

# 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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## Sweet success for Glycomar

**Glycomar, the marine biotechnology company based near Oban, has secured £260k of investment as the first stage of a targeted £2.5 million funding.**

Glycomar is dedicated to the discovery, development and commercialisation of new anti-inflammatory drugs based on the glycobiology of marine organisms such as starfish, shellfish and sea squirts. It was established in 2005 with seed funding from SAMS Research Services Ltd (SRSL), the commercial arm of the Scottish Association for Marine Science; two business angels; and its founder, Dr Charlie Bavington.

Bavington formed Glycomar, which means 'sweet sea', after completing his medical biochemistry PhD in

Edinburgh, followed by postdoctoral research around marine biotechnologies.

"Out of that a patent came fairly quickly," he says. "It opened my eyes to the potential. I then went and got some biotechnology experience working with Integrin, a marine biology and testing company, and decided to put everything together and make a business out of it."

Glycomar is based in the European Centre for Marine Biotechnology near Oban, an incubator support unit with direct access to the waters off the west coast of Scotland. "At the time of our forming, the incubator unit helped a lot with our business plan and grant support, alongside Highlands and Islands Enterprise (HIE).

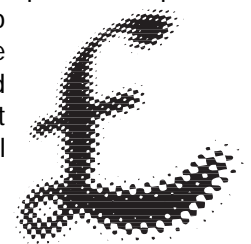
"Marine biotechnology drug

## In this issue

Just two or three days ago, when we started to put this issue of YCF together, the situation looked bleak. We were aware of just one investment deal—Glycomar—and it looked as though Scotland was in an investment trough (by comparison, we had just reported a record crop of deals in our North of England edition). This has changed very quickly, with announcements by BioFilm, Lumicure, and Elonics, followed by CXR Biosciences and Sentient

Medical which we will report in detail next month.

Most of these are substantial deals, and it is good to see SE's Scottish Venture Fund playing a part in some significant transactions, which should help the companies concerned to step up to the next level, and make an impact on global markets.



development has been around for a long time," he adds, "but what we do is take the glycobiology side, that is the sugar molecules, from marine organisms, and apply them in anti-inflammatory drug discovery."

The team at Glycomar has expanded quickly, with seven people now on board. Currently at research stage, investment was required to take the company to the next level. Adds Bavington: "Seed funding allowed us to establish the technology platform, making the molecules, building a library of molecules, categorising them and working out capabilities in terms of characterisation. We now have enough molecules to start going in vivo and, very quickly, to push into clinical trials. Our next three years involve taking a small number of molecules as far as we

can and getting at least one to proof of concept stage.

"The latest investment is taking us to the clinical trials stage. It's a £2.5 million plan, with a series of milestones. The first was asking our existing investors to come in to underpin the main investment. Forming a total investment of £260k, the business angels have dedicated £150k between them; HIE £75k; and the balance came from myself and SRS."

Bavington expects to complete the full £2.5 million round before the summer break, having already secured commitments for over half the remaining amount.

The funding will be used to expand Glycomar through the appointment of

new staff and to further establish its underpinning technology so the company is ready for institutional investors. Glycomar's board has already been strengthened with Dr Mike Wyllie, director and founder of Global Pharma Consulting (GPC), taking on the position of chairman in January. He brings with him over 25 years of experience in senior management within the pharmaceutical industry. "He has an understanding of the drug discovery process and fundraising, but also starting and working with small biotech companies," states Bavington.

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## BioFilm acquired by Tate & Lyle Ventures and SVF

**Tate & Lyle Ventures and Scottish Enterprise's Scottish Venture Fund have acquired BioFilm Limited through a newly formed company, BioFilm Holdings Limited.**

BioFilm Limited, a subsidiary of Devro plc, is the only fully integrated manufacturer in Western Europe of dissolvable / edible films that carry active ingredients, designed for use in the nutraceutical and medical markets.

BioFilm is being acquired for a nominal initial consideration plus a sum in respect of working capital. The agreement provides for a further potential payment to Devro plc in the event of a subsequent sale of the business. BioFilm Holdings Limited plans to invest £3 million in the business to allow the company to supply the rapidly growing medical devices, lifestyle and pharmaceutical markets.

BioFilm will be headed up by Trevor Morgan, formerly Devro plc's business development director.

Use of dissolvable / edible films as medical devices (such as anti-snoring

strips) and as a delivery mechanism for a range of active ingredients (including breath fresheners, nutraceuticals, cosmeceuticals and now drugs) is increasing rapidly. This is due to ease of use, cost benefits and, in some cases, improved absorption through the buccal membrane (inside cheek).

