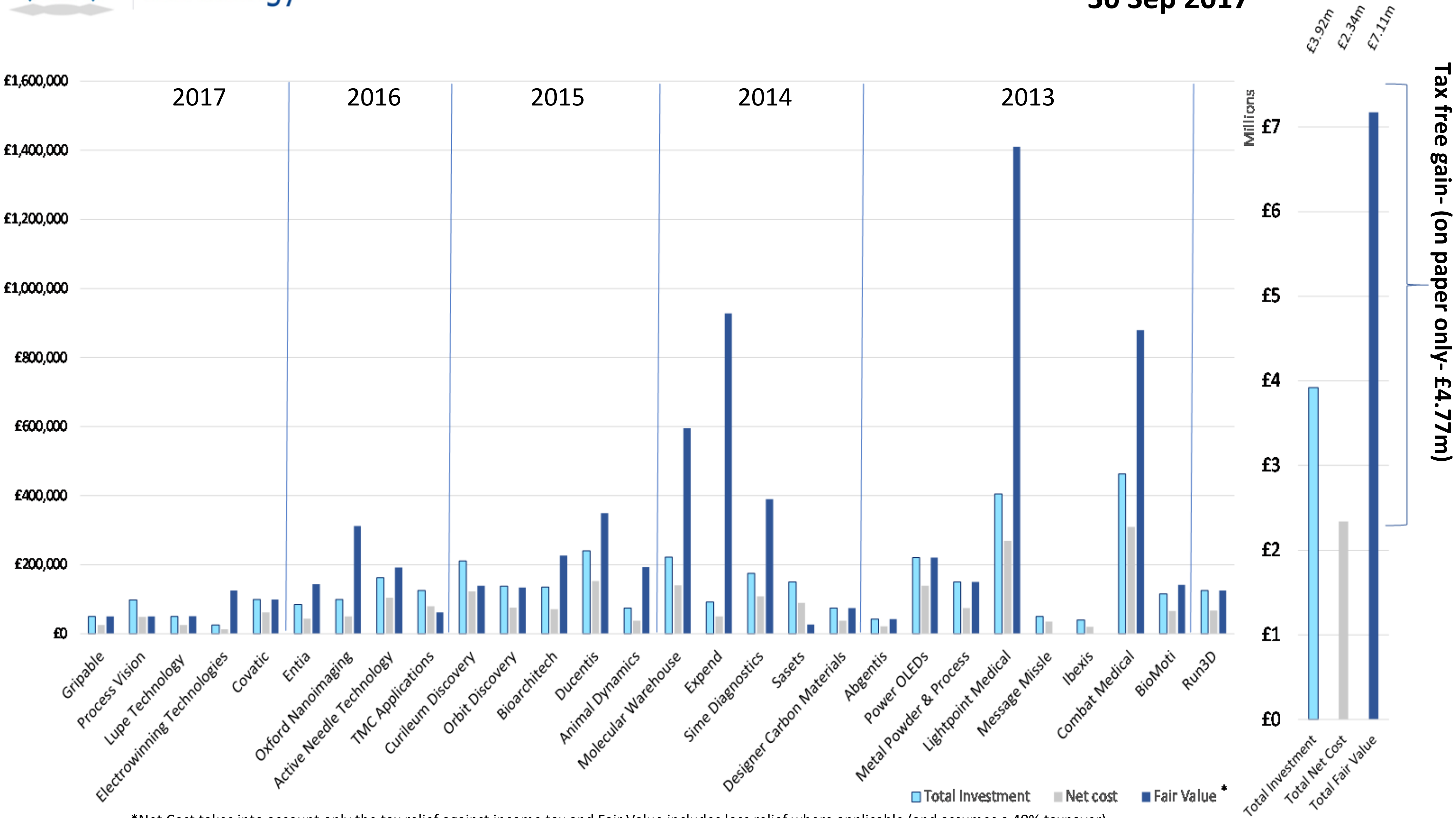
oxford technology

Oxford Technology OT(S)EIS Full Portfolio

30 Sep 2017



*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)

For those investors who also have capital gains tax to pay, there are further CGT reliefs (SEIS) or CGT deferrals (EIS) available.

Oxford Technology Combined SEIS and EIS Fund

- OT(S)EIS -

Quarterly Report to 30 Sep 2017

Summary

By 30 Sep 2017, OT(S)EIS had completed 75 investments in 28 companies.

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

Gross amount invested by OT(S)EIS:	£ 3.92m
Cash back to investors via tax refunds (1):	£ 1.58m
Net cost of these investments after tax reliefs (2):	£ 2.34m
Fair value (3):	£ 7.11m
Tax free gain (on paper only so far):	£ 4.77m

1. The cash back takes some time to arrive, but it comes in the end. First the company has to meet certain HMRC requirements (eg starting to trade or spending 70% of the money invested.) Then we inform HMRC who then send blank forms, which may take two months, which we then complete and mail to investors who can then reclaim the tax when they do their next tax return.

2. 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.

3. 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, 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.

Run3D now has all the building blocks in place to expand. The software works well and is now owned by the company. There are lots of testimonials from runners saying that using the software has enabled them to recover from injury and also to run faster. There are testimonials from clinics saying that offering the Run3D gait analysis has increased their profits. In September Run3D took on a full-time sales person for the first time. Run 3D is raising c£150k as an EIS investment to fund increased marketing and expansion. Please let us know if you might like to invest. OT(S)EIS can invest only a small amount (from the new lower risk EIS fund) since the original investment was more than 3 years ago, and we promised our investors that we would invest all their money within 3 years, a promise which we have kept.

ONI is making good progress and sold 5 nanoimagers to universities round the world worth >$1m in total during the quarter. Nine additional staff were recruited and the company was in the process of moving to new premises at the end of the quarter.

Electrowinning received an order for a trial system for installation at an electrowinning plant, hopefully to demonstrate energy savings and improved quality of copper output.

Lupe showed its production prototype at a large trade show in Germany and received great interest from customers (and also competitors!)

Process Vision received its first order and won an £850k grant.

Active Needle has won a £100k Innovate Grant and will be raising money.

BioArchitech has succeeded in making its oncolytic virus.

Entia's devices are being used to track anaemia in India and the first results confirm the device are accurate.

A investment of £50,000 was made in Gripable, a spin out from Imperial College. A grip with a sensor will enable stroke patients to play computer games while recovering the use of their hands, making their recovery faster and more enjoyable.

Funds

Oxford Technology manages two funds:

1. OT(S)EIS Investors' money is invested over 3 years -Approx 1/3 (less fees) in SEIS investments in year 1, 1/3 in EIS investments in year 2 in those of the earlier SEIS investees which are doing well, and the same again in year 3. SEIS investments are very high risk and some failures are to be expected, although there have been very few so far which is why the track record is so good. So it takes 3-4 years before all the tax reliefs are obtained, which does not suit everybody.

2. OTEIS Investors have all their money invested within one year in EIS investments, mainly in earlier OT(S)EIS investments which are developing well. So this fund has a lower risk profile than OT(S)EIS and investors can claim their tax reliefs more quickly.

It is possible to invest in both funds. Information Memorandums and Application forms can be downloaded from www.oxfordtechnology.com

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 pre-existing capital gains which is not merely deferred but cancelled.
Capital Gains Tax can therefore be reduced by up to 10%.
- No tax on Capital Gains from investments after 3 years
- 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 exited after 3 years.
- 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.