

South Yorkshire Investment Fund
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South Yorkshire Investment Fund



Annual REPORT

2007

South Yorkshire Investment Fund Ltd is a company limited by guarantee (Registered No 3936065). South Yorkshire Investment Fund comprises three sub funds, the South Yorkshire Investment Capital Fund, the South Yorkshire Investment Development Fund, which are each managed by YFM Venture Finance Limited, and the South Yorkshire Investment Small Business Fund, which is managed by Finance South Yorkshire Ltd. YFM Venture Finance Limited (Tel 0113 294 5000) and Finance South Yorkshire Ltd (Tel 01709 386 377) are each authorised and regulated by the Financial Services Authority. South Yorkshire Investment Fund also provides a number of services, which are not regulated by The Financial Services Authority. These include the pilot Seedcorn Fund, Mentorbank and access to the Yorkshire Association of Business Angels.

Welcome from the Chairman

Report from the Chief Executive

I am pleased to take this opportunity to thank everyone connected with South Yorkshire Investment Fund for their continued hard work and to be able to report on the fruits of that work.

We have had another successful 12 months and have seen the amount invested by the Fund in the region's business reach £36 million (including Money with Management) with over £10 million being invested in the last year.

That investment will provide a lasting return. We are confident that the Fund will meet the financial return expected and provide the basis for a permanent fund for the region.

Up to the end of August 2007, our investments have created or safeguarded more than 5,701 jobs and generated £280 million of additional sales in the businesses in which we have invested.

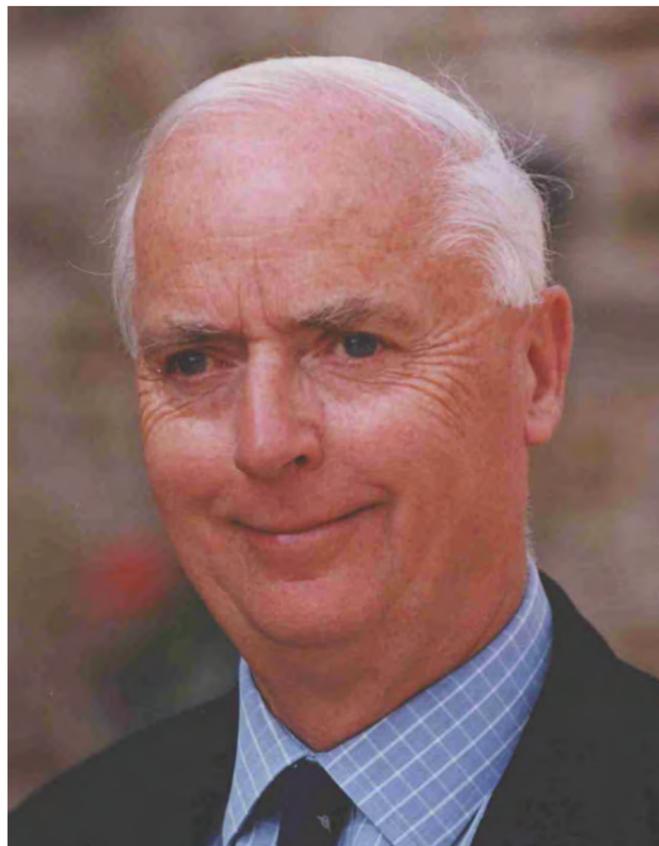
We are proud of these impressive statistics and see them as a clear indication of the extent to which the South Yorkshire Investment Fund is contributing to the region's economic development.

Another significant step forward this year has been the introduction of our pilot Seedcorn Fund in May. The £4.6 million fund is investing in early stage technology and knowledge-based businesses, testing how we can best fill this significant gap in the financing market.

These successes, in response to a clear market need, demonstrate the importance of maintaining the momentum. Consequently, SYIF is focusing on plans to raise a Successor Fund for the City Region, which we see as vital in the interests of business and the economy.

