

# ENTERPRISE

LACOMP BRITISH ENTERPRISE EIS FUNDS

SPRING 2008



Lacomp plc



Fund 10  
Closes 5<sup>th</sup> April

DualGlo Technology plc's glow in the dark products are based on safe, non-radioactive materials. Lacomp view this as a significant 'unique selling point' and have been happy to support the Dualglo management in their ongoing product development. Applications range from safety equipment, medical applications and signage to consumer products and children's toys.

DualGlo has launched a new range of high performance paints that offer bright colours by day combined with strong, long lasting glow in the dark properties. The paints are suitable for a diverse range of uses from safety applications to custom cars and bicycles.

The car shown in the photographs was prepared by custom car specialists Perkins Automotive and went on public display at The Maragoni Fast Show at Santa Pod Raceway on 8-9<sup>th</sup> March 2008. It will then tour a number of shows during the spring and summer months.

Commenting on DualGlo paints, Managing Director of Perkins Automotive, Steve Perkins said: "These paints really work and



everyone who has seen the completed car thinks it's really cool. I was amazed that it does actually glow all night long, and the mix is as straightforward to use as other paints. With a price tag comparable to existing custom paints like flip tones, we expect to do a lot of work with it".

The bright daytime colours combined with the glow in the dark effect are achieved using patented DualGlo technology which, following exposure to light, glows in darkness for up to ten hours. The technology works by absorbing ultraviolet light, which is then released as visible light during darkness. The full range of DualGlo colours that is available includes daytime white that glows green, white that glows blue, orange that glows orange, purple that glows green and blue that glows blue.

The paints have initially been launched as a solvent based, industrial grade paint mix for use only by professionals. Consumer aerosols have been developed and will be marketed soon. A water based range of paints suitable for home and architectural use is nearing the completion of development and are anticipated to be launched in the second half of this year.

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

# eOrigen



By Mike Mulvihill, CEO

Award winning e-learning specialists **eOrigen.com** continue to expand their customer base across a range of economic sectors. The firm creates a bespoke training solution, often combining a range of media which has made them attractive to some high profile national and international organizations.

“From the initial concept, early ideas and briefings, we work with our customers to define, design and deliver e-learning and training solutions. To do this we get to know the company, the culture, the products, the services and the e-learning and training objectives.

This pro-active partnership allows us to develop the solution that meets the requirement. This includes bespoke content for multi-media courses and video based productions that entertain and retain the interest of the user.

We do this by seamlessly integrating digital media, video production, audio, animations and graphics into intuitive, interactive courseware to a standard and quality that differentiates us as being one of the best in the world.”



West Country specialist textiles producer **Auxetix Ltd.** have identified a number of potential applications for their innovative **auxetic materials which get fatter (rather than thinner) when stretched**. Whilst the firm continues to capitalize on its recent success in being one of the five worldwide finalists in the Global Security Challenge, there are many other areas that offer commercial potential:

- **Construction - Concrete Reinforcement:** Conventional reinforcements that are used in concrete structures suffer from the fact that as they are loaded in tension, they get thinner. This causes a de-bonding effect, where the reinforcing rod pulls away from the surrounding concrete.
- **Seat Belts:** In an accident, the passenger is usually thrown forwards, and if the deceleration is particularly dramatic, the forces involved can be enormous. In attempting to restrain this movement, the seat belt gets stretched and, much like an elastic band being pulled, becomes narrower. This is exactly the opposite of the behaviour that you want at such a critical time, for, in getting narrower, it concentrates all the forces into a much smaller area, increasing the potential for injury.
- **Health - Dental Floss:** Auxetic dental floss offers several key benefits, including the ability to expand to fit the widely differing gaps between human teeth and the ability to deliver chemotherapeutics, fluorides or flavours directly to the gum line.
- **Manufacturing – Filtration:** When a conventional net-like material is stretched, the holes close up, whereas in an auxetic version the holes open up. This can be exploited to create a range of objects where controlling the hole size may be important. This could be particularly significant in the industrial filtration market.
- **Aerospace – Smart Sensors:** Smart sensors can be used in a variety of composite structures as in-situ monitoring devices. One of the problems with conventional structures is that when they experience loads or shocks that may have weakened or damaged them, there is rarely any satisfactory method of assessing their integrity. The novel sensors being developed at Auxetix provide much higher signal resolution whilst providing a range of other benefits at the same time.
- **Blast-mitigation fabrics** like body armour or military tents (bullets and/or shrapnel) and window curtains (explosions, hurricanes and typhoons): Most traditional forms of defence against blasts consist of Kevlar or other high strength compositions. Unfortunately, these materials are only capable of coping with a single occurrence, after which most, if not all, significant protection is lost. The Auxetic blast-mitigation materials use a completely new kind of technology known as Zetix™. These blast-mitigation fabrics, by contrast, manage to withstand the energies of *several* blasts without breaking. They are able to do this by dissipating the blast energies rather than attempting to stop them outright. Zetix™ fabrics are protected by two primary patents, and Auxetix Ltd. is using these as the foundations for its near to mid-term activities. The company 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.





