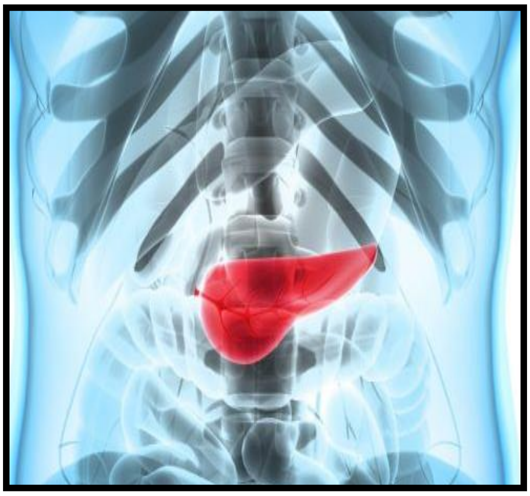
Company Registered Number: 3928569

# Oxford Technology 2 Venture Capital Trust Plc



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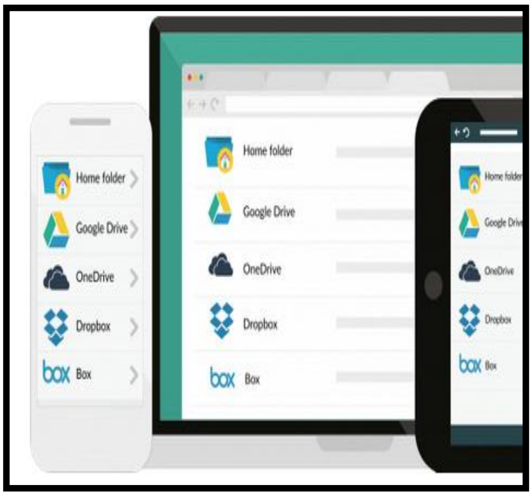



SELECT - STL MANAGEMENT

IMMBIO

ORTHOGEM

# Annual Financial Statements
# For the Year Ended 28 February 2019

# Contents

# About Oxford Technology 2 VCT Plc

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. This was achieved by offering VCT investors a series of tax benefits. Oxford Technology 2 VCT Plc (OT2) was listed on the London Stock Exchange in April 2000. It raised £6m in 2000-01. Further top-up offers have raised an additional £468k.

The Company is managed by OT2 Managers Ltd with services subcontracted to Oxford Technology Management Ltd.

# Investment Strategy

The Company has built a balanced portfolio of investments with the following characteristics at the time of the initial investment:

- Unlisted, UK based, science, technology and engineering businesses; the Company has also invested in AIM listed Scancell Holdings Plc;
- Investments typically in the range of £100k to £500k;
- Generally located within approximately 60 miles of Oxford so that the Company can be an active investor.

The key feature of Oxford Technology 2 VCT is that it has focussed on investing in early stage and start-up technology companies. Early stage companies are those which have received some initial sales. Start-up companies are those which are at an earlier stage; they will usually have already developed their initial product or service and be close to achieving their first sales.

The returns from such investments when successful can be highly attractive, but the associated risks are high. It is intended that most of this risk will relate more to technical success or failure than to fluctuations in the major financial markets. As a result, the fund can act as a strong diversifier to a shareholder's overall portfolio by providing exposure to a different risk /reward profile from mainstream markets.

The full investment policy is included in the Business Review.

OT2 has been approved as a VCT by HMRC throughout the year and continues to comply with all statutory requirements.

# Financial Headlines

| | Year Ended 28 February 2019 | Year Ended 28 February 2018 |
|---|---|---|
| **Net Assets at Year End** | **£1.67m** | **£1.69m** |
| **Net Asset Value per Share** | **31.4p** | **31.7p** |
| **Dividend per Share paid in Year** | **-** | **8.0p** |
| **Cumulative Dividend per Share** | **21.0p** | **21.0p** |
| **NAV + Cumulative Dividend per Share paid from Incorporation** | **52.4p** | **52.7p** |
| **Share Price at Year End** | **40.0p** | **27.5p** |
| **Earnings Per Share (Basic & Diluted)** | **(0.3)p** | **1.0p** |

# Strategic Report

The Strategic Report has been prepared in accordance with the requirements of Section 414C of the Companies Act 2006 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. Its purpose is to inform shareholders of the progress of the Company, to look at the current business model, future objectives, strategy and principal risks of the Venture Capital Trust.

The Strategic Report consists of the Chairman's Statement, which looks at future prospects for the Company, a Business Review, which includes analysis of the principal risks, and an Investment Portfolio Review, which looks at the performance of the Company's investments over the past year.

