

FINANCE FOR BUSINESS

NORTH EAST FINANCE NEWS

www.northeastfinance.org



Left to Right, Kevin O'Hare, MD of Sycamore Aviation; Chris Appleby of BTG Corporate Finance and Robert Thompson of Ward Hadaway

Sycamore Aviation ready to fly

An aircraft recycling company is ready for take-off after securing a six-figure investment package.

Sycamore Aviation, which is based at Durham Tees Valley Airport, received £700,000 of equity

investment from the Finance for Business North East Growth Plus Fund managed by FW Capital.

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NEF in talks to extend fund

An extra £20m could be coming to a regional investment fund launched to fast-track business growth in the region.

North East Finance, which manages the £125m Finance for Business North East programme, and Department of Communities and Local Government (DCLG) officials managing the European Regional Development Fund (ERDF) programme in the North East, are in detailed negotiations to secure the additional money to allow the FFBNE programme to continue investing through to December 2015.

If the deal is confirmed, the cash is expected to support around 75 businesses and create or safeguard 500 jobs across the North East. A decision is expected later this year.

The talks come after North East Finance and the North East Local Enterprise Partnership secured £7.5m from the Regional Growth Fund to boost the resources available to small and medium-sized companies in 2015.

Andrew Mitchell, chief executive of North East Finance, said: "The additional ERDF money would be a fantastic boost for SMEs and would help stimulate business and employment growth

at a time when the region really needs it.

"It would also leverage in many millions of pounds of private sector investment, creating further wealth and jobs.

"The current Finance for Business North East (FFBNE) programme was due to close its doors in December 2014, but this additional commitment from the Regional Growth Fund and ERDF would allow us to continue investing in businesses for a further 12 months.

"Crucially, any extension of the current programme to the end of 2015 would allow the two LEPs and other partners to put in place long-term investment programmes to follow the FFBNE programme and ensure continued availability of investment capital through to the end of the decade and beyond."

Since its launch in 2010, the FFBNE fund has provided debt and equity funding to more than 540 SMEs, creating or safeguarding around 2,500 jobs. As well as providing £76m of direct investment to local companies, the programme has secured more than £85m of private sector cash to support deals from venture capital firms, business angels and other investors.

Funding update

By Andrew Mitchell, chief executive of North East Finance

In recent months there has been a discernible rise in business confidence and, encouragingly, companies seem to have a greater appetite for investment.

Only two years ago Britain was in the depths of a deep-rooted recession and companies were hoarding cash instead of investing it in plant, research and development, machinery and staff.

This year, however, green shoots of an economic recovery have been reflected in encouraging national GDP figures as companies start to target growth rather than retrenchment.

This rosier picture has also been reflected in the number of companies seeking investment from the Finance for Business North East Fund. In 2013 there has been a surge in applications from businesses across the region, pushing the total amount invested by the fund over the £80m mark.

This is vitally important at a time when affordable finance is still hard to come by on the high street, with mainstream banks having to maintain a balance between building up their capital reserves and lending to homeowners and businesses.

Alternative forms of finance are playing a key role in bridging this funding gap. Since its inception in 2010, FFBNE has supported more than 540 SMEs with debt and equity funding, which has created jobs and boosted economic growth in the region.

If we can secure additional ERDF funding for the programme, it will benefit more businesses through to the end of 2015 and beyond. That will give them even greater confidence that the economic recovery we are now seeing is sustainable.

For more information about FFBNE, visit www.northeastfinance.org.

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Funds in focus

The Finance for Business North East Fund has helped more than 540 SMEs since it was launched in 2010. To find out which fund could benefit your business, take a look at the summaries below.

Finance | North East For Business | Growth Fund

GROWTH FUND – NEL FUND MANAGERS:

The Growth Fund assists relatively mature companies at the development and growth stages. Companies that benefit from the fund are mostly revenue generating and seeking growth capital of up to £750,000.

A significant proportion of the money from this fund is invested as mezzanine loans: loans with a profit-share and/or share option arrangement. It is managed by the NEL fund, which has invested in more than 200 companies in the last five years.

For further information, please visit www.nel.co.uk

Finance | North East For Business | Accelerator Fund

ACCELERATOR FUND - NORTHSTAR VENTURES:

One of two FFBNE funds managed by Northstar Ventures, the Accelerator Fund invests in high-growth early stage businesses with investments ranging from £100,000 to £750,000 in a first round of funding – up to £2m in any one company overall.

