

# young company finance

news, comment and analysis on the young company market

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

## Deals

GO-SIM	1
Chromatide	2
Myconostica	3
MoneyExpert	3

## Features

Plant Impact plc	4
SYIF Seedcorn Fund	
Investor Search	5

## Deals monitor page 6

Q1 investment trends from Ascendant	7
The Beermat Entrepreneur discusses investment	8
Connect North East Investment Conference	9
North East Proof of Concept Fund	10
Finance Tree	10
UK Steel Enterprise	11
MSP & UMIP honours	11

## GO-SIM funds worldwide expansion

**GO-SIM, which provides prepaid global SIM cards for mobile phones, secured a further investment of £250k from the Yorkshire and Humber Equity Fund (YHEF) at the beginning of May.**

Customers face expensive charges when using mobile phones outside the UK due to costly roaming charges. The GO-SIM Global SIM works in more than 140 countries and unlike standard UK network providers, allows free incoming calls and texts in many countries, enabling travellers to save up to 85% on the bill that would normally await them.

To use GO-SIM, customers simply swap their existing SIM card with the

GO-SIM Global SIM card each time they travel abroad.

Chris Fitzsimmons, YHEF investment manager, was first introduced to GO-SIM in early 2007, and YHEF first invested in GO-SIM in August 2007. He commented, "Since our original investment, we have been impressed by GO-SIM's progress. Having recently secured a key route to market with one of Europe's leading travel companies, GO-SIM is well placed to exploit the market opportunity for travellers to make significant savings on calls from abroad."

The identity of the leading travel company cannot be divulged for the next few weeks, but GO-SIM has revealed a recent partnership with

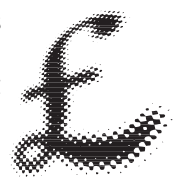
## In this issue

**T**he relatively small number of deals reported this month is balanced by more news about investors and new initiatives.

As the three Regional Development Agencies (RDAs) in the region covered by our publication come to the end of their funding for existing programmes, and are making plans for projects to be supported by the latest round of ERDF finance, there is change in the air. We expect to report on a number of new or

renewed initiatives over the next few months.

We also watch with interest the development of the Connect network across the region; Connect Yorkshire is well established, and plays a major role in supporting the growth of the young companies, Connect North East has taken its first steps, and Connect North West is under discussion. Watch this space!



Jet2, where it has been possible to purchase a GO-SIM global card on board all Jet2 flights since April 1st this year.

David Agar, GO-SIM's CEO, said "Having YHEF onboard has enabled us to become one of the leading providers of smart, low-cost international mobile solutions. We've made a successful push into the US outbound traveller market, and are now looking for distribution into Asia. With an exciting product development road map ahead of us, the future is very interesting indeed".

Asked by YCF to comment further on the company's approach to Asia, Agar explained: "We're approaching this from a partnering perspective, which has always been part of our strategy. We have no desire to go it alone globally . . . much better to find the right partners, benefit from their local market knowledge and established

positions/channels and roll out. The recent investment will allow us to pursue this with greater speed."

Since YHEF's first investment last August, GO-SIM has seen continued growth, developing voice and messaging products, increasing in staff numbers, and investing heavily in marketing resulting in an increase in its customer base of 214%. GO-SIM clients include airport and airlines supplier Alpha Retail, the Foreign & Commonwealth Office, British Red Cross, Visa International, and US-based retailer Best Buy.

Agar describes the strategy for developing new markets as follows: "Providing a great low cost solution for voice calls to overcome unnecessarily high roaming charges was our 'starter for 10'. But the real value will come from providing the latest 'must have' applications. Things like voice to email/ email to voice conversion, instant

messaging that allows you chat seamlessly with all your buddies regardless of whether they are using MSN or Yahoo or Google etc. These are just some examples of how we are developing the GO-SIM proposition into a much wider communications proposition with its own USPs, rather than just another SIM card with low rates."

YHEF is the Regional Venture Capital Fund for the Yorkshire and Humber region, and is managed by YFM Venture Finance. The £25 million Fund can make investments of up to £500k although any initial tranche of money has a maximum of £250k.

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## Chromatide builds IP portfolio

**L**iverpool-based Chromatide, which provides specialised products and services to the chemical and pharmaceutical industries, has received a third tranche investment from the RisingStars Growth Fund II, managed by Enterprise Ventures.

This additional investment will be used to grow Chromatide's intellectual property portfolio and build licensing partnerships to enable Chromatide proprietary technologies to be brought to market.

The latest £150k investment round alongside MSIF was made further to the company successfully delivering on a range of technical and commercial value enhancing achievements (as reported in issue 9 YCFN last June), furthering its intellectual property in the area of novel technologies designed to facilitate and reduce costs in production of biomolecules in the biotechnology and pharmaceutical industries.