The Company's objective is to maximise shareholder value and so we continue to work with our investee companies to help them succeed and to seek exits as and when appropriate. The aim is to build shareholder value and distribute one-off payments to shareholders as and when exits are achieved whilst retaining sufficient resources to continue to support other existing investees. These distributions will be made via dividend payments or, if it is considered to be in shareholders' interests, using other mechanisms such as buybacks (e.g. a tender offer).

# Chairman's Statement

I am pleased to present my Annual Report for the year to 28 February 2019 to fellow shareholders.

**Overview**

After three years of significant increases in Total Return (which was recognised by the Company being short listed in the category of VCT of the Year in the "Investment Week Investment Company of the Year Awards 2018"), the 2018/9 year has been a period of minimal overall value change, with the net asset value (NAV) per share dropping 0.3p to 31.4p. Total Return since the Company's launch is 52.4p.

Shareholders will recall that in June 2017, the Company largest investment, OC Robotics, was sold. Part of the terms of that sale included a retention to cover potential warranty claims – OT2's share of this outstanding amount is £327,500. Provided no claims are made by the acquirer, this is due to be paid to us in June this year. To date we are not aware of any claims that may be made, but given this is entirely out of our control, we have maintained the principle of accruing only half of this benefit in the accounts with £163,750 included within the debtor's balance (just over 3p per share).

**Termination of discussions with Chelverton**

The Board was disappointed to announce the termination of discussions with Chelverton Asset Management Limited ("Chelverton") in January 2019. The circular issued on 22 October 2018 gave detailed reasons for the offer and the jointly agreed changes that would be forthcoming. At the general meeting held in November 2018, shareholders had overwhelmingly voted to approve all the resolutions that would have enabled the Company to launch an offer for a new class of B shares and appoint Chelverton to manage this class of shares. The key benefits for OT2's shareholders included a reduction in fixed annual running costs to be incurred by the ordinary share portfolio, as well as ensuring ongoing longevity of the fund, which is especially important to those shareholders who deferred capital gains on their original subscription of shares. In addition, it would have allowed Shareholders the opportunity to invest in a generalist VCT qualifying pool with ongoing oversight from two of the existing Directors, allowing existing shareholders to benefit from 30% income tax relief and tax-free distributions, and with a reduced cost of entry. The Board also hoped that they may have been able to release some cash currently held as working capital, and hence pay an additional small special dividend to existing shareholders.

The proposed offer was also subject to the issue of a prospectus and it raising a minimum level of new subscriptions: the documentation was in the process of being finalised by both Chelverton and OT2 and HM Revenue & Customs had given the Company conditional assurance that the B shares would constitute eligible shares for the purposes of section 273 ITA, and that the Company would maintain its approval as a VCT. It was therefore with some surprise that your Board received notification from Chelverton that they had unilaterally decided not to proceed with the offer. The proposed offer for subscription for a new class of B shares is therefore not proceeding at this time, and Chelverton will not be appointed as investment manager of OT2.

Your Board had taken care to ensure that any circular and prospectus costs were borne by Chelverton alone and there are no termination costs. The Company did incur some minor costs in taking advice on, negotiating and preparing for the proposed transaction. These costs amount to less than £15,000 (less than 0.3p per share) and included an aggregate amount of £10,000 to be paid to two of the directors for work substantially above that envisaged under the existing letters of appointment. I received a sum of £8,000 and Alex Starling £2,000.

For the reasons explained in the circular, your Board remains convinced that expanding the asset base of the Company by raising funds with a new manager remains an attractive course of action for OT2's shareholders, and therefore will continue to pursue other such opportunities to achieve this goal, although there is no certainty that such an opportunity will be found. This is referenced further in the section "Planning for the Future" below.

**Portfolio Review**

Select Technology, a photocopier (or more generally Multi Function Device, or MFD) software company, is the largest holding in your Company's portfolio. It has been positioning itself for growth, and has made a welcome return to profitability (and indeed paid a small dividend to OT2 in February 2019). Select Technology now sells a more balanced portfolio of software products worldwide, and in fact some of the recent progress has been from export markets. In 2017 we reverted to a valuation methodology based on a sales multiple to more appropriately reflect the prospects of the business. Our 7.4% stake in this business (OT2 holds Select Technology via holding company STL Management Limited) has increased in value by just over a fifth over the course of the 12 months ending 28 February 2019, and the investment now makes up just over a quarter of the Company's overall NAV.

