

FIN(4)FW069  
Finance Wales Inquiry  
Response from the HLN Group

Edwina Hart MBE AM  
Welsh Assembly Government  
Crown Building  
Cathays Park  
CARDIFF

20<sup>th</sup> November 2013

Dear Ms Hart

**Finance Wales      HLN Group**

I would like to introduce myself and the HLN Group with particular emphasis on our relationship with the above over recent years.

With your indulgence I would like to give you a brief synopsis of my personal business history prior to my ownership of HLN Group.

My initial business was to set up a small group of convenience stores in Cardiff which was run for ten years and eventually sold to SPAR, Co-Op Group and Post Office Counters.

After the sale of the above I concentrated on Tax Consultancy having had four years with Deloitte in their Cardiff office, specialising in personal tax.

In 2000 I became a founder director of Cresswell Foods based in Cardiff which was a poultry import business with a turnover of some £30 million, this was sold to Vestey Group where I was held to a four year contract based in London and Paris, I became a main board director of Angliss (Lord Vestey's Holding Company) as Finance Director.

After retiring in 2005 I returned to Cardiff and became a Non-Executive Director of HLN Architects Ltd, Cardiff, who were previous clients of my tax consultancy.

My experience therefore covers:-

1. Accountancy, Finance and Taxation
2. Retail Sector
3. Food Service Sector
4. Architecture and Engineering

I turn now to the recent adverse comments surrounding Finance Wales and would make the following comments which are based on my experience and in particular current market conditions as they affect SMEs here in Wales.

### High Interest Rates v Risk assessment

HLN Architects Ltd, prior to the recession, had a turnover of some £2.3 million per annum and was profitable, however, it's perceived problems at that time related to the fact that it's client base was concentrated on the Retail and Financial sectors with no Public Sector work at all; we therefore embarked on an acquisition to address that particular issue in 2009.

We have since acquired four businesses and employ between 60-70 people, we remain headquartered in Cardiff; we also took the decision to diversify our offering when acquiring Supporta Plc in 2009, to offer both Architecture and Engineering.

Supporta Plc was an Architectural Company, based in Redditch, specialising in Custodial Architecture and an Engineering Company, Bay Associates, based in Cardiff.

This gave us our diversification into engineering and an introduction into public sector work as Supporta Plc had a framework agreement with the Ministry of Justice that continues today.

Group turnover has grown from £2.3 million in 2009 to £4.3 million today which has been generated in the teeth of a most severe recession.

Let me state quite categorically this could not have been achieved without the help and assistance of Finance Wales in both providing professional consultancy and loan finance.

Let me explain why, due to my own personal financial circumstances we were unable to qualify for any other Government backed loan guarantee schemes, with my history of initially substantial business bank borrowings I thought I would be able to fund the acquisition programme by traditional bank finance, given I had over 20 years of business relationships with many of the local banks.

No bank I approached during that time had an appetite to assist in our sector, had I been successful in securing finance I would have had to offer the bank debt free personal assets, a normal standard personal guarantee (that was offered) was not deemed to be sufficient given market forces. We were therefore then forced to either have to sell private assets in a depressed market or trade as we were in a declining sector.

We approached Finance Wales who were initially unsure, due to the sector, but advised as to how we should proceed; they assisted in producing a Business Plan, negotiated fees with outside independent accountants to assist us (at a reasonable

cost), after which they took a long and in depth review and finally made us an offer to assist with the purchase of our first acquisition i.e. Supporta Plc.

We secured a £200,000 loan at 9% which formed approximately 50% of the purchase price and a further £200,000 two years later to enable our acquisitions in the South East.

There has been much debate in relation to the interest rates charged which I find wholly unfounded; my knowledge of the major banks would suggest that a figure no better than 6% would have been achieved in our case even if we had acquiesced to the banks' demand in relation to security ,leaving an excess margin of 3%.

This 3% is, in my view is well below unsecured market rates; in particular for instruments such as Factoring, Leasing and various other business asset finance .

What we have had for that 3%, as far as Finance Wales is concerned, is a true working partnership; we have been able to access all manner of skill sets, an example of which recently has been help and assistance in relation to our Marketing Programme at no charge and the offer of ongoing help and advice.

I apologise for the length of this letter but I thought you should be aware that Finance Wales 'warts and all' provide a much needed source of finance and assistance to the SMEs in Wales; they have, in no small part, been instrumental in assisting HLN's growth (which is targeted to be in excess of £6 million in the year ended 30<sup>th</sup> April 2015), this has secured some 40 jobs locally along with our recent advertisement seeking students and school leavers along with qualified staff in all our departments both here and throughout the Midlands and South East.

We continue to work for a raft of major organisations on a national basis such as the MOJ, Tesco, HSBC, Principality BS, Lloyds Bank and Co-Op.

One final point, you will no doubt agree that if a business plan sinks or swims on a margin of 3% of bank borrowings then it must surely be fundamentally flawed in any event; taking into consideration the risks factors and any default in repayment, for Finance Wales to produce a profit is in itself a remarkable achievement, I urge you most sincerely not to be influenced entirely by Academics in any future reorganisation this is without doubt a very important establishment which should be enhanced and expanded and I feel sure that other local businessmen and women would echo my concern .

With Kind Regards

Yours Sincerely

M J O'Brien  
Group CEO