

# young company finance

news, comment and analysis on the young company market

invention . . . proof of technology . . . proof of market . . . breakeven . . . exploitation

## Deals

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## ACAL Energy funds fuel cell advances

**Founded in August 2004 by Dr Andrew Creeth and Amanda Lyne, ACAL Energy has developed fuel cells that will be able to operate up to five times longer than current limits. They are also much cheaper, because they remove the need for precious metals used in other low temperature fuel cell systems.**

On 28 February the completion was announced of a funding round of £1.6m of venture capital funding, provided by Enterprise Ventures' RisingStars Growth Fund in partnership with CT Investment Partners LLP (the venture capital commercial arm of the Carbon Trust), NorthStar Equity Investors (NSEI), and Porton Capital/Synergis Technologies. ACAL Energy had previously received £420k in seed financing from the Rising Stars Growth Fund, and is a graduate from the Carbon Trust incubator programme.

ACAL Energy will use the investment to develop its low temperature fuel cell cathode technology FlowCath™, covering the range of power packs for portable electronics and automotive engines. Fuel cells (FCs) are electrochemical devices that convert fuel (eg hydrogen, methanol) directly into electricity at higher efficiency than internal combustion engines and have the potential for higher energy storage capacity than lithium-ion batteries.

ACAL's approach concentrates on the oxygen electrode (cathode) side of the fuel cell. It has the potential to provide a vastly more efficient power to size ratio than seen today or expected from current development programmes, with the result that fuel cells can be made much smaller for each application. The technology also reduces the cost of fuel cells by removing the need for precious metal catalysts on the cathode side of the cell, the saving being in proportion to

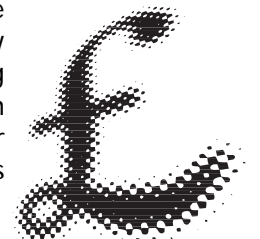
## In this issue

**O**ur analysis on p7 of VC investments in ICT companies in the UK and Ireland (based on figures provided by Ascendant) shows that the North of England has made progress in attracting investors' attention over the past couple of years—indeed, in 2006 the region overtook Cambridge in terms of the number of deals.

With three investments over £1 million, and one (DataLase) nearer £6 million reported in this

issue, we trust that this trend is continuing.

Another indication that the region has technology to compete with the world's best is the award won by Paraytec at Pittcon in Chicago, where the company shared winning positions with billion-dollar American firms (see p11).



the size of the system. For example, an independent report recently stated that the platinum used (on both sides of the cell) in fuel cells for cars was responsible for 50% of the cost; by eliminating the platinum from the cathode alone, significant savings can be made.

As a cathode system the technology can be adapted to work with any fuel source including hydrogen, methanol, ethanol and sodium borohydride. ACAL intends to license its technology to fuel cell manufacturers or OEMs, and other appropriate customers in the procurement chain.

This innovative system could mean that compact fuel cells can replace conventional lithium ion batteries in portable electronic equipment, radically improving times between recharges. FlowCath™ cells could meet the increasing demands of power-hungry devices such as laptops, mobile phones and media players. One advantage over batteries, which ACAL feels is not yet fully appreciated, is the fact that batteries need several hours to

recharge, whereas fuel for FCs will be available in portable cartridges that can be immediately replaced, causing little or no interruption.

ACAL Energy is an active member of the NorthEast Fuel Cells Cluster, and will use this latest investment in part to pursue its close links and development contracts with the fuel cell experts at University of Newcastle and the Centre for Process Innovation (CPI) at Wilton, Teesside. The New Energy Team at the CPI is well known for its support for the development and market testing of fuel cells through the dedicated Fuel Cell Application Facility (FCAF). Since inception the Centre has become a leading centre for the development, testing and application of fuel cell technology and low carbon energy in general.

Graham Hillier, director of Fuel Cell Applications at the Centre for Process Innovation said: "We are pleased that ACAL is joining the rapidly growing fuel cell community in the North East of England. The innovative technology they have developed has the potential

to make significant improvements in the cost and performance of fuel cells for a range of applications. We are pleased to be able to help them bring their technology to market."

Following this investment, Bob Pettigrew, a co-founder of Generics with over 20 years' experience in the development of emerging businesses, will join the ACAL Board as non-executive chairman. James Wilkie a former development director of Johnson Matthey Fuel Cells, will join the company as a non-executive director. On ACAL Energy's board they join Andrew Creeth and Amanda Lyne and US-based non-executive director and co-founder Dan Dajie, an expert in the fuel cell industry with practical early stage technology development experience, who was VP of Engineering at AIM listed fuel cell membrane developer Polyfuel plc.

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## NVM joins Gentronix investors

**G**entronix, founded in 1999, is a spin-out from The University of Manchester which has developed screening kits for the early detection of genotoxicity in pharmaceutical drug candidates.

At the beginning of this month a new funding round of £1.4 million was announced. The round was led by NVM Private Equity (NVM) which committed £1 million, coupled with funding from existing investors Manchester Technology Fund and YFM, alongside some private investors.

Regulatory requirements for the clinical testing of drug candidates include the assessment of genotoxicity; substances that are genotoxic may bind directly to DNA or act indirectly leading to DNA damage by affecting the enzymes involved in DNA replication, thereby causing mutations which may or may not lead to cancer or birth defects (inheritable damage). The bioassay technology developed by Gentronix is based on a yeast strain that has been genetically modified to produce a Green Fluorescent Protein

(GFP) when its DNA damage repair systems are activated. As the damage occurs the cells become increasingly fluorescent, hence acting as indicators for the presence of genotoxic agents.

