

FINANCE FOR BUSINESS

NORTH EAST FINANCE NEWS

www.northeastfinance.org



Left to right, Michael Dickens, Rivers Capital; Prof Roy Sandbach, North East LEP; Dawn Dunn, North East Finance; and Ian Wilson, Northstar Ventures.

Enterprising celebrations at Genesis 2015

Some of the North East's leading young entrepreneurs joined forces recently to promote their business ideas and seek guidance from a wide range of business support organisations.

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FBNE funding sparks success for Ignite Accelerator

Financial support is helping to drive the North East's strengthening technology sector, which has enjoyed continued growth, and created more new tech start-ups than anywhere else outside of London.

Investment and support have come directly and indirectly to companies and regional projects through the £142m Finance for Business North East fund which is helping to create innovative products, jobs and wealth.

One of the leading projects to benefit from the fund, managed by North East Finance, is the innovative Ignite Accelerator programme.

Originally conceived as a one-off programme, it was founded in Newcastle in 2011 by Jon Bradford with the support of the team at North East Finance, Middlesbrough and Sunderland Councils and Sunderland Software City. Ignite has grown to be regarded as one of Europe's foremost initiatives dedicated to early stage technology start-ups with operations in Newcastle, London and Manchester.

To accelerate its own growth in 2013 Ignite raised £100,000 of investment from the North East Proof of Concept Fund, which is managed by Northstar Ventures. This funding meant the team could plan ahead beyond individual programmes and develop new initiatives, including a dedicated co-working venue for the region's early-stage technology businesses.

Campus North, a 15,000 sq. ft. office and event space, was launched in the heart of Newcastle in 2014.

Over 60 start-ups have been supported through the accelerator programme and some impressive technology ideas have developed into flourishing businesses.

Stephen Price at Northstar Ventures, said: "Funding from the FBNE Proof of Concept Fund has enabled Ignite to make a significant difference to the tech startup scene in Newcastle, by providing them with the long-term stability needed to grow their business and open dedicated premises.

"This is a true success story for the region, and by attracting dozens of new businesses and millions of pounds in inward investment it makes Ignite one of the leading programmes in Europe for technology businesses."

Andrew Mitchell, chief executive at North East Finance added: "Newcastle and the wider North East region has a very creative and increasingly influential tech scene. Initiatives such as the Ignite Accelerator programme are exactly what the FBNE fund is designed to support. It's fantastic to see budding entrepreneurs receive the help and advice needed to build successful businesses, which in turn is stimulating investment and positively impacting our local and regional economies."

Devolving business support

By Andrew Mitchell, chief executive of North East Finance

Moves towards greater North East devolution are well underway. There has been widespread support for the devolution deals signed by the North East and Tees Valley council leaders and Chancellor George Osborne.

This is an exciting opportunity to transform the North East economy. It will bring jobs and investment, as well as improved public services. Deals across the North are central to Treasury plans to drive forward the vision for a Northern Powerhouse, giving city wide areas responsibility for key parts of policy on transport, skills, employment and business.

These initial deals are only the start of a process. The seven councils within the North East Combined Authority and the five represented within Tees Valley are now consulting with stakeholders to flesh out proposals, agree priorities and identify how things will be delivered.

An agreement – to be confirmed early this year – will also potentially see up to £1.5bn set aside for a new North East Investment Fund, targeted towards boosting economic growth.

The business community has a rare opportunity to participate and influence regional policy on matters that may have a genuine impact on future economic growth. The recent announcement from the Treasury that the government will allow the North East LEP to establish a new JEREMIE 2 fund of £120m to invest in the area's SMEs in succession to the current programme, is to be welcomed.

From 2017 there will be full devolution of business support in the North East, along with devolution of further UKTI services. Science and innovation will also be increasingly managed from the region.

Business needs to make its voice heard and engage with the region's two combined authorities at this very important time in the economic history of the North East.

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Funds in focus

The Finance for Business North East Fund has helped more than 700 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 -

MANAGED BY 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 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 -

MANAGED BY 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.