The North American edible film market is well established and the European market is beginning to emerge; some analysts estimate that the total market for edible films could reach \$500m this year and \$2bn by 2012. BioFilm's expertise allows it to use a wide range of film formers to meet the end customer's requirements; films can be made from a range of products including gelatine, pectin, cellulose, pullulan and collagen.

David Atkinson, managing partner at Tate & Lyle Ventures, said, "The edible film market is fast-growing, particularly in North America, and enjoys an excellent fit with our fund's focus on biomaterials. We see potential in the medical / drug delivery market where dissolvable films allow fast delivery of active ingredients. BioFilm also provides a unique opportunity for us to enter the European market, which is currently small but we believe is

likely to follow North American trends."

Tate & Lyle Ventures ([www.tateandlyleventures.com](http://www.tateandlyleventures.com)) is a £25 million venture capital fund focused on investing in high growth companies in the fields of renewable ingredients, food technologies, renewable resources such as biomaterials and biofuels and industrial processing technologies. The fund is independently managed by Circadia Ventures.

Tate & Lyle Ventures and Scottish Enterprise were part of a consortium which invested in second round funding in Scottish marine biotechnology company, Aquapharm Biodiscovery in July 2007.

Trevor Morgan commented "We are delighted that we have been able to attract such high calibre investors, who bring with them the resources and experience to develop BioFilm into a world class producer of highly differentiated dissolvable film products for a wide range of markets."

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## Lumicure sheds light on skin cancers

**Lumicure, a spin-out from St Andrews University, is developing ambulatory light sources for skin treatment. The company has raised £2.5 million in a recent equity funding round.**

The financing syndicate was led by Longbow Capital LLP who with their private client Portfolio Service, and the Scottish Venture Fund, is providing the funds for Lumicure's expansion. Longbow is a venture capital company specialising in the consumer healthcare and life science sector.

Lumicure's founders have invented a light-emitting 'sticking plaster' for the treatment of skin cancer. The original work was carried out by Professor Ifor Samuel at the University of St Andrews and Professor James Ferguson at Ninewells Hospital in Dundee. St Andrews University and NHS Tayside (via Scottish Health Innovations Ltd) are shareholders in Lumicure. The project was supported by a Proof of Concept award from Scottish Enterprise, and subsequently by funding for product development from SE Fife.

Lumicure's treatment is based on a well-established treatment called photodynamic therapy (PDT). This uses a pharmaceutical cream which becomes photosensitive when it comes in contact with a cancer lesion. When exposed to light, the cream interacts with only the cancerous cells, making it a very selective skin treatment. PDT

treatment avoids the scarring associated with surgical removal of the tumour, and is now the preferred treatment for many forms of skin cancer. It can also be used for other dermatological disorders such as acne.

Lumicure's light source is a low-powered organic light-emitting diode (OLED) embedded in a small adhesive device. Its battery module, approximately the size of an iPod, fits in the patient's pocket.

OLED devices possess many benefits over existing technologies; they emit light uniformly over large surface areas whilst operating at low voltages using simple batteries, they are cheap to produce; they are flat or even flexible; and they are lightweight and durable.

PDT procedures currently use short bursts of high intensity light, which can be painful for the patient and requires treatment in hospital. The portable Lumicure product delivers lower light doses over a longer time, which means that patients have little pain and can avoid a hospital visit. It is also much cheaper than current procedures.

Ian Muirhead, who joined the company eighteen months ago to help prepare a business plan and raise finance, is now its chief executive officer. He worked at Vision then at ST Microelectronics before heading Terahertz Photonics, and has recently been involved with a number of biotechnology companies, chiefly in Ireland.

Commenting on the fundraising, Muirhead said "We have an excellent product and this investment will allow us to take the medical device for skin cancer through regulatory trials and develop products to expand into other medical and cosmetic applications. Longbow's consumer healthcare sector expertise and portfolio synergy will greatly help us in this direction."

Lumicure will for the present continue to be based in the University of St Andrews, and it will be outsourcing the production and distribution of its products. Muirhead expects the company to employ between five and ten people next year.

Robin Finlayson, partner at Longbow ([www.longbow.co.uk](http://www.longbow.co.uk)) said, "We are delighted to have the opportunity to support Lumicure. Not only does Lumicure's product have major advantages in skin cancer but we believe their technology has broad potential in a range of skin treatments. Much of our investment is sourced from our private client Portfolio Service which illustrates how effective the Enterprise Investment Scheme (EIS) can be in attracting support from private investors for growing businesses like Lumicure."