John Nicholson, chairman and CEO of Gentronix explains: "Our initial product, GreenScreen GC is a fast and reliable screening method, providing robust detection of genotoxic carcinogens. We are also developing and marketing another screening product based on human cells, called GreenScreen HC, which with NVM's investment, we will be able to market effectively on a global basis not only to the pharmaceutical and biotech sectors, but also to cosmetic, environmental and fine chemical markets."

The technology has the potential to save huge expenditure on the development of drugs that ultimately fail genotoxicity trials. Globally the pharmaceutical sector spends an estimated \$53 billion a year on research and development; despite this an average of fewer than 26 drugs per year have been brought to market in the last eight years. The cost of

developing, testing and taking a drug to market is currently estimated to be \$900 million and can take 10-15 years. The overall investment made in developing drugs that later fail testing, in some cases due to toxicity, is estimated to cost the industry in the order of \$32 billion annually.

Gentronix was originally funded by UMIST Ventures and a group of private investors. A £1 million funding round in April 2005 consisted of investments by the North West Business Investment Scheme (managed by YFM Private Equity) and Manchester Technology Fund, plus additional private investors and directors.

NVM was attracted to the company by virtue of its potential to secure a greater share of the growing genotoxicity testing market (currently worth an estimated \$160 million). It was also impressed with the professional management team led by John Nicholson with Richard Walmsley (founder and chief scientific officer), an accepted international expert in molecular genetics. Tim Levett from NVM who led the deal comments: "The

early detection kits which Gentronix has developed address a critical lack of accuracy in the regulatory screening tests. Without this, the re-testing and development of a drug that is later thrown out is a time consuming and

expensive business. We are delighted to be investing in Gentronix, helping them further develop screening kits and also manage the intellectual property of their cutting edge portfolio."

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## DataLase completes US\$10 million round

**I**n the past 14 months DataLase has been transformed from an also-ran into a brand with global potential. In February 2007 the company closed a new round of funding raising US\$10 million.

Colour change chemistry company DataLase was set up around six years ago and was called Sherwood Technology. The underpinning idea was a laser-based print marking system that would stick to almost any surface. With the technology, you could print on metal, print on plastic, print on wood, print on glass. The key question was "What is the killer application?" on which this technology could achieve take off. It seems probable that this has been achieved towards the end of 2006.

A number of factors have come together to catalyse the company's growth: it rebranded, changing its name to DataLase in January 2006 to give customers a clear idea that the product and the company were synonymous. It has secured a number of industry awards for its technology.

Then DataLase opened a North American office in Atlanta near to its early adopters and in the world's most lucrative print market. Then came contracts signed with major market leader users. Lastly came private equity venture capital from one of the world's leading technology investors, MTI Partners.

DataLase, based in Widnes, has unrivalled experience in the laser marking industry. It has developed and patented laser-marking products for identification, anti-counterfeiting, brand protection and document security. The latest product is called CASEMARK. It can be applied on outer case secondary packaging, which is a distinct advantage over print and apply labels that can be removed, tampered with, misread, or even impaired by chemicals.

Leading branded products - PACKMARK and GUARDMARK - have been adopted by industry leaders including Muller (dairy products), and Qiagen (pharmaceutical and biotechnology products). DataLase recently signed a licence agreement with Sun Chemical, the world's largest print ink manufacturer, which

strengthens its print technology options and broadens the appeal of the product range to other users.

DataLase is now an exciting growth prospect with a business that is scalable in global markets. The first institutional investor was MTI, a specialist materials & medical technology investor. In November last year a cohort of private investors brokered by Hotbed joined in the investment. Then last month leading materials supplier BASF, through its venture capital arm BASF Venture Capital GmbH, took a stake in the company.

DataLase recently expanded into the US market by opening a manufacturing site in Atlanta. Chief executive Steve Kelly says: 'The new funds will provide the company with the means to further invest in R&D and expand our current product range, as well as consolidate our commitment to the US market.'

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## Sivex Engineering exploits remediation technology

**A**s EU Environmental and Waste Legislation continues to drive changes in the way contaminated land is brought back into use, so novel technology-based solutions to land remediation have become acceptable and available.

One company that has grasped this opportunity in the remediation market is Sivex Engineering. Sivex has just

completed a first round investment led by Newcastle-based Northern Enterprise Limited (NEL) for £500k.

Sivex Engineering was founded by Martin Jackson and Stuart Garwood and provides decontamination and remediation services to owners of brown field sites with what Garwood describes as "locked-in development potential or owners of residential and commercial property." The Sivex service is about treating the soil on-site

which inevitably reduces the cost of the cleaning up process.

Most people are aware that clean technologies are replacing gas works, coal, and chemical works where over time toxic wastes have leached into the soil substrate below the works' engineering plants. These brown field sites are being brought back into use by developers. Often the land needs to be de-contaminated, and that is where Sivex has developed proprietary

technology. Based in South Shields, the company is also the sole owner of a Mobile Treatment Licence granted by The Environment Agency that incorporates both ionisation and oxidation technologies.

Funding for the business came from a new growth fund recently launched by NEL known as the NEL Growth Fund, a £5 million fund open to North East based businesses to a cumulative maximum of £500k into any one business.

Investment executive Nick Edgar said: "Amongst the four key investment criteria for our fund is that companies need to have a strong growth story with a highly scalable business model. Sivex Engineering embodied this as the size of its market is very big and there are clear market pushes such as regulatory and environmental factors that mean that Sivex's strong management team will be perfectly placed to take advantage of these opportunities."

The cost benefit of Sivex Engineering's technology versus land fill or other alternatives means that they are ideally placed to take full market opportunity."