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 - MANAGED BY 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 -

MANAGED BY 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 -

MANAGED BY 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 - MANAGED BY RIVERS CAPITAL PARTNERS

This fund is designed to support small firms looking for funding to expand their operations and start-ups.

The fund works exclusively with businesses that have been struggling to secure mainstream finance. Loans vary from anywhere between £1,000 and £25,000 and in exceptional cases up to £50,000.

For further information please visit www.riverscap.com

Finance | North East For Business | Proof of Concept Fund

PROOF OF CONCEPT FUND - MANAGED BY 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

Successful exit from investment in car parts manufacturer

A fast-growing car parts maker in County Durham is set for further expansion after being snapped up by a global supply chain specialist.

DPE Automotive, which is based in Newton Aycliffe, has been acquired by Arlington Industries, a Coventry headquartered supplier of components to the automotive and aerospace industries, for an undisclosed sum. Arlington already owns Rempower, one of the largest automotive component assembly companies in the UK.

Now, following the acquisition of DPE Automotive in County Durham, Arlington has increased its offering of integrated manufacturing and assembly to automotive OEM's.

The sale comes just a year after DPE Automotive was acquired by its management team in a deal driven by lead investor, Andrew Lapping of private equity firm Hamilton Capital and entrepreneur Rudi Wright.

The Finance for Business North East Angel Fund, managed by Rivers Capital Partners, also invested in the company after the MBO.

That deal, back in May 2014, helped to preserve around 100 jobs at the company and enabled DPE Automotive to strengthen its position in the

industry and target new customers to add to a client list which includes Nissan, Gestamp, Magna, RTEK, DS Smith and Johnson Controls.

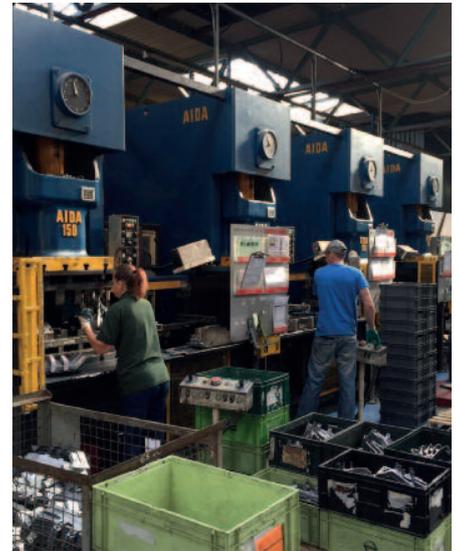
The 2014 investment in DPE Automotive by the Finance for Business North East Angel Fund was the 100th investment made by the Fund, which invests in start-ups and existing businesses with growth potential in the region.

Dr Michael Dickens, fund manager at Rivers Capital Partners, which manages the Finance for Business North East Angel Fund, said: "We are delighted at the successful sale of DPE Automotive, which has brought up a major milestone for the Fund.

"Not only was DPE the Fund's 100th investment but this is the Fund's first major exit to date and has resulted in a substantial return on the original investment.

"The fact that DPE Automotive has been sold so quickly after the MBO that concluded back in 2014 is a testament to the terrific work which Peter Coates and everyone at the company has put into the business and to the high quality of the products they make."

Law firm Ward Hadaway provided legal advice to



DPE Automotive

Rivers Capital Partners on both the initial investment in DPE Automotive and on the sale of the company.

Imogen Holland, corporate partner at Ward Hadaway, who led the firm's team on both transactions, said: "We are delighted that this has resulted in a substantial return for the Finance for Business North East Angel Fund and we wish all at DPE Automotive the very best for the future under their new owners."

Maxim FM looking to clean up across the UK



Left to right. Graham Conway, David Thomas of NEL, and Michael Hall

Continued commercial and geographical growth are on the agenda for the North East's largest independent contract cleaning and facilities management firm after it hoovered up a third six-figure investment from The Finance for Business North East Growth Fund.

Maxim Facilities Management Limited (Maxim FM) provides commercial contract cleaning and facilities management services to public and private sector clients, and already works with a growing number of blue chip corporate clients.

