

ENTERPRISE

BRITISH ENTERPRISE EIS FUNDS

AUTUMN 2006



Lacomp plc

PROSURGICS, driving the adoption of robotics in surgery *by David McTurk CEO*

Over the past decade **Prosurgics** has developed a significant technological base in surgical robotics technology, and in recent years has achieved leadership in “image-guided” surgical robots – combining the accuracy of robotics with the power and resolution of modern medical imaging (MRI and CT). The company has built a focused platform of intellectual property and international regulatory approval for its first two products. Over the past 18 months, a new management team has transitioned Prosurgics from its predominant R&D focus to become a commercially driven and outwardly facing organisation, meeting the needs of its growing customer base.

The surgical robotics market is evolving rapidly, with global revenues of \$200m last year expected to rise to \$1-2bn in the medium term. Prosurgic’s robots do not replace the surgeon, but rather empower skilled surgeons to achieve even better results. The benefits of surgical robotics include improved patient outcomes, reduced hospitalisation recovery times, and reduced surgeon fatigue. They can also offer a positive financial impact to healthcare providers.

The groundbreaking PathFinder robot for neurosurgery is a product which has the potential to redefine the standard of care in important areas of neurosurgery. Results during the treatment of serious disorders such as epilepsy and Parkinson’s disease suggest that PathFinder will become an enabling technology, its unrivalled accuracy allowing the development of new surgical approaches, and extending the possibility of treatment to more patients.



In tune with the way healthcare is evolving internationally, Prosurgics is applying its technology to develop products that will maximise efficiency in service delivery. The company’s robotic camera holder provides an “additional hand” for surgeons performing keyhole surgery, shortening operations and reducing staffing needs. The company’s vision is to make this type of product ubiquitous in keyhole surgery. To achieve this ambitious target the company is redefining the accepted capital sales model for such products to a hybrid of lower capital cost combined with highly efficient single-use-product revenue streams. This departure shifts the company from reliance on resource-intensive and lengthy capital goods selling processes, aligning it with best commercial practice in the medical device industry.

At the heart of Prosurgics’ progress over the past year has been the development of a keen understanding of the evolving needs of its customers, both existing and potential. To signal and reflect the company’s re-emphasised customer orientation and commercial focus, the business is being renamed and completely rebranded over the next 6 months.

With the commercial refocusing of the business complete, the company has successfully raised the £1.3m first tranche of the planned £3m fundraising required over three years to move into profitability. These funds are being used to bring two new products to market during 2007, and to initiate global market expansion through partnership alliances.

AUXETIX

Auxetix Limited is a bespoke R&D company that invents and refines novel auxetic technologies that are then available for use on commercial terms. Whilst most materials get thinner when stretched and fatter when compressed, Auxetic materials do just the opposite – Dr. Patrick Hook (managing director, pictured) says the technology “has seemingly unlimited potential and will fundamentally change the way we think about textiles”.

Lacomp were delighted to invest in Auxetix, an Exeter University spin-off, as we feel that the wide range of varied uses for these unique properties has great commercial potential.



Dr. Patrick Hook

Visit our website www.lacompeisfunds.co.uk

Fund 7
will close soon

DUALGLO TECHNOLOGY introduced to medical sector.....

by Grant Taylor

"Glow Cap" uses **DualGlo** materials, which should revolutionise the medical industry within 2-5 years; Glow Cap was conceived after hearing about a night time tragic death of a very prominent surgeon, who died within inches of his life saving inhaler.

The full, dramatic facts about asthma were realised in a World Health report called "Gina" which was published in 2005. The numbers in this report are eye opening: there are 12 million asthmatics in the UK, the US has 35 million, with a further 32 million in Canada - this is a combined market size of over 75 million people! Over 150,000 thousand deaths are annually attributed to asthma (mostly children), and it is estimated that 1 in 10 people are affected by asthma.

The MHRA (Medicines and Healthcare products Regulatory Agency) had no objection to Glow Cap being produced using DualGlo additives. A variety of organisations have given Glow Cap a resounding welcome, including the CMA (Complementary Medical Association) here in the UK. The "New York Times"-owned company "about.com" gave the Glow Cap a "5 star rating", and organisations here and abroad have accepted the need and importance of finding critical care medication in the dark.