Clare Hildred, CEO, says: "This further investment is validation of the

significant progress that the team at Chromatide is making in developing our novel technologies and which are progressing closer to market. The Chromatide team has extensive expertise which we are continuing to use to develop additional new technologies in the areas of polymer synthesis, biomolecule purification, chemical processes and instrument design".

Mark Wyatt, investment director at Enterprise Ventures, agrees: "The technical and commercial progress Chromatide has made to progress development of its proprietary technologies and bring these closer to market has been impressive. We look forward to our continued work with them to progress development of their intellectual property portfolio still further."

The original investment in Chromatide by Enterprise Ventures was made in April last year for £50k, followed by a further round in September for £75k. This latest round was completed in March.

Chromatide was founded in 2005 by

Don Wellings, former technology manager at Polymer Laboratories, and Dr Saeed Gulzar, formerly custom peptide synthesis manager at Avecia/Zeneca.

The Chromatide team has skills in completing high quality research, development, and process improvement in the production of biomolecules in drug discovery. It is also able to offer these skills in research services as a flexible resource, and specialises in synthesis and purification of complex molecules and large scale projects with services.

Enterprise Ventures introduced Mrs Rayna Dean to the company as its new chairman last year. Rayna Dean, formerly a partner in Price Waterhouse, joined Ultrafine in 1998 as executive director and took this business to a successful all-cash exit in six years, since when she has undertaken strategic consultancy and non-executive directorships.

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## Myconostica establishes USA base

**Myconostica is a medical diagnostic company specialising in rapid and highly specific tests for life-threatening fungal infections. The company announced last month that it had closed a US \$7.7 million (£3.9 million) oversubscribed round of financing from a number of leading international private equity investors.**

Myconostica was formed in 2006 as a spin out from the University of Manchester, and is developing and commercialising tests based on highly specific genetic 'signatures' unique to each disease and allow faster and much more precise diagnosis.

The new funds will be used to launch the company's first two products and establish new US headquarters in Charleston, South Carolina.

The first product is the world's first real-time molecular diagnostic simultaneously testing for both Aspergillus and Pneumocystis. The diagnostic product, announced at the Trends in Medical Mycology meeting in Turin in October 2007, is CE marked, which enables sales in Europe and

several other territories. The investment will also allow development of further diagnostic tests in the FXG series targeting other critical fungal infections.

The second product is a fungal DNA extraction system. Myconostica will be applying to the FDA for regulatory approval to launch the products in the US market.

Over 10 million people are at risk of invasive fungal infections in Europe and North America each year. This number is increasing rapidly with the large growth in patients whose treatment involves transplants and/or the use of immuno-suppressive drugs, leaving them susceptible to fungal infection. Current diagnostic methods are too slow and non-specific for optimal patient care.

The completion of the series C financing was led by Nexus Medical Partners of Boston and Charleston ([www.nexusmp.com](http://www.nexusmp.com)) and also featured Innoven Partenaires of France ([www.innoven-partners.com](http://www.innoven-partners.com)), the principal international investors joining existing investor Amphion Innovations ([www.amphionplc.com](http://www.amphionplc.com)) in the round. This second close brings the total raised, in the current Series C financing, to

approximately \$8.6 million (£4.4 million).

The new office in Charleston, Myconostica's first outside of the UK, will be the focus for North American operations and was chosen after careful review of alternative locations. South Carolina has a growing cluster of medtech and biotech industry.

Myconostica made two new board appointments:

Dr Edwin Snape, co-founder and head of the healthcare practice at Nexus Medical Partners has been involved in venture investing for the past 30 years.

Spencer Kerry, Chief Financial Officer, a Cambridge law graduate who qualified as an accountant with Deloitte and Touche, has over ten years experience in various senior corporate financial roles most recently as business controller at Edinburgh based biotech company Ardana plc.

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*We missed reporting TCV's investment in MoneyExpert in March, but following the subsequent announcement by MMC Ventures that it had sold its stake in the business, we cover both stories below.*

## MoneyExpert announces plans for expansion

**In mid March MoneyExpert Ltd announced that it had secured a £25 million investment from Silicon Valley based private equity and venture capital firm Technology Crossover Ventures (TCV) to help fund its expansion plans.**

MoneyExpert.com was formed in May 2003 after a management buyout of Blays, the longest established provider of comparison data to the financial services industry.

MoneyExpert.com aims to demystify the complex world of personal finance, and to help inform customers of the choices available. It includes exclusive research conducted by MORI, which reveals providers' service levels. This information is married up with a financial database which lists the products suited to the customer. The company claims that for the first time, people can review a product's price, features and also the level of service offered by the provider to enable them to make a more informed choice.