Arecor raised £6 million in 2018 for the clinical development of its diabetes speciality pharmaceutical portfolio. Your Company had contributed £200k at the end of the prior year to the pre-cursor to this funding round, whilst it still had sufficient capability within the limitations imposed by the VCT rules. Arecor has used the investment to strengthen its management team with the appointment of a Chief Financial Officer as well as to progress its portfolio into the clinic. A Phase 1 Clinical Trial Application has been approved by the Austrian Federal Office for Safety in Health Care. The double-blind, randomised, three-way cross over study will compare Arecor's product to current best in class insulin treatments. The trial is being conducted in Austria at an internationally recognised centre of excellence in the field of diabetes research.

ImmBio (more formally known as Immunobiology) has continued to progress its vaccine programmes, and following its first successful trial on humans, has now signed its first commercial licence with China National Biotech Group for its pneumonia vaccine PnuBioVax. This is significant not only as a commercial milestone, but also a third party validation of the heat shock protein mediated vaccine approach pioneered by ImmBio. Your Company invested £12k to support the company during the negotiation of this licence and has recently provided a further £8k to provide working capital until the first milestone payments are received from the Chinese licensee.

These three companies represent nearly 60% of OT2's NAV. A further 10% is covered by Orthogem which has developed and is selling synthetic bone graft materials. Orthogem originally developed TriPore as a granular formulation, but have recently launched a new putty formulation, which fits better with modern orthopaedic surgery techniques. Your Company invested £59k during the year to support the registration and launch of the TriPore Putty product.

Last year, I advised that we had made a new investment in April 2018 of £150k into Scancell Holdings Plc ("Scancell"). The prime driver of this was to provide a holding that should provide liquidity in the future, given the illiquid nature of the Company's other investments, the inability to hold very much cash given the need to be 80% invested in qualifying holdings, and yet also the necessity to be able to continue to have enough cash to pay operating costs as they become due – potentially over a number of years into the future. Obviously, it was also hoped to prove a profitable investment in its own right. Scancell is a company well known to the Board and investment adviser, and operates in the exciting – if difficult – area of cancer immunotherapy. Importantly it is listed on AIM, and the opportunity arose to participate in the £8.7m (gross) placing last year at 12p.

Scancell is using the proceeds to support clinical trials for SCIB1, SCIB2 and Modi-1 and pre-clinical work for Modi-2. Unfortunately, the share price of Scancell has performed badly subsequently, dropping to 7p by 28 February 2019, and falling further since, and is currently just above 4p. Scancell has had some mixed news flow during the course of the reporting period. Approval of the SCIB1 phase 2 melanoma combination trial in the US was delayed due to FDA questions over the mark 2 third party delivery device, but at the end of April 2019 the company announced that this phase 2 trial had received regulatory approval in the UK.

The partnerships with the likes of Cancer Research UK (CRUK) and BioNTech continue. Scancell were shortlisted, but not a winner of the CRUK Grand Challenge: however, the relationships with larger players who supported Lindy Durrant's technical leadership will hopefully bear fruit in the future. The first clinical trial of Moditope will start in 2020, addressing 3 different types of cancer. The management team has been strengthened with 2 new senior appointments. In May 2019, Scancell announced encouraging progress in the Cancer Research UK SCIB2 pre-clinical studies enabling liposomal nanoparticles to be used as a delivery system as an alternative to the SCIB1 electroporation method. CRUK is now planning a clinical trial to test efficacy and safety of SCIB-2.

Your Company also has holdings in four other companies, which together represent less than 10% of the NAV. We still hope some of these have potential for future value growth, although we had to reduce the value of Oxis in line with their latest funding round, when the previously expected price level was not achieved.

The Directors 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 be noted, however, that approaches do occur at other times, and the ability of the Directors and Investment Advisor to be able to provide support when such approaches occur is essential for maximising value.

Further details are contained within the Investment Advisor's Report, and on our website.

**Dividends/Return of Capital**

Following the significant return of funds to shareholders in the prior year, the Directors are not recommending a final dividend for the year ending 28 February 2019.

The ongoing strategy is to seek to crystallise value from the portfolio and distribute cash to shareholders. Our priority is to maximise shareholder value and liquidity over the medium term by seeking exits for these holdings at the appropriate time.

**VCT Market Changes**

After some bigger changes in previous years, the regulatory landscape remained broadly unchanged during the period following the Patient Capital Review (PCR) in the autumn of 2017. Post PCR, we have noticed an increase in VCT activity in the venture and growth sectors, which we believe to be a good development. In fact, the move away from secondary capital and asset backed investment by the VCT industry seems to be going well – and this is no bad thing for UK Plc. We believe that, appropriately resourced and supported, the VCT structure is well-suited to this patient approach to long term value creation.

