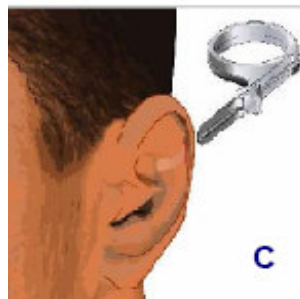
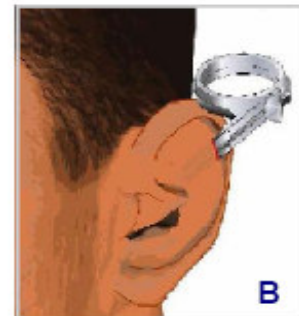
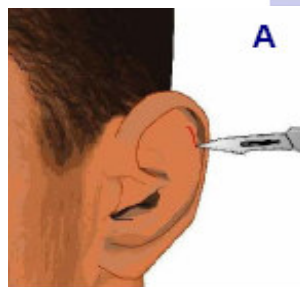


## Executive Summary

- Northwood Implants is a medical technology business creating a suite of new medical applications using bio-compatible implants.
- Our first application: "Ear Scaffolds" replaces 1.5 hours of complex surgery with a 10 min outpatients procedure
- Ear Scaffolds has patent applications in progress across 12 national and economic territories including US & EU
- Direct market research has identified 100% patient preference for Ear Scaffolds
- 3 out of 4 surgeons are willing to try the new approach
- Major private health providers, BMI Health, Nuffield Health, Spire (formerly BUPA) & Transform Medical Group are interested in trialling Ear Scaffolds
- First round funding of £0.5M will allow product development to start.
- Market launch in year 4, achieving a ten-fold sales growth in 3 years at a forecast gross profit exceeding 90%



## Product Summary

Conventional treatment of prominent ears involves the use of external splints or plastic surgery. These solutions carry significant disadvantages. External splints only work at very young ages and have low success rates. Conventional plastic surgery is painful, expensive and has a high complication rate.

Our new approach uses a small implant (the Ear Scaffold) inserted into the ear between the skin and the cartilage. The implant bends the ear into a predetermined shape. Over time, the ear adjusts to its new shape and the implants can be removed. Ear Scaffolds offer patients, surgeons and healthcare practitioners considerable benefits by delivering more reliable patient outcomes while significantly reducing operating risks and costs.

## Market Summary

Ear Scaffolds are positioned at the forefront of a market trend in minimally-invasive cosmetic surgery procedures that is driving considerable growth in the market. The UK market has grown by



over 534% in the last 5 years with the largest market segment (face/neck procedures) forecast to grow a further 200% by 2011 ( *Mintel 2007*).

Between 5% and 10% of the world's population have prominent ears – a potential market of 60 million people in the developed world alone. There is a large unsatisfied demand with only 0.2% currently undertaking corrective ear procedures.

The worldwide cosmetic surgery supply market is highly fragmented with hundreds of independent, individual surgeon-led clinics. Consequently, our strategy is to exploit maximum value by 'licensing' the Ear Scaffolds procedure to cosmetic surgery clinics at a higher value than could otherwise be achieved through medical device sales.

## Our Plan

The project is currently at proof-of-concept stage but needs further development through pre-clinical and clinical trials before it can be widely adopted as a proven treatment. The Ear Scaffolds and tools need further refinement to meet actual treatment needs and have to be taken through regulatory approvals.

A detailed project plan has been developed through to the point of regulatory approval. This shows an overall development time frame of 36 months, comprising 18 months product development using an ISO13485 approved medical design consultancy followed by a 9 month animal study, and finally a 9 month human clinical trial. Clinical trials will be undertaken within the West Herts NHS Trust, one of our founder shareholders. The estimated costs of this development are £1.07 Million.

Northwood Implants will implement a 'lean-and-mean' operation during the design and development phase with most activities outsourced to specialist contractors. We are located at the Cranfield University Business Incubator (CUBIC) which gives us access to specialist advice in medical regulatory affairs, advanced materials, production engineering and the Cranfield Business School.

Manufacturing of Ear Scaffolds will be subcontracted to specialists enabling us to remain agile and responsive to market needs and demand.

## Management Team

The management team comprises Mr Norbert Kang FRCS (Plast), the inventor, and Richard Malczyk MBA MCIM. Norbert will oversee product development and validation testing and will undertake clinical trials. Richard will be responsible for programme management of all contractors, commercial agreements, costs, timescales and deliverables – migrating to business development for market launch.



The team is supported by two non-executive advisors, one from Health Enterprise East (Dr Paul Seabright), and one from West Hertfordshire Hospitals NHS Trust, who have considerable experience of medical innovation development, operational application and commercialisation.

The management team is highly motivated, experienced and well qualified, and is strongly positioned to maximise the success of this venture as it has proven innovation development, programme management, business start-up and business development skills and experience.

## Financial Summary

Our projections show a minimum ten-fold increase in revenues with Net Profit tripling in the last 2 years. A high gross margin, resulting from a high procedure value and the low cost of Ear Scaffolds, means that breakeven is achieved by the end of the first year of sales. The investment is fully recovered within two years of starting sales. The company will achieve a positive cash flow by end of year 4 and investors will have achieved a 10% return by year 5 and 300% by year 6.

	2009	2010	2011	2012	2013	2014
Revenue				740,000	3,252,000	8,432,000
Direct costs				47,880	177,360	382,440
Gross Profit				692,120	3,074,640	8,049,560
Gross Profit %				93.5%	94.6%	95.5%
Overhead	403,700	430,610	170,750	886,800	1,722,183	3,149,563
Net Profit	(403,700)	(430,610)	(170,750)	(196,354)	1,198,086	3,726,293
Net Profit %				-26.5%	36.8%	44.2%

## Funding Requirement

We are currently seeking an initial investment of £0.5 million to enable business operations to start. This will enable product development to commence and the business to attract matched funding from other sources such as R&D grants. A total investment of £1.25 million will be required over a 4 year period to finance product development, testing and validation, clinical trials and market launch.

## Exit Strategy

The management team are aiming at either a trade sale or an IPO at the end of year 5, but this will be dependent on the perceived value of the company. We believe an exit may be possible at the end of year 3 on successful completion of clinical trials via a trade sale to a large global medical healthcare products business such as Allergan. More realistically, we expect we will need to prove commercial viability first – proving the market by rapidly gaining market share and fast growing revenues. If the partner licensing model proves successful, we expect the business will become attractive to one of the large cosmetic surgery providers once our solution is established and taking market share from them.