

BANK FUNDING

- Agree that in general banks are moving from funding via overdraft to invoice discounting/factoring. This form of funding is more expensive & an administrative burden particularly for smaller businesses.
- The report refers to median interest rates for SME & small firms of 3.55% & 4.74% respectively (page 20). In my experience banks are charging much higher rates than this, I am aware of a small technology business being charged base + 16% on its overdraft facility by one of the clearing banks.

ALTERNATIVE SOURCES OF FUNDING

- Agree that business angel investing is an important source of funding. However the emphasis appears to be on high risk start-up funding and more attention could be paid to angel investing in mature businesses and turnarounds.
- Xenos do a good job within the regulatory constraints they have to operate. I would like to see them take a more 'hands on' & proactive approach particularly in co-ordinating syndicates.
- Other business angel models should be considered.

FINANCE WALES

- The report is critical of Finance Wales suggesting it is not fit for purpose on the following grounds:
 - Operating as a commercially orientated fund manager
 - Not focussed on developing the Welsh economy
 - Interest rates and fees too high
 - 'Money with management' approach has been discontinued
- Taking the above points in order my comments are as follows:
 - The report makes it sound as though Finance Wales operate in a vacuum with no regard to directions from Welsh Government. Surely an annual strategic & operational plan is submitted to Welsh Government for comment & approval with the boards role/duty to implement.
 - Finance Wales has played a key role in developing the Welsh economy through the provision of equity investment and debt finance. This has been particularly important in recent years. The report focusses on the cost of debt finance with little mention of equity investment which I understand is the larger part of the total portfolio.
 - In my experience availability of funding has been more important than its cost particularly in recent years. As mentioned above I do not believe the median interest

Response from Arwel Morgan – Partner Hafren Ventures llp

rates mentioned on page 20 of the report accurately reflect market rates. Most banks operate a risk pricing model & I would be surprised if Finance Wales rates are out of line particularly considering much of their exposure will have been declined by banks.

- I believe the 'money with management' approach still exists alongside effective portfolio monitoring.

DEVELOPMENT BANK FOR WALES

- Agree that an 'umbrella' organisation is required to deliver the Welsh Government economic development package. There has always been confusion on delivery in this area.
- Simplicity and delivery by quality staff are essential, there are currently too many 'box tickers' in the front line.
- Broadly agree with the sectors outlined on page 52 of the report.
- Finance Wales is in an ideal position to take on this 'umbrella' role and to deliver the entire economic development package of the Welsh Government. Business managers would welcome the prospect of dealing with one organisation to achieve a blended funding package possibly comprising equity, debt, grants & advice.

Arwel Morgan

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