If successful, the new Fund, starting in late 2008, will provide a commercial and permanent fund run by local businesses for local business. This is our vision for SYIF and as a Board we are confident it can be achieved

David Moody
South Yorkshire Investment Fund Chairman



It's been a busy and successful year for South Yorkshire Investment Fund.

We have now reached a point when we can say, with confidence, that the business model has been proven. For example, the Fund will fully invest, achieve its target financial returns and exceed most of the economic outcomes set.

Of course, the real success of the Fund is measured by the return to the investors. This will not be known for at least another three or four years. However, if we achieve our forecast it will mean a permanent Fund for the region, which is the key goal.

The position we have reached is cause for celebration, but is vital that we continue to drive the project forward and maintain the momentum of success.

Hence, there is a need to raise a new Fund to fill the gap between late 2008, when SYIF I finishes its investment period and 2013 when the realisations from SYIF I will be available. This is needed not only to maintain the impact made by SYIF I, but to consolidate and develop the success of the Fund to support the growth of South Yorkshire/City Region.

We are working hard to raise a Successor Fund (SYIF II), to meet the needs of private and public sector investors and, above all, fulfil the requirements of the business community.

I believe, that such a fund will be a symbol of the regions growth and transformation. This involves moving away from a dependency on public sector finance to one that is strong and commercially focused. SYIF II can be used to reinforce, accelerate and focus investment into the areas most required to meet economic objectives.

The Fund continues to provide gap debt and equity finance. In other words, it fills gaps in the market left by commercial providers of finance. SYIF breathes new life into these projects – which is the essence of our offer and provides an exciting new dimension to economic development. SYIF can now provide finance from £15k-£2.5m across the full range business situations, including business seeking to move to the region.

The Small Business Fund, having been brought in house, has increased its level of investment to over £4m per annum. This improved performance comes from a simplification of systems, focused investment strategy and getting closer to our customers. This is reflected in the continued lower than expected default levels for the Fund.

Meanwhile, our equity investment fund (Capital Fund), the next step on the ladder, is performing well. This is best illustrated by our investment in Pressure Technologies Plc, the parent company of Chesterfield Special Cylinders. This achieved an internal rate of return of 125 percent and a cash multiple of 8.5x on original investment, following their successful flotation on the Alternative Investment Market (AIM).

As can be seen, all of our funds have been doing extremely well, but with an eye to the future we were delighted to launch our pilot Seedcorn Fund for early stage businesses, with the support of Yorkshire Forward and Objective 1. This filled the remaining gap where the market has failed to work for businesses.

The Seedcorn Fund is available to help early stage businesses, based on new and innovative technology, with finance and management support, designed to realise their potential. We want to see ideas that can grow rapidly and will respond to our investment. Investments will typically be provided at "Proof of Commercial Concept" and followed through with "Commercialisation" finance in the range of £15k - £500k.

As I hope can be seen, this has been a good year. However, much more pleasing has been the way the business has adapted, changed and improved the quality of our service. This improvement has been recently validated by our achievement of the Customer First Standard.

I'd like to thank all involved who have worked so hard to make 2006/7 another successful year for SYIF.

Tony Goulbourn
Chief Executive



The SYIF Board of Directors

Michael Woodhead

was one of the founding Directors of BWD Securities PLC, the financial services Stock Market listed company.

Tony Parsons

has spent more than 35 years in the banking profession and was formerly the Director of Commercial Banking at Sheffield's Royal Bank of Scotland.

Alex J McWhirter

is Head of Enterprise in the Business Development Directorate at Yorkshire Forward where his responsibilities include Venture Capital Funds.

Brian Leach

has had a forty year career with Barclays Bank transferring to Yorkshire to take up the role of Doncaster's Business Centre Manager and culminating in his appointment as Head of Corporate Business in South Yorkshire.

Julie Readman

has been involved with the regeneration of the county for 16 years with organisations such as Training and Enterprise Councils and Business Links.

John Warner

is a partner of Sheffield-based accountants Barber, Harrison and Platt and specialises in corporate finance, strategic planning and profit improvement.