Shareholders should be aware that as from 1 March 2020 there is an increase in the level of VCT qualifying investments to 80% (up from 70%) that a VCT needs to hold. OT2 already comfortably exceeds this threshold, although some care will be needed by the end of this year if the retentions held back from the OCR sale (referred to above) are received in full.

**Planning for the Future**

I have referred above to the previous announcements relating to our plans for the future. We have continued to look at methods of improving operational efficiency, reducing costs and, more generally, putting in place appropriate plans to ensure your VCT's operational costs relative to its overall size remain within acceptable limits. The uptick in interest in 'business as usual' VCT venture and growth investing has resulted in these listed retail investment vehicles becoming of more interest to mainstream fund managers who do not already have a VCT as part of their 'waterfront'. The previous transaction has sparked significant interest from a number of other fund managers, who have also seen the success of a similar arrangement where an existing VCT has managed to expand its asset base via the appointment of a new fund manager, who themselves are raising capital under a new B share class. The Board is in active discussions with these parties, and whilst there can be no certainty than any of these discussions will lead to a tangible proposal that can be put to shareholders, the Board is hopeful that a similar transaction to that previously proposed to be with Chelverton can be replicated with another partner. Should this be the case, we will present any such plans to you in due course.

**Change of Auditor**

As we announced in our half year results, James Cowper Kreston, our previous auditor, decided to withdraw from auditing Public Interest Entities (which include VCTs) for the time being due to the increasing regulatory landscape and associated costs, and hence resigned as our auditor in October 2018. During a previous tender process, the Audit Committee was also impressed by one of the other firms who responded, and on its recommendation, the Board has appointed UHY Hacker Young LLP ("UHY") to fill the casual vacancy that had arisen. UHY have audited this year's results, and shareholders are being asked to reappoint them at the AGM for the year ending 29 February 2020.

**AGM**

Shareholders should note that the AGM for the Company will be held on Wednesday 3 July 2019 at the Magdalen Centre, Oxford Science Park, starting at the later time of 2pm and will include presentations by Oxford Technology Management and some of the companies that the Oxford Technology VCTs have invested in.

A formal Notice of the AGM has been enclosed with these Financial Statements together with a Form of Proxy for those not attending. We appreciate all the input we get from our shareholders and very much look forward to welcoming as many of you as possible on the day – thank you for your ongoing support.

**Outlook**

The Oxford Technology VCTs have operated and continue to operate very much in the spirit of the old and new VCT legislation by investing in and subsequently supporting early stage technology companies. After pursuing apparently lower risk strategies such as solar subsidies, management buyouts, managed exit portfolios and the like, following the publication of the Patient Capital Review it seems that the VCT market is returning to the area that we have always occupied. While this is welcome, current VCT rules sometimes limit the amount of follow on investment that we are able to make.

Brexit is an uncertainty that is – to an extent – unquantifiable. Your Board does not consider OT2 to be at an unusual level of risk, as the companies in the portfolio are not overly exposed to trade with EU companies, though of course knock-on effects cannot be ruled out.

Looking ahead, the Board continues to believe your VCT is an appropriate structure to hold your Company's investments, albeit it would be preferable to have a larger asset base to share the operating costs. Your Board continues to work so as to best provision your VCT such that – when valuations and liquidity allow – holdings can be exited and proceeds distributed to shareholders, whilst at the same time, finding a new manager to partner with, enabling a growth in the Company's net assets.