The Sunderland-based firm has worked with regional fund management firm NEL Fund

Managers to bring in Growth Fund investments in 2013 and 2014, which have been used to help develop the services it offers to both existing and new clients both within and outside the North East.

Having made two strategic acquisitions in 2014, Maxim completed a third in August this year with the purchase of Leeds-based CLT Services, and has attracted a further £140,000 Growth Fund investment from NEL which will act as working capital for its expanded operations, as well as enable it to go for larger contracts in more locations.

Investments in new systems and technologies now allow for real time reporting back from all clients sites to Maxim's headquarters, which enables the management team to see how work is progressing, assess clients' feedback on the quality of what's being done and move to make improvements wherever necessary.

Founded by managing director Graham Conway in late 2010, Maxim FM has grown its annualised revenues from £2.8m to around £5m with the last two years, and is aiming to increase this figure to around £15m before the end of the decade through both organic growth and further acquisitions.

Graham Conway says: "Our expansion has given us the confidence and credibility required to both compete against some of the industry's biggest names and win higher end contracts with well-known firms across the UK.

"The impressive growth we've recorded over the last couple of years has been based on a combination of both organic development and acquisitions, and we're confident that this strategy will continue to serve us well as we move towards the targets we've set for ourselves.

"NEL has been very supportive right through our working relationship. The team has stayed close to the business as we've evolved and we very much enjoy working alongside them."

David Thomas, investment executive at NEL Fund Managers, adds: "Maxim FM is making extremely impressive strides across different market sectors in many parts of the UK, and their progressive use of investment capital is giving them the resources required to keep moving forward."

Coffee house full of beans after funding

Gateshead-based independent café Altin Coffee House has received a loan through the Finance for Business North East Microloan Fund run by Rivers Capital Partners.

Founded in June 2014 by Irfan Altin, the coffee house has grown a hub of loyal customers that are keen to see the place develop. Designed as a relaxing place with modern furnishings, the coffee house has a Turkish influence reminiscent of Irfan's roots.

Irfan prides himself on the quality of his premium coffee, the food he serves and the high standard of service that Altin Coffee House offers. With a wealth of experience behind him, Irfan has been able to create a vibrant establishment and is keen to build on this and improve his customer's experience.

The finance from the Microloan Fund will assist with expansion, forming the coffee house into a bistro and garden furnished with planters, gazebos and new furniture. Irfan will soon be installing heaters outside for developments that will be revealed in coming months.

The Turkish founder would like to cater for the local student population that makes a significant impact on businesses in the area.



Left to right, Emma Neil and Kristine Murane of Rivers Capital with Irfan Altin

Irfan was delighted with the service Rivers Capital Partners provided, describing it as "very easy; it was plain sailing". The Microloan Fund has allowed the coffee house owner to explore expansion as the company is in its early stages, helping him to acquire the resources necessary to improve his service.

Rivers Capital Partners Kristine Murane said "Irfan has done an excellent job in creating the calm, relaxing atmosphere originally envisioned.

It is rewarding to see this company develop from the Microloan Fund as the Gateshead community will benefit from having an independent coffee house right on its doorstep."

The North East Microloan Fund offer small loans from £1,000-£25,000 to businesses looking to expand their operations. Rivers Capital bases their decisions upon the quality of the business itself, with successful applicants receiving the loan, on average, in just two weeks.

Investment for start-up that makes paying bills easier



Left to right, Rebecca Roberts, Northstar Ventures, Dale Knight and Chris Dawson, One Utility Bill.

A Newcastle University graduate recently received a six-figure investment to help grow his start-up business. The company aims to help tenants, landlords and letting agencies manage bills more easily in shared rented accommodation.

Chris Dawson co-founded One Utility Bill after experiencing first-hand the difficulties facing utilities companies and letting agents. After graduating from Newcastle University he took part in its inaugural Founderships programme before joining the Ignite accelerator programme earlier this year. The company's platform was built by Dale Knight, co-founder and CTO, who has

been working with Chris since the company's inception.

After successfully completing the Ignite programme the pair went on to raise a £150k investment round, led by venture capital firm Northstar Ventures. The company also has the backing of several angel investors. In addition to creating four new full time roles, the funding will allow One Utility Bill to pursue its ambitious growth plans.

