

Newsletter

December 2010

New Sponsorship of TVIN establishes bridge between the Solent and the Thames Valley

November was a busy month for TVIN as not only did it link-up with Cornwall for it's Investment Meeting but it also announced new sponsors from the Solent region, the University of Portsmouth and the University of Southampton. The deal builds on Oxford Innovation's presence in the area where it also manages two innovation centres, the highly successful Portsmouth Technopole and the newly constructed Ocean Village Innovation Centre in Southampton.

The collaboration will assist local businesses by providing access to TVIN investor members and will help to facilitate involvement by prospective local investors. The sponsorship deal covers TVIN and it's sister-network OEI.

Dr Tony Raven, director of research and innovation services at the University of Southampton, said: "Innovation is the engine of our

economy and the Solent region is a hotbed of entrepreneurs with innovative new technologies and ideas. By linking with Oxford Early Investments and TVIN, we will be able to provide these start-up companies with direct access to investors which will help accelerate their growth and the growth of the local economy."

Mark Baker, head of research and knowledge transfer services at the University of Portsmouth, said: "TVIN and Oxford Early Investments provide a unique and compelling service to early stage and growing companies. The combination of investors offering funding and experience and sponsors and partners offering access to business support services provides these businesses with a stable platform for the next phase of their development. There is a particularly good match between TVIN and our

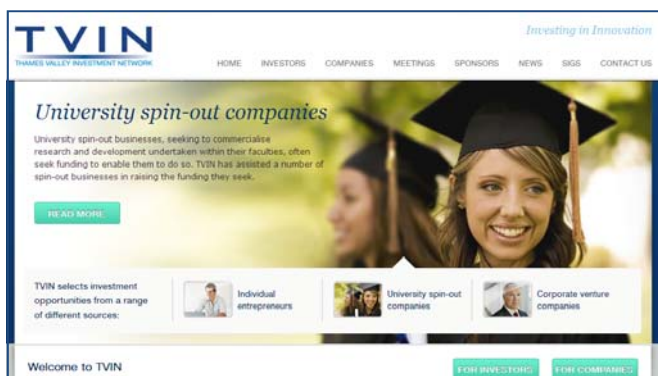
focus on delivering support for high growth companies, and we look forward to working with the investment networks on meetings in our region."

TVIN plans to host an Investor Workshop in Portsmouth at the end of March 2011.



New TVIN website brought to you by Cafécreate

"Websites are your window onto the World". Whoever said it, it rings more and more true. The TVIN website has been a static source of information since it was launched but the new website, launched in late December, promises to be much more than that. With a clean new professional look, we are looking at other ways in which we can enhance our online offering. The website has been designed by new TVIN sponsors Cafécreate, whose vision and technical expertise are to be recommended. We hope that you get a chance to take a look yourselves and will let us know what you think.



Spending Review creates new Opportunities



The cutbacks in public spending are tough on most of us but do present opportunities for some. Since receiving angel investment from TVIN in late 2009, CentraStage have worked closely with the public sector to help IT departments drive down the cost of IT support, with their software bringing huge efficiency savings to Local Authorities. As a result, CentraStage has enjoyed significant growth despite the economic gloom, doubling revenues and customer numbers in the last 12 months.

To further capitalise on the growth of IT managed services, CentraStage are now in the process of raising the next level of investment to launch their cloud-based IT solution in the US, South Africa, New Zealand and Australia. In January, version 4.0 of the product goes live, bringing to the market a true SaaS IT management solution which will redefine how IT services are delivered.

TVIN is always glad to hear good news from businesses that it has helped in the past and we wish Christian Nagele and the entire team continued success in the future.

www.centrastage.com

Thames Valley Investment Network

www.tvin.co.uk

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Network Managers' Update

At a recent set of events, I asked the audience whether they thought that the current economic climate presented more opportunities or threats to their businesses. As you would expect, many thought that the Comprehensive Spending Review and the cut backs in the provision of public services would adversely affect the prospects for their businesses in the months, and in some cases, years ahead. It's therefore heartening when you hear that businesses such as CentraStage are making the most of the opportunity that this has presented them with.

There are a number of reasons why economic downturns can be good for some businesses. As with CentraStage, if you can help other organisations perform more efficiently and economically, then your potential market has expanded rather than contracted. Even in contracting markets, the best businesses will not only survive but prosper, perhaps securing for themselves a larger market share despite a decrease in its overall size.