Part of the recent investment has been used to acquire SimplySwitch.com, an aggregator site for home services such as utilities.

MoneyExpert, which now has around one million unique users visiting its website each month, has seen its revenue increase by 400% over the past 12 months and is predicting strong growth in profits for 2008. To date, the company has primarily focused on banking products, but through its acquisition of SimplySwitch and the development of a new insurance

proposition that it intends to launch in the next few weeks, it is aiming to take further market share from its competitors.

Nigel Warr, chief executive of MoneyExpert.com, said: "These deals will transform our business taking it to the next level and build on our already strong growth. Our aim is to become the market leading aggregator.

"Between now and 2010, we anticipate the aggregator market for finance and insurance alone could grow by nearly 200%. The majority of aggregators will benefit from this, but we believe the main winners will be those that offer a wider range of products and services."

He added, "The investment from TCV, our acquisition of SimplySwitch and a new insurance proposition that will have a wider base of insurers to search from than many of our

competitors, will help us to capitalise on this exciting opportunity."

California-based TCV has over \$7.7 billion under management and specialises in enabling technology companies showing outstanding growth to achieve their full potential. TCV's previous internet investments include online travel service Expedia, Orbitz Worldwide (owner of ebookers.com) and INFONXX (owner of 118 118).

Two TCV representatives will join the MoneyExpert board as non executive directors: Will Griffith, a general partner, and vice president Iain Shovlin, who said " We have spent significant time assessing the UK aggregator marketplace and have had a good experience investing in this sector in North America. We believe MoneyExpert is well positioned for significant growth and we look forward to working closely with the team."

A month after the investment deal was made known, MMC Ventures announced that it had sold its stake in MoneyExpert generating a return for investors of 2.4x their investment. MMC states that its exit represents a blended IRR in excess of 50%.

MMC first invested in MoneyExpert in October 2004 alongside Merseyside Special Investment Fund in the company's first funding round, and has provided over £3 million of funding in total. MMC's shares were sold to Nigel Warr, a debt management company Gregory Pennington, and a telecoms company Eurocall.

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## Crop technology makes Stateside impact

**R**isingStars portfolio company, Plant Impact plc, developer of technologies to improve crop productivity by combating the negative effects of environmental stress, has signed a five-year agreement with Pennsylvania based Miller Chemical & Fertilizer Corporation.

Three of Plant Impact's proprietary products will be marketed and distributed by Miler, primarily in the US. Miller is a global manufacturer and distributor of specialty agricultural

products and fertilisers and the agreement has already resulted in the booking of orders worth US\$100,000.

Preston-based Plant, now AIM listed, has gone from strength to strength, despite a generally depressed trading environment, with a £1.5m placing in February as further evidence.

The RisingStars Growth Fund first invested in Plant Impact in December 2003, when £30k was provided as a pathfinder investment to support the cost of research and development. Since this time, the company has received further support from

RisingStars, totalling some £870k.

Jonathan Diggines, chief executive at Enterprise Ventures, says "The RisingStars Growth Fund aims to support the development and exploitation of new technologies which meet the needs of industry and consumers today and for the future. Plant Impact is a prime example of what the Fund can achieve."

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## SYIF Seedcorn Fund on target for full investment

**T**he £4.65 million Seedcorn Fund was launched by South Yorkshire Investment Fund (SYIF) in April 2007 to test ways of financing innovative early stage businesses to

help take new technologies to market.

SYIF comprises three sub funds, the South Yorkshire Investment Capital Fund, the South Yorkshire Investment Development Fund, which are each

managed by YFM Venture Finance, and the South Yorkshire Investment Small Business Fund, which is managed by Finance South Yorkshire.

South Yorkshire Investment Fund also provides a number of services

which are not regulated by the Financial Services Authority; these include the pilot Seedcorn Fund, Mentorbank, and access to the Yorkshire Association of Business Angels.

SYIF believes that the Seedcorn Fund has filled a significant funding gap, benefiting ventures which may have been seen as too high risk by mainstream investors.

At present £2.15 million of the Fund has been paid out, with the remaining £2.5 million scheduled for follow-on investment until 31 December 2008.

Jonathan Dixon, deputy chief executive at SYIF, said: "The demand for the Seedcorn Fund, which was

much greater than anyone expected, does provide the strongest possible evidence that technology businesses are alive and kicking in South Yorkshire.

"The lessons learned from the management of the pilot will be used to guide the design of a bigger, regional Seedcorn Fund that is expected to go live from 2009."

SYIF will continue to manage the Seedcorn investment portfolio to support businesses and ensure returns can be maximised, with the aim being to create a self-sustaining legacy alongside the main SYIF Funds.

Dixon added: "We are exploring

options to raise a little more money to extend the Seedcorn Fund for clients with interesting proposals that were just pipped to the post.