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## Elonics promises 'TV anytime anywhere'

**Elonics is the developer of DigitalTune™, a flexible radio tuner chip technology platform that can be configured to support different standards and frequencies for a number of applications.**

Elonics' technology will initially be

used to develop the E4000 chip, a flexible TV tuner for portable and handheld devices such as smart phones and laptops.

On 13 February Braveheart announced that it had led a £2 million investment in the company, with other investors including the Scottish Venture Fund and private investors Sir Tom

Farmer and Brian Souter. Last month Elonics announced that it had been awarded a £500k SPUR+ R&D technology grant.

The DigitalTune technology enables several complete RF components to be fabricated on to one cost-effective silicon chip using standard, fine geometry, CMOS silicon processing. It

is claimed to give significant cost and size advantages whilst simultaneously delivering high performance and low power utilisation.

The chips produced by the technology are in ultra compact form, using a single device in a flexible implementation over a wide range of frequencies; the chips can be reconfigured on demand to receive a variety of broadcast standards including FM, AM, LW and new digital formats such as DAB and DSR, and mobile TV standards such as DVB (digital video broadcasting). In other words, one chip can replace RF functions previously provided by several individual chips in multi-radio products. This feature makes Elonics' chips attractive to manufacturers of home-based products as well as mobile devices.

The market for flexible tuner chips for mobile and handheld devices is currently small but is predicted to grow rapidly over the next few years. Elonics has a comprehensive patent portfolio that places it in a strong position to capitalise on future developments in this fast evolving field.

David Srodzinski, chief executive of Elonics, told YCF that an E4000 prototype has been sampled by over two dozen companies in the USA, UK, Taiwan, and South Korea over the past twelve months, and feedback from these companies is being used by Elonics to refine the design. With the recent funding, the company will be able to complete the development of the product and take it to market by the third quarter of 2008. Elonics, which has a 'fabless semiconductor' business model – outsourcing manufacture and distribution – will

use a mix of direct sales (in the UK and USA) and agents (in South Korea, Taiwan, and China).

He said "We have worked tirelessly over the last three years to refine our platform CMOS multi-standard RF technology. We have now moved from concept to successful evaluation at multiple prospect sites throughout the world with a multi-standard tuner product. The funding comes at an excellent time for us as the markets are rapidly growing and prospect feedback is very good indeed".

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## Further changes to grant programme

**The Scottish Government has announced further changes to the system of grant support, to help to boost levels of commercial research and development and improve Scotland's competitiveness.**

The General R&D Grant, available from April, will consolidate three current schemes; Scottish Enterprise's Small Company Innovation Support

(SCIS), R&DPLUS and the Scottish Government's SCORE scheme. It will accept applications for innovative developments at any level and will be open to small, medium and large firms alike. There will be no upper ceiling for grants to SMEs and no lower ceiling for grants to large firms.

For SMEs grants will fund up to 35% of costs if the overall grant is less than £40k and up to 25% if the grant is

above £40k. Larger grants, whether to SMEs or to large firms, must demonstrate a positive impact on R&D jobs in Scotland.

Scottish Enterprise will be responsible for the delivery and administration of the general R&D grant across the Scottish Enterprise area. Highlands and Islands Enterprise will continue to administer its own support for business R&D.

## Scottish Co-investment Fund seeks new partners

**Scottish Enterprise is currently looking for new partners for its Scottish Co-investment Fund.**

Candidates for partnership must be focused on the 'equity gap' early stage risk capital area of the market, and an essential condition is that applicants

can demonstrate experience in hands-on investments where company creation, business building and business development skills are critical.

SCF's objective is to address the early stage equity gap by increasing the money supply and number of investors (local and international) available to companies seeking to raise risk capital.

Between March 2003 and October 2007, the SCF had:

- ❖ completed 215 deals in 109 separate companies;
- ❖ invested £31 million; and,
- ❖ leveraged £74 million of private sector investment.

The SCF currently has 28 partners including early stage venture capitalists, angel syndicates, individual business angels, and corporate venturing organisations; a full list of partners is given on the SE website.

Unlike a standard VC fund or a business angel, the SCF does not find and negotiate investment deals on its own. Instead it forms contractual partnerships with active VC fund managers, business angels and business angel syndicates from the private sector. In these partnerships the private sector organisation finds the opportunity, negotiates the terms of the deal, and offers to invest its own equity cash.

If the opportunity needs more money than the partner can provide, the partner can call on SCF to co-invest alongside on equal terms. The partner determines how much the SCF can invest in any new deal, but the SCF cannot invest more than the private sector.

