

# ENTERPRISE

LACOMP BRITISH ENTERPRISE EIS FUNDS

WINTER 2007



Lacomp plc



Fund 9  
Closes 21<sup>st</sup> Dec

## An Overview by Founder Dr. Patrick Hook

The key feature of auxetic materials is that unlike conventional materials which get thinner when stretched, they get fatter. Depending on how auxetic materials are used, they can offer improved impact or acoustic absorption, better load distribution, enhanced fracture resistance, the capability to harbour and release entrapped particles, the ability to change colour with tension, and many other commercially significant properties.

Although the company's IP can be used in a very wide range of commercial applications, a strategic decision was taken earlier this year to focus the company's activities on blast-mitigation fabrics in the short to mid-term. This is in order to consolidate the business and establish the core product in the marketplace.

The Auxetix blast-mitigation fabrics use a completely new kind of technology known as Zetix™, which is designed to save lives and prevent injuries in the event of terrorist strikes, battlefield actions, industrial accidents and hurricanes. While there are a number of blast-defence systems on the market, most are only capable of coping with a single explosion event - once deployed, all significant protection is lost. The Zetix™ fabrics, however, are designed to withstand multiple blasts. They are able to do this because they dissipate the blast energies rather than attempt to stop them outright; this provides enhanced protection over sustained periods. The occupants of damaged buildings can therefore be safely evacuated after a disaster, and it gives the emergency services extra time to rescue trapped or injured people.



Controlled blast tests conducted under British Security confidentiality have resulted in the Zetix™ fabrics being given very high Home Office safety ratings. They have also recently won the TechTextil Innovation Prize 2007 for the best technical textile development of the year, as well as the European semi-finals of the Global Security Challenge. They are, however, not just for window protection, but are also intended for much wider blast-mitigation purposes, such as lining materials for military vehicles and aircraft, enhanced body armours, transportation crates with improved security, and for the protection of stored ordnance.

The market for such products is expected to grow dramatically, not least because the Sarbanes-Oxley Protocol specifies that all United States corporations must become responsible for their own homeland security (HLS) measures. Consequently, the private HLS market is expected to match or exceed that of the public HLS market - this will

lead to a massive increase in demand for relevant technologies. A leading specialist in the market has stated that *'Within the next twenty years, the global homeland security budget is expected to climb into the trillions'*.

The Zetix™ fabrics are protected by two primary patents, and the company is using these as the foundations for its near to mid-term activities. Since Auxetix has no plans to become a prime manufacturer, it has formed a close alliance with Europe's leading technical textiles company, Heathcoat Fabrics, who will undertake all bulk production. Several commercial agreements are currently being negotiated with multinational corporations, both in Europe and the US.

An option agreement has just been signed with J&S Franklin for the rights to use the Zetix™ fabrics in the construction of blast-linings for military tents. This gives them market exclusivity whilst testing and validation work is carried out. Although they typically sell around £8 million-worth of tentage to the UK MOD, they have just opened a US office, through which they hope to break into the US market; this is worth in the order of £125 million a year. Franklins are excited about the possibilities of using the Zetix™ fabrics as a unique selling feature, and feel that if they can get US military certification, they will not only gain a significant percentage of the market in America, but that many other countries will follow suit.

The forecast EBIT for 2008 are predicted to be £150,000, and it is predicted that revenues will reach £10m within five years.

Visit our website [www.lacompeisfunds.co.uk](http://www.lacompeisfunds.co.uk)



by CEO Bernard Ross

**Sky Medical** are developing a range of patent protected medical and consumer devices to reduce the incidence of Deep Vein Thrombosis (DVT). The company is carrying out clinical research, product development and market research programmes to demonstrate to potential global and regional distribution partners the value of our technology.

The key to the value of the products under development, other than the size and accessibility of the market, is a combination of the Intellectual Property (IP) and the Clinical Data that sits behind the product development. To this end there is a strong focus on the preparation and examination of patent applications at this stage. The published PCT patent application has entered the individual national phases.

Due to the global nature of the markets for DVT prevention products, in both consumer and medical markets, we have structured architecture of the IP to provide a wide scope of protection, including both key sales and key manufacturing markets. As the product development program advances over the next 6 to 12 months, there will be the potential for further IP protection based in and around the application of the technology, the design within the application of the devices and the form of the interaction of the electronic components.

The company have entered into an agreement with Acumen Design Associates Ltd., London and the product design programme is underway. Acumen Design are regarded as the leading design company working in the aviation and medical device sectors. Due to the high profile nature of the project, the CEO and Principal of Acumen, Ian Dryborough, is working directly with Sky Medical on this project.