These market dynamics do present investors with a new set of challenges and opportunities if they can identify the right businesses and the right management teams. Perhaps the latter should go without saying because finding good people is usually the first criteria that most investors quote when asking what type of business they invest in. We know that the TVIN members who committed to CentraStage will echo these sentiments.

The business angel sector in the UK is facing a number of challenges in the months ahead and through 2011, but they also present op-

portunities. With the demise of the Regional Development Agencies, many of the angel networks that received direct support from them will need to look closely at their own business models. TVIN may be lucky in that it does not rely on this support but the changes will have a knock-on effect and present opportunities that we will look to build on. The new sponsorship by the Universities based around the Solent is an example of this and we look forward to a fruitful relationship with them.

The Government is also looking closely at business angels who have become increasingly important in the funding of early stage businesses. It remains true that smaller companies still employ a major part of the workforce and their importance to the recovery of the UK economy is well documented. The importance of business angels follows and it will be interesting to see what new initiatives are announced in 2011.

The past twelve months have been solid for TVIN, with the ongoing success of the investor workshops and the growing base of active new members. We've had our banana skins and things that haven't quite gone as well as we had hoped but we're still here and thriving. Much of that is due to the spirit and camaraderie members share with each other and the network itself. Once again it's been an absolute pleasure to share your company and to work with you. On behalf of myself, Heni, and the rest of the Networks team, can I sincerely wish you the very best of seasonal greetings.

Leo Dunne
TVIN Network Manager.

Dates for your Diary

Investment Meetings

4pm Thursday
27th January 2011
Taplow House Hotel, Nr Maidenhead



4pm Thursday
24th February 2010
Green Park, Reading



4pm Thursday
24th March 2011
Green Park, Reading



4pm Thursday
26th May 2011
Venue tbc



Investor Workshops

TVIN, and its sister-networks OION and OEI, have now hosted a series of 11 investor workshops covering various topics and issues of interest to angel investor.



The November workshop, held at Maidenhead Golf Club, looked at the tricky

issue of convertible debt and whether it can be a useful tool for angel investors. More details can be found on the sponsors page of this newsletter.

Next workshop

13th January 2011, Mill Street, Oxford

Due Diligence and Utilising Co-Investors

with David Denny and Matthew Frohn of Oxford Technology Management.

TVIN is delighted to be sponsored by a select group of prominent professional service firms active in the Thames Valley Region and further afield. Here they provide Newsletter readers with the benefit of their expertise and discuss issues relevant to both managing and investing in early stage businesses.

What's An Investor Looking For?

It has been very interesting to help on some of the dry runs for those pitching to the Angel Groups for finance.

The ventures come in all sorts of different sizes and shapes, but there are some consistent threads that need to be properly thought through if external finance is going to be attracted.

I thought it might be interesting just to put these down in summary form. Some of them overlap and in some cases they need to be varied slightly, but pitches that tick all these boxes are much more likely to find success.

1. Market Research

So how did you get to the conclusion that you were going to obtain 1% of the worldwide market! Perhaps of all the points, this is the one where criticism can most often be levied in that the research seems to amount to no more than the assumption of obtaining a small percentage of a massive market. This is very unlikely to satisfy an incoming investor and documented research appropriate for each project needs to be carefully put together.

2. Intellectual Property

Protecting the idea from others through copyright and patent again is also a vital element. Certainly, it is not necessarily the cheapest part of the project, but it is

unlikely that an investor will risk his money if he thinks an idea can easily be copied, no matter how clever that idea may be.

3. Finances

Well thought through forecasts of cash requirement and profitability are essential. It is surprising how often such forecasts are no more than a single page with no allowance for sensitivity and flexing for different scenarios. As any Angel will tell you, it is very common for the estimated requirement for financing to be understated and often it is because these forecasts have not been well thought through.

Under the same heading, albeit obvious, well kept books and records that are up to date and can produce relevant accurate financial information are a necessity.

4. Returns for the Investor

No matter how much an investor might like the people involved with the project (which is a by factor in itself), he is going to want to be able to see what return he is going to get on his money and what his exit is going to be. Frequently that is not clear from the proposals and should be well thought through in any proposal. A personal view would be that the expectation of floatation is greatly overestimated and is seldom, in practice, a realistic exit route.