The blue inhaler will resuscitate an asthmatic but is useless if not found in time. The DualGlo makes the Glow Cap 'Blue by day and glow Blue all night long', making it easy to identify 24/7 for over 5 years. The incorporation of DualGlo into the Glow Cap thereby goes a long way to solving this problem. I believe the use of DualGlo will change the way critical care medication is manufactured in the future once the cost is out-weighed by the obvious life saving benefits.

Grant Taylor is an independent entrepreneur seeking to commercialise the use of DualGlo technology in the medical sector.



FORMEROL – founder Jane Dhulchaointigh on an interesting new technology

Quite unlike any material currently on the market, **Formerol™** is pioneering new applications for silicone-based materials with some very innovative and versatile patented technology.

Formerol™ materials are formable and self-adhesive at room-temperature, and they also set at room-temperature to a tough, resilient finished product using an innovative curing system.

These new materials allow manufacturers to provide soft-touch parts on products that can be formed into their final shape by the end-user, in a fun and easy way by non-experts. Personalisation of products has, until now, only been possible in specialist industries as materials used were restrictive, requiring high temperatures to become formable.

The company was identified by Lacomp as an exciting investment opportunity for Fund 6 in early 2006, having received very significant interest in their technology from leading global adhesive brands. Formerol Ltd. was established in 2004 to commercialise the technology that was developed at the Royal College of Art in London.

The company's first customers, contracted since investment by Lacomp, are global brands of premium, professional hand-tools with whom it is developing tools that can be easily personalised by each user for their individual comfort. With the rise of incidences of Repetitive Strain Injury and Carpal Tunnel Syndrome presenting new challenges to companies whose employees utilise handheld machinery and tools (everywhere from the food industry to manufacturing), increased user comfort provides not just better employee health and safety, but a competitive advantage.

Formerol™ materials are developed from shock-absorbent, resilient materials, and the support provided by personalised ergonomics has been shown to dramatically improve the comfort and safety of tools used on a constant basis in a professional environment.

Apart from forming commercial partnerships with global brands and manufacturers, Formerol™ is actively seeking co-development and licensing opportunities in various industry sectors to exploit this very exciting technology.

eORIGEN.com



e-Origen won a gold medal at the IVCA awards for the most innovative application of learning technology.

Multimedia and internet learning specialists, **e-Origen** have recently announced the completion of a major development project in association with Accenture. The project provides a bespoke learning solution for training of call centre staff and provides the latest in an expanding list of clients for award winning e-Origen.

The development used a wide range of media elements and interactions to engage and stimulate the audience, including video, cartoons and audio "war" stories in addition to more conventional eLearning components. The final module was made up of a series of fully interactive simulations that enabled contact centre staff to practice and refine their skills further.

OIL – ARTIFICIAL LIFT

Despite the fact that the world economy is less dependent on oil inputs than it was during the bleak days of the 1974 crisis, the availability of 'black gold' remains crucially important.

Current geopolitical tensions largely centre on major oil producing regions with the Middle East, Iran, Nigeria and Venezuela all figuring in political worries over the past twelve months. Even the weather in the Gulf of Mexico can have an impact because of continuing supply interruptions from the ravages of hurricane 'Katrina' last September. The relief expressed by financial markets as 'Ernesto' was downgraded to a tropical storm was striking.

Most of this is arguably merely market 'noise' to which commentators attribute investor fears of oil price rises/falls, interest rate changes or political fears as the underlying cause. Market movements are, in our view, as much the result of human overreaction and 'herding' than cold calculation, particularly where the 'issues' are forever changing in importance as daily events impact.

That said, oil is very important both for global economic prospects and longer-term market movements. The broader picture is less determined by supply interruptions from terrorist attack or the weather than by the physical availability (which is obviously finite) and the technological innovation that is brought to bear in order to exploit reserves.

Chevron's much-heralded discovery on its 'Jack' field in the Gulf of Mexico illustrates the progress in technology – only ten years ago, offshore drilling below a depth of 2,000 feet was unusual. The Jack field is at a depth of 20,000 feet. Finding

the oil is merely the start of the process, of course. The Gulf is an "increasingly problematic source of supply" according to oil analysts and a final decision to exploit this field will not be taken until 2008. Such new supply sources are unlikely to significantly decrease the US dependence on imported oil because new finds merely serve to offset the decline in mature supplies from mainland US fields.