**Richard Roth**
**Chairman**
**21 May 2019**

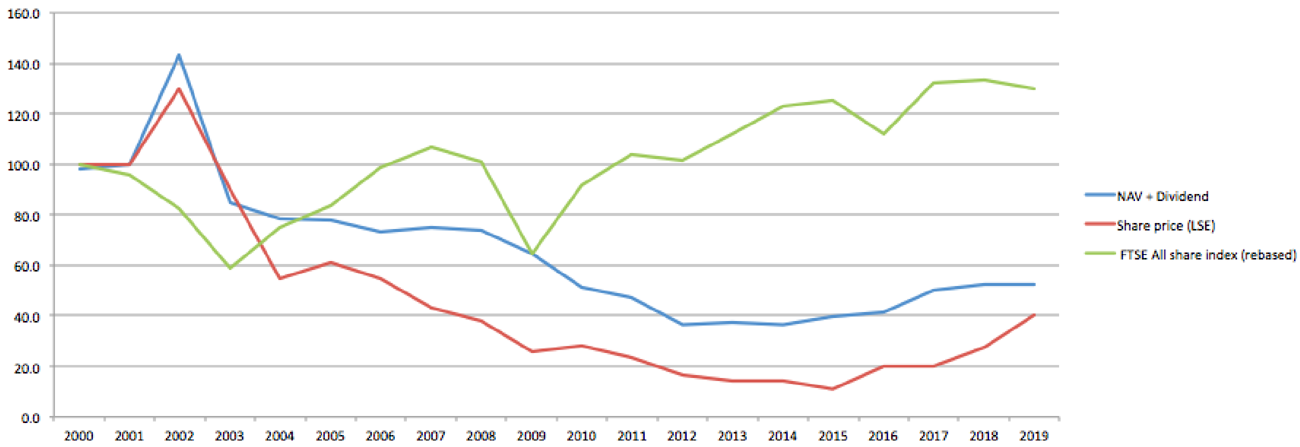
# Business Review

## Company Performance

The Board is responsible for the Company's investment strategy and performance. The services regarding the creation, management and monitoring of the investment portfolio are subcontracted to Oxford Technology Management by the Company's Investment Manager, OT2 Managers Ltd.

There was a net loss for the period after taxation amounting to £18,000 (2018: profit of £60,000). The income statement comprises income of £4,000 (2018: £nil) received from investee companies, realised gains on fair value of investments were £nil (2018: £86,000), unrealised gains on fair value of investments of £59,000 (2018: £49,000) less management and other expenses of £81,000 (2018: £75,000).

The graph below compares the NAV return of the Company from 2000 with the total return from the FTSE All-Share Index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of VCT rules and are very limited in the types of investment that can be made. All measures are rebased to 100 at the start date of the fund.




## Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV and total return per share, is also measured against the FTSE All-Share index. This is shown in the graph above. This index has been adopted as an informal benchmark. The review of the investment portfolio on page 14 includes a review of the Company's activities and the Chairman's Statement comments on future prospects.

## Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Company last raised funds in 2010, and so the minimum five year holding period required to enable subscribing investors to benefit from the associated tax reliefs has now passed. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a three year period is therefore considered to be an appropriate and reasonable time horizon.

The Board has carried out a robust assessment of the principal risks facing the Company and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 28 February 2022.

**Risk Management Objectives and Policies**

The Board carries out a regular review of the risk environment in which the Company operates.

**Investment risk** – The majority of investments are early stage unquoted companies which are VCT qualifying holdings. This inherently entails a higher level of risk and lower liquidity than investments in large quoted companies. The Directors sought to reduce this risk through careful selection of potential investee companies prior to investment; the Directors continue to carefully monitor existing investee companies.

**VCT qualifying status risk** – The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status; these rules have subsequently been updated on several occasions. The loss of such approved status could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment as well as any previously deferred capital gains coming back into charge. The Board keeps the Company's VCT qualifying status under regular review.

Qualifying investments can only be made in small and medium sized trading companies which fall within the following limits:

- have fewer than 250 full time equivalent employees; and
- have less than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment; and
- be less than seven years old (or 10 years old if a knowledge intensive company) if raising State Aided funds for the first time; and
- have raised no more than £5 million of State Aided funds in the previous 12 months and less than the lifetime limit of £12 million (or £20 million if a knowledge intensive company); and
- produce a business plan to show that its funds are being raised for growth.

The Finance Act 2018 introduced a new "risk-to-capital" condition for qualifying investments, designed to focus investments towards earlier stage, growing businesses, and away from investments which could be regarded as lower risk.

Non-Qualifying Investments: Initially, an active approach was taken to managing the cash prior to investing in qualifying companies. Now the Company has reached its qualifying investment target to meet HMRC requirements and the Company is fully invested, any remaining funds will be invested in accordance with HMRC rules for Non-Qualifying Investments, which may include money market funds and other instruments where the Board believes that the overall downside risk is low.

**Financial risk** – The Company is exposed to market price risks and to a limited extent to credit risk, liquidity risk, fair value and cash flow interest rate risks. All of the Company's income and expenditure is denominated in sterling and hence the Company has no direct foreign currency risk. The Company does not use derivative financial instruments.

**Regulatory risk** – The Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

**Investment Policy**

This is the stated investment policy as per the original prospectus for the ordinary share class which has been adhered to without material change ever since. Shareholders approved a separate policy for the proposed B shares that was planned to be issued under the offer for subscription with Chelverton, but as this has been terminated, we have not detailed that policy here.