**Ixaris creates and operates innovative solutions for electronic payment and other transaction-based financial services.**

The flagship consumer offering is EntroPay, a prepaid payment service developed and operated by Ixaris. Also on offer is a range of white-label payment-related products, bespoke electronic payment and other transactional solutions for business customers in the Financial Services, Internet Service Provider and Telecom sectors.

EntroPay is prepaid and can be used to pay wherever VISA is accepted online or over the telephone. This removes credit risk and therefore means it can be used by anyone irrespective of credit-worthiness. Prepaid also assists users to control their spending. With EntroPay neither personal information nor credit card details are given to the merchant, increasing the user's security and confidence to spend.

Although EntroPay payments are already accepted at practically all merchants worldwide, EntroPay can also be used with selected merchants for micropayments (as low as 1 pence or 1 cent), providing merchants with a cost-effective way of taking even the smallest of payments.

EntroPay is marketed through merchants and affiliates, and it can also be offered as a co-branded solution. Ixaris can customise various aspects of EntroPay, for instance to suit the operational specifics of channel partners or the brand values of partner brands.

**Prosurgics is applying its technology to develop robotic medical devices that will maximise efficiency in service delivery.**

Lacomp have been impressed with the success achieved by Prosurgics in creating working relationships with a number of UK and European surgeons as well as other leading organizations in the medical technology sector.

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.



#### **SCREEN LEARNING WINS PRESTIGIOUS BETT AWARD**

**Screen Learning's innovative computer games are designed to help teachers assess the strengths and needs of children as soon as they start school, and throughout their early years in education. The games assess skills which underpin reading, spelling, mental arithmetic, social functioning, language use, motor control and memory, as well as hearing and colour vision.**

Screen Learning is delighted to announce that it has won a prestigious BETT Award for its groundbreaking educational assessment software. BETT is the world's leading educational information and communications technology event showcasing UK and international best practice in the field of educational technology. The company beat off strong competition from established educational software providers to win the e-Assessment for Learning category for its online Smart Cat Profiling tool.

Screen Learning's founder John Dorman said: "We are thrilled and delighted to have won a BETT award. Reaching the final shortlist was a fantastic achievement in itself, but being judged as the leader in our field by an independent panel of experts is the icing on the cake."



We are delighted with the progress at **Artificial Lift Company**, the oil services company which is developing a revolutionary new electric submersible pump system (in collaboration with a major global oil company) which can be replaced without the need for a rig. It is anticipated that the deployment of the production version of the system will enable exploitation of hitherto uneconomic 'brownfield' sites, something which is of obvious attraction in these days of "\$100 oil".

The company recently raised sufficient development capital to finalise the testing programme and move to field trials in Texas. These funds were raised at a greatly enhanced valuation which reflects the significant progress that has been achieved to date at the Great Yarmouth test site.

Successful deployment in the field could make Artificial Lift a viable and attractive target for the oil service majors, several of whom have already noted with interest the progress that has been made.

London based recruitment company **Berkeley Search & Selection** (a subsidiary of Nightingale Search & Selection specialising in the retail sector) continues to expand its footprint in the market place with new offices in Manchester and Huddersfield successfully adding to group profitability. Plans for further regional offices are under consideration and Lacom are pleased with the progress being made in the short period since our investment.