Seedcorn Fund

Information

The Seedcorn Fund was launched in early 2007 and aims to invest into early stage technology and knowledge-based businesses in South Yorkshire.

The £4.6 million pilot fund will invest into these businesses over two years filling a significant gap in the financing market. The fund will benefit ventures which may be seen as too high risk by mainstream investors, offering a secure future for innovation in the region.

Actual against budget key performance indicators to 30 August 2007 are as follows:

Seedcorn Fund	Actual	Budget
Number of Investments	14	12
Value of Investments (£000)	£822	£547
Number of Applications	38	39
Number of Approvals	23	15
Value of Approvals (£000)	£1,729	£710

Seedcorn Fund



IT Firm Formed To Tackle Energy Reduction

A Barnsley company launched with help from South Yorkshire Investment Fund will help businesses manage, analyse and reduce the amount of gas, electricity and water they are using.

Consilico Ltd, based at Barnsley Business Innovation Centre (BBIC), is an independent solutions provider and promotes energy performance management solutions using the latest in Business Intelligence (BI) technology.

The company has received an £85,000 investment from SYIF's Seedcorn Fund to help launch its inaugural product called 'Conserve'.

Conserve allows Consilico customers to analyse their energy usage on a daily, weekly, monthly and yearly basis via the worldwide web and through a specifically customised user dashboard.

Chris Walsby, Managing Director at Consilico, said: "By assessing productivity we can help reduce energy usage. Companies are trying to understand their carbon foot print and how they can reduce it. With this solution we can provide the customer with answers to their questions and thereby give them a powerful management tool."

"This solution offers companies who spend over £10,000pa on their utility bills a prompt return on their investment with short term savings that typically range between 15 to 20 per cent. Thereafter managing sustainability and further reductions in ones carbon footprint becomes the ongoing objective."

"Consilico offer the complete 'end-to-end' service."

Newly formed Consilico has moved to South Yorkshire to launch itself because of the support both financially and non-financially which is available in the region.

Jonathan Dixon, Deputy Chief Executive at South Yorkshire Investment Fund, said: "Energy management has become a key area of expenditure for many large companies. Hundreds of thousands of pounds can be saved through simple measures and Consilico provides a platform for businesses to analyse the changes they are making."



Investment Keeps Sheffield Company At The Cutting Edge

An innovative Sheffield company is adding another dimension to the advertising industry following a £100,000 investment from South Yorkshire Investment Fund.

Newsplus Media Technologies Ltd is at the forefront of creative 3D technologies in Sheffield having produced animated adverts and displays for a number of high-profile companies. It now has designs on expanding its operations after receiving this investment from SYIF's Seedcorn Fund.

The primary focus of the Omega Court-based firm is to develop a new aspect of its cutting edge technology - a bespoke computer generated imaging solutions package for a range of local and national companies for use in advertising, conferencing and other high impact applications.

Malcolm McCormick, Managing Director of Newsplus Media Technologies, said: "We produce creative 3D imagery for companies looking to use innovative real-life advertising. It is an exciting new technology that captures people's attention and is a valuable tool, particularly as a point-of-sale technique."

"The financial package we have received from SYIF is being used to advance our technology and tailor a bespoke equipment solution perfect for companies who wish to add a creative flair to advertising, conferencing, display stands and wall sculptures."

"We have the capacity to develop unique moving images from video footage to various specifications. We are in a fast-moving industry and we aim to expand our resources in line with that growth."

Jonathan Dixon, Deputy Chief Executive at SYIF, said: "The investment means that a Sheffield company at the cutting edge of the creative technology industry can grow with the developments of its market and maintain its position as an innovative firm providing unique services. It is precisely the type of company SYIF's Seedcorn Fund is keen to invest in and we are delighted to help Newsplus Media Technologies evolve with its industry."

Small Business Fund Information

SYIF'S Small Business Fund provides loans, typically unsecured, from between £15,000 to £150,000 to businesses in, or prepared to relocate to South Yorkshire.