5. Product Testing

Where the proposal involves the manufacture of equipment or indeed the sale of software, for example, evidence that the product has been field tested or trialed will add confidence to any investor, particularly if the proposal is pre-income.

6. Management

Last but not least, a strong management team is always a huge plus, especially if they have relevant experience in the sector. If you cannot afford all the key people up front, have them lined up and in the wings.

I would not claim that the above list is comprehensive, but I think it covers some of the main topics that are often not as well thought through as they might be.

As ever, we would always be pleased to help and pass on our experience on the above, or any related topics. Please do not hesitate to contact us.

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Convertible debt - holy grail or waste of time?

Imagine if you could make your investment and not spend hours disagreeing about valuation, imagine if you could ensure even poor investments return something and imagine if you could limit your risk during the testing times and have full upside equity participation when the investment goes well.

Well our cousins in Silicon Valley have been thinking along just these lines and on November 30th Keystone Law and the investors from the Oxford Innovation family of networks (including TVIN) met to discuss this very point. As you'd expect, it is not possible to mitigate risk, shorten the timeline for investments and keep EIS relief while keeping full equity participation, that is just asking too much of one structure. However, convertible debt does offer investors another string to their bow and should be considered, especially in friends and family rounds and bridging rounds.

Keystone Law have kindly produced a paper on this and other VC industry tips, which you can download from our website.

<http://www.keystonelaw.co.uk/publications/InvestorsPackII.pdf>

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The PLUS Stock Exchange...

...is a London-based stock exchange providing cash trading and full listing services. As a dedicated market for the smaller companies it provides cost-effective access to equity finance for businesses seeking the first step onto public markets.

PLUS serves UK and international companies. It continues to be successful in attracting overseas companies and a quarter of new joiners are based outside UK. The more active sectors in 2010 have been the health, mining, and finance.

PLUS has faced tough market conditions in the last two years, and during the first half of 2010, the PLUS All Share index dropped nearly 7%. Almost as many companies have been leaving PLUS that have joined this market.

Despite the difficulties, directors of companies quoted on PLUS believe that they enjoy a number of key benefits. It gives shareholders a trading platform, increases gravitas and visibility, provides access to acquisition finance, raises a businesses profile, helps to increase staff motivation and gives reassurance to current and potential customers.

Therefore, joining the PLUS market can and does remain a strategically significant option for companies that can harness the differentiators it offers.

As well as offering traditional corporate finance services, Maxim is a PLUS agent and can advise businesses on its listing or IPO strategy.



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The following provides brief details of businesses seeking investment who have presented their propositions at TVIN Investment Meetings in recent months. Further details are available from the TVIN team.

| Cornish Sea Salt | | |
|------------------|----------|---|
| £200k | Nov 2010 |  |

An award-winning, unique food manufacturing business that harvests a pure and natural culinary sea salt in a bespoke, eco-friendly harvesting plant in Cornwall. The Company has achieved national distribution in 4 and 5-star foodservice and listings with over 800 independent retailers and a national supply agreement with Waitrose.

| Curvety | | |
|---------|----------|--|
| £120k | Nov 2010 |  |

An online retailer of women's plus size clothing, delivering fashion conscious styles in the occasion, evening and work wear market in sizes 16 to 36. Curvety has already seen great success and achieved a turnover of £208k in the financial year to May 2010. Investment of £120k is required to develop the brand, marketing and expand the management team.

| Equipio.com | | |
|-------------|----------|---|
| £100k | Oct 2010 |  |


Equipio brings together all the online information that consumers need when purchasing sports gear (eg blogs, videos, product descriptions, twitter feeds, user reviews) and then enables the sports community to define the most "useful" content with users liking products, reviews and videos and following brands and pro-athletes.

| GBPN | | |
|------|----------|---|
| £90k | Nov 2010 |  |

GBPN is developing revolutionary technology in the energy sector, focusing on mobile biomass pelletisation. The Mobile Pelletisation Factory (MPF) decreases the investment to 1/15th compared to current fixed production sites. Its power system does not require external energy. The company is looking for £90k primarily for the testing phase.

| GenDrive | | |
|----------|-----------|--|
| £100k | Sept 2010 |  |

GenDrive are a manufacturer of high tech electronics for the renewable energy sector. The company has developed a novel inverter for connecting renewable energy generators, such as wind turbines and solar Photo-Voltaic arrays, to the grid. Initial sales have been delivered and have demonstrated product readiness on a market leading wind turbine.