Sivex Engineering was born in January 2006 following a chance meeting at a North East Recycling Conference. A discussion around a technical dilemma led to the development of the technology that then led to the formation of Sivex. The company was initially self-financed by the two founders and a high net worth London-based business angel. At this stage Martin brought in long term business colleague and financial expert Mike Causley as operations manager. Their combined expertise and market knowledge quickly established a strong order book - another major factor in securing the investment from NEL.

Sivex has developed technology elements that take the contaminated soil and treat it onsite to remove the contamination and make it fit to return

to the area that it came from. The materials that must be removed from contaminated sites range from heavy metal ions (old gas works) to fluorocarbons (chemical works) to chlorinated bi-phenyls (plastics factories). A different trapping method will be used for different contaminants. The contaminants are removed after the Sivex process has been used on a batch of soil and then are disposed of safely.

In addition to its own patented technology Sivex has licensed other complementary technologies. These have interesting names: Oil Gator - an absorbent that cleans up waste oils; Enziro - an enzymatic hydrocarbon digester; and EnziroBlast - a new blast decontamination system. Sivex is therefore well equipped to diagnose, develop work plans, and execute on a turnkey basis complete remediation solutions for clients.

- Jeanette Ives

## Belle Maison steps up production capacity

**Belle Maison Home Interiors, a Merseyside-based furniture manufacturer and mail order retailer, is undertaking a major expansion with some backing from Merseyside Special Investment Fund (MSIF).**

The company started in 2001 with a shop in Guildford, as an independent retailer of hand finished furniture and home interior accessories, and soon won renown for its product range.

In 2003 the company expanded to meet the demand for its furniture, selling the retail shop and investing heavily into its own production facility. As well as manufacturing the company's own ranges of furniture, this facility also started to offer a manufacturing service to third parties to produce their own designs under contract. Belle Maison now manufactures and sells its own designs to stockists throughout the UK and Ireland, including Harrods of Knightsbridge, The Fenwick Group, and many other upmarket independent retailers.

Further expansion came in 2006, when the company acquired a

substantial site in St Helens and moved all its operations to the new base. The move north was prompted chiefly by the cost of property, as the size of complex needed to meet rapidly growing demand in the Surrey area would cost over £5 million, but could be acquired at a fraction of that price in St Helens. In addition, the company wanted to upgrade its production facility and needed to move to an area which could provide access in depth to good tradesmen.

The new Northern Distribution Centre also operates Belle Maison Direct, started in 2006 to meet demand for its own range of products in areas that are not catered for by stockists. Deliveries are made throughout the UK and Ireland, and to some parts of Europe; shipments can also be arranged to the USA.

The business has up to now been wholly self financed by husband and wife founding team Mark Essex and Rebecca Dale-Essex, who continue to own 100% of the business. In February the company raised a £650k finance package that included a £150k loan from MSIF, with the balance comprising the directors' own

investment and factoring facilities from Lloyds Commercial Finance (formerly Alex Lawrie).

Managing director Mark Essex said: "We have seen a huge increase in orders recently, particularly with the introduction of the web-based direct sales side to the business. In December and January alone we did more direct sales than we did in the whole of the previous twelve months; it is clearly the way ahead.

"To enable us to keep up with demand for our product whilst continuing to develop new ranges and products we need to upgrade our production facility. The money from MSIF means we can buy new state-of-the-art machinery that will allow us to manufacture more efficiently and use the spare capacity to concentrate on product development."

Belle Maison currently employs 15 staff and this figure is expected to double over the next year. Turnover will reach £1.5 million this year, rising to £5 million over the next two years.

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## Seraphim VC Fund invests in G-T-P Group

**Lancaster-based G-T-P Group provides payment card services to the trade and business services sectors including firms such as builders' merchants, electrical distributors, and retail chains.**

In late December the Seraphim Venture Capital Fund, one of the first set of new Enterprise Capital Funds (see YCF issue 3 for more details), made its first investment with an equity funding of £1 million in G-T-P.

The company originated some five years ago when a team of eight people led by Helen Child, now the firm's CEO, saw the opportunity to provide debit and credit cards – familiar in the consumer retail sector as store cards and the like – to the business-to-business sector. G-T-P subsequently developed products and services specifically for trade distributors that address the key differences between retail transactions (b2c) and business to business transactions (b2b). One of the key differences is the virtually universal need to grant trade credit terms.

The payment cards are 'white

labelled' – in other words, although the full service provision underlying the card operation is provided by G-T-P, the cards carry the client's branding.

Alongside branded payment cards, G-T-P also offers customers a range of services including account administration, online credit authorisation, transaction processing, payment collection, B2B telemarketing, and loyalty schemes. G-T-P's products enable customers to optimise working capital, improve cash flow and sales, reduce bad debts and internal overheads, whilst also enhancing customer loyalty. G-T-P takes a modular approach to its services, which allows each client to introduce new business practices at a suitable pace. Each module is designed to work individually or with other modules - clients can select individual service modules according to their specific business needs.

The company has a strong existing client base that includes York International, Floors-2-Go and Brandon Tool Hire. Brandon recently won the European Hire Award for Innovation for their G-T-P trade card scheme.

The new funding will allow the company to build on its current success by strengthening its sales, marketing and support operation in preparation for partnering the likes of York International in a pan-European roll out of its trade card services. The company has an exciting pipeline with six major multinational customers due to commence their payment card schemes in Q1 2007.

The company also intends to use the funding to capitalise on several exciting opportunities in the gift card, voucher card, prepaid card and insurance replacement card sectors.

Helen Child, G-T-P's CEO stated "We are delighted to have the opportunity to work alongside Seraphim. Beyond their financial investment it is the mentoring brought by their lead investor - David Kendall – that really excites us. His experience as chairman of many public companies in a wide range of industries will be invaluable."