The finance can be used for a range of purposes from buying a business, buying assets or property, to fund a deposit on a property to covering the costs of moving premises.

The key performance indicators to 31 March 2007 are as follows:

Small Business Fund	Cumulative Totals
Number of Investments	239
Value of Investments (£000)	£13,161
Number of Applications	610
Number of Approvals	255
Value of Approvals (£000)	£13,730

Small Business Fund



Full Steam Ahead For Techtrain

It's full steam ahead for a Doncaster company after enjoying success in the railway industry.

Techtrain Associates Ltd, based at Richmond Business Park, Doncaster, maintain and service air conditioning units on train fleets across the country, including OneAnglia, Scotrail and the Orient Express.

The company also provides training in refrigeration and air conditioning to hundreds of people every year.

South Yorkshire Investment Fund has assisted Techtrain to reach the next station, by providing a £50,000 loan. The money will be used to employ two new staff - an engineer and a trainer - purchasing tools and equipment and to upgrade their computer system.

Janet Stevenson, Director at Techtrain Associates, said: "The training courses range from a two-day intensive course to a 15-day session. People from all over the country come to us to be trained, many who have served their time with the armed forces. We give them the certification needed to go and get a new career."

"As we provide certification for the industry, a lot of rail engineering companies from all over the UK use Techtrain to train their staff."

Techtrain has been running for ten years, but in 2004 the company decided to bring the training programme in-house at a specific centre in Doncaster.

"It proved to be the right move and things are progressing nicely," added Janet. "We hope to continue the success and the company's growth in the coming years."

Nick Skelton, of Crozier Jones & Co, a Doncaster-based firm of Chartered Certified Accountants, introduced the company to SYIF, while also helping Techtrain with their business plan.

Karl Hodson, Investment Director at South Yorkshire Investment Fund, said: "Techtrain provides a valuable service to help people gain the training and certification they need to develop a new career."

"This is an example of a South Yorkshire based company enjoying success on a national level. At South Yorkshire Investment Fund we are pleased to help such a business continue their growth."

Making More Connections After Second Loan

A Sheffield Telecommunications company is making more connections after receiving a second loan of £50,000 from South Yorkshire Investment Fund.

The latest round of money from SYIF is helping Jaimie Martin, Managing Director of UK Cabling Ltd, to further develop their Handsworth site into a distribution centre and trade counter.

The trade counter will stock a full range of electrical and data products and is ideally situated just off the Sheffield Parkway with close links to the M1 and Sheffield's main arterial routes.

It is the second £50,000 investment Jaimie has used to grow his business over the last 12 months.

UK Cabling Ltd was formed in 1997 by Jaimie, who has an extensive background in all types of cabling to meet the needs of digital media. During this time he has also established a management team that has many years of experience within the industry, designing and implementing a wide range of cabling infrastructures.

Jaimie, said: "I am extremely grateful to South Yorkshire Investment Fund because this second loan is helping to fund even further growth and development of the business."

Jaimie forecasts considerable growth for his company in a field where new technology is leading to increased demand for specialist cabling work.

Karl Hodson, Investment Director at South Yorkshire Investment Fund, said: "UK Cabling is the type of business we like to help. It is expanding quite quickly and is providing jobs for local people. We wish Jaimie all the best as he takes his company to the next level."



Capital & Development Funds Information

SYIF's Capital and Development Funds make investments ranging from £100,000 to £2.5 million to businesses in, or prepared to relocate, to South Yorkshire.

Investments range from management buy-ins and buy-outs; start-up businesses to business expansions.

The key performance indicators to 31 March 2007 are as follows:

	Development Fund	Capital Fund	Combined
Number of Investments	31	26	
Value of Investments (£000)	£9,908	£5,527	
Number of Applications			455
Number of Approvals	47	35	
Value of Approvals (£000)	£14,429	£8,425	

Capital & Development



Sheffield Firm's Future Secured By Management Buy Out

The future of a high-tech Sheffield company has been secured through a management buyout (MBO) by the firm's Joint Managing Director.