The investment policy of Oxford Technology 2 VCT is to construct a portfolio of qualifying investments with the following characteristics at the time of initial investment:

- technology-based businesses;
- investments typically in the range of £100k to £500k, although a few investments outside this range will be contemplated;
- generally located within approximately 60 miles of Oxford.

It is expected that approximately two-thirds of the funds will be invested in early stage companies and the balance in start-up companies, depending on the opportunities available. The Company defines these companies as follows:

- early stage companies are those which have achieved some initial sales;
- start-up companies are those which are at an earlier stage; they will usually have already developed their initial product or service and be close to achieving their first sales.

The investee companies sought will usually be those which, within their market sector, can be developed as relatively non-capital intensive knowledge-based businesses; a very important element in the selection process will be an assessment of the key people involved in business.

Within a 60-mile radius of Oxford (which includes, for example, North and West London, Birmingham, Reading and the Thames Valley region as a whole), there are several centres of technological excellence both within and outside the universities employing individuals with talent for technology-based innovation (such as the Oxford and Reading Universities, Imperial College, London and AEA Technology plc). OT2 is likely to be investing both in technologies being transferred out of centres of excellence and also in existing technology companies.

The geographical focus described above is considered important as OT2 intends to be an active investor assisting investee companies to develop their full potential. The Directors consider it essential that direct contact is maintained with investee companies.

The investment policy of OT2 will be to achieve an acceptable risk-reward ratio for the portfolio as a whole, by virtue of the number of investments which will be made. It is expected that, subject to the level of valid subscriptions received under the offer, up to 20 investments will be made over a three-year period. A portfolio of this size achieves a practical balance between laying off risk and ensuring that investment executives of Seed Capital (now known as Oxford Technology Management) are able to devote a significant amount of time to each portfolio company so as to help manage the business risk within portfolio companies.

In general, it is expected that investments will be made by subscribing for ordinary shares and preference shares, sometimes combined with loans. It is envisaged that successful investee companies will pay interest on loans or dividends on preference shares to OT2 before it achieves an exit from such investee companies.

It is intended that, by April 2003, about 75 per cent of the net funds subscribed will have been invested in qualifying investments leaving the balance available for follow-on investment, if required. Although the Directors have no present intention of utilising the Company's borrowing powers contained in its Articles of Association, the Company may in appropriate circumstances borrow funds.

When appropriate, particularly when the funding requirement is greater than the amount the Company wishes to invest and where it is desirable to broaden the investor base, investments may be syndicated with other venture capital funds, private individuals (including the Directors and/or shareholders in the company) or corporations. The investment manager (Larpent Newton & Company Limited) and the investment adviser (Seed Capital Limited – now known as Oxford Technology Management) together have close links with other venture capital institutions and with a wide range of private investors who have previously made investments or shown interest in investing in early stage and start-up technology companies.

The investment manager and the investment adviser have undertaken to give OT2 the first opportunity to invest in projects identified by either of them for investments in companies engaged in science or technology located within a 60-mile radius of Oxford.

**Internal Control**

The Directors are responsible for the Company's system of internal control. The Board has adopted an internal operating and strategy document for the Company. This includes procedures for the selection and approval of investments, the functions of the Investment Manager and exit and dividend strategies. Day to day operations are delegated under agreements with the Investment Manager who has established clearly defined policies and standards. These include procedures for the monitoring and safeguarding of the Company's investments and regular reconciliation of investment holdings.

This system of internal control, which includes procedures such as physical controls, segregation of duties, authorisation limits and comprehensive financial reporting to the Board, is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed, with its Investment Manager, the operation and effectiveness of the Company's system of internal control for the financial period and the period up to the date of approval of the Financial Statements.

The Board has continued to prepare the Financial Statements in accordance with UK Financial Reporting Standards rather than International Financial Reporting Standards. This is permitted as the Financial Statements present the results of an individual company rather than a group.

**Gender and Diversity**

The Board consists of four male non-executive Directors of various ages, backgrounds and experience. The gender and diversity of the constitution of the Board will be reviewed on an annual basis.

**Environmental Policy, Greenhouse Gas Emissions and Human Rights Issues**
The Board recognises the requirement under Section 414c of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies.

Given the size and nature of the Company's activities and the fact that it has no full-time employees and only four non-executive Directors, the Board considers there is limited scope to develop and implement social and community policies. However, the Company recognises the need to conduct its business in a manner responsible to the environment where possible.

**Richard Roth**
**Chairman**
**21 May 2019**

# Investment Portfolio Review

OT2 was formed in 2000 and invested in a total of 30 companies, all start-up or early stage technology companies. Some of these companies failed with the loss of the investment. Some have succeeded and have been sold. The table on page 16 shows the companies remaining in the portfolio. A more detailed analysis is given for some of the larger investments.