"We would therefore still like companies to contact us and, if available, provide us with their business plan in preparation for when the Seedcorn Fund will again be on offer."

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## Investor Search helps young companies find appropriate investors

**The Investor Search website (www.investorsearch.info), believed to be the first of its kind, was created by UMIP (The University of Manchester Intellectual Property Ltd) to help anyone seeking venture capital or private equity funding.**

Investor Search is a specialist search engine that will greatly simplify the task of identifying investors with interests or preferences that match a company's investment needs. It is designed for companies that need capital to grow, for start-ups looking to get off the ground, or indeed for anyone in the investment community.

Finding investors with the right sort of interests or preferences can be a lengthy and uncertain process, whether searching through personal networks, online data sources, web searching, or using conventional search engines.

Investor Search is unique because it allows users to search the websites of the 300 venture capital and private equity firms operating in the UK, and eliminates the chance of finding irrelevant information. The majority of these sites include information on the investment portfolios or preferences of each fund. This means users of

Investor Search only need to type in what they are looking for and the site finds any matching content within seconds.

For example, search for 'precision engineering' and it will seek funders that have published web information matching those terms. It could be applied to any business sector, as well as being a useful resource for professionals in the finance community itself.

The site is completely free to use and requires no registration or log-in.

Mark Thompson, head of market development at UMIP, said: "The idea for the website came from the problems we continually face seeking funding for our technology start-ups at the University. There are a lot of funders out there, but finding a match for our very varied funding opportunities takes a lot of time and effort. We thought this would help find the 'needle in the haystack' more quickly."

"Like any search engine, the success you get very much depends on what you are looking for or how you look for it, but our internal trials have been very encouraging, with the search engine revealing potential funders for some of our projects that we previously

didn't know about. It is just like have having a Google tool but with much of the irrelevant content on the rest of the web left behind. There are plans for a USA version to be launched shortly as well as other parts of the world."

The University of Manchester Intellectual Property Limited (UMIP) is the managing agent of The University of Manchester for intellectual property commercialisation. UMIP's role is to enhance the scale and quality of the University's intellectual property development and commercialisation activities. UMIP consists of faculty oriented business management teams backed up by a central corporate office which provides company secretarial, marketing, legal and financial expertise.

Since its inception in 2005 UMIP has set up seven spin out companies, concluded 59 licence deals and raised more than £100 million in investment capital. It currently has around 40 companies in its portfolio at various stages of development.

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## Private financing deals–2008

deal date	YCFN issue	company	town	amount £'000	main investors
Jan-08	16	<b>Alternative Waste Solutions</b>	NEWCASTLE	£2,000	E-Synergy, NSEI COIF, individual
Jan-08	16	<b>Silistix</b>	MANCHESTER	£1,600	Intel Capital, Seven Spires Investments, NWBIS, BSTC VCT, PUK Investments
Jan-08	16	<b>Aerogistics</b>	LIVERPOOL	£1,400	MSIF Venture Fund, NWDA, Business Liverpool, Barclays
Jan-08		<b>Applied Neurodiagnostics</b>	NEWCASTLE	£350	NE COIF, Applied Science Group (USA), individuals
Jan-08	16	<b>Host Telecom</b>	LIVERPOOL	£100	MSIF/Liverpool Seed Fund
Jan-08	16	<b>StructureVision</b>	LEEDS	£350	NWDA/GRAND
Jan-08	16	<b>Tissue Regenix</b>	LEEDS	£3,000	IP Group, individuals
Jan-08	16	<b>Electrokinetic</b>	NEWCASTLE	£150	NE Seed Capital Fund
Feb-08	18	<b>2D Heat</b>	LIVERPOOL	£400	Liverpool Seed Fund, individuals
Feb-08	16	<b>Go Eco-Print</b>	CO DURHAM	£120	One NorthEast/SFI
Feb-08	16	<b>ProKyma</b>	LIVERPOOL	£470	MSIF/Liverpool Seed Fund, NESTA, Rainbow Seed Fund, management
Feb-08	16	<b>Pulse Tidal</b>	SHEFFIELD	£580	Marubeni Europe
Feb-08	17	<b>Nurock</b>	LIVERPOOL	£368	MSIF Small Firms Fund, GRAND
Feb-08	17	<b>Clarizon</b>	NEWCASTLE	n/d	Jaroscope, NEEMF, Nstar, management
Mar-08	18	<b>Aerogenerator</b>	BLYTH	£225	NStar Three Pillars Fund, Shell Springboard, One NorthEast
Mar-08	18	<b>Cambfix</b>	MIDDLESBROUGH	£75	NStar Three Pillars Fund
Mar-08	18	<b>Skynet (STN)</b>	SHEFFIELD	£120	Viking Fund, individuals
Mar-08	17	<b>ETR-Unidata</b>	SHEFFIELD	£200	Viking Fund, Viking Club, individuals
Mar-08	18	<b>Videojuicer</b>	NEWCASTLE	£120	NStar Design & Creative Fund
Mar-08	19	<b>MoneyExpert</b>	NEWTON-le-WILLOWS	£25,000	Technology Crossover Ventures
Mar-08	19	<b>Chromatide</b>	LIVERPOOL	£150	EV Rising Stars Growth Fund II, MSIF
Apr-08	19	<b>Myconostica</b>	MANCHESTER	US\$8,600	Nexus Medical Partners, Innoven Partenaires, Amphion Innovations
May-08	19	<b>GO-SIM</b>	YORK	£250	YHEF