AB Controls and Technology (Abtech), a principal supplier of hazardous use electrical enclosures and junction boxes and a market leader in the supply of electrical sensor systems, is set to enjoy a profitable future at its Attercliffe site.

The MBO was facilitated by a South Yorkshire Investment Fund loan, with additional funding from Barclays Bank, to Drishaun Holdings Ltd, parent company of the Abtech group of companies.

Mike Lancashire, Joint Managing Director of Abtech, bought the company assets from his retiring Chairman & Joint Managing Director, Peter Bennett, with a view to maintaining the Sheffield business and saving its valued workforce.

Mike said: "Peter Bennett is a brilliant entrepreneur, with total commitment to his workforce. I felt strongly that his vision for the company had a lot of mileage and that with my intervention we could safeguard the jobs of good, loyal

employees and keep a high quality business in Sheffield following his retirement.

"The company is in very good shape thanks to the help we have had from SYIF and we have taken on five new employees in the first quarter of 2007, with a view to further expand the company."

The Abtech group of companies encompasses two daughter companies, AB Controls and Technology Inc. in North America and AB Tech Gehäuse GmbH in Germany, with plans to open more international offices.

"To meet increasing demand for our products in the international marketplace, we are set to open an office in Singapore and another in Korea within the next 12 months," said Mike.

Abtech's range of products includes custom made increased safety, industrial electrical junction boxes and a vast range of sensor and vision systems for industry, complete with packaged software.

To help Mike with commercial decisions and to encourage sound business practice, Abtech also has the support of business mentor Martin Venning of Goodband Viner Taylor, as part of SYIF's mentorbank facility.

SAS Opens Window To New Dawn

Senior Aluminium Systems (SAS) - one of the fastest growing aluminium system suppliers in the UK benefited from a £300,000 loan from South Yorkshire Investment Fund.

The funding helped them buy-out two shareholders who wished to retire and paved the way to expansion and growth in the Doncaster area.

The company also used some of the loan, coupled with additional loans from HSBC, to purchase further state of the art equipment and to expand their Denaby facility. An additional unit of over 45,000sq ft is housing most of the stock.

The enhanced manufacturing and stock holding facility has put Senior Aluminium Systems at the forefront of this growth sector.

As a result they have seen sales increase from £17.5m to more than £22.3m during the year, leading to the number of employees increase from 118 to 140.

David Fletcher the Non-Executive Chairman of Senior Aluminium Systems, said: "The SYIF loan, which has now been repaid, was a key stage in restructuring the equity and providing seed corn for further investment and growth."

Lennart Jonsson, Managing Director and principal shareholder of SAS, added: "We are delighted by the move to Denaby and the support we have received. The business is set for further expansion and growth."

"We are at an exciting stage in the company's development. Orders continue to grow, a third factory shift is being introduced, creating five new jobs and with the new board and finance partners in place we are committed to continued investment in the future of the company."

David Best, Investment Managing Director at South Yorkshire Investment Fund, said: "When Senior Aluminium Systems came to us seeking financial support, we were immediately impressed both by the ability of the management team and the quality of the company's facilities."

"The Fund has now exited from the company, generating a return in line with expectations. This has been achieved because SAS has expanded to where it is able to obtain significantly increased borrowing."

"This is a perfect example of how SYIF is able to help local businesses, by investing when there is a gap in the funding from banks and exiting when the business has grown to take on additional loans to meet its future requirements. SYIF is pleased to be involved with this successful company."





Objectives

The objectives are to meet the following investment targets for 2007/08

Small Business Fund	£3.5m
Development Fund	£4.5m
Capital Fund	£2.5m
Seedcorn Fund	£3.2m
Businesses assisted	212
Jobs created	360
Jobs safeguarded total	448
Management support days delivered total	1,700
Value Added Sales	£90.8m

Mentorbank

SYIF's Mentorbank facility links businesses that have received a SYIF loan or investment with a business professional who can add a new dimension to the company. The Mentorbank database now boasts more than 480 mentors and non-executive directors covering almost every sector and skill base.

