Oxford Technology Combined SEIS and EIS Fund -OT(S)EIS-

Quarterly Report to 30th June 2013

Summary

By 30th June 2013, OT(S)EIS had raised just over £1.5m and had completed six investments as shown below. At the date of writing, we are in negotiations with a further two possible SEIS investments, one of which is expected to complete before the end of July. SEIS investments which are made in the 2013/14 tax year can be treated by investors, for tax purposes, as if they had been made in 2012/13.

The objective of the fund is to invest approximately 1/3 of the amount invested by any investor in SEIS qualifying investments within 12 months of the investment in the fund. We believe that we will meet this objective. The other 2/3 of the investment will then be invested in EIS investments, 1/3 from months 12-24 and 1/3 from months 24-36, and it is expected that most of these investments will be to support earlier SEIS investments which are showing promise.

The fund will remain open for investment and the same objectives will apply, so that investors who wish to make further SEIS and EIS investments may invest further in the fund.

OT(S)EIS Fund Portfolio

Company	Business ***Highlights since investment***	Amount invested (£)	Date	SEIS/EIS	Net Cost (£)	Fair Value (£)	Multiple
Run3D	3D Gait Analysis for Physiotherapy *2 franchisees in place so far.*	100,000	18/12/12	SEIS	50,000	100,000	2
BioMoti	Improved Cancer Drugs *Progress on manufacturing of key protein and interaction with potential partners.*	75,000	08/01/13	SEIS	37,500	75,000	2
Combat Medical	Bladder Cancer Treatment *Distributor with minimum sales agreement in place in Spain. New product launched.*	75,000	05/04/13	SEIS	37,500	75,000	2
Message Missile	Mobile Phone Software *First customer signed up.*	16,000	23/05/13	SEIS	8,000	16,000	2
Ibexis Technologies	Remote Datalogging *Investment just made.*	50,000	24/05/13	EIS	35,000	50,000	1.4
Lightpoint Medical	Real-time imaging for cancer surgery *2 grants won so far.*	75,000	04/06/13	SEIS	37,500	75,000	2

Note: The multiple shows the increase in value of the investments assuming 'fair value' and taking into account only the 50% tax relief against income tax (30% for EIS). **For those investors who also have capital gains tax to pay, the tax reliefs will be even greater, and the multiple even greater**.

Updates on existing investments

Run 3D Ltd

Date of Initial Investment:	18th December 2012
SEIS/EIS:	SEIS
Amount Invested:	£100,000
Shareholding (excluding options):	40%
Shareholding (after options):	36%

Description of business

Run3D is the brainchild of Dr Jessica Leitch, 30, who is an International Runner herself (representing Wales) and who has a first class degree in Engineering from Oxford and also a D.Phil from Oxford. In her academic career, she specialised in the biomechanics of running. She has numerous blues and was the Oxford Sportswoman of the Year in 2008/09.

Runners have reflective balls attached to their various joints (hips, knees, ankles) and also at various other points on their legs and then run on a treadmill. Special cameras capture the image of the balls at 200 frames/sec and this data is then fed into a computer programme, originally developed by an academic in Canada and to which Run3D has exclusive UK rights for an initial period of three years. The computer then outputs a complete gait analysis, giving every detail of the gait, the angle of heel-strike, the rotation and rate of rotation of each joint, etc. etc. The gait of the individual is also compared to a database of 3,000+ runners.

The operator, often a physiotherapist, is then able to indicate:

1. Where the runner's gait is furthest removed from the norm.
2. Where, if uncorrected, future injuries are likely to arise
3. How the runner should aim to modify their gait to avoid future injuries
4. What particular exercises should be undertaken to strengthen particular muscles in order to reduce the likelihood of future injury.

There are now 2m people who run every week in the UK and the statistics show that 1m of these will develop running related injuries in the course of the next 12 months.

The business model is to establish a running clinic in Oxford which will be operated by Run3D. The plan is then to appoint franchisees who will operate the Run3D system in their clinics. The franchisees will be given the software for free and the revenue generated will then be shared in a ratio which will depend on how actively the software is used, with the franchisee getting a larger share the more actively it is used.

Recent Developments

Run 3D established its own running clinic in Oxford, as planned, in Q1 2013.

In Q2 Run 3D arranged the first two franchisees, installed the software and hardware and provided the training.

So in this sense, Run 3D has made excellent progress. However, it will take some time before the franchisees, the most recent of which has only just gone live, get up to speed. The clinic is Oxford is now providing gait analyses to runners but is operating a long way below capacity.

There are several opportunities for providing gait analyses to groups of athletes, eg football clubs, for whom injuries are a major concern. Discussions are taking place with several of these, but none of these has actually happened yet.

Summary

So far, so good is probably a fair summary of progress to date.

BioMoti

Date of Initial Investment:	8th January 2013
SEIS/EIS:	SEIS
Amount Invested:	£75,000
Shareholding, excluding options:	10%

Description of business

OT(S)EIS has invested £75,000 as part of a £150,000 SEIS investment in BioMoti which is a spin-out from Queen Mary College London. Its founders are Dr. Davidson Ateh and Prof. Jo Martin who has recently been appointed as Head of Pathology for the NHS. The chairman is Keith Powell who has long experience in early stage biotechnology companies.

