

Oxford Technology 2 Venture Capital Trust Plc



UNAUDITED HALF-YEARLY REPORT

For the period 1 March 2021 to 31 August 2021

	6 Months Ended 31 August 2021	Year Ended 28 February 2021
Net Assets At Period End	£1.50m	£1.32m
Net Asset Value (NAV) Per Share	28.1p	24.8p
Cumulative Dividend Per Share	22.5p	22.5p
Total NAV Return Per Share	50.6p	47.3p
Share Price At Period End (Mid-Market)	25.0p	20.0p
Earnings Per Share	3.3p	(3.0)p

Company Number: 3928569

Registered Address: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2021. The period under review continued to be impacted by the implications of the Covid-19 pandemic and the subsequent actions of the UK government, as well as post-Brexit trading implications. Your Investment Adviser and the Directors have continued to manage the VCT and its portfolio effectively together via remote working during lockdown.

Results and Dividend

The Company's net asset value (NAV) per ordinary share has increased from 24.8p to 28.1p as at 31 August 2021. Compared to 28 February 2021, although operating costs reduced the NAV per share by 0.7p during the period, movements in the portfolio increased it by 4.0p. The rise was primarily due to an increase of the valuation of Arecor Therapeutics plc ("Arecor") following its flotation on AIM. No dividends were paid during the period.

Portfolio Review

The portfolio – still containing 8 investments in total – continues to develop. No investments (or divestments) were made during this period. As indicated in the Annual Report, the portfolio is now fairly concentrated, with 3 investments representing more than three quarters of the NAV (and 87% of the investment valuation).

Arecor represents 46% of the portfolio at the half year. After floating on AIM in June at a price of 226p per share and raising £20m, the share price remained firm and was 230p at 31 August 2021 (for these half year accounts). The £20m raised will fund its ongoing clinical trial programme, and the company has continued to provide excellent news flow regarding its technical and commercial progress. As noted in the Annual Report, the VCT is restricted from realising its holding for up to 2 years. Over the latter part of September 2021, the Arecor share price has increased on relatively thin trading volumes. As at 7 October 2021, its bid price was 360p per share, an increase of 57% since the period end. As this is the our largest investment, any such change has a material impact on the Company's NAV: for every 10p per share change in Arecor's bid price, the NAV per OT2 share moves by just under 0.5p per OT2 share. Hence, had Arecor been valued at 31 August 2021 using this bid price (with no other changes to the valuation of any other investment), then the NAV per share would have been 34.6p, an increase of 6.5p.

The second largest holding is also AIM quoted – Scancell Holdings Plc ("Scancell") – makes up just over 20% of the portfolio. During the last six months, it has made two significant announcements. The UK's Medicines and Healthcare Products Regulatory Authority has approved the clinical trial application to initiate the first-in-human Phase I/II clinical study of Modi-1. The company expects to enrol patients into the study later this year, following ethics committee sign-off. Initial safety/tolerability data from the open label portion of the trial could be available from H1 22. The Modi-1 clinical trial will be a first-in-human clinical trial in patients with triple negative breast, ovarian, head and neck or renal cancers. Scancell is also making progress with its Covid-19 vaccine candidates that aim to protect against all variants of the SARS-CoV-2 coronavirus. Its COVIDITY-001 study, including the use of the two PharmaJet needle-free injectors, has been approved by the South African regulatory authority. The trial has now started with the first subject dosed. The COVIDITY programme – a collaboration between Scancell, scientists in the newly established Centre for Research on Global Virus Infections, the new Biodiscovery Institute at the University of Nottingham, and Nottingham Trent University – has received funding from Innovate UK.

STL Management Limited ("Select Technology") represents just under a fifth of the portfolio. Select Technology distributes high quality document management software via its global channel partners while adding significant further value through its development team by providing integrations and bespoke solutions. Sales were significantly affected by Covid-19 and are now being impacted by the global shortage of computer chips. Select Technology's distributors normally sell new software licences alongside the sale of hardware. Alex Starling has now joined the board of Select Technology to represent the VCT's interests as we seek to maximise shareholder value.

ImmBio – formally known as ImmunoBiology Ltd – has licensed its pneumococcal vaccine to China National Biotech Group. It has completed certain parts of its technology transfer and is now seeking to start a phase 2 study of the same vaccine. To do this it has been applying for grants but has been turned down for several. Commercial discussions continue with partners, but it has been decided to move the core technology to Liverpool University to reduce costs.

Overall, as seen in the Income Statement, the impact of valuation rises across the portfolio during the first half of the 2021/2022 year was a gain of £211k.

The Directors, along with the Investment Adviser, continue to take an active interest in the companies within the portfolio, both to support their management teams to achieve company development, but also to prepare companies for realisation at the appropriate time. It should however be noted that approaches do occur at other times, and the ability of the Directors and Investment Adviser to be able to provide support when such approaches occur is essential for maximising value.

