

FINANCE FOR BUSINESS

NORTH EAST FINANCE NEWS

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Left to Right. i-Spy chief executive Paul Slaughter with Rebecca Roberts, investment manager at Northstar Ventures

App firm receives cash boost

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Newcastle-based i-Spy Digital secured the

backing from the Finance for Business North East Accelerator Fund, which is managed by Northstar Ventures.

For the full story, turn to page 3.

JEREMIE 2 talks underway

Plans are being drawn up to create a new funding programme that could bring £160m of investment to the North East.

North East Finance has been in talks with the North East and Teesside LEPs about the potential creation of a "JEREMIE 2". This follows the success of the Finance for Business North East programme – also known as JEREMIE – which has so far ploughed £100m of direct investment into firms across the region.

TVU and the North East LEP have already committed money to the scheme and established a steering group and project team, which are working on creating the successor fund. It is hoped that the funding bodies behind the Finance for Business North East programme – which include the European Regional Development Fund and European Investment Bank – will back a new fund and early indications are that both would support such a scheme.

The UK Government and European bodies would need to approve the fund but its potential has been welcomed by several North East organisations, including the two LEPs and the North East Chamber of Commerce.

Ross Smith, director of policy at NECC, said:

"The FFBNE programme has boosted the local economy since it was launched in 2010. It has allowed companies to expand into new markets, create jobs and take their business to the next level at a time when the North East was hit hard by the recession.

"Now though, as our latest NECC Quarterly Survey demonstrates, confidence and optimism in the region has increased rapidly. It is vital that funding streams are available to companies that need additional investment and a JEREMIE 2 would be a major boost for the region.

"NECC actively supports efforts to bring a JEREMIE 2 to the North East as it would help to keep the region's economic revival on track."

A JEREMIE 2 would work in a similar fashion to its predecessor, providing companies with direct investment while leveraging in additional private sector cash to create wealth, jobs and added value to the local economy.

Andrew Mitchell, chief executive of North East Finance, said: "The new programme would build on the success of its predecessor and ensure that North East firms can tap into a vital funding resource for years to come.

"JEREMIE 1 has been the most successful fund of its kind but it's important that the momentum isn't lost. A JEREMIE 2 would provide locally-based venture capital through to 2021 and fuel the entrepreneurial spirit that undoubtedly exists in this region."

First word

By Andrew Mitchell, chief executive of North East Finance

Successful small businesses are critical to thriving local communities. The £125m Finance for Business programme is designed to provide growing businesses across the North East with the investment and funding they need to succeed.

It has already transformed the business prospects of more than 620 SMEs, which collectively have received £100m of direct investment from the fund. In addition, more than £115m of private sector cash has been secured to support deals from venture capital firms, business angels and other investors – taking the overall investment figure well over the £200m mark.

What happens, though, when the programme ends in December 2015? All of us at North East Finance, and our partner agencies, understand the value of FFBNE and the need to create a new debt and equity-based fund that can secure the future of local businesses beyond 2015. That's

"It has already transformed the business prospects of more than 620 SMEs"

why we have been canvassing support for a "JEREMIE 2".

Although feedback so far has been very positive, it is by no means a certainty. If we could push this over the line, though, it would be a major coup for the North East.

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

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Funds in focus

The Finance for Business North East Fund has helped more than 620 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

The £23m 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 in quasi-equity type deals or as quasi-equity instruments within mixed deals. It is managed by the NEL fund, which has invested in more than 200 regional companies in the last five years.

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

Finance | North East For Business | Accelerator Fund

ACCELERATOR FUND

One of two FFBNE funds managed by Northstar Ventures, the £25m 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

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 £7.5m 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

The North East Technology Fund is managed by IP Group and is aimed specifically at the technology and innovation sectors. The £25m 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

Targeted at mature companies, the £17m 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

This £5.5m 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.

For further information please visit www.northeastfinance.org

Finance | North East For Business | Proof of Concept Fund

PROOF OF CONCEPT FUND

The Proof of Concept Fund is a £15m fund that 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

Voucher firm secures finance injection

A company that makes money-off voucher books for local goods and services has secured investment from the Finance for Business North East Fund.

Teesside-based Your Entertainer is being backed by the Finance for Business North East Angel Fund, managed by Rivers Capital Partners, which was advised on the investment by law firm Ward Hadaway.

Set up by entrepreneur Amanda Duckworth, Your Entertainer produces and sells voucher books offering discounts and special offers for goods and services from local businesses.

“Money-off vouchers are becoming increasingly popular both for businesses and consumers and Your Entertainer has already made an impact in this sector.”

Your Entertainer is now onto its second edition in Teesside, offering two-for-one deals from 132 venues in the area. Books are sold via the website www.yourentertainer.co.uk, tourist information centres and various retailers across Teesside.

The undisclosed amount of funding from FFBNE will be used by the company to expand into County Durham and four other regions.

Amanda Duckworth said: “This is a concept I initially saw work in the Middle East and I thought it had real potential to take off here in the North East since it gives businesses a chance to



Left to right, Michael Dickens of Rivers Capital Partners, Richard Butts of Ward Hadaway and Your Entertainer founder Amanda Duckworth.

expand their customer base and gives consumers the potential to save thousands of pounds.