Companies approach partners directly and the SCF has no influence on the decision making of the private sector. At completion, partners are paid a flat arrangement fee of 2.5% of the SCF funds invested.

Once an organisation has been awarded partnership status a three year allocation is agreed with SCF. The SCF executive team reviews the allocations every six months up to the end of a three year period, and the performance of the partners is also reviewed annually. After the three year period, all allocations will be reviewed and a new legal commitment given to the end of the programme.

The rules relating to SCF's investments and investee eligibility are:

- ❖ The SCF can invest up to a maximum of £500k (under review, may increase to £1 million) in any one company, in one tranche or multiple rounds. The total deal size must not exceed £2 million including any debt component in

the round

- ❖ The investment must at least be matched £ for £ with the private sector
- ❖ The terms obtained must be paripassu with the partner
- ❖ The investee must be predominantly located in Scotland
- ❖ The investee must be incorporated, and meet EU SME criteria (fewer than 250 employees, have net assets less than £16 million)
- ❖ The SCF cannot own more than 29.9% of the voting rights of a company, including any from other schemes previously invested by SE
- ❖ The investee must be in an eligible sector.

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## Glasgow Caledonian University launches enterprise fund

**Glasgow Caledonian University has unveiled a £500k fund to support enterprising business ideas from its staff and students.**

The new Fund, available annually, is one of a series of initiatives Glasgow Caledonian University is taking to extend its contribution to the social and economic benefit of Scotland through business development and social enterprise activities.

As well as supporting business proposals, the Enterprise Fund will back the development of social enterprise

organisations: for-profit groups that are run for the social good.

The maximum investment in a staff project will be £50k but typically funding may be less than this and will support a range of activities including product testing, market research, prototyping, service consultancy, start-up and company formation. For students, funding support will generally not exceed £5k.

Funding might be in the form of loans or equity – the Fund will assess all proposals on the basis of their return on investment (ROIs) and

expects to make a return on its investments.

Dr Robert Crawford, Glasgow Caledonian's Executive Director of Business Development and Commercialisation, says: "Glasgow Caledonian University is strongly committed to enterprise, both in terms of business and the wider community.

"We are engaging seriously with business and we have already had excellent feedback about the Fund from venture capitalists."

## Private financing deals—last 3 months

dealdate	YCF	company	location	sector/activity	TOTAL £k
Nov-07	108	<b>Bloxx</b>	Livingston	internet security	£650
Nov-07	108	<b>Skyscanner</b>	Edinburgh	internet travel data	£2,500
Nov-07	108	<b>Intense</b>	Glasgow	optoelectronics	US\$11,000
Nov-07	109	<b>Sigma Subsea</b>	Aberdeen	subsea engineering	£1,000
Nov-07		<b>Virtual-Mirrors</b>	Bo'ness	software	£532
Nov-07	109	<b>PowerPhotonic</b>	Edinburgh	optoelectronics	£600
Nov-07		<b>Helixion</b>	Edinburgh		£150
Nov-07	108	<b>Gigle Semiconductor</b>	Edinburgh	microelectronics	US\$20,000
Nov-07	108	<b>Red Spider Technology</b>	Aberdeen	offshore oil & gas	£2,500
Dec-07	108	<b>St Andrews Fuel Cells (SAFC)</b>	St Andrews	renewable energy	£700
Dec-07	110	<b>BioFilm</b>	Glasgow	medical devices	£3,000
Dec-07	109	<b>Martin Energy</b>	Edinburgh	energy	£600
Dec-07	109	<b>VeriSIM</b>	Dunfermline	software	£900
Dec-07	109	<b>Pyreos</b>	Edinburgh	infrared sensors	£2,000
Jan-08	110	<b>Hubdub</b>	Edinburgh	internet	tba
Jan-08		<b>CXR BioSciences</b>	Dundee	biotechnology	£1,326
Jan-08	110	<b>Lumicure</b>	St Andrews	biotechnology	£2,500
Jan-08		<b>Sentient Medical</b>	Dundee	medical devices	£150
Feb-08	110	<b>Elonics</b>	Livingston	microelectronics	£2,500

## Recent RSA grants

### Selection of grant offers accepted October/December 2007

company	incorporated	location	grant £'000	project
<b>Caledonian Computer Solutions t/a Dental Innovation</b>	Aug-02	Perth	£80	IT integration for cosmetic dentistry market
<b>D3 Technologies</b>	Apr-07	Glasgow	£250	Diagnostic testing
<b>IRT Surveys</b>	Jan-02	Dundee	£170	Infrared thermographic services
<b>Proven Energy</b>	May-80	Stewarton	£250	Small scale wind turbine systems

# 2007 "a bumper year" for tech VCs and their investees

**This is the conclusion of Ascendant, which provides advisory services to growth companies and investors, specialising in financial and business strategy, in its recently published analysis of VC investments in the ICT sector.**

The charts and comments below cover a rather different set of deals than the ones normally 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.