| Languagelab.com | | |
|-----------------|-----------|---|
| £300k | June 2010 |  |

Languagelab.com is the first company to offer English Language training via immersion in a 3D virtual world. They have more than 800 paying students from over 60 countries and are currently in active talks with a large number of corporate customers. Funding of £300k is sought to close on and operationalise their current book of business.

| Morethan40.co.uk | | |
|------------------|----------|---|
| £300k | Nov 2010 |  |

Morethan40.co.uk is a business designed to fit into the needs and requirements of the 40 plus generation in the 21st Century. It taps into the only advertising medium that is currently growing - the Internet - and has created an interactive web portal. The focus of the portal is online radio - the fastest growing form of radio in the world.

| Opus Audio Technologies | | |
|-------------------------|----------|--|
| £100k | Nov 2010 |  |

Opus Audio Technologies have developed a broad range of high quality audio system solutions for theatres, touring PA companies, nightclubs & churches. They already have systems in such venues as Covent Garden Opera House & The National Theatre. Funding of £100k is required to allow the company to grow further and expand sales, marketing & production.

| OVOW Media | | |
|------------|----------|---|
| £300k | Oct 2010 |  |


OVOW Media's objective is to dominate the market for live music video downloads from the pre-MTV era. They have already licensed performances from the BBC, ITV and INA, the French national archive. The initial catalogue of 16 performances is currently available in the iTunes store and almost 30,000 downloads have been sold to date.

| ProcessCube | | |
|-------------|----------|---|
| £500k | Nov 2010 |  |

The company has developed a software technology platform that targets and delivers improvements in cost management, compliance, quality and business management across industry sectors and all aspects of business operations through availability of appropriate 'mentors'. Funding will be used for product completion, launch and marketing.

| Roadload | | |
|----------|----------|--|
| £850k | Nov 2010 |  |

The company has developed a revolutionary commercial vehicle called U-tail®, which has wide appeal to a multitude of transport users. They include supermarkets, the NHS, Royal Mail, emergency services, Police etc. The company seeks £850K in equity or equity/loan to fund move to 38,000 sq. ft. factory, set-up and production funding.

| Sanderling Warmth | | |
|-------------------|----------|---|
| £150k | Oct 2010 |  |

Sanderling Warmth offers highly advanced central heating and hot water systems with major economic benefits whilst also helping to meet Building Regulations for energy efficiency and reduced CO2 emissions. Sanderling has exclusive rights to import from France probably the best quality Air Source Heat pumps available worldwide.



GenDrive
powering change

GenDrive have firm commitment for £50k of the £100k sought at the TVIN investment event in October. Discussions are taking place with both TVIN and network investors to secure the remaining funds that will enable the company to develop a second, single phase variant of its unique inverter product to gain further traction in the renewable energy market. The development of the three phase inverter is complete and sales have already been made to leading UK installers of wind turbines. GenDrive plan to secure a total of 49 sales of the product, equivalent to £200k revenue, by financial year end in May 2011.



Element 8 has produced a software product, xpoint™, which provides a platform that enables medium and large enterprises to manage complex organisation change effectively. Ken Gibbs, the CFO who presented at the TVIN meeting in September has let us know that Element8 are in final stages of Term Sheet negotiations for a deal that will include both an Institution and three Angel investors, and that this will close in late January/early February 2011. There remains a short window for TVIN investors to join this round at the attractive valuation negotiated by the VC should they wish to do so."



Charlie Greenwood notes that the business has looked at its funding needs in the light of recent commercial developments. Traffic to the site doubled in November over October and they were on target to do the same in December. They have been running online competitions with sports brands such as Adidas and Nike, and have interviewed former Wimbledon champion Goran Ivanisevic. All this has helped generate the increased traffic to the information and retail portal for the sports enthusiast. The revised funding need is down to £100k as a first step. Of this, indicative commitment has been received for between £65k and £75k and any TVIN investors interested in getting involved at this stage should make contact as soon as possible.



ProcessCube are making good progress on the commercialisation of their mentor product, which helps streamline business processes in SME businesses. Two well-known organisations are proceeding with beta trials, which will result in the development of some unique, sector specific content that can be replicated for other organisations in the respective sectors. Having presented at TVIN in November, the business is still in early discussions with potential investors.



Online radio station morethan40.co.uk presented at TVIN in November and received some very positive feedback. This helped the management team to refine some of their presentation material to the extent that they have received interest from a major broadcaster who is offering to share facilities and provide support to help and develop the sales and marketing effort.



