



oxford
technology

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

Quarterly Report to 30th September 2013

Summary

By 30 Sept 2013, OT(S)EIS had raised just over £1.75m and had completed seven investments as shown below. At the date of writing, we are in negotiations with two further possible SEIS investments, one a small follow-on investment in Run3D and the other a new investment, which we are expecting to complete before the end of October. 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 <i>Highlights since investment</i>	Amount invested (£)	Date	SEIS/EIS	Net Cost (£)	Fair Value (£)	Multiple
Run3D	3D Gait Analysis for Physiotherapy <i>2 franchisees in place so far.</i>	100,000	18/12/12	SEIS	50,000	100,000	2
BioMoti	Improved Cancer Drugs <i>Progress on manufacturing of key protein and interaction with potential partners.</i>	75,000	08/01/13	SEIS	37,500	75,000	2
Combat Medical	Bladder Cancer Treatment <i>Distributor with minimum sales agreement in place in Spain. New product launched.</i>	75,000	05/04/13	SEIS	37,500	75,000	2
Message Missile	Mobile Phone Software <i>First customer signed up.</i>	16,000	23/05/13	SEIS	8,000	16,000	2
Ibexis Technologies	Remote Datalogging <i>Investment just made.</i>	50,000	24/05/13	EIS	35,000	50,000	1.4
Lightpoint Medical	Real-time imaging for cancer surgery <i>1.9m of grants won so far.</i>	75,000	04/06/13	SEIS	37,500	75,000	2
Metal Powder and Process	Manufacture of high quality metal powder	150,000	16/08/13	SEIS	75,000	150,000	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.**



New Investments

Metal Powder and Process

Date of Initial Investment:	16 August 2013
SEIS/EIS:	SEIS
Amount Invested:	£150,000
Shareholding (excluding options):	12%

Metal Powder and Process (MP&P) is a newly formed company whose purpose is to produce high quality metal powders for the aerospace, medical and other industries, by gas atomisation. Metal is melted at the top of the atomiser, a machine the size of a small house, poured through a nozzle and blasted by jets of supersonic argon gas, and so turned into dust.

The use of powdered metals has been growing steadily over the last 50 years. It is less expensive to produce certain components, eg gearwheels used in cars, by metal injection moulding powdered steel, than it is to start with solid steel and then cut each tooth on a machine. Metal injection moulding also produces parts which are more accurate and stronger.

Due to the incorporation of some novel technology, it is hoped that the atomiser operated by MP&P will produce powder of higher purity than the powders produced by existing atomisers. This, in turn, should make the powder suitable for use in the aerospace industry. In the past, the aerospace industry has been reluctant to use powdered metal since the impurities which are present in powders produced by existing designs of atomisers are potential crack-initiation sites.

The atomiser to be operated by Metal Powder and Process should be able to produce a wide range of powders. It is not appropriate to give more details here, but it is hoped that first production will be achieved early in 2014.

Updates on existing investments

Run 3D Ltd



Date of Initial Investment:	18 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.

Progress

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.

Recent Developments

Under the original business model, Run3D provided the equipment and software and the revenue was shared with the franchisee. This meant that there was no financial incentive for the franchisees to start quickly. If they provided a gait analysis to only a few runners, they made less revenue but also had less cost. In any event, initial growth was slow. Therefore, by agreement with the franchisees, the model was changed so that there was a minimum payment each month, which covers the costs for a certain number of gait analyses each month. If this number is exceeded, then a further payment becomes due.

So the business is now set to expand steadily as more franchisees are added.

There has been a great deal of interest in the system, and the company believes that there may ultimately be about 50 franchisees in the UK. About ten franchisees should give breakeven.

The first enquiries have been received from would-be franchisees from Spain and Australia.

Summary

Progress has been solid, but a bit slower than originally hoped. The company will require additional investment to reach breakeven. The company will raise a further £30,000 under the SEIS scheme of which OT(S)EIS will invest £25,000. After this further capital will be required and this will be provided partly by OT(S)EIS as an EIS investment.

BioMoti



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

Description of business

OT(S)EIS 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 was appointed as Head of Pathology for the NHS in early 2013. The chairman is Keith Powell who has long experience in early stage biotechnology companies.

Solid cancer cells including ovarian cancers overexpress a particular ligand, CD95L on their surfaces. 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 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 was to provide matched funding for this grant.

The business plan is to develop the technology and to prepare for clinical trials. 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 is carrying out work under the TSB grant, developing the CD95L protein and its methods of production.

The market research and commercialisation plan has now been completed and will be used to engage with potential partners and investors. Grant applications are being prepared to pay for additional researchers.

Summary

Work has started under the TSB grant. Although Biomoti always has an eye open for commercial opportunities the main focus is currently on the development of the technology including the production aspects.

Combat Medical



Date of initial Investment	5 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. The devices are already CE marked and may therefore be used by doctors and the company is undertaking additional clinical trials to make it a standard of care. The hope is that the new treatment will in time become the most common 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. Discussions are taking place – and progressing well - with distributors throughout Europe with the hope of signing up a few more before the end of the year.

The UK clinical trial has been submitted for approval – expected in November - and now includes 12 centres, up from the planned 8. A Spanish trial has also been submitted to 8 centres and is expecting approval in November. The clinical studies share the same protocol directed at treating earlier stage bladder cancer.

We are now aware that a clinical study of bladder cancer chemo-hyperthermia using a microwave system has been suspended, we believe possibly due to secondary effects of microwaves, which Combat does not use. This is potentially good news as it is likely to remove the main competitor in bladder hyperthermia.

A video describing the system can be seen at www.combat-medical.com/en

Summary

Although sales are a little slower than initially predicted, Combat is making good progress. The fact that 12 centres have chosen to participate in the clinical trials indicates the high level of interest in Combat's bladder cancer treatment and should form a good platform for commercial expansion.

Message Missile



Date of initial Investment	23 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. Message Missile 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 partnered with a software development company based in Romania, and by the end of September the Message Missile app was working. All apps require Apple's approval before they can be used on iPhones, and at the time of writing this approval is expected within a few days. The app will then go into active testing trials with its first customer, a night club in Manchester.

Summary

Good progress is being made.

Ibexis Technologies



Date of initial Investment	24 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

Some sales have been achieved, and the company has secured a design and development contract to produce a system for use in the UK to monitor fire and smoke detection. One of the advantages of the Ibexis technology is that it is two-way. As well as reporting on an event in real time - (eg that smoke has been detected in a building) the operator or an automatic can also send instructions (eg to instruct a camera to transmit images and to close a vent). It is believed that this design contract could ultimately lead to substantial orders.

Summary

Progress has been significantly slower than hoped.

Lightpoint Medical



Date of initial Investment	4 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

Lightpoint Medical won two awards in the TSB Photonics for Health Competition and two awards in the TSB Stratified Medicine competition, yielding a total of £1.9m in non-dilutive grant funding. The company is completing the research phase for its lead product and regulated product development will commence next quarter. Also in the last quarter, the company filed two additional international patent applications, and clinical trial plans in breast and prostate cancer are proceeding on track.

Summary

Lightpoint has continued to deliver good results with technical and commercial development progressing smoothly.