According to Ascendant, there was a substantial increase in the value of the funds invested (£894m – up 27%) and in the number of deals done (242 – up 39%). A number of VCs raised new funds and tech business angels participated in more deals – often working with VCs.

Ascendant's Stuart McKnight comments: "In January 2007 alone 21 companies raised £135m. At that time it looked possible to many of us that the market might just breach the £1bn

threshold, which has not been seen since 2000 in the days of the 'bubble'. But as the year went on this confidence softened and we observed many VCs slowing the pace of their investment.

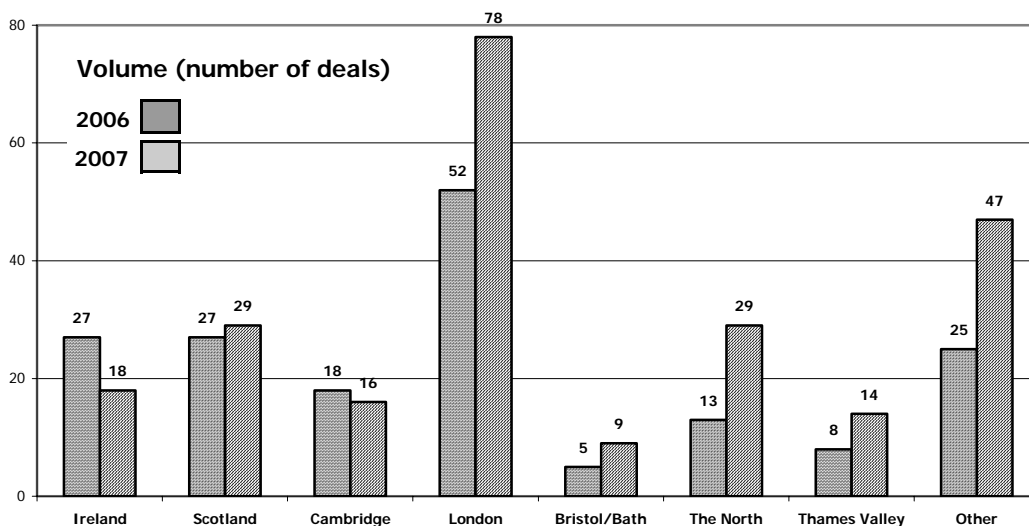
"This was probably a good thing as it gave the opportunity to some of the non-top tier VCs to invest in higher quality assets, but also took a little steam out of valuations – although in certain areas scarcity of good deals (eg cleantech) still keeps pricing at the upper levels. Perhaps 2008 will be the £1bn year?"

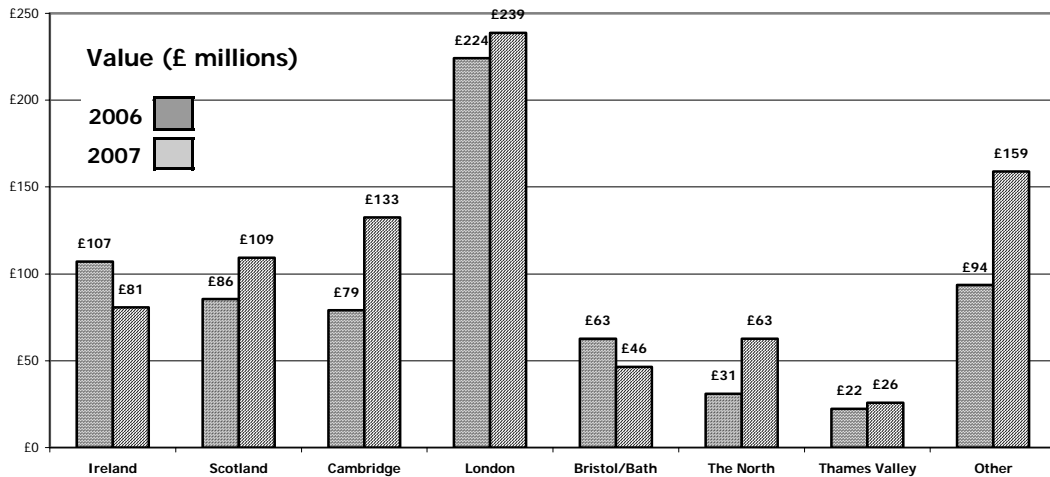
His analysis highlights a number of trends:

- ❖ In 2007, £894m was invested in 242 deals of over £0.5m by 282 investors.
- ❖ The busiest investors were Spark Ventures, Amadeus, Balderton, Intel, SEP, 3i, Eden, Foresight, Imperial Innovations, Accel, Advent, Close Ventures, Enterprise Ventures, Low Carbon Accelerator, South West Ventures and Tudor Investment Group.
- ❖ Levels of syndication spiked during the year – perhaps indicating a loss of confidence - but overall 63% of deals involved more than one investor.
- ❖ The 10 biggest deals took 27% of funds invested. Plastic Logic

(£51m) and Picochip (£35m) were the two biggest deals.