**Regulatory Approval to sell products in the EU (CE Marking) and US (510k):** The services of Dr. Sandeep Shah have been secured through his consultancy company Tarillian Consulting. Dr. Shah will be instrumental in 3 key areas:

- ensuring that clinical endpoints communicate the highest of values to potential sales and marketing partners (SSL, Stryker, J&J etc) as well as the medical community.
- oversee and drive the regulatory approval process in the US and EU.
- to help locate suitable manufacturing partners in the Far East, EU and South America with a view to securing manufacturing agreements for fully automated manufacture of disposable consumer products and table top production of medical variances of the devices.

**Clinical:** The primary clinical programme is taking place at St Barts Hospital, London in conjunction with Queen Mary's University, London and The William Harvey Institute. The programme is intended to complete its first clinical endpoints in July 2008. Dr. Shah is working with Drs. Tucker and Bain, the lead researchers, providing guidance in the deliverables of the clinical trials, strengthening the commercial value of the endpoints. This is intended to add significant value to the results of the clinical program in the first 6 months.

A second clinical programme started in September of 2007 at the Royal Stanmore Orthopaedic Hospital, to investigate the novel use of the technology in reducing loss of bone density in spinal injury patients. Spinal injury patients who have lost the use of their lower limbs suffer a 60% reduction in bone density within the first 12 months of their injury (Osteoporosis). Due to the compelling data with regards to the increase in blood flow to the bones of the lower body, ethical approval was granted to use the devices over the next 2 years on spinal injury patients. Clinical Research is now underway and any additional Intellectual Property created from the data is owned exclusively by Sky Medical.

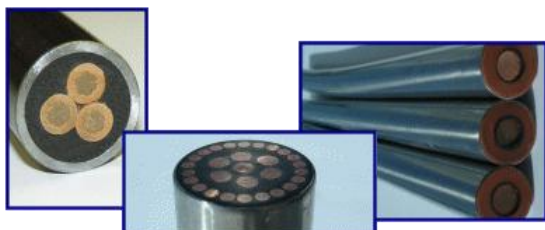
The value proposition of the technology and related products under development generally falls into three key areas (i) the strength of the patent protection (ii) the £ size and global reach of the market and (iii) the rate of market penetration that is achievable due to the highly disruptive nature of the technology and the price advantages over current market incumbents.

**Artificial Lift Company**, the oil services company, has reported as follows: "Testing is on target. The 3.8" electric submersible pump (ESP) system has now been running for some four weeks in the test well at our Great Yarmouth facility and is being subjected to a six month planned test procedure. Whilst this process may result in modifications at this stage we have an agreed field test with a major oil company in a well in the USA scheduled for July 2008. On successful completion of a six month field test they have committed to ordering 10 systems during the following year.

The smaller 1 11/16" ESP system is now under prototype manufacture. Testing will commence in the near future and for this we are currently having a second test well being drilled.

Further support funding to the value of £2.5 million has been agreed with the same major oil company.

Apart from the two pumps under development, ALC have introduced a range of items to assist in pump deployment. These include shielded cabling (BossCABLE, pictured) for protection of down-hole pumps and instrumentation equipment, proprietary clamps and cable connectors which are able to withstand extremes of pressure and temperature. These are being well received and attracting considerable interest in the oil industry.



The existing shareholders have just agreed to a further £1 million investment and this is being made at a current valuation in excess of £15 million. In addition we are in negotiation with venture capitalists

The outlook for ALC, whilst depending on the successful commercialisation of these systems, is already attracting interest from major oilfield service companies but it is envisaged that no exit will be made at this stage."



*"Introducing new technology to the business world always takes a little time. The momentum behind Infocflow, though, is gathering pace."* says CEO Stuart Beet



**Infocflow** specialises in taking the vast amounts of reports that are produced by many different systems that operate in a modern national or multi-national organisation, tailoring them to suit individual needs, then distributing them automatically to the people concerned in the way they wish to receive them – usually on their desktop, laptop or PDA.

The technology is the result of delivering business intelligence strategy and reporting solutions over many years – and when it was launched in England last year, it immediately caught people's attention.

Recently, Infocflow has formed a partnership with salesforce.com, one of the world's leading CRM software programmes. Infocflow is now available to all users of Salesforce on the AppExchange section of the Salesforce website. This also allows it to now be used by smaller and medium sized companies.

Also in the UK, Ingres was so impressed with the added value that Infocflow could bring to their BI Appliance technology that it has signed an OEM agreement to bundle the Infocflow technology.