Rebecca Roberts, investment manager at Northstar Ventures, said: "Chris has taken his experience working in the utilities and lettings industry and used it to develop a service that has the potential

to completely disrupt the process of paying bills in rented accommodation. The company has seen significant interest from letting agencies and landlords since it began trading, and the investment from the Finance for Business Proof of Concept Fund will help it continue to grow."

One Utility Bill is a services and software company that simplifies utility bill organisation and payment for tenants in rented accommodation. By sourcing utility providers for its clients, and allowing bills to be paid as part of an 'all inclusive' cost with rent, the company is able to save tenants money and add value to rented properties for landlords.

In the UK last year tenants spent over £16 billion on utilities with £1.2 billion still unpaid. Last year over £800m in bad debt was written off by the big six energy providers in the UK, whilst the total for the water industry was estimated to be £328m.

Chris said: "We built the One Utility Bill platform to reduce the stress and confusion tenants often feel when paying bills in shared accommodation. By simplifying the process, we can reduce the risk of bad debt, as well as lowering the cost of customer acquisition for utilities providers. We've also found that it is often more convenient for landlords and letting agents to offer an 'all-inclusive' price for rented properties."

One Utility Bill was advised during the deal by the corporate team at Watson Burton.

Entrepreneurial spirits set high at Genesis 2015

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Delegates packed into the event at Baltic

The North East's young entrepreneurs and business community joined forces last month to celebrate business enterprise at the region's first inclusive celebration of enterprise and entrepreneurship, Genesis 2015.

Around 700 delegates gathered at the Baltic Centre for Contemporary Art to take part in a series of workshops, one-on-one advice surgeries, and networking opportunities at the event,

organised by First Face to Face, which brought together the region's five universities, Entrepreneurs' Forum and key business leaders.

North East Finance supported the event by hosting a networking breakfast which provided students and graduate entrepreneurs with a chance to network with investment fund managers: Northstar Ventures, Rivers Capital Partners, IP Group, FW Capital, and NEL.

The fund managers also took part in an Investor Panel, providing advice and guidance on key business topics.

Guest speakers included Brett Jacobson from Media Works, Tareq Nseir, founder of digital company Think; and Tony Cleary from the Lanchester Group who all shared their business success stories.

"It's genuinely inspiring to see so many young, graduate entrepreneurs who have established exciting new businesses. They reflect the next generation of innovation in the North East."

Keynote speaker Prof Roy Sandbach, chairman of the innovation board on the North East LEP, launched the InCredAbles project. He said: "It's genuinely inspiring to see so many young, graduate entrepreneurs who have established exciting new businesses. They reflect the next generation of innovation in the North East."

Speaking about the event, Dawn Dunn marketing manager at North East Finance, said: "The North East region has a strong reputation for business and academia working collaboratively, it's just something we've always done well. What's unique about Genesis is that it represents a collaboration between the region's five universities, combining their individual strengths with the start-up, professional, financial and business communities to provide the best possible support for future business leaders – something that North East Finance proudly advocate."

Three young business's judged to have the best business plans and ideas received an award from North East Finance.

Overcoming financial challenges for tech businesses



NETPark Incubator

Science, engineering and technology companies across the North East are invited to hear how accessing different finance can be achieved to support future growth.

NETPark Net in partnership with Harland Accountants is holding its first breakfast event for 2016 – entitled, Challenges of Financing a Tech Business – at NETPark, Sedgefield,

February 2 at 8am.

Also supporting the event at the NETPark Incubator is North East Finance (NEF) which aims to raise awareness of the specialist funding available to regional tech companies. Dawn Dunn, NEF marketing manager said: "Financing a tech business can bring a unique set of challenges. Balancing capital and growth needs is often

difficult. The development time often necessary to bring technologies to market can create financial problems."

However, many of these challenges can be overcome with debt and equity funding alongside other finance tools. Philip Murray, commercial director and growth coach from Harlands Accountants, will lead a Q&A session with some insight into how businesses have met these challenges. Companies taking part on the panel are:

- Will Dracup – BioSignatures
- Neil Loxley – Ibox Innovations
- Roland Glancy – Radfan

This event is free-of-charge to NETPark Net and Affinity members. Non-members: please email innovation@uknetpark.net or visit www.northeasttechnologypark.com to attend as a guest.