## Quarter 1 technology investment trends

### Ascendant Ltd has given details of investment trends in the UK and Ireland in the first quarter of this year.

In this period, 102 investors participated in 72 deals totalling £357 million.

As in many previous quarters, London companies secured the largest share of funds invested, receiving close to 50% of the total. VCs invested in 28 companies in the London area, completing deals for just over £175m including the largest – a £50m investment in Spinvox, founded by 2006 Ernst and Young UK Entrepreneur of the Year Christina Domecq. SpinVox captures spoken messages and converts them into text, then delivers the message to a destination of choice – inbox, blog, wall or space.

The North of England received the next largest amount of VC technology investment in the quarter, totalling £43m – the largest deal was the £25m investment in MoneyExpert, based at Newton-le-Willows (see report on p3). The North of England was followed by Scotland (£42m), Cambridge (£22m), the Thames Valley and Ireland which both received approximately £17m.

Ascendant's figures cover technology investments (excluding life sciences) of £500k and above – the upper end of the range normally reported by YCF.

Stuart McKnight, Ascendant's managing director, comments:

"2008 has started very well for the sector with increases in both the value and volume of deals. Although the number of active investors declined slightly, VCs and private investors increased the capital they invested in Q1 by 15% to £357 million, backing

13% more companies which rose to 72 businesses."

The trends which he identifies include the following:

- ❖ The busiest investors were Balderston Capital, Scottish Enterprise Co-investment Fund, Atlas Ventures, Bank of Scotland Growth Equity, Eden Ventures, Fidelity Ventures, NorthStar Equity Investors and SPARK Ventures
- ❖ 65% of deals involved more than one investor – up from 55% in Q1 2007
- ❖ Private investors continue to play an increasing role in the sector, participating in 19% of completed deals. This compares with 13% of all deals in 2007.
- ❖ The 10 biggest deals, including SpinVox and MoneyExpert, took 55% of funds invested.
- ❖ Notwithstanding the effect of the Spinvox deal, internet/wireless services companies (£160m) still took the biggest share of investors' funds, followed by software (£79m) and cleantech (£38m).
- ❖ Internet/wireless services and cleantech experienced a strong increase in investment; communication services displayed modest improvement – all other sectors declined.
- ❖ 22 internet/wireless service companies were backed by VCs in Q1 – an increase from Q1 2007's total of 17. However the increase in the volume of deals is dwarfed by the close to 4x growth in funds invested in the sector. The largest

deals were Spinvox, MoneyExpert, Badoo, Seatwave, OpenX, Touch Local, and Livebookings. Significant deals with undisclosed values included Mydeco and Reevo. Social networking and casual gaming propositions attracted lots of interest.

- ❖ Semi/opto companies experienced their lowest level of Q1 VC investment for many years. 3 companies shared just £10m compared with £76m in Q1 2007.
- ❖ Although the number of completed cleantech deals did not increase significantly, investors doubled the funds they committed to the sector compared the same period last year.
- ❖ Whilst investment in software businesses was largely static, the sector remains the second largest when measured by funds invested. One bright spot for the sector was that the number of businesses that received investment increased to 20 – a notable improvement on the low of 14 in Q1 2007.

Ascendant specialises in advisory services for growing technology, telecoms and media businesses. The firm provides a wide range of services including advice on fund raising, mergers, acquisitions, disposals, exit planning, MBOs and licensing.

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*Anyone who wishes to pursue any opportunity appearing in these pages should consult an adviser who is authorised for the purposes of the Act to ensure that its provisions are properly complied with.*

# The Beermat Entrepreneur discusses investment

**Y**CF's editor attended an event recently at which Mike Southon, known to all as "the Beermat Entrepreneur", gave a very lively talk about how to start and grow an innovative business.

As an example he used the Beatles, describing some of the milestones in their rise to international fame and success and relating these to stages in the development of a young company. This approach not only gave some interesting new angles on the business points he made, but also gave Mike the opportunity to parade some of his views on 60s music and play some of his favourite tracks!

