

Oxford Technology VCT

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Dear OT1 Shareholder,

Many shareholders will already have seen an RNS (copy attached) to the effect that VCT status has been withdrawn from your company from 7 March 2014. We have been informed by HMRC that the effects of withdrawal are:

For the Company:

- its exemption from Corporation Tax on chargeable gains is lost.

For investors in the Company:

- any 'front end' income tax relief in shares issued within a period of 5 years prior to this notice will be withdrawn;
- any deferred gains come to charge;
- subsequent dividends from the Company will not be exempt from income tax;
- any subsequent gains on disposal of shares in the Company will not be exempt from Capital Gains Tax.

Oxford Technology VCT PLC will appeal against this decision and has 30 days in which to do so.

The reason for withdrawal of VCT status by HMRC is that OTVCT has inadvertently breached the '15% rule' of the VCT legislation. This rule says that a VCT must not hold more than 15% of its portfolio value in any one company. The portfolio value is based on the value of the shares at the last price at which any shares were purchased. Valuation is not based on real value even where the real value is known, e.g. because the shares are freely traded on the stock market.

In the case of our holdings in Scancell, the company holds shares bought at historically lower prices such that the total value by HMRC rules was less than 10% of the portfolio value. However, in August 2013 OTVCT participated in a Scancell rights issue priced at 22.5p while the market price was around 30p. It seemed that not to have participated in this discounted rights issue would not have been in the interests of OTVCT shareholders.

It was only later that I realised that this purchase of new shares meant that all the earlier shares would need to be revalued for the purpose of the 15% rule calculation, and this meant that OTVCT had inadvertently breached the 15% rule because Scancell's share price had risen so much since the time of the previous investment.

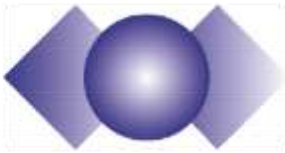
So I informed HMRC of this, apologised, and asked what we could do to correct the breach. For example, could we sell the extra shares we had just purchased?

On 7 March 2014, we received the letter from HMRC (attached), saying that HMRC was withdrawing VCT status from OTVCT. The letter also says that we have the right of appeal, which we will take up.

Oxford Technology Venture Capital Trust plc

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Recent conversations with HMRC have indicated that they may issue letters seeking repayment of the tax reliefs claimed quite soon, but that shareholders receiving such letters may request that they do not pay anything until after the result of the appeal is known. The appeals process is likely to last for several months.

To end this letter on a brighter note I will outline the history of our involvement with Scancell, one of the fund's best investments. In 1999 Oxford Technology VCT invested £125,000 in Scancell Ltd, a start-up founded by Professor Lindy Durrant. At the time the company had three employees and was based in a lab at Nottingham University. I am glad to say that this company has been successful, in the sense that it has developed some potentially world-beating technology. It has developed a deep understanding of how cancer works and this has enabled it to develop vaccines which could potentially be used to treat all common solid cancers, including breast and prostate cancer. The risks associated with this investment are still very high, but huge progress has been made. Specifically, Scancell now has a vaccine for melanoma (skin cancer) in clinical trials and the early results from these trials have been encouraging.

Over the years, Scancell has needed to raise more capital, and Oxford Technology VCT has always supported it by participating in these fundraisings. Specifically, OTVCT has invested the following amounts:

Aug 99	£125,000
Feb 01	£66,666
Apr 05	£50,000
Sep 08	£100,000
Mar 10	£75,000
Aug 13	£75,000
Total	£491,666

Today Scancell is quoted on AIM and is valued at c £70m. OTVCT owns 7,466,663 shares and at 28 Feb 2014, these shares were worth £2.46 m at the offer price of 33 pence.

I am very sorry to be the bearer of this news and can assure you that every possible effort is being made through a number of channels to avoid the adverse tax consequences for shareholders who are completely innocent of any involvement in the breach of the rules. We will keep you informed of developments.

Yours sincerely,

Lucius Cary