For more information, please contact Elaine at elaine.scott@durham.gov.uk or 03000 256 505.

Refill for Beanies as coffee company attracts second investment



Left to right, Chris Parker of NEL, with John Evans and Mark Porteous of Beanies

The management team at the UK's leading flavoured coffee company is full of beans after securing a second major investment to help bring the next stage of their development plans to the boil.

Beanies The Flavour Co manufactures a growing range of coffees, with 16 instant coffee and 30 whole bean flavours already available and more in development.

The County Durham-based firm worked with NEL Fund Managers last summer to bring in a £300,000 investment from the Finance For Business North East Growth Fund that NEL manages, since when it has consolidated its office, manufacturing and

warehousing functions into new 9,000 sq ft premises in Darlington and seen its products go onto Tesco's shelves for the first time.

The Beanies management team recently went back to NEL for a further £100,000, which will support a range of improvements being made across various elements of the business.

The company's manufacturing line is being upgraded, with two new production apprentices being taken on as part of the development, while two graduate recruits have also recently joined the firm.

The Beanies website and mail order functions are being improved, and further products are being

developed and brought on stream, including a new range of Christmas gifts that will be available for the forthcoming festive season.

Discussions are also continuing with a number of well-known major multiple retailers about bringing Beanies' products, which are already available in Sainsbury's as well as in Tesco, into their respective stores.

Founded by director Mark Porteous in 2009, Beanies sells products through its www.beaniesflavourco.co.uk website as well as through independent high street retailers and speciality food outlets.

As well as growing domestic sales, the firm's products are increasingly in demand in a range of overseas markets, including South Africa, the Middle East and mainland Europe, and trading partners are being sought in a number of other locations.

Beanies managing director John Evans says: "Bringing our whole operation under one roof was a big step for us, and we had to make the move seamlessly, so that our production and service levels didn't drop in any way, but having now achieved that, we're in a great place to press forward with further developments."

Chris Parker, investment executive at NEL Fund Managers, adds: "Beanies is already a real success story that has the potential to do a great deal more, and their progressive use of investment capital sets an excellent example for other North East firms that plan to go through the gears of growth."



Andrew Mitchell

North East Finance recently supported the successful Venturefest 2015, an event which brought together businesses, corporates, investors, academics and advisers with specific expertise in innovation.

The free full-day event, held at the Hilton Newcastle Gateshead, featured Meet the Investor; a unique approach to supporting businesses in becoming investment-ready and finding funding.

Venturefest 2015 helps businesses get investment ready

Simon Green, Venturefest North East director, added: "Venturefest 2015 was very well received by those who attended and we're delighted with the feedback so far. The event facilitated lots of positive meetings between businesses seeking finance and the fund managers.

"Although it's early days to report back on confirmed business, we're expecting to see a number of new investments made by the funds as a result. We're looking forward to planning Venturefest 2016 and once again working with NEF and its fund managers."

As well as being introduced to multiple sources of funding, the initiative prepares the attendees' propositions to make them as attractive as possible to potential funders. Over 200 meetings took place between 49 businesses and 31 funders.

"We're looking forward to planning Venturefest 2016 and once again working with NEF and its fund managers."

The programme also offered attendees the chance to hear from high profile speakers and take part in both workshops and one-to-one coaching sessions from industry experts. Among the keynote speakers was our chief executive, Andrew Mitchell, who presented the latest developments on the JEREMIE fund.

Andrew said: "Having the right finance in place is key to starting and growing a successful business but it is just one piece of the jigsaw. And that's where events like Venturefest can help. They provide expert help and provide practical solutions for developing and launching products as well as facilitating introductions to key contacts such as our fund managers.

"We're committed to stimulating an entrepreneurial culture in North East England and together with the fund managers for the North East Finance for Business funds, we aim to make financial support as easy to access as possible. Venturefest is a great way of doing this; it's a must-attend event for any budding entrepreneurs."