- ❖ Cleantech (£171m), semi/opto (£178m), comms hardware (£77m) and other technologies (£101m) all received a substantial increase in investment. Comms services (£17m) and software (£159m) experienced sharp declines.
- ❖ Despite taking more investor money than all other subsectors, fewer semi/opto companies were funded; 19 in 2007 vs 23 in 2006.
- ❖ Cleantech was again the fastest growing sector both in terms of value and volume of deals. Investors backed 36 companies in 2007 with many companies raising substantive sums. The average deal size did not vary between 2007 and 2006 reflecting both the breadth of investment opportunities and diversity of investors.
- ❖ Funds committed to internet/wireless service companies were static at £168m. However the volume of deals still rose by 82% to 69 companies, resulting in the average deal size almost halving.
- ❖ The communications hardware sector received almost double the funds it took in 2006 – 14 companies shared £77m. In Q3 alone, just under £36m was invested in four companies –





Ubiquisys, Intune Networks, U4EA and Last Mile Coms.

- ❖ Software was the largest subsector in 2006, but in 2007 it came 4th with fewer software companies securing smaller amounts.
- ❖ Finally we noticed a potentially interesting trend in the percentage of deals involving private investors – individuals not VCs. Historically it was rare to have a private investor involved in a deal of £0.5m or more. In 2007, 13% of

the deals Ascendant tracks were funded by private investors or a syndicate of private investors and a VC working together. This percentage has been moving up slowly over the last 3 years.

In Scotland, the number of deals measured by Ascendant's criteria has stayed fairly constant over the past four years, in the mid-20s; however, the values have increased substantially, from a total of £50 million in 2005 to £85 million in 2006 to almost £110

million in 2007 (a rise of 28% on 2006). It follows that average values have also increased, but not as much; average deal size in Scotland in 2007 was £3.8 million, an increase of 19% over the previous year.

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## Exit: Trisent acquired by Artilium

**On 11 February Artilium, an AIM-quoted telecommunications software business, announced that it had acquired Trisent Communications.**

Based in Dunfermline, Trisent was founded by Dr Gordon Povey, who was previously a founder and managing director of Elektrobit (UK), a subsidiary of Elektrobit Corporation based in Finland. There are currently two patents filed for the Trisent technology.

Trisent Communications creates software products that enable mobile

network operators to deliver services to subscribing customers based on the geographic location of their mobile phone or device connected to the cellular network. Its Tri-Cell Intelligent Location System offers a low-cost alternative to satellite GPS and creates a platform on which mobile network operators can provide a range of location-aware services to business customers and consumers.

The company obtained investment capital from Sigma Technology Group to bring the product to market.

Trisent's technology complements Artilium's ARTA Service Delivery Platform to allow operators to rate, charge and deliver an array of intelligent differentiated services combining location, presence (ie availability), commerce and social networks, among other criteria. Applications include resource tracking ie taxis, fleet scheduling; business directory, weather, traffic; and proximity-based notification such as targeted advertising, and profile matching (dating).

## Seamanship International merges with Witherbys

**S**eamanship International, a ten-year old Scottish business, has merged with Witherbys, a seventh generation family publishing business.

Both companies are engaged in publishing training and reference texts for mariners; Witherbys, which last year won the Queen's Award for International Trade, has a large portfolio of printed texts, whereas Seamanship entered the market with products delivered on CD-ROMs. The two companies first came together after a financing round in 2005, when Alan Witherby was appointed chairman of Seamanship.

The fifty-fifty merger, completed in January and named Witherby Seamanship International, has brought day-to-day control of the business from London to Seamanship's Livingston headquarters.

A shared factor between the two businesses is that both export more than 60% of their turnover, to more than 180 countries around the world. The merged business will have a turnover initially of around £3.5 million and will have more than 400 specialist

titles in the shipping, insurance and energy sectors.