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## Albion Legal Services wins MSIF backing

**Albion Legal Services offers bespoke insurance schemes to solicitors who specialise in employment or health and safety law. The products enable solicitors to offer their clients insurance cover for the cost of their fees and any tribunal awards.**

The recently completed £650k funding package included £350k from Merseyside Special Investment Fund's £20m Mezzanine Fund and directors' own investment. It is the second time that the company has been backed by MSIF.

Funding from MSIF's Mezzanine Fund is in the form of a fixed term loan which has either a redemption premium or equity option attached to it. According to MSIF, such finance is

less expensive than equity since it is typically used to back less risky propositions, and it is also more flexible than bank debt.

Albion Legal Services, which was set up in 2001 by directors Mike White, Barry Davidson, and Mike Turner, has a UK-wide customer base and includes some of the country's leading employment law practices. From the outset the firm identified a clear need to provide respondent employment teams with a facility to offer their clients employment disputes insurance, where they could automatically handle the insurance claim on behalf of their client. From 2003 onwards Albion has worked closely with insurance brokers who realised that its solicitor schemes were superior to the alternative employment risk transfer solutions on the market that lacked delivery and

quality for their clients.

Chief executive Mike White said: "Our product allows solicitors to compete with specialist consultants who offer a joint HR management and indemnity service. In turn their clients have the unique benefit of having their own solicitor's expertise available to them under the terms of the Albion Scheme.

"The money from MSIF is crucial to our expansion plans. We now plan to take on around 35 additional sales staff and base them in some of our existing clients' practices. The sales team will proactively manage our clients' existing customer base whilst forging real opportunities to grow their business."

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## Financing deals – last three months

company	YCFN issue	town	deal date	amount '000	main investors	advisers
A&S Print Consultants		DEWSBURY	1-Dec-06	£116	YFM	
DxS		MANCHESTER	1-Dec-06	£500	NWBIS, BSTC	
EMAS (Energy Management Advisory Services)		LEEDS	1-Dec-06	£450	YFM	
MiBill		LEEDS	1-Dec-06	£100	YFM	
Res-Q Contact Services		HULL	1-Dec-06	£115	YFM	
Student Resources	3	BARNSELY	6-Dec-06	£600	EV Coalfields Ent Fund, bank finance	Beaumont Legal
Integrated Hydrogen Solutions	4	CHESTER	18-Dec-06	n/d	EV RisingStars GF II	Halliwells
G-T-P Group	6	LANCASTER	20-Dec-06	£1,000	Seraphim VC Fund	MBM Commercial
Thermastrate	5	ALNWICK	20-Dec-06	£147	NSEI COIF, individuals	Dickinson Dees, Ward Hadaway
CSF Medical Communications	5	CHESTER	21-Dec-06	£250	NWEF	
Tissue Regenix	4	LEEDS	24-Dec-06	£685	IP Group, White Rose	
Product Support Limited (PSL)		BLACKBURN	27-Dec-06	£7,000	(MBO) NVM	
Optasia Medical	4	CHEADLE	8-Jan-07	£2,600	Sitka Health Fund, Noble VCT, Saffron Hill Ventures	Rogere Capital
Premier Events & Leisure		HEXHAM	12-Jan-07	£200	NEL Fund Managers	
Silistix	5	MANCHESTER	15-Jan-07	US\$6,000	Intel Capital, Seven Spires, BSTC VCT, NWBIS, Manchester Technology Fund, Partnerships UK	
Integrated Modular Control Systems	5	BIRKENHEAD	24-Jan-07	£100	MSIF, HSBC, directors	
Bluebird Vehicles	5	SCARBOROUGH	25-Jan-07	£250	Partnership Investment Finance	
Applied Neurodiagnostics	5	CRAMLINGTON	29-Jan-07	£1,200	NSEI COIF, individuals	Watson Burton, Ward Hadaway
Sivex Engineering	6	SOUTH SHIELDS	29-Jan-07	£500	NEL Growth Fund	
Laundry Studio		WORKINGTON	31-Jan-07	£30	UKSE	
DataLase	6	WIDNES	15-Feb-07	US\$10,000	MTI Partners, Hotbed, BASF VC GmbH	
Belle Maison Home Interiors	6	ST HELENS	27-Feb-07	£650	MSIF, Lloyds Commercial Finance	
ACAL Energy	6	RUNCORN	28-Feb-07	£1,600	RisingStars, CT Investment Partners, NSEI, Porton Capital/Synergis Technologies	
Albion Legal Services	6	LIVERPOOL	7-Mar-07	£650	MSIF, directors	
Gentronix	6	MANCHESTER	7-Mar-07	£1,400	NVM PE, Manchester Tech Fund, NWBIS (YFM)	Dickinson Dees, Laytons

## UK/Ireland VC investments in technology

**A**scendant, which provides advisory services to growth companies and investors, specialising in financial and business strategy, recently published its annual analysis of VC investments in the ICT sector.

The figures and comments below cover a rather different set of deals than the ones reported by YCF (although there is a considerable overlap). Ascendant tracks deals throughout the UK and Ireland solely in the ICT sector, omitting such areas as life sciences which now accounts for a large proportion of investment activity. Ascendant's figures include deals over £0.5 million – the higher end of those reported by YCF.