Solid cancer cells including ovarian cancers overexpress a particular ligand called CD95L on their surface. CD95L causes certain classes of immune cells to shut down their activity and helps protect cancer cells against the immune system. The scientists have discovered that if a small particle is coated with CD95 (which binds to CD95L) the cancer cell will engulf the particle and draw it inside. By loading a chemotherapeutic drug into a coated biodegradable bead coated with the receptor molecule, it is possible to deliver high concentrations of chemotherapy drug into the cancer cells. The first product uses paclitaxel to target ovarian cancer. The overall result is that when injected into the patient, the beads bind preferentially to ovarian cancer cells, whereupon the bead enters the cell where, over a period of days the chemotherapy agent is slowly released, killing the cells. Other beads which have not bound to an ovarian cancer cell are excreted by normal processes without having released very much of the toxic chemotherapy agent.

This approach can dramatically increase the efficacy of the standard clinical treatment whilst reducing side-effects in healthy tissues. This is no longer an idea. Preclinical tests have shown remarkably good results, with 65-fold reductions in tumour burden, doubling of median survival and significant decreases in toxicity seen in an ovarian cancer animal model when the technology is applied and compared with the current clinical standard-of-care. The company has won a TSB Biomedical Catalyst grant to carry on the work, which indicates that the TSB rates this approach and the £150,000 SEIS investment is to provide matched funding for this grant.

The business plan is to develop the technology and to prepare for clinical trials, ideally to start in maybe one year's time. Further funding will be required for this, but the plan will be to obtain some of this from pharma companies, to whom the treatment will ultimately be licensed. It is also likely that further support will be forthcoming from the TSB and other grant sources. OT(S)EIS will be able to participate in this further funding.

Recent Developments

BioMoti has moved into new premises where it will be able to carry out the lab work which is part of its TSB grant. This will include the manufacture of the CD95 proteins used to target the oncojan particles. It has new pharmacokinetics results which are in line with expectations. BioMoti restarted an interaction with a large pharma company which had originally tested their technology, but had then undergone a restructuring during which it had dropped its interest. A visit to the BioEurope conference has yielded a large number of leads which are being followed up.

However, the large pharma company has now said it would not be pursuing the opportunity at this point due to two issues. 1) the time it might take achieve certification for the CD95 protein and 2) the uncertainty of how well bound the protein will be to the surface of the particles. BioMoti is addressing the first by teaming up with a company that already has certified CD95 protein and the second by doing experiments to determine how critical the surface binding will be. It is hoped that the collaboration will then restart.

The market research and commercialisation plan has now been completed and will be used to engage with potential partners and investors. Several grant applications are now underway to pay for additional researchers and also for joint work with Chinese partners following a funded visit to China.

Summary

Work has started under the TSB grant.

At the end of a quarter, BioMoti was in active discussions with a pharma company about a possible collaboration (with funding) on a potential partnership on MOT1001, the first product, and about the possibility of further collaboration on further candidates if MOT1001 is successful. These discussions are at an early stage, but positive so far.

Combat Medical

Date of initial Investment	5th April 2013
SEIS/EIS:	SEIS
Amount Invested:	£75,000
Shareholding:	1.8%

Description of Business

Combat develops and manufactures devices for the treatment of urinary cancers. Its devices consist of a control unit and disposable heat exchangers and catheters. These are used to deliver a treatment consisting of heating a chemotherapy liquid and circulating this through the bladder, rather than cutting out tumours in the bladder which is the current treatment. The existing treatment results in a 78% recurrence of tumours which then require increasingly drastic surgery. The company's treatment, which still involves surgery, but hopefully only once, results in a recurrence rate of less than 20%. It is also much less expensive, since the repeated surgery required to treat bladder cancer is extremely expensive. So the hope is that the new treatment will in time become the standard treatment both in the UK and globally. If so then the company will become very profitable and valuable.

Recent Developments

Since the investment was made Combat has made good progress. It has signed a distribution deal in Spain with INIBSA, the company that distributes Mitomycin C which is the drug used with the Combat BRS device. INIBSA has 17 sales agents operating in Spain and this should help to accelerate sales and penetration. Similar deals are being pursued in the rest of Europe.

The device was launched at Spain's annual urology conference in Granada and the device was mentioned in the main session by one of the key opinion leaders as a recommended replacement for BCG treatment.

The UK clinical trial is now close to submission approval and includes 5 leading centres.

The new version of the control unit is due to be completed by the end of July and the company hopes it will be in use in clinics by the end of October. A video describing the system can be seen at www.combat-medical.com/en

Summary

Combat is making good progress.