RocketRoute, who presented at the March TVIN meeting and subsequently raised funding, has been busy; the first version of its flight planning service was introduced over the summer and the company is now building sales distribution to pilots across Europe. Since its launch over 16,000 routes have been planned using the service. RocketRoute is currently working with a number of partners to resell and add additional capabilities to the service.



Website Copy Managing Director, Fatima Roels, presented at the TVIN meeting in October. Despite attracting some interest from TVIN members, Fatima has made the decision to run the business on a much lower cost base and to try to grow it organically herself on a part-time basis whilst she pursues her wider career ambitions more fully.



Finance Gofer is building nicely. They now have over 1,000 registered users and are on target to increase this to 4,000 over the next few months. Their website provides both SMEs and professionals with a range of guides, templates and documents that they would otherwise have to develop themselves and saves the time and expense of doing so. They have launched a new iteration of the site due to be released by the end of the year which will have more features and functionality. A deal has also been agreed with Lloyd's TSB to promote the service to their business customers, initially within the M25 area but hopefully nationally thereafter. Progress has also been made with publishers and other websites serving the same target market. The business can be self-funded until June 2011 and a grant application for £45k has been prepared and is under consideration. The business would still like to identify additional external funding in the region of £100k to accelerate the development of its sales and marketing activities.



Eclector presented at TVIN in September and its been a very busy time for them since then. The business lets organisations build their own online bookstores, which helps them raise more money from their supporters and followers. Some 400 organisations now use Eclector, from the Institute of Mechanical Engineers to the Ramblers Association. An investment syndicate has formed and William Pryor believes that the round will close in January.



OVOW, as we like to call them, are closing in on a potential investment deal which could provide them with the £300k they need to further develop the business. The business originally presented at SWAIN and came through to TVIN in October with a couple of SWAIN investors already onboard. The business digitises pre MTV clips of rock and pop musicians performances from the TV archives and makes these available as an iTunes download. David Palmer and Bruce Higham are the driving forces behind the business. David is hopeful that the negotiations with investors and the completion of their due diligence will see the round close early in 2011.

BBAA Winter Workshop and Networking Dinner

25 - 26 January 2011, London
For more information and to Register for these events please visit www.earlystageevents.co.uk, or contact guy@bbaa.org.uk.

Oxfordshire Clean & Green Network Meeting

Wednesday 26th January 2011
5.00pm - 7.30pm, Modern Art Oxford
Please register by emailing Julie Hollins, julie.hollins@innovationgrowth.co.uk or simply by calling 01235 433 530

Dry Run Panels

TVIN members who would like to form part of the dry run panel that provides help and guidance to companies on the style, format and content of presentations before Investment Meetings are invited to contact the Network Manager for more details.

TVIN Dry Run Venues

TVIN is continually looking for Thames Valley based organisations to host and participate in the dry run sessions attended by companies due to present at TVIN Investment Meetings. At each dry run session, between 4 and 8 companies deliver their 10 minute presentation to an invited panel of between five and seven members. The panel is generally formed from TVIN sponsors, guests, investor members and the Network Manager. Anybody interested or aware of an organisation that may be interested, please make contact for further details.

Fatima Roels, the MD of Website Copy who presented at TVIN in October, is undertaking an MBA at the Henley Business School. She has asked for some help completing her research for the MBA Management Challenge. Her thesis will concern entrepreneurs and how they fund their businesses at the early stages of development and the experiences and insights they may have picked up along the way. She is looking to interview anyone who could help her with this and it should take no longer than 10-15 minutes.
f.roels@websitecopy.com

Newsletter Contributions

TVIN is happy to include any items of business or personal news in this section from any of its members or Newsletter readers. Please contact Heni or Leo for further details.



TVIN would like to take this opportunity to wish all its members, sponsors, colleagues, associates and client businesses

A Very Merry Christmas and a Prosperous New Year

Sponsorship Opportunities

If you are interested in exploring how you or your company can become involved with TVIN, please contact the Network Manager, Leo Dunne.

TVIN would like to thank **CBS Business Interiors** and **Lily Hill House** for kindly hosting our dry run panel meetings

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TVIN Sponsors

TVIN gratefully acknowledges the commitment and support of its sponsors, who are happy to answer any questions you may have in their particular areas of specialism.

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