The overall picture is summarised in the table. Commenting on the 2006 figures, Ascendant observes:

- ❖ 217 investors were involved, versus 174 the previous year
- ❖ The busiest investors were 3i, Accel, and Esprit who all completed more than 10 deals. Other very active investors included Benchmark, Amadeus, Atlas, Close Ventures, Enterprise

totals	2004	2005	2006
volume - no of deals	155	159	176
change		3%	11%
value £m	£506	£493	£711
change		-3%	44%

- ❖ Ireland, and Sigma Technology.
- ❖ The 10 biggest deals accounted for 28% of the market. FX Alliance was the largest, at £42m.
- ❖ Investors' confidence in technology companies was sustained with 1<sup>st</sup> and 2<sup>nd</sup> round deals again accounting for over 65% of all deals.
- ❖ London-based companies received one third of all funds invested in the UK and Ireland, ie £233m versus £67m in 2005
- ❖ the internet and mobile sector attracted 25% of all funds invested in all technology deals in 2006, compared with 14% the year before, with the most active investors being Accel, Benchmark, 3i, and Index Ventures

Ascendant have the following listed as the top ten ICT deals in the North of England. As shown in the first column, which gives the number of the issue in which we carried a report on the deal, YCF has tracked the majority of these investments since we started our North of England edition in the middle of last year. We give below a brief description of those companies which we have not previously reported.

YCF company	location	investors	amount £ million	website
<b>Nomad Holdings</b>	Newcastle	Amadeus Capital Partners, T-Mobile Venture Fund	£8.0	www.uknomad.com
<b>Perfiliate Technologies</b>	Newcastle	Cazenove Private Equity	£7.3	www.buy.at
2 <b>Virtensys</b>	Manchester	SEP, Celtic House, GIMV	£6.4	www.virtensys.com
5 <b>Silistix</b>	Manchester	Partnerships UK, Intel Capital, BSTC VCT, NWBIS, Seven Spires, Manchester Technology Fund	£3.0	www.silistix.co.uk
<b>Million-2-1</b>	Manchester	Pi Capital	£3.0	www.million21.com
6 <b>Datalase*</b>	Widnes	MTI, Hotbed	£1.9	www.datalase.com
6 <b>G-T-P Group</b>	Lancaster	Seraphim Capital	£1.0	www.g-t-p.com
3 <b>Durham Scientific Crystals</b>	Sedgefield	Amphion Innovations	£1.0	www.dscrytals.co.uk
<b>Origin NPD (formerly Pavers Downes Origin)</b>	Liverpool	MSIF, Cattles Invoice Finance, directors	£1.0	http://originnpd.co.uk
1 <b>Fonix</b>	Sheffield	SYIF	£1.0	www.fonixmobility.com

**Nomad Holdings:** Nomad has devised technology that enables dependable broadband connectivity on trains and also allows train operators to run a host of applications to improve the management of their extensive rail fleets.

**Origin NPD:** an eCRM communications solutions company offering technology solutions in interactive voice messaging, text messaging, e-mail or traditional direct mail.

**Perfiliate Technologies:** affiliate marketing network

\* - **DataLase**—this is the first stage of a funding round completed in February totalling US\$10 million, see report p3.

See overleaf a comparison of the North of England with the rest of the UK and Ireland in ICT investment terms.

The following charts are based on data provided by Ascendant.

Apart from the overwhelming concentration of VC investments in ICT in London in 2006, there are several points of interest for YCF readers in the North of England.

