

Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth  
Department for Economy, Science and Natural Resources



Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Public Accounts Committee

16 January 2017

Dear Mr Ramsay

Thank you for your letter of 15 December with further queries regarding Kancoat.

The Kancoat business plan was not dependent on a single supplier. It was predicated on being split 50/50 between toll coating material supplied by customers and coating steel sourced by Kancoat directly.

On 15 August 2013, two charges were taken by Welsh ministers to provide security for the Welsh Government; a fixed charge against the coating line and a floating charge against all other assets as part of the loan agreement. These charges remain in place and should the Kancoat assets be sold the Welsh Government will recoup some of its investment. It was considered that the original valuation of £5 million from an independent valuation agency (GVA), supplied as part of Kancoat's business plan in support of their application for funding, had satisfactory headroom and remained sufficiently current. The valuation was a market value for bank security purposes. A further valuation of the asset was commissioned on September 2014 stating the value at £3.13 million, also in excess of Welsh Government's exposure. It is accepted that an independent valuation could have been undertaken.

The Bryngwyn closure in 2001 was not considered at the time that the Kancoat business plan was reviewed, given the time elapsed. However, the Taufanabach closure in 2012 was considered. This closure was part of a restructuring exercise and some of the products and volumes produced there relocated to European plants. We understand that the decision was primarily taken as part of a rationalisation programme, consolidating at other plants and divesting the business of sites which consequently became redundant. The closure supported Kancoat's business plan in that there were no volume producers of lacquered strip in the UK and that there was a gap in the market for Kancoat to offer smaller batch runs, bespoke products and shorter lead times.

Yours sincerely

**Mick McGuire**

Director, Sectors and Business