

**oxford**  
technology

## **Oxford Technology Combined SEIS and EIS Fund**

### **- OT(S)EIS -**

*Quarterly Report to 31<sup>st</sup> December 2014*

### **Summary**

By 31<sup>st</sup> December 2014, OT(S)EIS had raised £2.8m and had completed 23 investments in 13 companies, as shown below.

The objective of the fund is to invest approximately 1/3 of the principal invested by any investor in SEIS qualifying investments within 12 months of the investment in the fund. This objective has now been met for the early investors in the fund and we expect it to be met for the later investors as well. The other 2/3 of the principal will then be invested in EIS investments, approximately 1/3 from months 12-24 from the date of investment, 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. In December 2014 we invested £135,000 as an EIS investment in Lightpoint Medical, as part of a further fundraising for Lightpoint, which was achieved at 5 times the share price of the original SEIS investment. The fact that OT(S)EIS was able to participate in these fundraisings was a contributory factor to their success.

The fund will remain open for investment, so that investors who wish to make further SEIS and EIS investments may invest further in the fund. The minimum permitted investment is £15,000 per year. The maximum is £300,000 per year, which will result in the maximum limit of £100,000 SEIS investments per year. being achieved Some investors have already done this; please feel free to join them. The objectives will be the same - c1/3 of whatever you invest (less modest fees) will be invested in SEIS investments in months 1-12 post investment, c1/3 in EIS investments in months 13-24 and c1/3 in EIS investments in months 25-36. We receive a steady stream of approaches from scientists and entrepreneurs and would like to be able to invest in more of them.

In his 2014 budget, the Chancellor confirmed that the SEIS scheme would become permanent. Please see the next page for details of the SEIS and EIS tax reliefs and IHT benefits.

## 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%
- Capital Gains Tax bill reduced by 14% of investment (was 28% in first year of SEIS scheme)
- 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 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%
- Capital Gains Tax of up to 28% of investment is deferred. 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 previous financial year, if the investor wishes

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

## Example SEIS investment

An investor with income tax of £25,000 to pay and capital gains of £100,000 (on which £28,000 is due to be paid) invests £20,000 under the SEIS scheme.

Investment:	£20,000
Income tax bill reduced by 50% of this:	-£10,000
Capital Gains tax bill reduced by 14% of this:	-£2,800
Net cost of investment:	£7,200

Should the investee company fail, the remaining part of the investment on which income tax relief has not been claimed (£10,000 in this example), may be set against the investor's income tax liability.

For a 45% tax payer, this relief is worth £4,500








For a 40% tax payer, this relief is worth £4,000

For a 20% tax payer, this relief is worth £2,000

Therefore for a 45% tax payer, with Capital Gains to pay, the loss will be £2,700, so just 13.5% of the £20,000 cost. In the event that the investment fails. If the investments succeeds, and the shares are sold for £40,000 (so twice the purchase price) the £40,000 would be tax free, a multiple of more than 5 times the net cost.

# OT(S)EIS Fund Portfolio







as at 31<sup>st</sup> December 2014

Company	Business	Amount Invested	Date	SEIS/EIS	Net Cost	Fair Value	Multiple*	Method of Valuation
Run3D	 3D gait analysis for physiotherapy	£100,000 £15,000 £10,000	18/12/12 18/10/13 18/10/13	SEIS SEIS n/a	£50,000 £7,500 £10,000	£100,000 £15,000 £10,000	2 2 1	Share Price
BioMoti	 Improved cancer drugs	£75,000 £40,000	08/01/13 28/05/14	SEIS EIS	£37,500 £28,600	£75,000 £40,000	2 1.4	Share Price
Combat Medical	 Bladder cancer treatment	£75,000 £75,000 £10,000 £35,000	05/04/13 05/12/13 29/10/14 05/12/14	SEIS EIS EIS EIS	£37,500 £53,500 £10,000 £25,000	£86,250 £80,000 £14,000 £35,000	2.3 1.5 1.4 1.4	Share Price
Message Missile	 Mobile App enhancement (geo-location notifications)	£16,000 £5,000 £20,000	23/05/13 18/10/13 19/06/14	SEIS SEIS SEIS	£8,000 £2,500 £10,000	£5,600 £1,375 £20,000	0.8 0.55 2	Share Price
Ibexis Technologies	 Remote datalogging	£50,000	24/05/13	EIS	£35,000	£14,000	0.4	Discounted to £0**
Lightpoint Medical	 Real-time imaging for cancer surgery	£75,000 £75,000 £10,000 £125,000	04/06/13 10/03/14 07/11/14 04/12/14	SEIS EIS EIS EIS	£37,500 £53,500 £7,150 £89,500	£375,000 £90,000 £10,000 £125,000	10 1.7 1.4 1.4	Share Price
Metal Powder & Process	 High quality metal powder production	£150,000	16/08/13	SEIS	£75,000	£150,000	2	Share Price

\*Note: Multiple = Fair Value/Net Cost, where Net Cost takes into account only the tax relief against income tax and loss relief where applicable.

**For those investors who also have capital gains tax to pay, the tax reliefs and the multiple will be even greater.**

\*\*Ibexis continues to trade but is making slow progress and we have therefore written the value of the investment down to £0. However of the £50,000 invested, £29,000 will ultimately have been recovered in tax reliefs. So the final multiple will be 0.58. In the table we have shown the multiple of the net cost 0.4 for consistency.

Company	Business	Amount Invested	Date	SEIS/EIS	Net Cost	Fair Value	Multiple*	Method of Valuation
Power OLEDs	 Improved OLED Technology	£75,000 £25,000	11/12/13 18/07/14	SEIS EIS	£37,500 £18,000	£75,000 £25,000	2 1.4	Share Price
Abgentis	 Improved Antibiotics	£42,000	27/03/14	SEIS	£21,000	£42,000	2	Share Price
Designer Carbon Materials	 Endohedral Fullerene production	£75,000	03/04/14	SEIS	£37,500	£75,000	2	Share Price
Sasets	 Software for Construction Industry	£75,000	30/07/14	SEIS	£37,500	£75,000	2	Share Price
Sime Diagnostics	 Rapid diagnostic to protect pre-term baby lungs	£75,000	04/09/14	SEIS	£37,500	£75,000	2	Share Price
Curoo	 Software to reduce paperwork for expenses	£75,000	23/12/14	SEIS	£37,500	£75,000	2	Share Price

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