This region has fared reasonably well in number of deals, with a signifi-

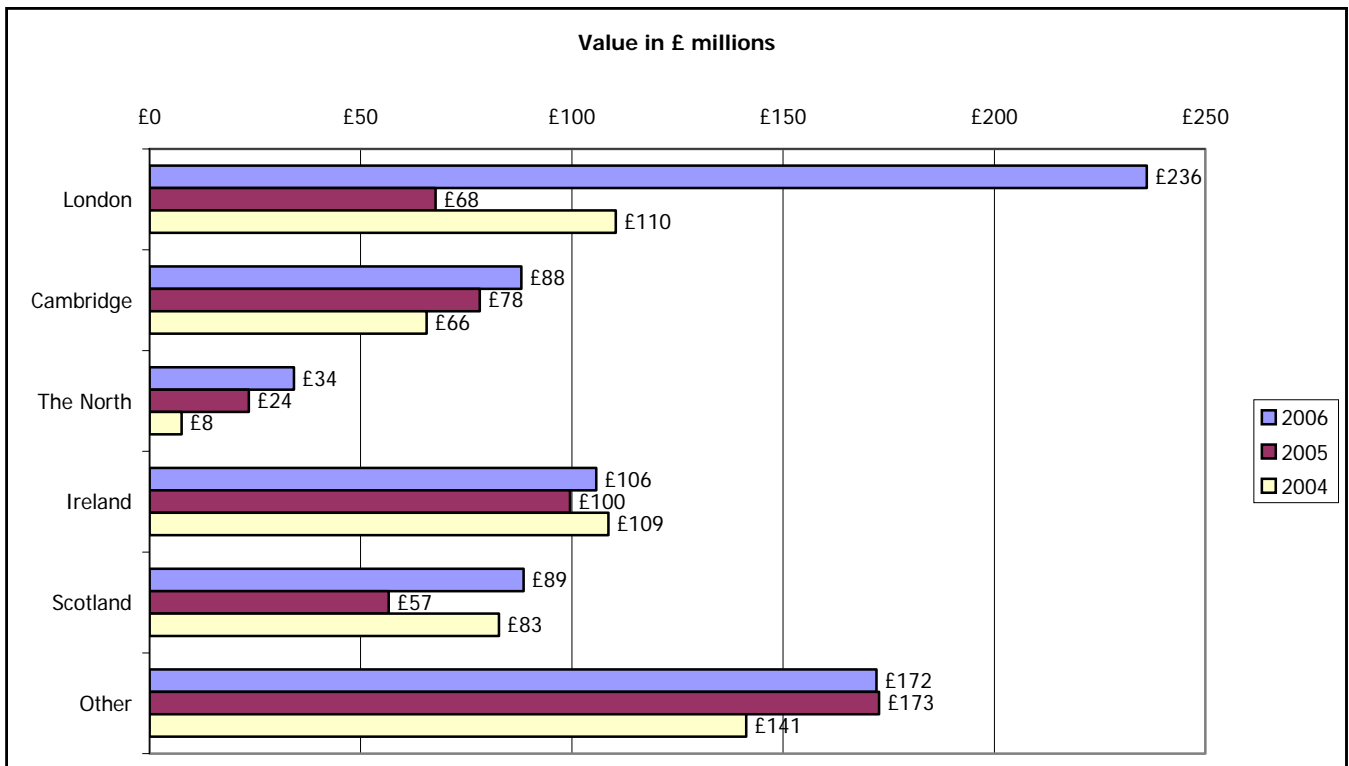
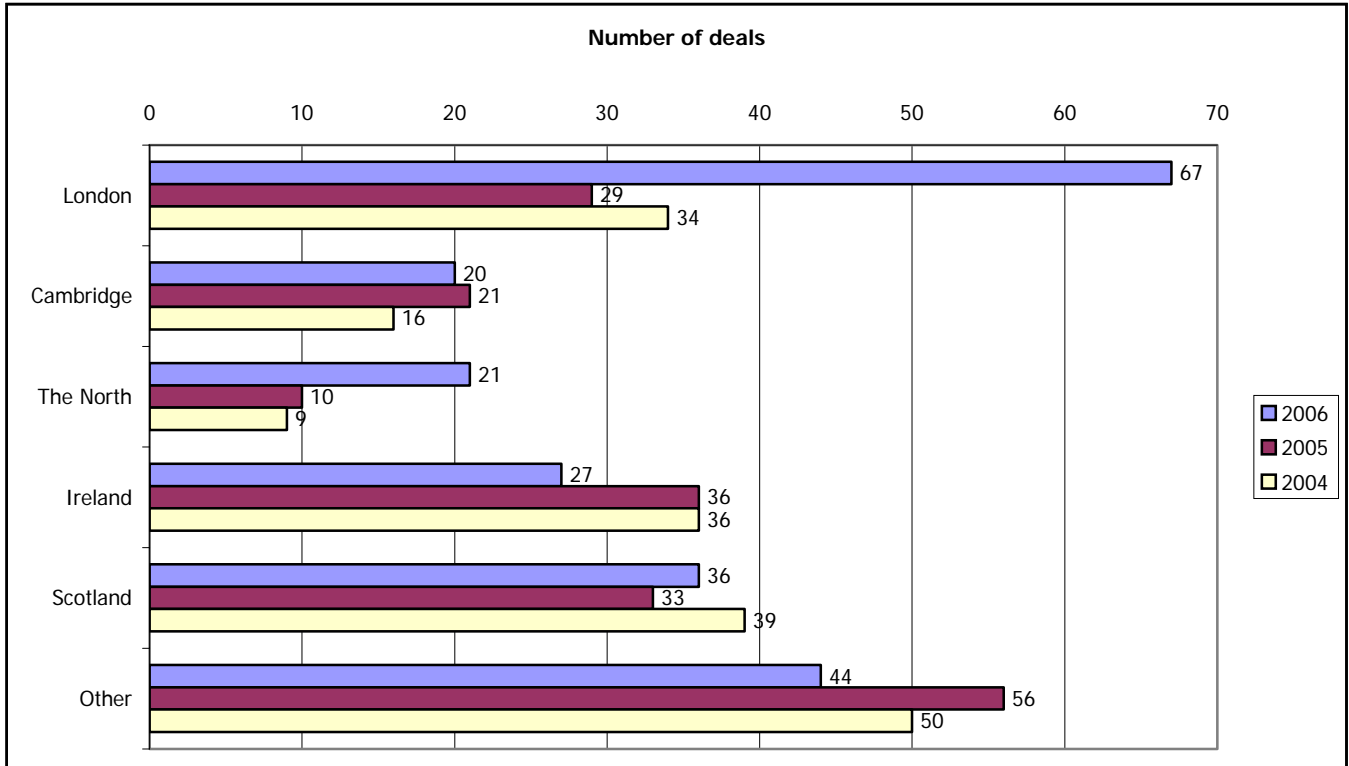
cant improvement in 2006 taking it past Cambridge. The 'Others' category in the data combines innovative areas such as Thames Valley (including Oxford), and the Bristol/Bath area, as well as the Midlands and other areas of the UK.

Perhaps the most significant feature of these charts as far as the North of

England is concerned, is the relatively low amount invested per deal.

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## Science parks & incubators: St Peter's Gate Incubator in Sunderland Science Park

**S**underland is a city known for its glass and ceramics, cargo container ships and the 'Roker Roar', and now it is emerging as a thriving centre for software and digital media technologies. Sunderland – the largest city between Edinburgh and Leeds - is making a bid to be identified with Seattle, a centre for software companies to develop and generate new products.

Built on the old port is the St Peter's Gate incubator, which forms part of the Sunderland Science Park. The Science Park was created in 1994 through a tripartite group including the Business Innovation Centre (BIC), Sunderland City Council and the University of Sunderland. The aim: to promote the establishment and growth of innovative enterprises. The St Peter's Gate Incubator was designed specifically to be a home for the University of Sunderland spin-outs as well as other growing technology-centric small companies. It opened its doors on 1 June, 2004.

The University of Sunderland is a technology-focussed university as distinct from others in the region that describe themselves as research-led institutions. An exception to this rule is the Department of Pharmacy which is nationally recognised for its research excellence. A technology focus, however, means that problems are tackled from a multi-disciplinary standpoint, with design and engineering principles of innovation considered early on. The solutions therefore have immediate commercial potential. Since opening, St Peter's Gate has provided start up space for over 25 Sunderland born companies.