Investments are generally equity-based and are often syndicated with private sector investors. Debt or quasi-equity investments are made where appropriate.

Northstar has been inspiring local entrepreneurs with financial backing and the expertise of a highly experienced team since 2004, investing in more than 200 pioneering, high-potential enterprises.

For further information, please visit www.northstarventures.co.uk

Finance | North East For Business | Angel Fund

ANGEL FUND - RIVERS CAPITAL PARTNERS:

The Angel Fund is managed by Rivers Capital Partners and invests in start-ups and existing businesses with growth potential. It is not biased towards any specific sector.

The fund generally invests between £10,000 and £150,000 but has the ability to attract significantly more capital from co-investors. The fund is actively engaged with investors, both institutional and business angels, in the North East as well as London and the South.

Rivers Capital Partners brings together more than 50 years of direct investment experience in the creation and growth of companies in markets from technology to design.

For further information, please visit www.riverscap.com

Finance | North East For Business | Technology Fund

TECHNOLOGY FUND - IP GROUP:

The North East Technology Fund is managed by IP Group and is aimed specifically at the technology and innovation sectors. The fund supports technology businesses at any stage of their development with investments made principally to address the demand for seed and development stage finance.

Funding is available up to a maximum of £1.25m with the fund also securing private finance from co-investors, business angels and venture capital institutions. The fund also invests in more mature companies seeking mezzanine finance.

IP Group offers more than traditional venture capitalists by providing its companies with access to business building expertise, networks, recruitment and business support.

For further information, please visit www.ipgroupplc.com

Finance | North East For Business | Growth Plus Fund

GROWTH PLUS FUND - FW CAPITAL:

Targeted at mature companies, the Growth Plus Fund deals with businesses across most sectors looking for development and growth funding, dealing specifically with those needing a significant cash injection to facilitate a step change in their business. These companies are mostly revenue generating.

The Growth Plus Fund typically provides larger funding packages than the North East Growth Fund – investing in the region of half a million pounds in each business up to a ceiling of £1.25m.

For further information, please visit www.fwcapital.co.uk

Finance | North East For Business | Microloan Fund

MICROLOAN FUND - ENTRUST:

This fund supports the creation of new enterprises and the growth of existing micro and small businesses across the region. It aims to stimulate the creation of new business and secure jobs in the North East.

Loans of between £1,000 and £25,000 are made to new and existing businesses that are operating in eligible sectors and are finding it difficult to secure mainstream finance.

Established in 1982, Entrust is one of the oldest business support organisations in the country and works with clients across all industry sectors and at all stages of development, from pre-start ventures through to established and growing businesses.

For further information please visit www.entrust.co.uk

Finance | North East For Business | Proof of Concept Fund

PROOF OF CONCEPT FUND - NORTHSTAR VENTURES:

The Proof of Concept Fund invests at the seed stage in the technology sector – particularly in high-growth areas such as clean-tech, digital and healthcare.

Initial investments made are up to £100,000 with follow-on funding available where appropriate.

Northstar works closely with entrepreneurs, regional universities, technology start-ups and networks to develop new high-growth businesses.

Northstar's experienced team is always keen to hear from entrepreneurs looking to develop their businesses and succeed.

For further information, please visit www.northstarventures.co.uk

For more information on any of these funds, please visit our website at www.northeastfinance.org.

Double investment fuels growth at Orwin



Left to right, Mark Irving of Irving Ramsay, Michael Cook of Orwin and Jane Siddle of NEL

An expanding North East manufacturing firm is set to continue its commercial evolution after securing a second investment from the Finance for Business North East Growth Fund.

In June 2012 Washington-based Orwin secured a six-figure investment from the fund to finance the introduction of system changes and improvements across the business.

The changes have been the catalyst for a series of contract wins and now the company, one of the UK's largest automation and special purpose machine makers, has secured a second investment from the fund that will finance further operational improvements within the business.

Originally founded in the mid-1980s, Orwin was established primarily to be a supplier to Nissan but grew over time to service much of the region's manufacturing industry. It subsequently expanded its operations both across the UK and into Europe and the US.

Now the company operates across a range of industries including aerospace, automotive, electronics, food and drink, healthcare and plastics. The workforce has grown to almost 100 and a new process and development team has been set up to work with clients at the beginning of a project design process.