CEO Paul Meechan remains optimistic despite the indications of an impending economic slowdown, explaining that recruitment of quality managerial staff becomes more important at such times: "Although the economic slowdown has been well documented, the trend for the early part of 2008 continues to show good growth. It would appear, therefore, that the general economic uncertainty in the wider economy has not impacted to any major extent on the overall recruitment market."

### Changes to the EIS regime have not disrupted the Lacom business model.

The 2006 Budget already had introduced a significant change to EIS and VCT rules, stipulating that an investee company, in order to be qualifying, must not exceed a market capitalisation of £7million pre-investment (or £8million post-investment). This was followed by yet more restrictions in the 2007 Budget when, inter alia, two new criteria were announced: a qualifying company must not have more than 50 full-time employees at the time the investment is made, and the company must not have raised more than £2million (from either EIS, VCT or Corporate Venturing Scheme investors) in the 12 months ending on the date of the relevant investment. Obviously, all these changes negatively affect any EIS providers who preferred to invest in larger, often AIM listed, companies, and it definitely is bad news for virtually all VCT managers.

Lacom MD Peter Buxtorf says: "Why do these changes not affect Lacom? Well, ever since the launch of our second Lacom British Enterprise EIS Fund (the first fund was done in conjunction with a corporate advisory firm) our EIS business model has not changed inasmuch as we target pre-IPO companies at a relatively early stage of development. In other words, they are highly unlikely to have anywhere near 50 employees or a market cap of £7million. The five members of the Investment Advisory Panel (IAP) are united in their view that these changes will not affect our investment philosophy."

"Whilst it would be unwise to absolutely exclude start-ups, we concentrate on companies with sound and proven management teams as well as innovative products and/or disruptive technology. Typically, these companies have completed their initial product development work and protected their IP through patents. We also look for scalability, barriers to entry and, needless to say, we particularly like companies with asset backing. These companies usually are at the stage where they need funding to properly commercialise their products." says Lacom Director Steve Willmot.



Left to right: Paul Finnigan, Nigel Milton & Simon Pannett  
members of the Investment Advisory Panel

Another change in the last Budget, and this time it is *not* a restriction, is the extension from 6 to 12 months in which an Approved EIS Fund has to invest 90% of the funds raised (net of charges). This obviously was done to allow EIS fund managers more time to source appropriate investment opportunities. However, Lacom and its IAP are fortunate in enjoying an excellent deal flow from which they can "cherry pick" the best candidates for investment. Lacom therefore has decided to stay within the "old" six-month limit whenever possible. Why this self-imposed limitation? Knowing their funds will be invested in qualifying companies within 6 rather than 12 months will allow investors and their advisers to more accurately plan with regard to CGT deferral as well as IHT mitigation.

**Peter Buxtorf, Managing Director of Lacom and Chairman of the IAP, says: "Much has been made of these rule changes but because of the nature of Lacom's business model, we remain largely unaffected. We certainly did not have to alter our selection process or investment criteria, and we know that there are plenty of sound and viable business propositions in this newly defined scenario. We have always put the emphasis on the potential for capital growth rather than mere tax efficiency, and we are confident that the risk/reward balance remains attractive for EIS investors. "**



## HAVE YOU SEEN THIS MAN?

In order to further improve communications between Lacom and the IFA community or other professional advisors, our Business Development Manager, Gary Wilson (pictured) is happy to provide technical assistance with respect to EIS regulation, arrange meetings with members of the IAP and assist with your in-house training where required.

He can be contacted via [info@lacom.co.uk](mailto:info@lacom.co.uk) or on 01276-475123.

Lacom plc

77 High Street, Bagshot, Surrey, GU19 5AH  
 TEL: 01276 475123 FAX: 01276 475273  
 e-mail: [info@lacom.co.uk](mailto:info@lacom.co.uk)  
 website: [www.lacompeisfunds.co.uk](http://www.lacompeisfunds.co.uk)

Authorised and Regulated by the Financial Services Authority

The information and opinions contained in this leaflet are given in good faith but should not be interpreted as investment advice. Unquoted shares carry a higher risk than quoted securities or shares. You are advised to consult your own professional adviser.