When making an investment SYIF examines a company's strengths and weaknesses and produces a short list of mentors that best suits the company's needs. Clients then have the opportunity to choose the right mentor for their business.

Mentorbank has continued to grow and has provided mentoring and Non Executive Director support to more than 250 businesses in South Yorkshire.

The scheme has proved to be hugely successful and is probably the largest mentor database in the region, and possibly nationally. It is also one of the most active.

One company using the Mentorbank facility is Rotherham based Redirack, which has benefited from two SYIF loans. The company, a storage solutions provider, specialise in pallet racking and mezzanine floors.

Redirack used the first loan from SYIF for £100,000, together with funding from UK Steel Enterprise and Yorkshire Forward, to carry out a Management Buy Out (MBO) from its former Norwegian owners, AKER, in 2004.

Managing Director Phil Culling, together with Operations Director Jack Holden, and the former Financial Director John Watts, took the step of buying the company – safeguarding the jobs of around 100 employees.

The company then received a second loan from SYIF for £75,000 in September 2006 - money which was used as working capital.

The company, with a turnover in 2006 of £12.5 million, has benefited from the expert advice of IT mentor, Bill Tyson, and financial mentor, Chris Heaton.

Phil Culling, Managing Director, said: "SYIF was really helpful. We would not have been able to do the MBO without its help. SYIF was the financial 'bridge' that we needed. The expertise it provided us with via its Mentorbank was vital to our success.

Jane Siddle, Investment Manager for SYIF, said: "SYIF was only too happy to help Redirack. We have been able to provide them with cash, at times when it was needed, and they have really benefited from the input of the mentors. They are a respected and successful local job provider and may soon be helping to put Rotherham on the map internationally by exporting its products."

For more information on how Mentorbank can help you call 01709 386 377.

Money with Management

Money with Management is an integral part of the Fund. Its purpose is to drive the use of strategic advisers and mentors by clients of the Fund. In so doing, clients can develop stronger and more secure businesses and be rewarded through payment of attractive interest rebates and subsidies against the cost of mentor fees. Clients can also get pre-investment help to support the development of detailed applications to the Fund.

Social Enterprise

SYIF works closely with the Key Fund who play a lead role in providing loan and grant finance for small businesses in the voluntary and community sector. SYIF also support demand from the sector for larger investments.

Value of Approvals and Investments

Results to 31 March 2007

Investments	
Small Business Fund	£13,161,000
Capital Fund	£5,527,000
Development Fund	£9,908,000
Total of investments	£28,596,000

Output Measures	
Jobs created	1,280
Jobs safeguarded	4,001
Number of SMEs assisted	1,439
Mentor days supported	5,163
Gross additional sales generated after investment	£122 million

The above figures are based on evidenced outputs from Money with Management and include results from The Key Fund and Capital Network/YABA.

Financial Highlights

Year ended March	2007 (£000's)	2006 (£000's)
Income		
Grants and contributions	1,416	1,091
Fees and other income	158	46
Investment income	494	673
	<u>2,068</u>	<u>1,810</u>
Surplus before taxation	100	142
Taxation	-	-
Retained surplus	100	142
Average number of employees (includes FSY 6 recharged)	18	11
At year end		
Net assets employed		
Fixed assets	29	29
Debtors	397	529
Investments and deposits	9,515	12,868
Cash at bank	163	129
Liabilities	(8,956)	(12,507)
	<u>1,148</u>	<u>1,048</u>