St Peter's Gate is comprised of 33 incubator units. It offers easy-in easy-out accommodation for start-ups and growth ventures, signposting and network connection, support for young

businesses and first access to finance. It is like many of Britain's incubator facilities, but among the few that can boast rooms that come with a historical view!

Manager Julia Macfarlane said: "St Peter's Gate is built in a stunning location with views of the river Wear, with a seven mile sculpture trail along the South side, and St Peter's church, said to be where the Venerable Bede wrote the first history of England in the 7<sup>th</sup> century AD, seen through the east window".

Julia continues, "The only west-facing window is a very small meeting room that holds 3 people at a pinch around the table but has a floor length window that shows off Wearmouth Bridge to perfection. Shortly after we had opened, two London businessmen arrived to choose an office. They were adamant that they wanted the tiny meeting room as their main office, just for the view!"

Regional digital media technology champions **Codeworks** moved to St Peter's Gate in 2006 following four years in Newcastle. Codeworks was founded by the regional development agency One NorthEast. Codeworks CEO Herbert Kim said after the move: "St Peter's Gate has proven to be a wonderful new home for Codeworks. Whilst we retain an active presence in Newcastle to support the cluster there, we wanted to be physically closer to the great digital media technology research and development happening at Sunderland University. Since announcing our move to St Peter's Gate, we have been able to announce two successful applications for new collaborative research funding alongside our partners at Sunderland University. Our position in Sunderland also allows us to better serve a larger geographical range of digital companies as well from Teesside to Tyneside."

St Peter's is also home to the growing number of creative companies in the area, for example **Artificial**

**Reality** – a company that creates 3D animated models for virtual reality developers.

Young Company Finance has reported previously on another St Peter's tenant - **Caspian Learning** (January 2007). Caspian is selling a new range of computer based learning tools for education. The architecture and software systems used are derivatives of 3-D games technology.

Among other notable SMEs in St Peter's Gate are: **ICAN Design**, a graphic design company; **Pilot Publishing** which produces a number of in-house designed magazines; and **PWPOS** which delivers EPOS systems to a range of clients.

St Peter's Gate and the technology companies it is incubating will also be major contributors to an exciting new initiative currently named Sunderland Software City. The scheme is currently undergoing detailed investigation and analysis by One NorthEast and other key stakeholders but promises to build on the activity ignited by Sunderland Science Park and the growing fabric of promising new and established software companies in the Sunderland region.

The new Sunderland economy is clearly catching fire in the Science Park. A new buzz is building in the rest of the city as the familiar red and white striped shirts with black shorts of the Black Cats of Sunderland AFC get close to the Championship play-offs in the Football League. With only a little more effort the future could bring a new "roar" to the venerable city. Sunderland in the Premiership, and the Science Park ablaze with new energy and innovation – the future for Sunderland looks bright.

**Contact: Julia Macfarlane**  
**0191 556 1000**  
**www.stpetersgate.co.uk**

- Jeanette Ives

## Investors & funds: Partnership Investment Finance

**Partnership Investment Finance (PIF), the £37 million fund dedicated to assisting growing businesses in the Yorkshire and Humber region, is celebrating the milestone of investing £10 million in more than 200 local businesses. Another £27 million is available to be invested before the end of 2008.**

Set up in 2004 with the express purpose of strengthening the regional economic base by funding small and medium-sized businesses, PIF offers a flexible range of loan and equity funding options to eligible businesses in the region and works in conjunction with the regional business support networks, including local Business Links, Chambers of Commerce, Enterprise Agencies, and Yorkshire Forward – the Regional Development Agency for Yorkshire and Humber.

PIF is part funded by the European Regional Development Fund and European Social Fund programmes. PIF's resources are a mixture of private and public finance from key partners

including the European Union, Yorkshire Forward, Barclays plc, and the YFM Group. Partnership Investment Finance is the trading name of Partnership Investment Fund, which comprises four sub-funds each of which is managed by YFM Venture Finance, part of the YFM Group:

- ❖ the Micro Loans Fund of £5 million offers loans of up to £15k
- ❖ the Small Loans Fund of £10 million offers loans of between £15k and £100k
- ❖ a Mezzanine Fund of £10 million makes debt-equity investments of up to £250k
- ❖ a £12 million Equity Fund that makes individual investments up to a maximum of £1 million

PIF chief executive Jon Harris says, "We are delighted that more than 200 businesses have benefited from our funding. They represent a broad spectrum, from manufacturers to service providers, from small family firms to larger concerns – all of whom were able to secure investment in their growing companies when other avenues seemed closed to them. We seek actively to help social enterprises, young enterprise, ethnic businesses,

female entrepreneurs, and the rural economy."

Many small and medium sized businesses complain of a 'finance gap' that prevents them from moving to the next level of development. PIF was established specifically to meet that need, and to engage with the higher risk profile businesses that banks seldom cover. The fund has a further £27 million to invest in regional businesses before December 2008 and invites local companies to come forward for more information on how they can receive a financial boost.

Alex McWhirter, Head of Enterprise at Yorkshire Forward comments: "PIF offers a vital tool to companies in our region, supporting them and providing the capacity to grow and reach new markets. The investment of £10 million in over 200 innovative, forward-thinking companies has created numerous jobs and is working towards the target of creating over 4000 regional jobs.

**Contact: Dr Jon Harris  
01924 237850  
www.partnershipif.co.uk**

*Examples of the many businesses that have had investments from PIF include:*

### **LiteStructures**

The Wakefield-based manufacturer of custom aluminium structures for the entertainment industry received loan funding amounting to £365k, which has helped the development of a rehearsal studio for touring musicians (Robbie Williams, Massive Attack and Coldplay have already made use of it!).

Commercial director Paul Below says "PIF has allowed us to support long-term goals and build on our engineering excellence."