Seamanship International is run by partners Iain Macneil and Kat Heathcote. Macneil, who set up the business 10 years ago under the name Todday Publications (after the comedy film *Whisky Galore*, in which the island of Barra where Macneil grew up was given the fictional name Todday), is an ex-mariner with 14 years experience. Heathcote, who has a 20-year background in the energy business having worked with BP and Wood McKenzie, joined the company in 2004 to work primarily on the business development side of the company.

The couple currently own the majority stake in Seamanship International with a minority stake owned by business angels Barry Sealey, Mike Rutterford and Eric Young, leading members of the Archangel Informal Investment syndicate. The business was originally funded by the Strathclyde Investment Fund and Glasgow Development Fund; these investors were bought out when the Archangel principals invested.

Alan Witherby will be chairman of the combined business, and his wife Kathleen will take a seat on the board.

He said: "I am delighted that we have agreed a deal that will combine our two businesses. I am convinced that the best way for us to continue our family business that goes back seven generations is to join it with Seamanship International, a young company with traditional values."

Iain Macneil said: "We are joining a business with a great tradition to one that uses the very latest approaches in publishing to deliver quality content to the shipping and marine sector around the world. Our aim is to continue to grow the combined business organically but we shall also be looking at further acquisitions."

Witherbys has been selling books for over a century but dates back much further. It was founded in 1740 in Brick Lane in London when Thomas Witherby opened a stationery shop in Birchin Lane next to the Sword Blade Coffee house.

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## Hubdub launches at DEMO 08

**I**n our January issue we reported that new-start company Hubdub had secured investment from a group of prominent Scottish technology investors including Kevin Dorren and Ian Ritchie, and that the company was about to launch at the DEMO 08 event in Palm Springs at the end of the month.

YCF caught up with founder Nigel Eccles, who described the event as

"phenomenal". The DEMO series of events ([www.demo.com](http://www.demo.com)) has been running for many years and the programme has achieved a very high prestige rating; technology companies can apply to demonstrate new products that can "make a significant contribution to the state of the art in its target market" but have not yet made a public debut.

There is a demanding selection process, and getting through this is in itself an indicator of success. Because of the prestige of the events, there is considerable press coverage, and

Eccles confirmed that Hubdub was widely reported online and in print – the team even made an appearance on TV.

The result of this was an immediate surge in users of the website; Eccles estimates that there will have been 40,000 new unique users by now from a standing start pre-launch.

Hubdub lets users bet on the outcome of current news stories. Players can set a wager in various categories such as politics, sport, technology, and business – examples

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from the site at the time of writing include "Will Obama beat Clinton in the Wisconsin Primary?" and "Will US oil prices close above \$93/barrel on February 13, 2008?" – and users bet on the result, using virtual money (Hubdub dollars) allocated when they register to play. The news stories are then ranked according to the number of bets placed, and players with a winning track record are featured on a league table – Hubdub believes that acclaim is just as powerful a motivator as cash.

The gambling instinct is fairly

universal – the founders of Hubdub are tapping the same human behaviour that created gambling books in gentlemen's clubs in the 18th century, with which their concept has some similarities, but massively enhanced by today's technology.

Hubdub is currently focused on the US market, and Eccles sees the prime operational objective at present as the enlargement of the user base. Revenue for the company is currently from online advertising, but Eccles says that the company plans a subscription

version of the site in the future for 'power users'.

The company also aims to raise further finance within this year, and intends to find investors with expertise in their sector; one of the helpful aspects of the trip to DEMO 08 was the chance to make a mark with some Silicon Valley investors.

**Contact: Nigel Eccles  
0131 472 4816  
www.hubdub.com**

## **Windsave finds a place for the sun**

**The young Scottish company which brought rooftop wind turbines to the domestic electricity market is aiming to give households the chance to reduce their bills and their carbon footprint still further, by harnessing the power of the sun to provide hot water.**

Glasgow-based Windsave has forged a partnership with Napier University in Edinburgh to develop low-cost, easy to install and operate solar thermal panels, which will be marketed, like their wind turbines, through major DIY chain stores.

The new-style solar panels are the invention of Tariq Muneer, Professor of Energy Engineering and Director of Research at Napier. An early version has been operating successfully on the roof of the University for a number of years and under the partnership agreement is being updated and improved. Both partners hope to have the finished product on sale within six to nine months. It is planned that manufacturing will be done in Scotland by the Flexible Manufacturing Group in Livingston, which already assembles Windsave's turbines.