STL Management Ltd (Select Technology) specialises in software for photocopiers – now known as MFDs – Multi-Function Devices. Over the last decade Select Technology has built up a global network of distributors and dealers through which it sells both its own and third party products. These products now include PaperCut, KPAX, Foldr, Drivve Image, EveryonePrint and Square 9 Enterprise Content Management. Sales have increased from £210k in the year to July 2010 to over £6.8m in the year to January 2019, up from £5.6m in the year before. Select Technology paid a dividend in February 2019.

Arecor raised £6m to start clinical trials for its insulin products. In March 2019, following the year end, Arecor obtained approval to start its clinical trial for the Ultra-Rapid Acting Insulin. It has also received funding from Innovate for its Superfast post-prandial insulin.

In February 2019 ImmBio signed a license deal for PnuBioVax with a subsidiary of CNBG, the leading Chinese biologics company. The deal grants a license to CNBG for the Chinese market. PnuBioVax is a vaccine that targets pneumococcal disease in children and the elderly. £12k was invested in April 2018 and a further £8k invested after the year end, in March 2019, following the signature of the Chinese licence deal.

Oxis Energy is developing a Lithium Sulphur rechargeable battery with a significantly higher specific energy (energy storage per unit weight) than the currently available Lithium Ion batteries. OT2 was the first investor in Oxis Energy (then known as Intellikraft) in January 2000. Oxis has signed a $60m contract and has started work on the development of a factory to produce 2m Lithium Sulphur batteries per year. It also started work on a £7m automotive battery project supported by a grant from Innovate UK. The value of the holding fell due to the repricing of an investment received in 2018.

Orthogem received a CE mark for its putty product in early 2018. Sales have started, but in many countries approval based on the CE mark is still going through the procedures. First sales have been registered for the putty in India. Steve Lane, the former CEO has moved on to another company and has been replaced by new Executive Chairman Bruce Venning.

In April 2018, OT2 invested £150k into Scancell Holdings Plc (Scancell) an AIM-listed stock well known to the Directors and Investment Adviser. Scancell is developing novel immunotherapies for cancer based on two platform technologies known as Immunobody and Moditope. Results from Scancell's first clinical trial for the treatment of melanoma continue to be excellent with recurrence free survival at 69% at 5 years, surpassing results in other trials of ipilimumab (leading immunotherapy for cancer) which showed 46.5% at 3 years.

Unfortunately, Scancell has had a steady decline in share price over the year. In October 2018, there was an announcement of a delay to the planned start of the clinical trial as the FDA had yet to approve the Trichor device/SCIB1 combination as an Investigational New Device (IND). Post year end, in April 2019, Scancell received all of the regulatory, ethical and legal approvals for the UK arm of this trial. Scancell has been granted patents for the Modi platform which will give it a very strong position going into the future.

**New Investments in the year**

In April 2018 £150k was invested into Scancell. There were two follow-on investments during the year of £12k into ImmBio and £59k into Orthogem. All new investments have complied with both EU State Aid rules and HMRC VCT rules.

**Disposals during the year**

No disposals were made during the year.

**Valuation Methodology**

Quoted and unquoted investments are valued in accordance with current industry guidelines that are compliant with International Private Equity and Venture Capital (IPEVC) Valuation Guidelines and current financial reporting standards.

**VCT Compliance**

Compliance with the main VCT regulations as at 28 February 2019 and for the year then ended is summarised as follows:

| Type of Investment By HMRC Valuation Rules | Actual | Target |
|---|---|---|
| VCT Qualifying Investments | 88% | Minimum obligation of: 70% |
| Non-Qualifying Investments | 12% | Maximum allowed: 30% |
| Total | 100% | 100% |

At least 70% of each investment must be in eligible shares - Complied.

No more than 15% of the income from shares and securities is retained - Complied.

No investment constitutes more than 15% of the Company's portfolio (by value at time of investment or when the holding is added to) - Complied.

The Company's income in the period has been derived wholly or mainly (70% plus) from shares or securities - Complied.

No investment made by the VCT has caused the company to receive more than £5m of State Aid investment in the year, nor more than the lifetime limit of £12m - Complied.