Message Missile

Date of initial Investment	23rd May 2013
SEIS/EIS:	SEIS
Amount Invested:	£16,000
Shareholding:	34%

Description of Business

Message Missile is a software company founded by Thomas Young, who is 18, and is based in Manchester. It will produce software that will provide an additional functionality to mobile phone apps – geolocation push notifications. By adding this software to their app, a business can see the precise location of the phone using that app. They can then use this information to target messages.

This could enable them to:

- Send a message to everyone in a particular area (e.g. everyone within 2 miles of Oxford, everyone in a certain postcode)
- Enable them to automatically send a message to anyone crossing a certain boundary (e.g. anyone walking within 100m of your restaurant would be sent a special offer)
- Monitor the daily routine of the user, to work out where they live and work, and target advertisements appropriately. (The identity of the user would not be known, so the users privacy would not be infringed greatly)

Without this software, businesses could only send messages to all their users. The vast majority of these messages would be irrelevant, and the app users would find this highly irritating, and possibly uninstall the business' app, severing this highly valuable link to their consumers.

Targeting enables the business to tailor their messages to the user, and so only provide them with information or special offers that they will actually want. This enables them to develop a relationship with their customers for unparalleled brand loyalty, as well as provide them with highly effective advertising – over 90% of such mobile phone messages are read by users, compared to much lower rates for text messaging, or adverts in websites/newspapers.

Recent Developments

Message Missile has partnered with a software development company based in Romania, who also has development teams based in India and the Philippines. The software should be launched during the next quarter to 31st September, and this company has agreed to provide ongoing customer support.

One company is already signed up for Message Missile's services, and promising talks are being help with several large companies. Due to the low ongoing costs (the only salary is £300 a month for the founder, and the customer support will be provided in exchange for a share of the revenue), Message Missile only needs to acquire about 3 small companies in order to break even. Should it manage to sign up one of the large companies with which it is currently in negotiations with, it will immediately begin to make a profit.

Summary

Message Missile has made a good start.

Ibexis Technologies

Date of initial Investment	24th May 2013
SEIS/EIS:	EIS
Amount Invested:	£50,000
Shareholding (excluding options):	25%
Shareholding (after options):	22.5%

Description of business

Ibexis Technologies designs and manufactures self-contained dataloggers which will operate in remote places and record and transmit data back to base either using the local mobile phone network or via a satellite.

One of the founders was previously involved in a similar business which was ultimately unsuccessful but which had supplied dataloggers for the following applications:

1. Monitoring the sale of ice from ice vending machines on garage forecourts in the US.
2. Weather stations in Indonesia
3. Monitoring water levels in Norway and Sweden
4. Measuring snowfall and water levels in remote mountain regions in Norway
5. Monitoring rainfall in the US
6. Weather stations in Holland
7. Monitoring temperatures in buildings in the UK
8. Monitoring the second by second power consumption of large telecom infrastructure in Austria.
9. Monitoring levels of fuel in rail depots in the UK
10. Monitoring temperature and salinity in a lake in Greece.

Ibexis dataloggers are small fully-integrated boxes designed to be very power efficient so that they may be powered by a battery or by a small solar panel or windmill in remote locations and may be programmed to send back data from up to 75 different sensors both digital and analogue at whatever interval is required, maybe every few seconds or maybe once per day.

As can be seen, the Ibexis dataloggers can be used anywhere in the world in a wide variety of applications. The hope is that the volume and variety of the applications will grow and that Ibexis will become financially successful as this happens.

Recent Developments

The investment was made towards the end of May and the time since then has been devoted largely to rewriting and improving the software, which was the cause of the old company's demise. It is hoped that sales will accelerate once this is finished.

Because the founders needed to move quickly in order to continue to provide a service to the existing customers, the investment was made in the expectation of SEIS approval being obtained. In the end, HMRC held that this investment would be EIS qualifying, but not SEIS qualifying.

Summary

So far, so good.

Lightpoint Medical

Date of initial Investment	4th June 2013
SEIS/EIS:	SEIS
Amount Invested:	£75,000
Shareholding:	11.93%

Description of Business

In breast cancer surgery a surgeon cannot see whether the entirety of a tumour has been removed. Roughly one quarter of breast cancer surgeries need to be repeated to remove small residues which were missed in the first operation.
Lightpoint is developing imaging technology based on Cherenkov emission which will provide surgeons a real time image of the cancer. The patient will be given FDG-18, a common radioactive tracer which is taken up preferentially by tumours and the surgeon will be able to see the tiny amounts of light emitted from the radioactive tissue. The first product is a specimen viewer which will allow surgeons to determine whether the tissue they have removed has a safe margin around it.
Lightpoint is very actively engaged with surgeons to ensure that the product is ideally suited to their needs.

Recent Developments

Two grants have been won since we agreed the investment in principle, worth £175k and £25k and Lightpoint is applying for more. The £175k grant from the TSB is to support the development of the specimen analyser. The first specimen analyser has been delivered to a UK-based research institution where it will be tested, first with non-clinical samples then with clinical samples and eventually as part of operations.
Lightpoint has had requests for products to be designed for integration with existing surgical robots.

Summary

Lightpoint is off to an excellent start, with technical and commercial development progressing smoothly.