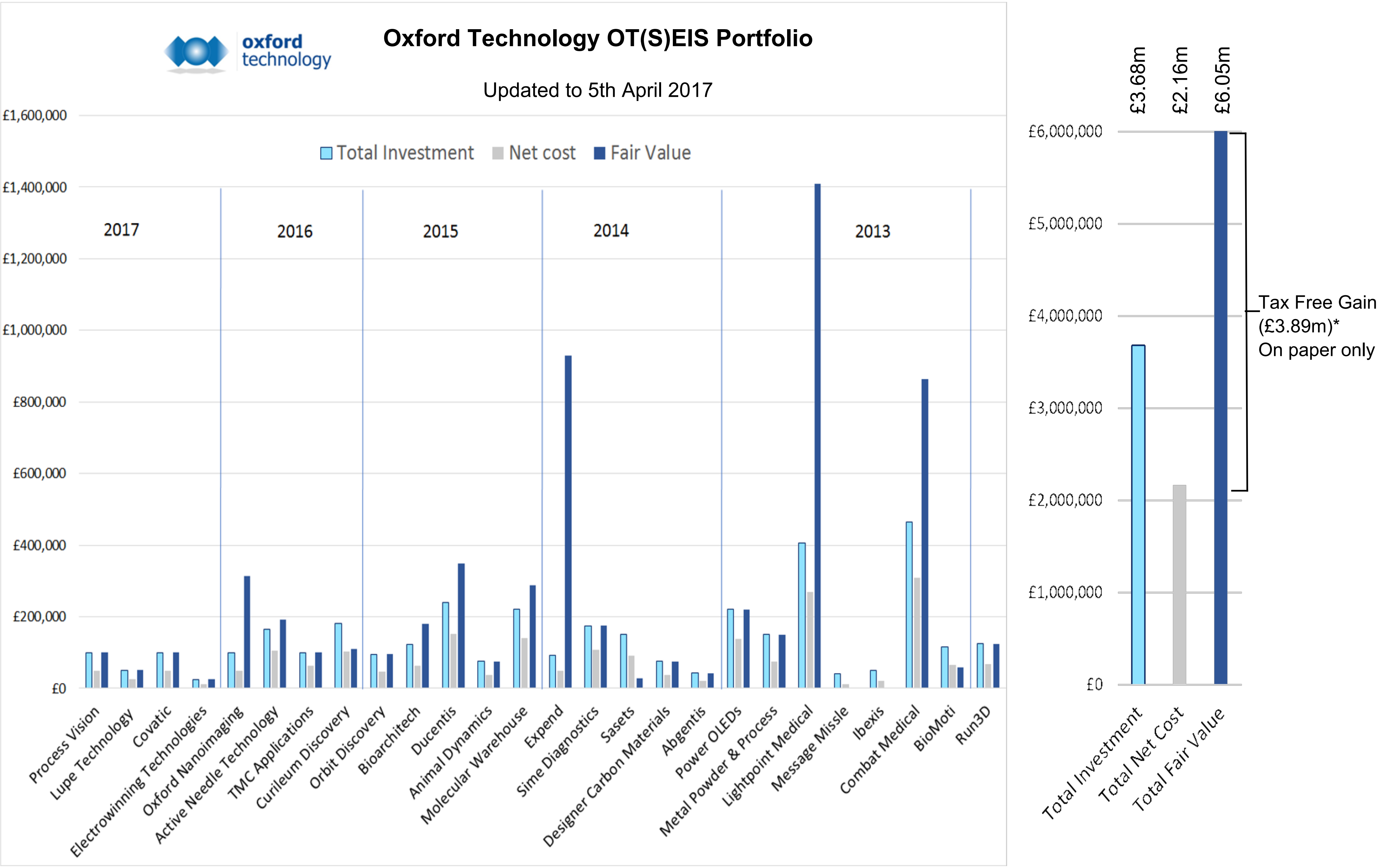

*Note: Net Cost takes into account only the tax relief against income tax and Fair Value includes loss relief where applicable and assumes a 40% taxpayer

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

Quarterly Report to 5th April 2017

Summary

By 5 April 2017, OT(S)EIS had completed 68 investments in 28 companies. There were four new SEIS investments made in the quarter, in Covatic, Electrowinning Technologies, Lupe, and Process Vision. Details of each of these are given in the report.

The figures for the fund as a whole since its inception are as follows:

Gross amount invested by OT(S)EIS:	£ 3.68m	
Net cost of these investments after tax reliefs (1)	£ 2.16m	
Fair value (2):	£ 6.05m	
Tax free gain:	£ 3.89m	(on paper only so far)

1. Assuming only income tax relief for a 40% taxpayer. The net cost will be even less for investors in the fund who also have capital gains tax to pay.

2. Valuations are all done by valuing the shares held by OT(S)EIS at the most recent price paid by investors in the company. If, following an investment, things have gone wrong, then the valuation is reduced. But if things have gone well, but no further investment has been made, then the valuation is not increased. To this extent the valuations are conservative. For example, by December 2015, it was clear that Combat Medical was making excellent progress with its improved treatment for bladder cancer. But the valuation of this investment was not increased until investment was received in March 2016 at a higher share price.

