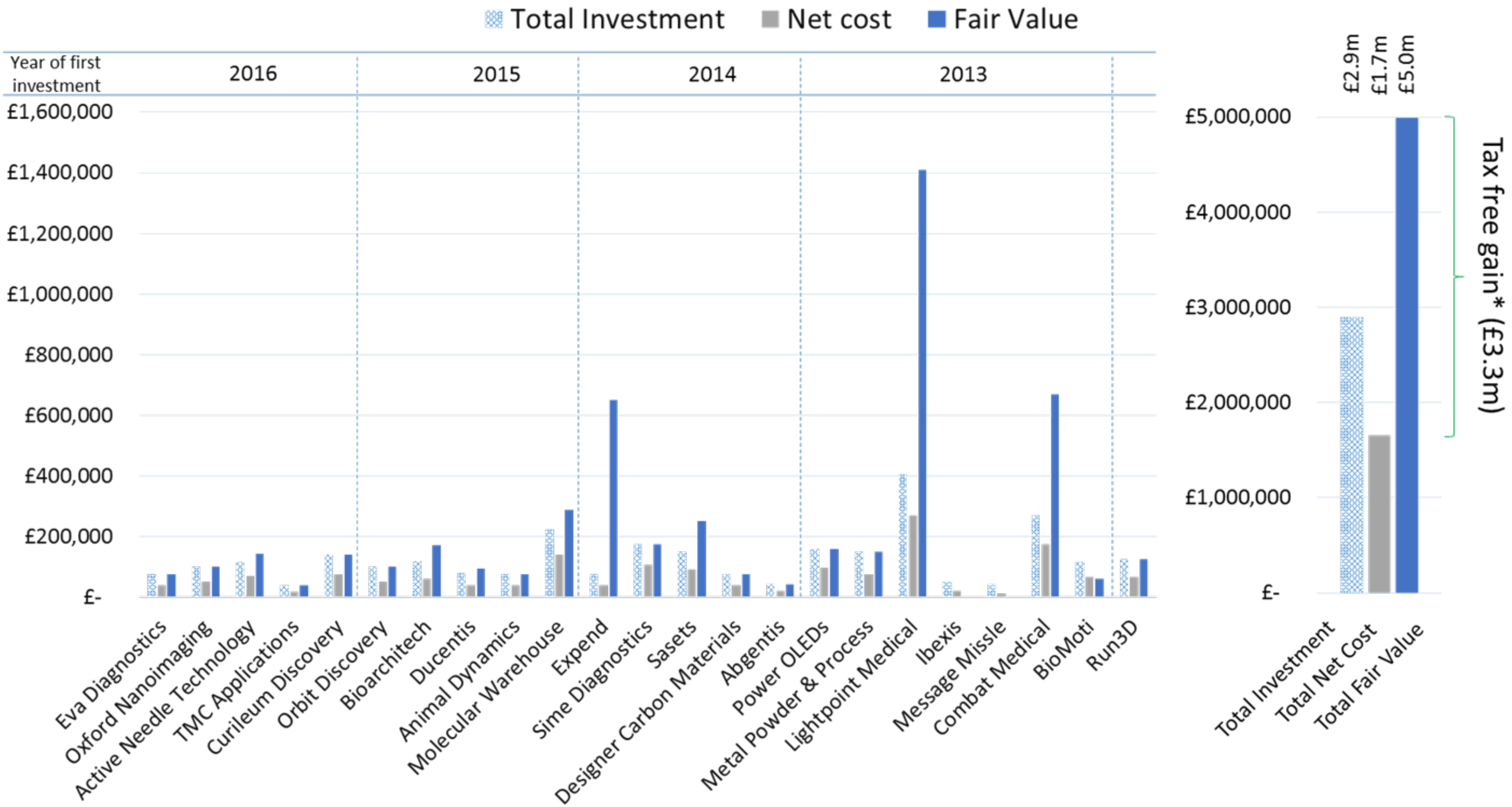
Oxford Technology OT(S)EIS Full Portfolio
Updated to 30th September 2016



*Note: Multiple = Fair Value/Net Cost, where 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 30th September 2016

Summary

By 30 September 2016, OT(S)EIS had completed 50 investments in 23 companies. Details of all the investments and how they are doing are given below.

Things are going well, even very well, and the overall figures are as follows:

Gross amount invested by OT(S)EIS:	£2.9m
Net cost of these investments after tax reliefs (1):	£1.7m
Fair value (2):	£5.0m
Tax free gain (on paper only so far):	£3.3m

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, 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

At the date of writing (30 Sept) Molecular Warehouse has raised £236,000 - 78% of the £300k that it is seeking via Crowdcube. You may view their pitch and invest if you wish on www.crowdcube.com. This investment has come from 141 investors.

At the request of some investors we have decided to offer an EIS only option for new subscriptions to the fund, to be made over 12 months rather than 36 months. These investments will mostly be in the existing investee companies which are making good progress. These are significantly de-risked since we will be familiar with the company and its management, having played an active part in its early development. So please contact us if you would like more information about making a new subscription using the EIS only option.

Run3D, the first OT(S)EIS investment has now completed the redevelopment of its software to the point that it can now begin making new sales. It has managed to achieve this without needing to raise additional capital, partly by raising a grant and partly by issuing shares in exchange for work on the software.

Congratulations to Professor Kyriakos Porfyrakis on being elected a fellow of the Royal Society of Chemistry (FRSC).

More than 10,000 procedures across Europe to treat bladder cancer have now been carried out using the Combat HIVEC system.

OT(S)EIS remains open for investment at any time. We would like to raise more capital - we get approached by many people seeking funding for their technology start-ups - and we would like to do more of these than we are able to do at the moment.

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.