falling due after more than one year:		
Loans receivable carried at amortised cost	4,253,627	2,016,166
Impairment	-	-
	4,253,627	2,016,166

The Company enters into agreements to advance loans to Small and Medium Enterprises (SMEs) in Wales. The average term of loans entered into is five years. The interest rate inherent in the loans is fixed at the contract date for all of the loan term. The average effective interest rate contracted is approximately 7.1% per annum (2016: 7.8%).

The loans advanced are a mixture of unsecured and secured loans. Security is over counterparty assets. The maximum exposure to credit risk of loans receivable for the current and prior period is the carrying amount.

Before accepting any new customer, the Company follows its investment operating guidelines to assess the potential customer's credit quality and define customer acceptance. Recoverability of loans advanced is reviewed monthly.

Loans receivable disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is overdue) continue to be considered recoverable.

10. CREDITORS

	2017	2016
	£	£
Amounts falling due within one year:		
Trade creditors	-	766
Other creditors	60,130	80,163
Accruals	16,260	3,000
	76,390	83,929

The Company's financial liabilities are carried at amortised cost. The directors consider that the carrying amount of trade creditors approximates their fair value.

There are no trade creditors past due and the trade creditors and other creditors will be settled within the credit period offered by the counterparty.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

11. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital, public equity, reserves and retained earnings as disclosed in the statement of changes in equity.

Categories of financial instruments

The Company's financial instruments comprise investments in SMEs in the form of loans, and trade receivables and payables arising from its operations. The purpose of the instruments is to raise finance for the Company, and to invest in SMEs in Wales. The accounting policy note describes how the classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by class of financial instrument to which they are assigned and by the measurement basis.

Carrying value as at 31 March 2017 £	Note	Financial assets and liabilities at amortised cost	Loans and receivables	Total
Assets				
Cash and cash equivalents		4,725,999	-	4,725,999
Loans to customers	i	-	5,924,810	5,924,810
Other receivables	I	-	1,261	1,261
Total financial assets		4,725,999	5,926,071	10,652,071
Non-financial assets				-
Total assets				10,652,071
Liabilities				
Trade and other payables	ii	76,390	-	76,390
Total financial liabilities		76,390	-	76,390
Reserves				10,575,681
Total reserves and liabilities				10,652,071

Carrying value as at 31 March 2016 £	Note	Financial assets and liabilities at amortised cost	Loans and receivables	Total
Assets				
Cash and cash equivalents		5,807,535	-	5,807,535
Loans to customers	i	-	4,466,667	4,466,667
Other receivables	i	-	1,669	1,669
Total financial assets		5,807,535	4,468,336	10,275,871
Non-financial assets				-
Total assets				10,275,871
Liabilities				
Trade and other payables	ii	83,929	-	83,929
Total financial liabilities		83,929	-	83,929
Reserves				10,191,942
Total reserves and liabilities				10,275,871

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For the year ended 31 March 2017

11. FINANCIAL INSTRUMENTS (continued)

The carrying value of the Company's financial instruments is considered to approximate fair value and hence a separate disclosure of carrying value versus fair value is not presented. The method of valuation of each financial instrument is described overleaf.

The following methods and assumptions have been applied in determining fair value.

Note:

i) Loans to customers and other receivables are measured using an amortised cost basis and calculated using the effective interest rate method in accordance with IAS 39.

ii) The fair value of amounts owed to our ultimate parent, other third parties, share capital and public equity are assumed to approximate to their carrying amount at the balance sheet date.

The Company hierarchy for measuring at fair value disclosures is as follows:

Level	Hierarchy for fair value disclosures
1.	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2.	Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
3.	Inputs for the asset or liability that are not based on observable market data. For investments in non-quoted securities, the observable inputs are derived from recent transactional events, where these are considered reliable. These methods include using a recent valuation of the business for a funding round, or using a recent offer from a prospective purchaser.

Credit risk management

The Company's credit risk is primarily attributable to its loan receivables. As noted in the fair value of financial instrument section above, financial assets may be measured at cost less an allowance for impairment. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk as its exposure is spread over a large number of counterparties and companies.

The following table details the Company's sensitivity to a 1% reduction in the valuation of all financial assets, excluding cash and cash equivalents, at the year-end.

	2017 £	2016 £
Reduction in profit	59,000	44,000

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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For the year ended 31 March 2017

12. CALLED UP SHARE CAPITAL

	2017	2016
	£	£
Authorised and allotted		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

The Company has one class of ordinary shares which carry no right to fixed income.

13. 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 and largest group of which the Company is a member and for which consolidated financial statements are prepared. The registered office of Finance Wales plc is 1 Capital Quarter, Tyndall Street, Cardiff, CF10 4BZ. 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.