Michael Cook, finance director at Orwin, said: "Securing our first Growth Fund investment gave us the capital and confidence to implement a lot of the ideas that we'd long been talking about, especially around improving our business control and IT systems, and it's helped us really change the face of the business."

"Securing our first Growth Fund investment gave us the capital and confidence to implement a lot of ideas."

"Our focus is now on securing smaller numbers of higher value projects, which naturally requires greater flexibility in terms of working capital, and on ensuring we develop the strongest possible relationships with clients by demonstrating a forensic understanding of their requirements."

Simon Johnson, senior investment executive at NEL Fund Managers, said: "The Orwin management team has taken a very far-sighted approach to where they want the company to be in the future."

"They've made tremendous progress over the last year in introducing a range of improvements across the business and the plans they have to take things on from here represent a solid investment opportunity for us."

Mark Irving, director at Irving Ramsay Ltd, provided advice to Orwin on the deal.

Sycamore Aviation ready to fly

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Sycamore dismantles end-of-life planes and sells the high-value spares to clients across the globe. The company will use the investment to recruit staff, purchase new equipment and expand into the lucrative engine recycling market.

The business was launched by Kevin O'Hare in 2012, and has already hit the £1million turnover mark, with demand for its services driving this investment for expansion.

Mr O'Hare, Sycamore Aviation's managing director, said: "As airlines are expanding their fleets to take advantage of modern composite built

aircraft, the number of planes being retired is growing exponentially. The traditional answer to this problem was to store the aircraft in the deserts of Arizona.

"Sycamore solves this problem with our ability to decommission aircraft and recycle over 90% of the parts and materials, saving airlines the costs of new parts and reducing environmental impact of the airline industry as a whole.

With full approval from the Environment Agency and a refurbished 45,000 sq ft hangar at Durham Tees Valley International Airport, Sycamore has the capacity to store up to 48 airliners and process

up to five aircraft per month.

FW Capital investment executive Michael Vassallo, who structured the investment, said: "Sycamore Aviation has gained a valuable foothold in the aviation services sector, which is growing rapidly due to environmental and other factors.

The transaction was led by Chris Appleby of BTG Corporate Finance with Ward Hadaway corporate finance partner Robert Thompson and a team from the Top 100 UK law firm advising Sycamore on several specialist areas of aviation law.

Decisions, decisions, decisions

You're ready to expand your business but you need extra investment to do so. Where do you turn?

The Finance for Business North East programme could be the perfect solution. But even if it is, there are still choices to make. Which of the six fund managers should you approach? What type of investment would suit your business? Is your company eligible for such investment?

North East Finance, which manages the £125m programme, is on hand to answer some of the most common questions...



Q - HOW COULD FINANCE FOR BUSINESS NORTH EAST HELP MY BUSINESS?

A - If your business requires investment to help fund future growth, this would be a good starting point. The money could be used to fund a research and development project, for example, or take an entrepreneurial business idea to market. For well-established firms, it could be used to help fund the building of a new factory or the opening of a new office in the North East of England. Your proposal should demonstrate how the funding would help your business to grow, create jobs and deliver a return on our fund's investment.

Q - HOW MUCH FUNDING IS AVAILABLE?

A - A total amount of £125m is available across the suite of seven funds in the FFBNE programme. So far around £80m of that has already been committed. Individual investments range from £1,000 to £1m or more.

Q - HOW DO I KNOW IF I'M ELIGIBLE FOR THE FUNDS? AGAINST WHICH CRITERIA WILL MY BUSINESS BE MEASURED?

A - To be eligible, your business has to meet the EU definition of a small to medium-sized enterprise. In essence, these are businesses which:

- have fewer than 250 employees
- have an annual turnover that does not exceed 50m euros or a balance sheet total that does not exceed 43m euros
- are not owned, in whole or in part, by another business which in itself (or in total) exceeds these limits

Whilst the scheme is open to most businesses, the following will generally be ineligible for support:

- those subject to any insolvency proceedings
- those in commercial property investment
- those covered by EC sector restrictions including the retail sector, housing, marketing of products in the agriculture, fisheries and aquaculture sectors, gambling, production of weapons and ammunition
- those which fall within the definition of an "undertaking in difficulty" as defined in the EC General Block Exemption Regulation.

