

The Clerk to the Committee  
Economy, Infrastructure and Skills Committee | Pwyllgor yr Economi, Seilwaith a Sgiliau  
National Assembly for Wales  
Ty Hywel  
Cardiff Bay  
CF99 1NA

1<sup>st</sup> November 2017

Dear Sir

Further to our attendance at the Economy, Infrastructure and Skills Committee on 25 October 2017 we have pleasure in enclosing the following clarification as promised. Please do not hesitate to come back to us if you have any further questions.

*Adam Price asked about the 6 profitable exits, in the annual report it was mentioned there were 8 – they could not remember what the 8<sup>th</sup> one was and are going to let us know.*

During the year we received proceeds from eight SME equity exits worth £3.2m. plus £0.1m of proceeds from house disposals under the shared ownership Help To Buy Wales Scheme.

There were six profitable SME exits transacted in the year with a total value of £3.1 million. In addition £0.1m of deferred proceeds was received from two exits which occurred in prior years.”

*We were asked to describe how we monitor the risk profile of our investments. We call this “Portfolio Health”*

Please find below the Portfolio Health trend “since records began” in April 2013. The target in recent years has been/is to maintain overall Portfolio Health at >70%.

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The year-end portfolio health figures for the last 4 years are as follows:

31/3/2014	66.0%
31/3/2015	69.4%
31/3/2016	71.9%
31/3/2017	71.9%

As at end September 2017 portfolio health was 73.3%.

#### Explanatory Note:

Portfolio health is the percentage of gross investments made across the Group's "mainstream" funds (i.e. excluding the R&R, Creative IP and Spinout Funds but including the funds managed by FW Capital) that is not, written off, provided or classified as "Sick" – i.e. grade D in the portfolio grading system.

With regards to write-offs the provisions figures are more real time and a representative reflection of impairments and, therefore, fund performance from time to time and that the write-offs from one year to another are more of a "tidying up" exercise once recovery action has been taken to the extent it is appropriate on failed loans/investments.

*What is the number of total [funds\*] written off over the past 4 years and in particular for each of the last 4 years.*

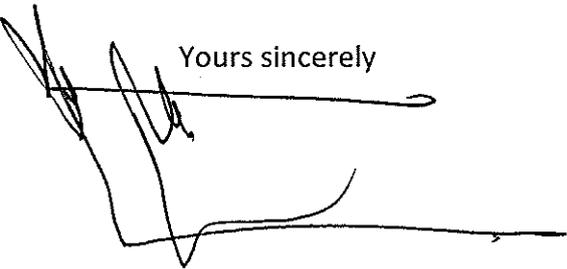
	£000s
<b>2016/17</b>	5,284
<b>2015/16</b>	11,929
<b>2014/15</b>	14,280
<b>2013/14</b>	8,525

\*It is more accurate to describe the above figures as the total written-off across the group as no one fund has been written off.

*Supplementary Information promised at Paragraph 81 of the transcript.*

We believe that the issue raised in the question by Mr Price was due to a printing error in the notes of the accounts on page 95. The 2016 number printed read £512,562 which should actually have read £814, 581. This error appears in both the 2015/6 and 2016/17 notes to the accounts. The correct number is in the actual accounts. We are grateful to Mr Price for highlighting this discrepancy.

Yours sincerely



**Giles Thorley**  
**Chief Executive**