Herein lies a broader and potentially more significant issue. China is now the world's second largest oil consumer and is taking significant steps to secure its future supply sources. China is bidding up the price of drilling rights in both Africa and Latin America and is happy to deal with regimes that are either regarded with suspicion by Washington or that will not deal with the US. This bidding war is funded by China's burgeoning foreign exchange reserves which grew by a record \$US18.8bn in August. It has been argued that foreign policy will increasingly be energy-driven and will cease to have any semblance of an 'ethical' approach however this ideal is defined – the Gulf War of 2003 could be the first in a range of energy conflicts.

In a recent interview with Geoff Kimber-Smith, head of oil services company **Artificial Lift**, he stressed that oil is only in short supply "at a price". Long-term political factors rather than short-term supply interruptions are likely to create a market in which innovative product design that will enable greater exploitation of known reserves will be crucial. Artificial Lift remains well placed to capitalise on this scenario by opening up onshore 'brownfield' wells hitherto regarded as uneconomic and Lacomp are pleased to have been the lead investor in this promising business.

INCINERATION TWO (AISH) - a legislation-driven business

It is five years since the official end of the foot and mouth crisis in 2001. The outbreak, the worst in the UK since 1967, provoked a crisis in British agriculture, the postponement of the general election (the only postponement since the Second World War) and the eventual disbanding of the Ministry of Agriculture Fisheries and Food (MAFF). Political reputations suffered and there was controversy over the relative merits of vaccination versus culling.

This highly contagious viral disease led to the culling of about six million farm animals and cost the farming industry some £900m. The cost to tourism was considerably greater, particularly in Cumbria, the hardest hit area – access to traditional beauty spots were blocked and large incineration pyres did little to attract visitors.



EU legislation quickly followed in the form of the Animal By-Products Regulation under which it became an offence to dispose of fallen stock on farm premises where there might be a risk of either air pollution or through groundwater. All livestock deaths have to be properly documented and the carcasses disposed of in an approved manner via the National Fallen Stock Scheme or through properly licensed private plant. This scheme is partially funded by government subsidy (until 2007) and entails transport of carcasses to a licensed incineration plant such as that set up by Aish near Selby, Yorkshire.

Lacomp's investment in **AISH** took account of this obligation as it effectively created a captive market for the services AISH is offering to the farmer. Given the scale of disposal and the inevitably protracted and difficult planning process for approval of new sites, Lacomp could see that the combination of asset backing and localised monopoly provided the potential for a steady cash-flow and a profitable business.

INVESTMENT ADVISORY PANEL

The Investment Advisory Panel (IAP) is the key element in the Lacomp range of EIS funds, being responsible for sourcing, assessing, monitoring and exiting investee companies.

Initially, an individual panel member assesses a prospective investee company before it is being considered for a formal presentation to the full IAP. On occasions, other individuals with specialist technical knowledge are invited to the meeting in order to provide expert advice to the IAP. By the time a Fund is approaching its Closing Date, the IAP will have a shortlist of acceptable propositions and will instruct formal commercial, financial and legal due diligence in order to select or reject the proposal. After investment, the progress of chosen companies is continuously and carefully monitored. A member of the IAP attends all board meetings and reports to the other panel members. All investee companies are reviewed and discussed at specially convened monthly IAP

meetings, and exit strategies are considered throughout the term of the investment.

Headed by Lacomp Managing Director Peter Buxtorf, the panel consists of Lacomp Investment Director Steve Willmot, Simon Pannett (over 30 years experience in stock broking, investment and corporate affairs and specializing in unquoted company corporate services), Nigel Milton (Honours graduate in Business Studies, key positions in technology related companies, freelance journalist, editor of 'Investing For Growth', TV share pundit and contributor to Investors Chronicle) and Paul Finnigan (ex-Royal Marines, marketing background, 20 years experience leading a company specializing in the provision of services in the M&A and corporate fund raising sectors). In short, the IAP comprises a diverse group of individuals with differing skill sets thus providing a rounded assessment of investment proposals and opportunities.



From left to right: Paul Finnigan, Steve Willmot, Peter Buxtorf, Nigel Milton & Simon Pannett



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Founded in 1985 by Swiss Managing Director Peter Buxtorf, Lacomp provides a discretionary investment management service to an international clientele. As well as managing an authorised unit trust, CF Lacomp World, for its own clients, Lacomp is the fund manager to a series of Approved EIS Funds which are marketed via IFAs.

The Lacomp British Enterprise EIS Funds invest in a minimum of four EIS qualifying companies and aim to combine attractive tax breaks with the potential for significant capital appreciation.

Authorised and Regulated by the Financial Services Authority

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