Obviously nothing really counts until there are exits. In a sense, the share price achieved at exit is the only one that matters apart from the original purchase price of the shares. And exits are typically expected in a 5-10 year timescale. But the most recent share price paid is a fair guide to a true valuation.

News in brief.

We now have Oxford Technology, China. Chenjie Ma, who read Engineering at Oxford a few years ago and who then worked for us here for a few months in 2016 is now working for us in China. Almost all of our investee companies are developing or have developed technologies which could be sold in China, so we thought it would be helpful to them to have someone in China who could help them achieve their first sales in this market and maybe find them joint venture partners. Also, we often get approached by Chinese investors wishing to invest in UK technology. So Chenjie may also help this. We hope the Brexit ministers approve. So we have frequent Skype conversations, sometimes with Chenjie translating for a meeting with Chinese held in Oxford.

Run3D had an official launch party for its software at the Running Works in London. One new Run3D clinic went live during the quarter, bringing the total to six, five in the UK, and one in Ireland. Chenjie is seeing if she can find a hospital or sports physiotherapist to open the first Run 3D clinic in China.

During 2016 Ducentis achieved outstandingly good results in the lab, successfully creating an engineered CD200 protein which achieves the same Immune modulation as the wild type protein with between 1/100 and 1/1000 of the dose. A patent application has been filed. At the time of writing Ducentis has raised just over £600,000 of which £125,000 was provided by OT(S)EIS to carry the programme forward. Much of the rest came from OT(S)EIS investors - many thanks to all who contributed.

The world is running out of antibiotics which are effective against gram -ve bacteria. Even the antibiotics of last resort are now becoming ineffective against some new strains. Abgentis has been working on developing an antibiotic which, when combined with an existing product, increases its effectiveness. This is potentially very exciting. At the moment, there is nothing doctors can do for patients with strains that are resistant the antibiotics of last resort.

Expend was not successful at raising £750k at 11p per share on Crowdcube, but was then oversubscribed in raising £500,000 at 6p per share in January. The Expend card is now being used by a few initial customers and development continues apace.

Early sales of ONI's ultra-high resolution microscope have exceeded expectations. It was therefore decided to raise an additional £3m and recruit up to 50 new staff to grow faster. The Fundraising was underwritten at £62.50 per share compared to the £20 price of the initial fundraising, and was completed by the end of the quarter.

Orbit Discovery has started its first contract and Molecular Warehouse has signed its first contract with a major pharmaceutical company, combining a six-figure upfront with multi-£million milestone payments.

SEIS Tax Reliefs Summary

- Income Tax bill reduced by 50% of investment
- Income Tax bill reduced further if the business fails - up to 22.5%
- 50% relief against capital gains which is not merely deferred but cancelled.
- No tax on Capital Gains from investments
- No inheritance tax on shares after 2 years
- Tax reliefs can be claimed as if the investment had been made in the previous financial year, if the investor wishes

EIS Tax Reliefs Summary

- Income Tax bill reduced by 30% of investment
- Income Tax bill reduced further if the business fails - up to 31.5%
- The payment of tax on a capital gain can be deferred where the gain is invested in EIS shares.
  The Capital Gain to be deferred can be made three years before, or one year after the investment.
- No tax on Capital Gains from investments
- No inheritance tax on shares after 2 years
- Tax reliefs can be claimed as if the investment had been made in the previous financial year, if the investor wishes

For more in depth details, please consult HMRC, or your financial advisor.

Example SEIS investment

An individual investor with income tax of £25,000 to pay and capital gains of £100,000 in the 2016/2017 tax year on which tax of £20,000 at the 20% rate is due to be paid invests £10,000 in an SEIS qualifying company in 2016/2017.

Investment:	£10,000
Income tax bill reduced by 50% of this:	-£5,000
Capital Gains tax bill reduced by:	-£1,000
Net cost of investment:	£4,000

For higher and additional rate taxpayers, capital gains tax was 28% in 2015/2016 then changed to 20% in 2016/2017. If the above investor also had income tax of £25,000 and capital gains of £100,000 in the 2015/2016 tax year on which tax of £28,000 at the 28% rate had been due then they could choose whether to treat their 2016/2017 investment as having been made in 2015/2016 and claim relief in that year. This would result in a reduction in capital gains tax of £1,400 and therefore a net cost of investment of £3,600.

Should the investee company fail, the remaining part of the investment on which income tax relief has not been claimed (£50,000 in this example), may be set against the investor's income tax liability.

For a 45% tax payer, this relief is worth £2,250
For a 40% tax payer, this relief is worth £2,000
For a 20% tax payer, this relief is worth £1,000

So for a 45% taxpayer with capital gains tax to pay, the total loss on the investment of £10,000 would be reduced to £1,750 if the investment was made in 2016/2017 and not carried back to the previous year. If the investments succeeds, and the shares are sold for £20,000 (so twice the purchase price) the £20,000 would be tax free, a multiple of more than 5 times the net cost.