Michael Dickens, investment manager at Rivers Capital Partners, said: “Consumers are increasingly looking to get good deals on the things which they buy and businesses are keen on getting more customers through their doors so this is a concept which marries up both of those things.

Richard Butts, corporate partner at Ward Hadaway, led the firm’s team which provided legal advice to Rivers Capital Partners on the investment.

He said: “Money-off vouchers are becoming increasingly popular both for businesses and consumers and Your Entertainer has already made an impact in this sector.”

App firm receives cash boost

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The developers behind a social media app that delivers personalised messages to users’ televisions have received a £350,000 investment.

Newcastle-based i-Spy Digital secured the backing from the Finance for Business North East Accelerator Fund, which is managed by Northstar Ventures.

The firm’s system, Care Messenger, is aimed largely at the elderly, who may not be confident with computers, smart phones and tablets, but spend more time than any other demographic in front of their televisions. It can also be used by domiciliary care providers or healthcare professionals to remind their clients about visits or to check if they will be at home. Housing associations and landlords can use it to conduct surveys or send news to their tenants.

Paul Slaughter, i-Spy chief executive, said: “Now the older generation, the

housebound and the disabled can be more connected to loved ones, receiving messages and pictures on their familiar TV.

“Their children and grandchildren can, for the first time, start simply messaging gran from their smart phone, tablet or from a web browser from anywhere in the world – a sort of ‘Instagram’!

“Once the family has downloaded the app and bought the Care Messenger set top box, any number of relatives and supporters can send unlimited messages, all for a small fixed monthly charge.”

The investment will allow i-Spy to create three jobs and will cover marketing, advertising and patent costs.

Rebecca Roberts, investment manager at Northstar, said: “I am really happy to be working alongside Paul and his team. The company is doing well and will thrive with this new investment.”

Capital comfort for sofa specialist

A bespoke furniture company is to open a showroom in one of London's most prestigious locations thanks to a funding investment.

The Original Sofa Company, which makes high-quality Chesterfield furniture by hand, has secured orders from the UK, China, North America, mainland Europe and Scandinavia.

"The new London showroom will give us even greater access to a market in which we're already finding great demand for our products"

To continue its expansion the Team Valley-based company is opening a new showroom off Sloane Square in London after securing £100,000 from the Finance for Business North East Growth



David Robinson, left, of the Original Sofa Company, and David Thomas, NEL Fund Managers

Fund, which is administered by NEL Fund Managers. Further capital has also been provided by The Funding Circle, HSBC and the firm's management team.

The new showroom opens this summer and will allow the company to increase the visibility of its products.

David Robinson, founder and managing director of The Original Sofa Company, said: "The new London showroom will give us even greater access to a market in which we're already finding great demand for our products.

"The North East will remain as our manufacturing base as the company develops, with plans already in place to recruit a further two

upholsterers in the near future, and we'll be adding more posts as required to ensure we've got the capacity to meet the increase in demand that we're expecting."

Seven people are currently employed at the firm's Team Valley premises, which doubles up as its manufacturing facility and showroom, with at least four further jobs expected to be created in the near future.

David Thomas, investment executive at NEL Fund Managers, said: "The quality and detail of The Original Sofa Company's products set them apart from their competitors and they now have the resources in place to make further ground both at home and overseas."

Jane takes on Durham role



Jane Reynolds

North East Finance has announced the expansion of the role of its Tees Valley business manager.

Jane Reynolds will now be responsible for promoting the Finance for Business North East Fund to businesses across County Durham as well as the Tees Valley.

Operating at bases at Wynyard Park and Aykley Heads, she has a wealth of business experience and excellent contacts across the region as a result of previous posts with organisations such as NStar, Finance Tree, Connect and Bridge Club.

Jane, who has been given the additional title of Durham business manager, said: "I am thrilled to be given this additional responsibility. FFBNE is aimed at companies across the North East and there are some excellent County Durham-based businesses that could benefit from it.

"I look forward to working with the Durham business team in order to increase awareness of FFBNE and convert interest to investment.

"My role is to point people in the direction of the most appropriate funding for their business at this stage of its lifecycle."

With more than 20 years' experience in the finance and consultancy industries, Jane has worked in various locations across the UK and overseas in the US and Holland. During her two years in the US she assisted early-stage digital companies that were developing a range of new technologies.

Her career has also taken in counselling work, which has equipped her with listening and analytical skills that she uses to help businesses in her current role. Jane has assisted companies operating in a wide range of sectors including renewable energy, high-value manufacturing, digital and construction."

"There are some excellent County Durham-based businesses that could benefit from FFBNE"

Day in the life of...

Simon Johnson, investment executive at NEL Fund Managers, which manages the Finance for Business North East Growth Fund

8.30am – try to get into the office by now to go through e-mails and plan out the day as far as possible. Make a couple of phone calls to potential investees who've made initial enquiries about getting an investment from the Finance For Business North East Growth Fund that we administer and arrange to go to see each of them for an introductory meeting.