VCT qualifying status

The small size of the VCT means significant focus is required to ensure we retain sufficient working capital to manage the Company whilst meeting all the conditions laid down by HMRC for maintaining approval as a VCT. The Board has procedures in place to ensure that the Company continues to comply with these conditions, in particular the new 80% qualifying holding limit which has been in place since 1 March 2020. There have been no other recent changes to VCT legislation which could have potential impact on either the VCT or its investee companies.

Presentation of half-yearly report

In order to reduce the length of this report, we have omitted details of the Company's objectives and investment strategy, its Advisers and Registrar and how to buy and sell shares in the Company. These details are all included in the Annual Reports, which together with previous half-yearly reports, are available for viewing on the Oxford Technology website.

Shareholder Events

Your Company held two events and the AGM in July and August to give shareholders an opportunity to discuss the Directors' plans for the VCT and returning cash to investors. We are very grateful to those shareholders who attended these meetings (whether in person or remote) and those who engaged by email. This gave the Board useful feedback. We really appreciate your input and continued support. Please do not hesitate to be in touch – we will endeavour to respond, either directly or by incorporating your questions and feedback into our shareholder communications. We are considering how we can provide an optimum blend of in-person and remote options for future shareholder events.

Share Capital – Sub-division and Reclassification, and Reduction of Capital

Shareholders voted unanimously in favour of the relevant resolution at the Annual General Meeting, and as a result each ordinary share of 10p in the capital of the Company was sub-divided to an ordinary share of 1p and a deferred share of 9p. The Company subsequently repurchased and cancelled the deferred shares for the aggregate sum of 1p. A shareholder now holds exactly the same number of shares as before, but the nominal value of each share has reduced from 10p to 1p. The NAV of each ordinary share was unaffected by this change. This change has no adverse consequences for shareholders and is merely a precursor to enable the creation of additional distributable reserves in the future, which may allow the Company to pay out more to shareholders in time. The Company now has 5,331,889 ordinary shares of 1p each (and no deferred shares of 9p each). Existing share certificates remain valid.

Outlook

We continue to believe your VCT is an appropriate structure to hold your Company's investment, but it would be preferable to have a larger asset base to share the operating costs. I have reported previously of our efforts to seek prospective parties who are potentially interested in entering the VCT industry. Detailed discussions are underway and a further announcement will be made if or when such discussion reach a suitable stage. We have always made clear that there is no certainty such a route can be achieved, but the Directors will continue working on all such opportunities. Your Board and Investment Adviser continue to work to best position your VCT such that, when valuations and liquidity allow, holdings can be exited and proceeds distributed to shareholders, whilst keeping a keen eye on maintaining costs as low as possible in the interim.

Richard Roth
Chairman
8 October 2021

Investment Portfolio as at 31 August 2021

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/21 £'000	Change in value for the 6 month period £'000	% Equity held OT2	% Equity held All OTVCTs	% Net Assets
Arecor (bid price 230p)	Protein stabilisation	252	617	198	1.0	5.7	41.2
Scancell (bid price 22.5p)	Antibody based cancer therapeutics	150	281	-	0.2	1.5	18.8
Select – STL Management	Specialist photocopier interfaces	132	263	13	7.4	58.6	17.6
ImmBio	Novel vaccines	295	59	-	3.1	22.6	3.9
Plasma Antennas	Solid state directional antennas	188	56	-	5.6	48.8	3.7
Insense	Wound healing dressings	204	52	-	2.0	6.8	3.5
Inaplex	Data integration software	138	2	-	21.5	34.8	0.1
Oxis Energy	Battery technology	540	0	-	0.1	0.3	0.0
Total Investments		1,900	1,330	211			88.8
Other Net Assets			167				11.2
Net Assets			1,497				100.0

Responsibility Statement of the Directors in respect of the half-yearly report

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Interim Financial Reporting” issued by the Financial Reporting Council;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
 - a description of the principal risks and uncertainties for the remaining six months of the year.
 - a description of related party transactions that have taken place in the first six months of the current financial year that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.
- The assets of the Company include cash and shares in two AIM quoted companies one of which is quite liquid and readily accessible. After reviewing the forecast for the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the half year accounts.

On behalf of the Board:

Richard Roth
Chairman
8 October 2021

Income Statement

	Six months to 31 Aug 2021			Six months to 31 Aug 2020			Year to 28 February 2021		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrealised gain/(loss) on valuation of fixed asset investments	-	211	211	-	(152)	(152)	-	(95)	(95)
Investment income	-	-	-	-	-	-	-	-	-
Investment management fees	(7)	-	(7)	(8)	-	(8)	(8)	-	(8)
Other expenses	(30)	-	(30)	(28)	-	(28)	(57)	-	(57)
Return on ordinary activities before tax	(37)	211	174	(36)	(152)	(188)	(65)	(95)	(160)
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(37)	211	174	(36)	(152)	(188)	(65)	(95)	(160)
Earnings per share – basic and diluted	(0.7)p	4.0p	3.3p	(0.6)p	(2.9)p	(3.5)p	(1.2)p	(1.8)p	(3.0)p

There was no other Comprehensive Income recognised during the year.