In addition, the funds cannot be used to finance management buy-outs or management buy-ins.

Q - DOES MY BUSINESS HAVE TO BE BASED IN THE NORTH EAST OF ENGLAND TO QUALIFY FOR THE FUNDS?

A - Your company must have its principal place of business in the region or a material proportion of its employees and operations here. In some cases, an investment can be made to help establish a presence in the region but only if the business makes a legally binding commitment to do so. All applicants must demonstrate that the funding would benefit the North East operation of the business and the local economy (e.g. through the creation of jobs and wealth). The North East region covers the counties of Durham and Northumberland; the metropolitan districts of Gateshead, Newcastle upon Tyne, North Tyneside, South Tyneside and Sunderland; and the non-metropolitan districts of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton on Tees.

Q - FOR HOW LONG IS FFBNE OPEN?

A - Originally it was expected that the fund would complete investments by 31 December 2014. However, talks are underway to secure up to £20m of additional European funding that would see the programme extended to the end of 2015.

Q - HOW DO I KNOW WHICH FUND WOULD BE BEST SUITED TO MY BUSINESS?

A - Some of the funds (e.g. Proof of Concept Fund) are more suited to start-ups and others (e.g. Growth Plus Fund) are more suited to larger, more established companies). FFBNE provides debt and equity finance from £1,000 to £1.25m but the amount that you will need depends on factors such as the size of your business and the sector in which it operates. However, each business case is different and in the first instance it would be worth talking to North East Finance, which manages the FFBNE programme, on 0191 211 2300.

Q - WHAT HAPPENS AFTER THAT?

A - North East Finance will direct you towards the most appropriate fund (or funds) and one of the fund managers will help you through the application process.

If you have any questions that are not covered here, contact North East Finance on 0191 211 2300 or visit www.northeastfinance.org

The changing role of the non-executive director

The role of the non-executive director, once the preserve of the 'elite old boy network', has come under increasing scrutiny in the wake of the global financial crisis and has become far more demanding whether at publicly quoted companies or early-stage companies.

Where the non-executive director of a plc or more mature company is now grappling with an increasingly long list of corporate governance and technical issues, the NED of a start-up company is typically expected to take on a more 'hands-on' role, often helping to shape business development and strategy and engage with partners.

Stuart Thompson, director of IP Exec – IP Group plc's in-house search function – said: "There is a new breed of non-executives who have typically decided to 'go plural' sooner. The role has become more professional and much more is demanded.

"But be aware of the differences in roles and responsibilities between early and late-stage companies even though the title is the same."

In early-stage companies, for example, often the first non-executive director will be the chairman who will be expected to adopt a quasi-executive approach. Such was the case at Glythera Ltd and Durham Graphene Science Ltd, two companies that received investment from the Finance for Business North East Technology Fund, managed by IP Group plc.

Mr Thompson, who led the recruitment process which culminated in the appointments of Dr Bryan Dobson, chairman at Durham Graphene Science, and Dr Anthony Baxter, chairman at Glythera, said: "They said 'I will do what is necessary' and it's that attitude, that commitment to the company that really matters.

"Much more is expected of you and there is a certain blurring of the lines between exec and non-exec in early-stage companies. The best NEDs in early-stage companies are those individuals who can and want to make a contribution and, crucially, who follow through on that."



Stuart Thompson, director at IP Exec

Horses for courses



Left to right. Curar Animal Therapeutics has received a £265,000 cash injection

A company which develops therapeutic devices to help pets and horses recover from injuries has secured a £265,000 investment to fuel its growth

Curar Animal Therapeutics has introduced the use of clinically-proven medical ultrasound products into the animal market, specialising in the equine and pet sector to help speed up recovery from bone and soft tissue injuries.

Its flagship product Sonivet, a device that delivers a low intensity ultrasound signal, has been proven to accelerate the healing of orthopaedic injuries, allowing animals to return to mobility

more quickly while also reducing re-injury rates.

The company will use the £265,000, secured from business angels and the Finance for Business North East Accelerator Fund, to grow the business and realise the potential of Sonivet, which is due to be launched to the equine market this year.

Initially the device will be targeted at the small animal and equine market in the UK, with wider international growth planned for the years ahead.

This is the second time that Curar has benefited from the Finance for Business North East programme. In 2011 the company initially received £100,000 from the Proof of Concept

Fund to develop its animal treatment products.