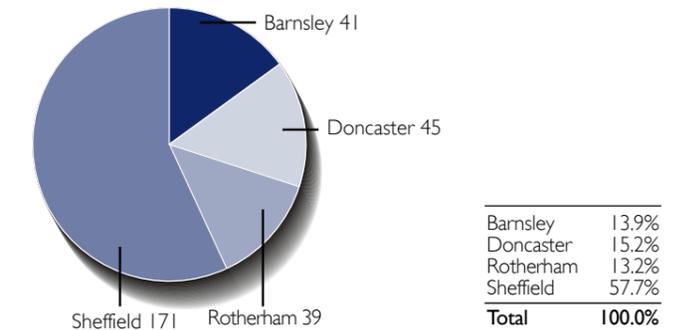
Reserves

Retained surplus	1,148	1,048
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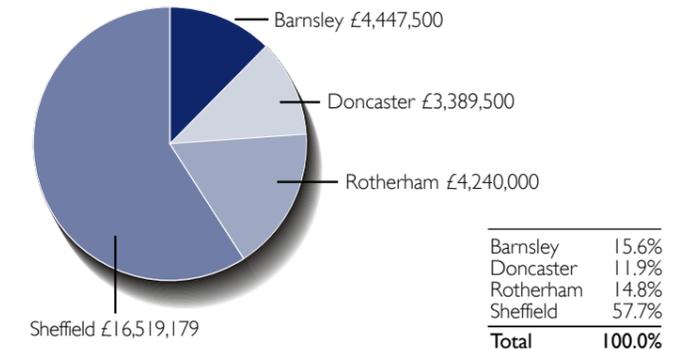
These summary financial statements are a summary of information contained in the South Yorkshire Investment Fund Limited Annual Report and Financial Statements for the year ended 31 March 2007. They are prepared to give partners and stakeholders a summary of the progress being made by South Yorkshire Investment Fund Limited. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the South Yorkshire Investment Fund Limited business as would be provided by the full audited Annual Report and Financial Statements. A copy of the full Annual Report and Financial Statements for the year ended 31 March 2007, which contains an unqualified Auditor's opinion, is available on request from the Company Secretary at the registered office of South Yorkshire Investment Fund Ltd.

Location statistics – cumulative to 31 March 2007

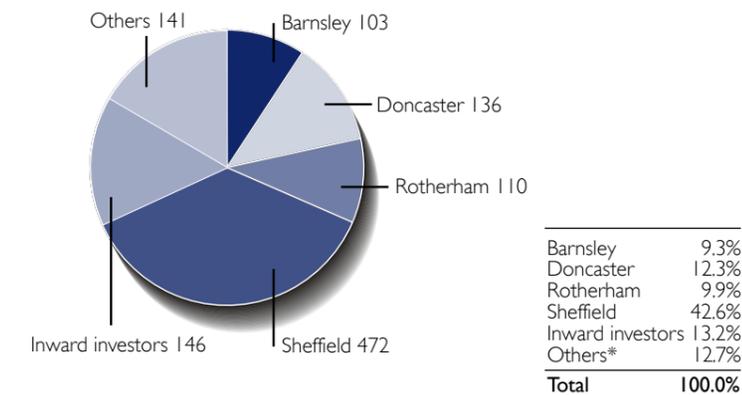
Number of investments



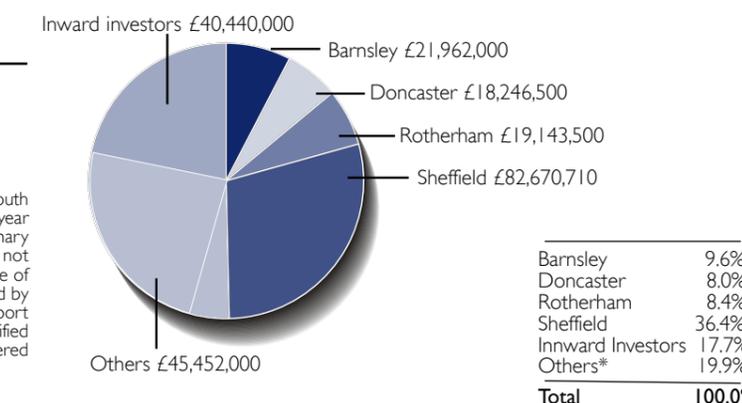
Value of investments



Number of applications received



Value of applications received



*Location yet to be decided at date of application.