The 'Total' column of the Income Statement is the Profit and Loss Account of the Company, the supplementary Revenue and Capital return columns have been prepared under guidance published by the Association of Investment Companies.

All Revenue and Capital items in the above statement derive from continuing operations.

The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Balance Sheet

	As at 31 Aug 2021		As at 31 Aug 2020		As at 28 Feb 2021	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments at fair value		1,330		1,062		1,119
Debtors	64		20		8	
Cash at Bank	117		222		211	
Creditors: amounts falling due within one year	(14)		(9)		(15)	
Net current assets		167		233		204
Net assets		1,497		1,295		1,323
Called up share capital		53		533		533
Capital redemption reserve		626		146		146
Share premium reserve		376		376		376
Unrealised capital reserve		(420)		(838)		(631)
Profit and Loss account		862		1,078		899
Total equity shareholders' funds		1,497		1,295		1,323
Net asset value per share		28.1p		24.3p		24.8p

Statement of Changes in Equity

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Reserve £'000	Unrealised Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
As at 1 March 2020	533	146	376	(686)	1,114	1,483
Revenue return on ordinary activities after tax	-	-	-	-	(36)	(36)
Current period losses on fair value of investments	-	-	-	(152)	-	(152)
Balance as at 31 August 2020	533	146	376	(838)	1,078	1,295
As at 1 March 2020	533	146	376	(686)	1,114	1,483
Revenue return on ordinary activities after tax	-	-	-	-	(65)	(65)
Current period losses on fair value of investments	-	-	-	(95)	-	(95)
Permanent diminution in value now realised	-	-	-	150	(150)	-
Balance as at 28 February 2021	533	146	376	(631)	899	1,323
As at 1 March 2021	533	146	376	(631)	899	1,323
Revenue return on ordinary activities after tax	-	-	-	-	(37)	(37)
Current period gains on fair value of investments	-	-	-	211	-	211
Share capital reclassification	(480)	480	-	-	-	-
Balance as at 31 August 2021	53	626	376	(420)	862	1,497

Statement of Cash Flows

	Six months to 31 Aug 2021 £'000	Six months to 31 Aug 2020 £'000	Year to 28 Feb 2021 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	174	(188)	(160)
Adjustments for:			
(Gain)/Loss on disposal of fixed asset investments	-	-	-
(Gain)/Loss on valuation of fixed asset investments	(211)	152	95
(Decrease)/increase in creditors	(1)	(2)	4
(Increase)/Decrease in debtors	(56)	(10)	2
Outflow from operating activities	(94)	(48)	(59)
Cash flows from investing activities			
Inflow/(outflow) from investing activities	-	-	-
Cash flows from financing activities			
Dividends paid	-	-	-
Total cash flows from financing activities	-	-	-
Decrease in cash and cash equivalents	(94)	(48)	(59)
Opening cash and cash equivalents	211	270	270
Closing cash and cash equivalents	117	222	211

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2021 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting ('FRS 104') and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2019)'. Details of the accounting policies and valuation methodologies are included in the Annual Report.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 August 2021 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 28 February 2021 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

The calculation of earnings per share for the period is based on the return attributable to shareholders divided by the weighted average number of shares in issue during the period. There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant.

4. Net asset value per share

The net asset value per share is based on the net assets at the period end divided by the number of shares in issue at that date (5,331,889 in each case).

5. Share Capital – Sub-division and Reclassification, and Reduction of Capital

As referred to in the Chairman's statement, each ordinary share of 10p in the capital of the Company was sub-divided and reclassified into one ordinary share of 1p and one deferred share of 9p, and then all of the deferred shares were repurchased and cancelled for the aggregate sum of 1p. The Company now has 5,331,889 ordinary shares of 1p each (and no deferred shares of 9p each).

6. Principal risks and uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 28 February 2021. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. Related party transactions

OT2 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company for a fee of 1% of net assets per annum. For operational reasons, OT2 has loaned £50k to Oxford Technology VCT Plc under the Common Payments and Liquidity agreement held between the VCTs.

Copies of this statement are available from Oxford Technology Management, Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and on the Company's website.

Board Directors: Richard Roth, Alex Starling, Robin Goodfellow and David Livesley

Investment Manager: OT2 Managers Ltd with services contracted to Oxford Technology Management Ltd

Website: www.oxfordtechnologyvct.com/vct2.html