10.00am – head out to see a potential investee who is part way through the due diligence process that forms part of our business plan appraisal work. We examine companies' past, present and expected future commercial performance but try to keep the process as streamlined as possible to ensure applicants can still get on with the job of running their businesses. Manage to clarify a few outstanding points, meaning we should be ready to put this before our investment committee in the near future. The committee is made up of people who ultimately make the decision on whether we can invest in a given firm.

1.00pm – back into Newcastle for a catch-up over a coffee and sandwich with one of our contacts from a nearby law firm who wants to talk about one of her clients. Around two-thirds of the enquiries we receive come in via intermediaries across the region and we keep in close touch with them to ensure we can move quickly if opportunities arise and answer any questions.

2.30pm – weekly meeting of our investment team, at which we each present the latest



information on the investment proposals on which we're working. Putting plans up for what is essentially peer review means that any immediate issues around the people involved, the sector in which the company operates or the commercial idea itself can be identified and resolved. The experience of our team also means that new ideas can be added into the mix at a very early stage.

4.30pm – return a few e-mails and phone calls, including one from an existing investee who

wants to talk about obtaining a second Growth Fund investment from us. Different stages of a company's development require ongoing access to capital and we've had quite a few firms that have been back to us to help them fund further stages of their development.

6.00pm – head home via a networking event that's been put on by a city accountancy firm. Always good to meet new people and catch up on contacts' views of what's happening across the regional economy.

FW Capital staff Give and Gain

North East-based staff at FW Capital took part in Business in the Community's Give and Gain day 2014.

Jo Pratt and Beccy Morley from the Newcastle office and Chris Johnson and Nicky Atkinson from the Billingham office were joined for the day by volunteers from two of FW Capital's portfolio companies: Global Manufacturing Services (GMS) and Solutions Recruitment.

The team spent the day at West Boldon Lodge educational centre to start construction of a 'Hobbit House', which will create a hideaway spot in the woodland for young people who attend the centre.

"All in all it was an extremely satisfying and productive day for everyone involved and we look forward to taking part next year."

The work involved clearing the site, digging foundation trenches and building layers of sandbags on barbed wire to form the skeleton of the building, which will ultimately be buried under a layer of soil to create the hideaway.

Beccy Morley, portfolio executive at FW Capital – which manages the Finance for Business North

East Growth Plus Fund – said: "It was hard physical labour on a hot day but incredibly rewarding to know that the teams' efforts will support Groundworks' vital work in environmental and skills training to schools and hard to reach young people.

"It was also a fantastic opportunity for FW Capital to work alongside staff from its portfolio companies, highlighting the quality of the relationships we build with the companies in which we invest.

"All in all it was an extremely satisfying and productive day for everyone involved and we look forward to taking part next year."

FSB backs a second JEREMIE fund

By Ted Salmon, North East regional chairman, Federation of Small Businesses

I am delighted to be able to support the work of North East Finance in the region.

The £125m Finance for Business (JEREMIE) Fund has made a huge impact on the region's SMEs. More than 620 of our brightest and best businesses have now received investment from the funds, including companies from across all seven local authorities covered by the North East Local Enterprise Partnership.

"The £125m Finance for Business (JEREMIE) Fund has made a huge impact on the region's SMEs."

SMEs are our future. Independent studies demonstrate that the bulk of new jobs will be created by small businesses. Better still, SMEs are typically rooted in their local communities, employ local people and buy their goods and services close to home.

The Federation of Small Businesses (FSB) has



200,000 members nationwide. Our job is to campaign for the interests of Britain's entrepreneurs and small businesses and a particular focus of ours during the recession has been to promote access to finance and pressurise banks to do more to help small companies.

At a time when finance has been hard to find, the North East JEREMIE fund has been a beacon of

hope for our most ambitious companies in our community. The current fund will close at the end of 2015 and now the task for the NE LEP and local politicians is to ensure that we maintain this momentum into the second half of the decade.

I would strongly encourage you to support a new JEREMIE programme.

SMEs boost job creation

By Iain Malcolm, leader of South Tyneside Borough Council



In South Tyneside, as elsewhere in the North East, job creation will rely heavily on our SMEs.

We want ambitious, high-growth businesses to set up in our borough as we believe that they will drive long term economic growth across South Shields, Jarrow and Hebburn. The evidence is that small businesses also have a multiplier effect on local economies beyond the immediate impact on jobs.

The North East JEREMIE (Finance for Business) programme, set up under the auspices of ONE North East and launched by Rosie Winterton MP in January 2010, will invest in almost 1,000 of the brightest and best small businesses in the North East – including innovative businesses in South Tyneside and across each one of the LA7 boroughs.

The JEREMIE programme has also attracted private investment into the region's small businesses and, in terms of leverage, offers excellent value in terms of using European Structural funds. Based on the current programme, each pound of European Regional Development funding committed has delivered around £5 of investment for local businesses in our part of the region.

Here in South Tyneside we strongly support proposals for a JEREMIE 2 once the current programme comes to an end in 2015. Our economic development teams will be working hard to attract investment for our businesses and I would encourage you to do the same. Success for our SMEs means success for our local economies.