Many YCF readers will know of Mike, either from reading his book *The Beermat Entrepreneur*, or from his column in the FT's Weekend edition, or indeed from hearing him speak at conferences. He has a wonderfully direct and simple approach to the issues of growing a business, and in particular places a great emphasis on entrepreneurs finding suitable mentors to help guide their progress.

Those who have read the book will know that Mike has a very sceptical view of independent investors, both big and small. Indeed, in his list of funding sources, in descending order of desirability, he has VCs at number nine, only one place higher than organised crime. Angels are not much more 'heavenly' in Mike's view, coming in at number eight.

So what could YCF, which focuses on independent investments in early stage high growth companies, ask Mike about the sector?

## Mentors

Well, firstly, the role of mentors, who he sees as not only a source of experience, wisdom, contacts, and advice, but also as potential investors themselves – mentors rank fourth in Mike's list of desirable funders, and friends of mentors rank fifth.

For many people, a mentor might be seen as someone very special, difficult to find, above the fray, someone to consult like an oracle – only on rare occasions, when the business is at a turning point and needs special guidance.

Mike's view is quite different. He suggests that mentors are all around, and are a real key to success. They must have relevant experience, but everyone, even with little or no business experience, can find someone suitable. For a student, a possible mentor might be a member of staff. The senior members of your industry sector, leaders of the local Chamber of Commerce, directors of businesses which you admire, all can be approached for advice.

It is not necessary to have only one mentor, and not all mentors rank equally. Mike gives an example of one of his own mentors, who is the CEO of a FTSE 100 plc; he will not put every minor issue he faces in his business past this contact, but knows that when he has an issue of major strategic or commercial importance, this is the person to talk to.

## Reflected glory

Mike has some interesting thoughts on why mentors will take an interest in an ambitious young business. It goes without saying that the business must have good growth prospects, and that the founders are passionate about realising the potential of their ideas. In these cases, mentors might be looking for what Mike calls "radiance" – the reflected glory of being associated with young, dynamic, innovative companies, and the prospect of even greater glory if the company makes a major impression on global markets.

Many experienced mentors will come from large organisations, and entrepreneurs must remember that such organisations can be cumbersome and conservative, and that therefore their more go-ahead people welcome the opportunity to be associated with

companies which are more innovative and faster on their feet.

Mentors in such organisations can often find a budget allocation which allows them to invest in a young company. Whereas the organisation's R&D department might resist funding a project conducted by a third party, a mentor at a suitably senior level can, as Mike suggests, perhaps find funding for a project under a broad heading like 'training'. Funding of this sort, which can be a substantial sum from the point of view of the entrepreneur, can often be written off without many repercussions if the project is less successful than hoped, but can lead to very helpful collaborations and further funding if its cost-saving potential to the larger partner can be demonstrated.

## Independent investors

Mike recognises that many technology companies need funding from independent investors in order to develop their products to a point where they are ready for the market. He has a number of observations on how mentors can help companies in this situation.

In the first place, many technology companies start with a concept which has potential applications in a number of market sectors. Here, Mike feels it is essential for the mentor to be able to open doors and also give an excellent 'elevator pitch' in his or her own right. This means that the mentor must have some high level contacts who know the structure of the target industry and the names of the decision makers, then is able to lean on the contacts for the chance to make the pitch.

It is also essential that the mentor is brutally honest; if the feedback he or she gets from a particular market sector indicates that the product would not have much chance of success, this message must be put across unambiguously, so that no time is wasted going down dead ends.

**Venture capital investment**

When dealing with VCs, whom Mike sees as very ruthless, his advice is to get business angel investment first, then ask the angel investors to provide funds to hire a top notch executive, known to the VC community, who knows their negotiating tactics and is

able to meet them on a level basis.

So what about Mike's top recommendations for sources of funding? For that you'll have to buy the book (*The Beermat Entrepreneur* by Mike Southon and Chris West). YCF gets no commission from this recommendation, but is confident that

its price will repay itself many times over for entrepreneurs wanting to "turn good ideas into great businesses".

One final piece of advice from Mike, not in the book – never raise money from someone younger than yourself. But that's a subject for discussion at another time or in another place.

**Connect North East holds first investment conference**

**The inaugural Connect North East Investment Conference took place on Thursday, April 24, 2008 at the International Centre for Life in Newcastle.**

More than 120 delegates, made up of technology businesses, bankers, financiers and professional services, came together for the event, which was put together by networking specialists, Bridge Club Ltd.

Connect is an international technology network that brokers connections between young technology businesses and the investment community. Connect was originally founded in 1985 in San Diego, California, to bring entrepreneurs and spin out companies from the

universities into contact with the resources required to assist the early stages of business development.