Windsave, which was founded in 2002 by serial entrepreneur David Gordon, has won a string of business and environmental awards since the

launch of its micro-generators which even in a gentle wind can produce enough power to light the average home and provide power for most domestic appliances. The company has 12,000 units on order and Gordon now aims to add other energy saving devices to the company portfolio, including the solar thermal panels and in a new twist on hydro power, generators driven by so-called 'grey water' in domestic drains.

His co-director Stephen Gilbert says: "The Napier project appealed because of the simplicity of manufacture and operation over existing technologies, the ease of installation and the significant cost reduction for the end users.

"Solar thermal panels have been around for 30 or 40 years but it would appear that Napier have come up with a method that will make them much more efficient and effective."

Details of the exact design remain under wraps, but Professor Muneer says that unlike previous solar thermal panels, where the collectors and the water storage tanks were separate so involving long runs of pipes and tubing, his version will be much more compact and less prone to heat loss.

Napier will license the technology to Windsave and development costs will be shared. A vital part of the process

will be independent testing to ensure that the new product is fully accredited, so that householders will qualify for green grants from the government when they purchase and have the panels installed.

Tariq Muneer rejects doubts about the effectiveness of solar thermal systems in Scotland's fickle climate, quoting new research which suggests there is the potential to provide 50% of the country's water heating needs. "That figure," he says, "rises to 70% in London, so the market is enormous."

The Napier project is only one in the pipeline for Windsave in 2008. The company is also planning to expand its range of wind turbines with new, larger models, aimed at the commercial premises market and, according to Stephen Gilbert, a listing on the Alternative Investment Market is "a possibility, though we haven't even reached the stage of appointing brokers."

**Contact Stephen Gilbert  
0141 420 7400  
www.windsave.com**

- Colin Adams



## Scottish angel investments rise over 2007

**Last year saw record levels of business angel investment in Scotland, according to figures released last month by LINC Scotland.**

However, LINC warns that future investment in start-ups and emerging companies is under threat due to proposed Government changes in Capital Gains Tax (CGT).

LINC's figures, which cover all reported investment from member syndicates and affiliates, show a total of £14,113,000 invested in 61 separate deals by business angels in Scotland over the course of 2007.

This includes first time investments into start-up companies and top-up funding for existing businesses.

Overall these deals generated more than £28.5 million of investment in Scottish companies, with the £14.11 million of angel money leveraging an additional £7.05 million of other private funding sources and around £7.4 million of public investment, mainly through the Scottish Enterprise's Scottish Co-Investment Fund (SCF).

Investments were made in a range

of different sectors, with a strong focus on IT and life sciences. LINC singles out examples of the angel-led deals of 2007 such as contact lens IP firm **Ocutec**, of Glasgow; **Lamellar Biomedical** in Bellshill, which is pioneering a new treatment for cystic fibrosis; and **Calnex Solutions** in Linlithgow which produces sophisticated test instrumentation for the telecoms industry

This year's record level of Scottish angel investment continues five years of steady progress within the sector, which has seen over £53 million worth of angel investment since 2000.

With additional private and public sector funding this has released a total of £147 million investment into Scottish businesses through activity since the millennium.

However LINC's chief executive, David Grahame, has warned that proposed changes to CGT could impact on continued growth of angel investment.

He said: "This has been another excellent growth year for angel investment activity in Scotland with reported figures from our members and

affiliates up over 27.5% on 2006. The Scottish Co-Investment Fund also continues to have a significant impact on activity, helping stimulate a high level of angel investment activity over the past year which has given a strong growth platform to innovative companies and created many high level jobs in the process.

"While I am delighted to see us exceeding £14 million in total angel investment in 2007 and the first quarter of 2008 looks very strong, I am also concerned about the impact the Government's plans to increase CGT levels from 10 to 18 per cent could have on our members.

"Given the degree of risk which entrepreneurs and the business angels who back them undertake, it is important that they are sufficiently rewarded for those companies which are ultimately successful.

"The proposed changes to CGT do the opposite and act as a disincentive to both entrepreneurship and angel investment - which will eventually impact on Scotland's economic growth and job creation, especially within high value sectors."

For details of future LINC events contact:

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To:

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

company	location	deal date	TOTAL '000	sector/activity	investors, lenders, grants
BioFilm	Glasgow	12-Dec-07	£3,000	medical devices	Tate & Lyle Ventures, SVF
Elonics	Livingston	13-Feb-08	£2,500	microelectronics	Braveheart, SVF, individuals, SPUR+
Glycomar	Oban	16-Oct-07	£260	biotechnology	HIE, SAMS Research Services, individuals
Hubdub	Edinburgh	14-Jan-08	tba	internet	individuals
Lumicure	St Andrews	29-Jan-08	£2,500	biotechnology	Longbow Capital, SVF

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