Elsewhere, the setting up of international distribution partnerships is beginning to bear fruit. The first major European project to result from these partnerships is the deployment of Infocflow within Janssen Cilag, the Belgium based pharmaceutical subsidiary of Johnson & Johnson. This came as a result of our Benelux & France distributor Aaxis N.V. Infocflow is now also represented in Italy, Spain, Germany and Israel.

The latest development for Infocflow is particularly exciting with the introduction of dashboard technology. This has been produced as a result of consultation with existing clients and a requirement to produce a graphical representation of information from different reports from different systems. Infocflow believes this will have a very strong appeal to the market in general.

For more information on Infocflow, go to [www.infocflow.co.uk](http://www.infocflow.co.uk).

## Screen Learning

Play Profile Progress

by John Dorman, CEO & Founder

**Screen Learning** is an on-line skills-assessment system for Foundation Stage children (4-6 years old) that uses games to produce a detailed skills analysis to support teachers and parents.

The profiling system comprises a suite of 12 short on-line games that gives the system information across a wide range of skill areas as it monitors a child's actions and performance as they 'play'. The software then generates a detailed report that provides unique evidence to support the reporting requirements that teachers are mandated to conduct. The system, also uniquely, puts a child's performance into a national context.

The system assesses a wide range of skills including fine motor skills, sound matching, empathy, reading, emotional recognition, spelling, hearing, short-term memory, sequencing, colour perception, mental arithmetic and language comprehension.

In the longer term, the company is optimistic that the profiles generated as a result of a child playing the games may be able to indicate the presence of some serious learning difficulties such as dyslexia or autism. This part of the system's capability is currently the subject of a longitudinal study that may be finished in 2 or 3 years.

The system output consists of a graph and a detailed 4 page report for each individual child. The points in the report feed directly into the reporting system as requirements by the Government.

Since launch in July 2006, there has been a very encouraging response from the market, a few of which are noted below:

- a number of schools have purchased the system and are using it successfully
- the Department for Education and Skills (DfES...now the DCSF) has elected to inject £65,000 development funding

- the Qualifications and Curriculum Authority (which defines the attainment standards for children of all ages) has positively reviewed the product
- we are currently in advanced negotiations with the UK's largest software publisher, Harcourt – Pearson, to be a reseller of the system.

Further business growth will be from additional age-groups, 'learning' software that utilises existing profiles to personalise the teaching to suit each child's needs, export opportunities and the consumer market (home teaching and concerned parents).



The company's board has extensive commercial experience and is determined to grow the business into a significant player in the educational software sector.

The company may be seeking additional funds in order to enter the consumer market in the near future.

With global reach, high gross margins, low capital expenditure and an extremely attractive product the business is expected to produce significant investment returns as well as tangible benefits to the education of many children.

## Comments from the INVESTMENT ADVISORY PANEL (IAP)



The IAP were delighted to see that the significant progress achieved by the Auxetix management did not go unnoticed at the recent Global Security Challenge. The company won the European stage of the competition and attracted considerable interest from international security specialists during the London final. Congratulations to Dr. Patrick Hook and the team.

Other companies also have been successful in raising their profile with industry-recognised awards being achieved by eOrigen and Screen Learning. Such recognition is very valuable in drawing the attention of both potential customers and partners to these businesses. They can also serve to highlight the attractiveness of firms to potential trade buyers, an important exit strategy in many instances. Developments at Prosurgics, IMPT, Dualglo and FormFormForm (previously Formerol) have all drawn attention to aspects of their innovative technologies and we are encouraged by the progress being made in most of our investments.

A member of the IAP attends *all* board meetings of *all* investee companies and we are pleased to report that, whilst there are inevitably short-term issues to be addressed, the situation remains upbeat in virtually all instances. Much of the work that goes on 'behind the scenes' of the investee companies cannot be reported prematurely as the companies are, by definition, at an early stage of their development, and consequently vulnerable to attack from incumbent sector giants. Sometimes even a significant order can be commercially sensitive, so much of the positive newsflow remains unreported.

Artificial Lift Company neatly illustrates the type of companies we seek on behalf of investors – a strong management team with the capability to capitalise on innovative and disruptive technology which addresses a clear need. The company has just completed a funding round at a considerably enhanced valuation and, as reported in the attached article, product testing is on-track and producing impressive results.



## INTRODUCING...

In order to further improve communication between the Lacompl IAP and the IFA community, we are pleased to welcome our new Business Development Manager, Gary Wilson (pictured).

Gary will be happy to provide technical assistance with respect to EIS regulation, to arrange meetings with members of the IAP and to assist with in-house training where required. He can be contacted via [info@lacompl.co.uk](mailto:info@lacompl.co.uk) or on 01276-475123.



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

The Lacompl 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.

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