The concept was brought to the UK by Ian McDonald of the University of Edinburgh's Business School in 1996, and Connect Scotland has rights to franchise the brand name elsewhere. There are two UK Connects besides the one in Scotland – Connect Yorkshire, and Connect Midlands – and NStar currently has the option to develop the Connect network in the North East.

The investment conference saw Bridge Club's Caroline Theobald "In conversation with..." four technology businesses, all at different stages of growth, but all with a story to tell and investment experiences to share.

A selection of young technology

businesses, which had been selected from a potential thirty following a rigorous pitch readiness process, pitched their business idea to a panel of investment experts and in return, received advice and suggestions as to how they could improve their pitch and refine their business idea.

Bridge Club Ltd had promoted the conference to its Swedish contacts, and acknowledged the assistance given by the Invest in Sweden Agency, the Seagull Project, and the Embassy for Sweden in developing the conference programme and promoting the conference to Swedish visitors. The event was sponsored by Nstar Finance & Business (now Finance Tree, see separate story), NEL Fund Manages, patent attorneys HLBBshaw, NETPark, Invitrogen and Newcastle Science City.

*The companies making pitches for investment were:*

**Guroo**

Houghton le Spring

This company is developing online learning resources for students aged 14-19 studying Functional Skills, Key Skills and Adult Literacy & Numeracy at level 1 and level 2 as part of a Vocational course or one of the new Diploma courses at either school or college.

Looking for £260k equity.

**Jonathan Wells 0191 305 5045**  
**www.guroo.co.uk**

**See-Fish Technology**

Newcastle

Has developed image browsing and retrieval technology, for use with large collections of digital images.

Seeking £500k investment to accelerate commercialisation.

**Richard Perdik**  
**0191 260 5777**  
**www.see-fish.com**

**CMI Commerce**

Durham

CMI is developing tools for e-commerce retailers. Its first product

CAT enables companies to judge their competitiveness.

CMI is looking for £2 million investment.

**0845 373 2729**  
**www.cmicommerce.com**

**FilePrint (Delphi Labs)**

Gateshead

This product allows users to send files directly from a Windows application to order print from its digital print partners.

**0191 490 9444**  
**www.fileprint.org**

News, comment and analysis on the young company market

### Trackphone

A location service provider, with applications including a People locator and an Asset locator. Aiming to raise £1 million to support company growth.

[www.trackphone.com](http://www.trackphone.com)

### Foretell Dx

This Edinburgh University spin-out company can predict if a patient's tumour will be sensitive to a particular treatment, allowing a physician to prescribe appropriate therapy.

Seeking £750k funding, with a total £2.5 million needed later.

*For further details of Connect North East, contact:*

**Kate Partridge**

**0191 230 5742**

[www.bridgeclubnorth.com](http://www.bridgeclubnorth.com)

[www.connectnortheast.com](http://www.connectnortheast.com)

## North East Proof of Concept Fund extended with new finance

**One NorthEast has approved funding of £2.4 million to extend the Proof of Concept Fund (PoC) to the end of 2009.**

The PoC provides investment at the critical earliest stages of business creation and aims to stimulate the growth of young companies which may need equity capital to finance the development of new technologies.

The investment builds upon a £750k pilot by the agency in 2004, which contributed to a main fund of £10 million alongside the Government Office for the North East through the European Regional Development Fund.

Fund management company NorthStar Equity Investors (NSEI) delivers the PoC Fund, which has made

140 investments to date, including over 100 in start ups, and created more than 200 jobs. Over £20m of follow-on investment has already been attracted by the PoC portfolio.

One NorthEast anticipates that its latest investment into the PoC Fund will lead to a final total of 190 investments by the end of 2009, with over 150 of these being start ups.

To date, eight businesses have progressed from the PoC to the £23 million North East Co-Investment Fund (COIF), also managed by NSEI, which provides venture capital in partnership with public or private sector investors and has been designed to encourage co-investments with a consortia of investors.

Dr Richard Exley, head of the Proof

of Concept Fund at NSEI, commented: "PoC is one of the leading funds of its type available in the UK and provides vital opportunities for businesses and individuals which will directly contribute to shaping the future economy of the North-East. We are constantly encouraged by the range of ideas we see from technology entrepreneurs, existing companies and the universities in the North-East and eagerly anticipate new high quality POC deals."

**Contact:**

**Dr Richard Exley**

**0191 2112 315**

[www.northstarei.com/proof-of-concept-fund](http://www.northstarei.com/proof-of-concept-fund)

## Finance Tree formed from MBO of NStar Finance & Business

**Finance Tree was formed at the beginning of May by Jonathan Gold and Peter Hiscocks to help companies prepare for investment.**

The new company has been created after Gold, a former director of NStar, and Hiscocks, an international investment expert and business angel, completed a buyout of the NStar Finance & Business team. The duo had developed the Finance & Business programme with support from One NorthEast eighteen months ago.