Dr Helen Floyd, founder and managing director of Curar, said: "Sonivet is unique in that it takes a process used extensively in humans and applies it to animals to help their recovery from injury. It is the first time this has been widely used in this way and we have received hugely positive feedback from the vets who have worked closely with us in the development of this product.

"We are grateful for the financial support from our investors."

"Initially, we will be looking at national distribution but will then take it forward to a wider scale. We are very confident in the future for Sonivet and are grateful for the financial support from our investors."

Northstar Ventures, which manages the Accelerator fund, said it was delighted to continue its support for Curar having invested in the company two years ago.

Dr Alex Buchan, investment manager at Northstar, said: "Helen has developed an excellent product that is going to really help the rehabilitation of animals and their injuries that might have been untreatable without the help of Sonivet. We are particularly keen on the idea of taking well-established technologies in the human sphere and adapting them for the more challenging conditions of animal care."

The investment was overseen by Newcastle-based law firm Sintons and RMT Accountants and Business Advisors in Newcastle.

The last word



Mike Hughes

By Mike Hughes, business editor of the Evening Gazette in Middlesbrough

Over the last few years, times had been tough for Teesside business. The recession was the catalyst for a wave of plant closures and job losses in the area, as many companies looked to cut costs to stay afloat.

Although many companies pressed on with their ambitious expansion plans, many others put theirs on hold.

But the picture is changing. Confidence is growing as more companies are investing in plant, machinery and staff. Growth has replaced survival as the main talking point on the business agenda.

Companies are investing their cash - and thankfully those that need additional finance have plenty of options available to them.

The Finance for Business North East Fund is an opportunity that has been snapped up by several Teesside businesses, from fledgling start-up

operations to established, fast-growth companies.

The Evening Gazette business pages have carried many stories about beneficiaries of the fund, including Sycamore Aviation (covered elsewhere in this newsletter), Middlesbrough lighting technology specialist Ambx and Preston Farm recruitment firm MC2 Technical. Each of these companies has secured a six-figure investment from the fund - financial support that will be invaluable as they try to take their business to the next level.

The Gazette has always backed initiatives that support local businesses and help them to flourish and grow. Businesses are the heartbeat of the local economy and it's vital that they are given the tools - equipment, staff, funding and robust business support networks - to become strong competitors on the national and international stage.

Indeed, our own 2020 Vision campaign - now heading for its third year - is big and bold enough to look ahead to the region's bright future and map out what we need to get there.

The Finance for Business North East programme has most certainly played its part and it would be a big boost, both for Teesside and the wider North East region, if attempts to extend it until the end of 2015 are successful.

Day in the life of...

Natalia Blagburn, investment executive at Rivers Capital, which manages the Finance for Business North East Angel Fund

8.00am - I like to keep fit so rather than take the car to work I run there instead.

8.35am - Reviewed a business plan from a start-up with an idea for an innovative tech product. This activity is fairly common in my everyday working life. Generally my days are split between three types of activities: investment work (e.g. reviewing business plans, meeting new ventures, working on the deal); supporting companies in which we have already invested (e.g. helping them to recruit board members or raise money, acting as a sounding board for strategy planning) and networking throughout the region.

10.00am - made a few calls and answered e-mails, arranged meetings with potential investee companies and those within our current portfolio. We've invested in 37 companies and I'm responsible for managing about one third of the portfolio.

11.00am - met with the potential Chairman of

one of our portfolio companies. Getting the right Chairman could make a significant difference to the success of an early-stage tech start-up. As a fund manager, I spend much of my time making connections, introducing people and networking.

12.30pm - lunch. Usually I eat at my desk, on the go or at a networking lunch.

1.00pm - caught up with my team to make sure that everyone is up to speed on deal-making activities.

1.30pm - spent the next few hours working to complete an investment deal. This can be time-intensive but also very rewarding when the deal is done.

4.00pm - met with the Angel Fund's Investment Committee. Discussed and reviewed the specifics of a current deal and made a series of investment decisions.

6.00pm - left the office to attend a business

networking event. This is not a 9am-5pm job! Catching up with businesses and advisors is essential for our business; you never know where your next investment opportunity is going to come from! I wouldn't swap my job, though; working for Rivers is really enjoyable as we have a great team ethic.



Natalia Blagburn