**www.litestructures.co.uk**

### **7KS**

A provider of specialist education and training for young people with behavioural issues, this Scunthorpe company received £200k investment to finance its continued growth, which is

being underpinned by the construction of a new head office and operating facility.

PIF Fund Manager Ondrej Okeke said, "7KS recently received an outstanding Ofsted report for its dedicated and nationally-recognised work. It has also built strong regional relationships and has demonstrated robust revenue streams."

**www.7ks.co.uk**

### **Althea**

This Bradford-based bathroom manufacturing company has used its £100k small loan to create 20 new jobs and expand the business with new manufacturing facilities and a dedicated marketing campaign.

PIF non-executive director and president of ABDN, Arshad Chaudhry,

said, "Althea is a good example of the fast-growing, dynamic and entrepreneurial business we look forward to working alongside."

### **Wensleydale Foods**

Elizabeth Guy's Dales company, which produces nutritious frozen ready meals for kids, won a *Regional Food Award for Excellence* in the same year that it received £75k from PIF. Her contracts with Budgens stores, and an imminent contract with Waitrose, promised the kind of growth that PIF is keen to support.

PIF lending manager Jonathan Craig said, "It was Elizabeth's strengths as much as the quality of her ideas and products that made us choose to fund her enterprise."

**www.wensleydalefoods.co.uk**

## Company news

# Paraytec wins local and international awards

**I**n the past two months York-based scientific instrument company Paraytec has won business awards both at home and away.

YCF's report last month on the VentureFest Yorkshire 2007 event concentrated on the winners of the Investment Competition, and failed to mention Paraytec's success in winning the first GSPK New Product Award.

The GSPK Group considered that the VentureFest concept, epitomised in the strap line 'opportunities to flourish', was very much in line with its own ethos: to encourage innovative, entrepreneurial, manufacturing focused businesses within Yorkshire. The prize won by Paraytec has a value of £20k, consisting of a combination of business accommodation and business support services provided by GSPK from its premises in Knaresborough.

Only a month later, Paraytec has gone on to win international recognition at the annual Pittcon meeting in Chicago ([www.pittcon.org](http://www.pittcon.org)), the world's largest meeting for laboratory instrumentation and scientific equipment. Paraytec's ActiPix UV detection instrument was awarded the Pittcon 2007 Editors' Choice Silver Award.

Pittcon attracts over 20,000 attendees from more than 85 countries

and is the premier exposition for launching new scientific instruments to the world stage. Over the four day meeting a panel of more than 150 editors from international scientific publications assesses the new technology on offer from over 1,000 exhibiting companies, and votes on the products considered to be the most significant and important technology advances of the year. The editors' panel presented Paraytec with the Silver Award, commenting that the ActiPix was a "novel and innovative product" that "transcended" boundaries in its contribution to life and analytical sciences.

The editors' panel gave the Gold award to \$1 billion American company Waters Corporation, and equal Silver to Paraytec alongside Thermo Fisher Scientific, a global corporation with an annual turnover of \$9 billion. Paraytec's founder and CSO, Professor David Goodall, commented: "This award puts our technology up with that of the world's largest blue chip scientific companies, which is an astounding achievement."

The ActiPix D100 imaging detector was developed for use in analytical and life sciences applications. It is the first product to incorporate Paraytec's detection technology - a patented miniaturised analytical detection system

for liquid samples which is a significant advance over existing analytical techniques. The detector uses capillaries the width of a human hair to carry tiny liquid samples through a beam of UV light, then captures and processes the images using an Active Pixel Sensor similar to the technology used in digital cameras and mobile phones. The ActiPix allows scientists to 'see' a complex reaction taking place in real time and to quantify the components. It provides very high sensitivity, and requires 1,000 times less sample than existing techniques, making it ideal for high value samples such as biopharmaceuticals. The ActiPix D100 is currently in early stage sales to end users and development partners in the UK, USA and Europe.

Paraytec Limited was formed in January 2005 as a spin out from the University of York. The company raised equity funding in 2005 from the Viking Fund and private investors to develop its first products, and is currently raising second round funding to finance its growth in collaborative development projects and OEM contracts.

**Contact: Carolyn Parkinson, CEO**  
**01904 526270**  
**[www.paraytec.com](http://www.paraytec.com)**

We are interested in reporting news from the investment and the advisory community—business angels, institutional investors, VCs, universities, business development agencies, and anyone working with young companies to help them develop and grow.

Please add YCF to your distribution list for press releases and announcements: preferably to [jonathan@ycf.co.uk](mailto:jonathan@ycf.co.uk) or by mail to Young Company Finance, 10 Learmonth Place, Edinburgh EH4 1AU

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## Summary of main deals in this issue:

company	location	deal date	TOTAL '000	investors, lenders, grants	advisers
ACAL Energy	RUNCORN	28-Feb-07	£1,600	RisingStars, CT Investment Partners, NSEI, Porton Capital/Synergis Technologies	
Albion Legal Services	LIVERPOOL	7-Mar-07	£650	MSIF, directors	
Belle Maison Home Interiors	ST HELENS	27-Feb-07	£650	MSIF, Lloyds Commercial Finance	
DataLase	WIDNES	15-Feb-07	US\$10,000	MTI Partners, Hotbed, BASF Venture Capital GmbH	
Gentronix	MANCHESTER	7-Mar-07	£1,400	NVM PE, Manchester Tech Fund, NWBIS (YFM)	Dickinson Dees, Laytons
G-T-P Group	LANCASTER	20-Dec-06	£1,000	Seraphim VC Fund	MBM Commercial
Sivex Engineering	SOUTH SHIELDS	29-Jan-07	£500	NEL Growth Fund	

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