Finance Tree has offices in Newcastle and Wynyard Park in Tees Valley, and plans to help entrepreneurs and small companies explore ways of raising growth finance through a series of courses, software tools, and mentoring schemes. It has helped over 1,000 businesses in the past year.

Jonathan explains: "I came to the North East five years ago to develop investment funds and investment readiness training so that businesses were better prepared to meet investors and access early stage finance.

Significant progress has been made since and this is the next step.

"We chose the name Finance Tree to symbolise our work in taking the business from the initial idea through to attracting start-up finance and beyond."

Besides running the Finance & Business programme, Finance Tree delivers a range of support to help entrepreneurs prepare for investment. This includes BIRT, the business investment readiness tool, which is

available online to help business planning from an investor perspective and enable companies to test out their ideas before meeting a mentor or actual investor.

Andrew Mitchell, chief executive of NStar, said: "Investment readiness

training is an essential element in improving access to finance. It's part of an evolution of NStar's original mission to grow access to capital in the North East.

"We are happy to see Jonathan and Peter take this project forward and we

wish them every success."

**Contact:**  
**Jonathan Gold**  
**0191 230 6370**  
**[www.financetree.biz](http://www.financetree.biz)**

## UK Steel Enterprise sees encouraging start to new financial year

**UK Steel Enterprise Ltd, the Corus-subsi-dary that supports new and growing businesses, has reported a noticeable increase in investment levels in the Northern region.**

In the first few weeks of the new financial year, a range of business projects seeking a total of £2 million of investment have been brought to UKSE's Northern office, responsible for the steel areas of Tees Valley, Derwentside and West Cumbria.

With around £250k of investment completed during April, a similar figure now ready to complete and a further £1.5 million under appraisal, UKSE is recording the busiest start to a financial year for many years in the region.

"The exceptionally busy start to the year is an excellent sign for the North as well as for UKSE," said regional manager Simon Hamilton. "The projects that are coming to us for investment, direct from the company or through accountants and other business advisers, are right across the range of sizes and types.

"They include projects from an electronics company, a heavy engineering business and an environmentally-focused paper and packaging company. It is undoubtedly a good sign that companies in the North appear confident about growing their businesses despite the current concerns in some quarters about a credit crunch.

"It appears that the recent increases UKSE made to its lending

limits is also encouraging more companies to raise the start-up or growth funding that they need," he added.

In response to demand, UKSE recently increased its lending limits up to £750k from £400k and introduced more flexible mezzanine funding. The packages available include unsecured loans, secured loans and share capital packages and investments can often be a mixture of tailored share capital and lending, depending on circumstances and the availability, or otherwise, of security.

**Contact:**  
**Simon Hamilton**  
**01642 777 777**  
**[www.uksteelenterprise.co.uk](http://www.uksteelenterprise.co.uk)**

## Italian honour for knowledge transfer champions

**Jane Davies, CEO of Manchester Science Park, and Clive Rowland, CEO of UMIP, have been awarded the Order of Merit of the Italian Republic.**

The awards were made for their contributions to developing relations between Manchester and Italian centres of innovation, and for assisting the progress of knowledge transfer in Italy, as well as broader support to Italian affairs.

The Order, which is the highest level in the Italian civil award system, is rarely awarded to non-Italian nationals.

Jane, currently chairman of the UK Science Park Association (UKSPA), has long promoted science park expertise internationally, building strong links with China, USA and many other European countries. Her most recent visit to Italy was to speak at a seminar organised by Polo Tecnologico di Navacchio (Pisa) in co-operation with the Italian equivalent of UKSPA, APSTI.

Clive has assisted a number of Italian universities in developing their technology transfer know-how and has supported the Italian cultural affairs activities in the North West for many years, especially art events.

"We are very honoured by our awards", said Clive, "and hope that we will be able to continue to support Italian organisations and initiatives and establish a good network for the mutual benefit of Manchester and Italy."

Commenting on the award Jane said: "It is an honour to receive this award and I look forward to continuing to develop a strong relationship between the two countries and supporting Italian organisations and initiatives to the benefit of both countries."

To:

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**Summary of main deals in this issue:**

company	location	deal date	TOTAL £'000	investors, lenders, grants	advisers
GO-SIM	YORK	01-May-08	£250	YHEF	Hempson, Keeble Hawson
Chromatide	LIVERPOOL	28-Mar-08	£150	EV Rising Stars Growth Fund II, MSIF	
MoneyExpert	NEWTON-le-WILLOWS	23-Mar-08	£25,000	Technology Crossover Ventures	
Myconostica	MANCHESTER	9-Apr-08	US\$8,600	Nexus Medical Partners, Innovent Partenaires, Amphion Innovations	

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