# Table of Investments held by Company at 28 February 2019

| Company | Description | Date of initial investment | Net cost of investment £'000 | Carrying value at 28/02/19 £'000 | Change in value for the year £'000 | % equity held by OT2 | % equity held by all OTVCTs | % Net Assets |
|---|---|---|---|---|---|---|---|---|
| Select - STL Management Ltd | Photocopier Interfaces | Nov 2001 | 132 | 429 | 74 | 7.4 | 58.6 | 25.6 |
| Arecor | Protein stabilization | Jul 2007 | 252 | 295 | 27 | 1.8 | 10.5 | 17.6 |
| ImmBio | Novel vaccines | Dec 2000 | 267 | 275 | 99 | 2.6 | 20.9 | 16.4 |
| Orthogem | Bone graft material | Dec 2000 | 401 | 170 | 69 | 8.1 | 30.5 | 10.1 |
| Scancell (Bid Price 7p) | Cancer therapeutics | April 2018 | 150 | 88 | 88 | 0.3 | 3.3 | 5.3 |
| Insense | Active wound healing dressings | Jun 2001 | 204 | 52 | - | 2.0 | 6.8 | 3.1 |
| Plasma Antennas | Solid state directional antennas | Nov 2001 | 188 | 38 | - | 5.6 | 48.8 | 2.3 |
| Oxis Energy | Rechargeable batteries | Jan 2000 | 540 | 35 | (105) | 0.2 | 0.4 | 2.1 |
| Inaplex | Data integration | Sep 2001 | 138 | 9 | (10) | 21.5 | 34.8 | 0.6 |
| **Totals** | | | **2,273** | **1,391** | **242** | | | |
| Other Net Assets | | | | 282 | | | | 16.9 |
| **NET ASSETS** | | | | **1,673** | | | | **100.0** |

Number of shares in issue: 5,331,889
Net Asset Value per share at 28 February 2019: 31.4p
Dividends paid to date per share: 21p per share

This table shows the current portfolio holdings. The investments in Acumen, Assertion, Astron Clinica, Ciphergrid, CHR Design, Coraltech, Im-Pak, Freehand Surgical, Inscentinel, Jetmask, M3 Networks, OST, Promic and SVA have been written off. The investments in Hardide, Commerce Decisions, MET, Telegesis, Equitalk, Duncan Hynd Associates and OC Robotics have been sold.

## Select - STL Management Ltd
**www.selectec.co.uk**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| Select - STL Management Ltd | Nov 2001 | £132,436 | £429,408 | £73,748 | 7.4% |

STL Management Ltd (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 or bespoke solutions. Select Technology grew significantly between 2010 and 2018 by focusing on print management software, primarily PaperCut. Realising that this type of software has become increasingly commoditised, the company changed its focus to document capture and sharing, acquiring distribution rights to additional software solutions and introducing them to the market in an innovative way.

Select Technology has also been a leading light in the formation of IDEA – the International Document Evolution Alliance. The founder members of the Alliance are all software specialists and able to provide a very high level of support for the products which they distribute. Each member is located in a separate geographical region and, between them, the members cover over 100 countries. This allows members to compete with major companies in attracting international business which, individually, they would not be able to do. In addition, if an Alliance member encounters a new product for the document management market with significant potential, the member can bring it to the attention of IDEA. Given the combined purchasing power and expertise of the group, the Alliance can look to negotiate international distribution rights by offering the vendor an easy route to global distribution. The products which Select Technology distributes include Drivve Image, Everyone Print, Foldr, KPAX Management, Papercut and Square 9 content management.

Select Technology has a staff of 22. It has staff in the UK and also in an AsiaPac subsidiary in Australia.

Select Technology's sales grew from £210k in the year to 31 July 2010 to just over £5.6m in the year to January 2018 and to £6.8m in the year to January 2019. Select Technology paid a dividend in February 2019.

Select Technology is valued at a multiple of sales.

## Arecor

**www.arecor.com**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| Arecor | July 2007 | £251,642 | £295,205 | £26,837 | 1.8% |

Arecor Limited is a leader in the development of innovative formulation technology that enables differentiated biopharmaceutical products. It has developed a proprietary, patent backed formulation technology platform that has been proven to stabilize a broad range of molecules as aqueous compositions. Many proteins, peptides and vaccines are too unstable in liquid form and/or at high concentrations to develop stable ready-to-use drugs and Arecor has overcome these challenges to significantly enhance the delivery of therapeutic medicines to patients.

Since inception in 2007, it has built a successful revenue generating business employing this technology to enable and differentiate biopharmaceuticals for a large cross section of the major pharmaceutical companies on a fee for service plus licensing model.

Arecor has taken the strategic decision to develop a portfolio of differentiated peptides through to clinical proof of concept, with an initial focus on diabetes as a therapeutic area. Arecor have announced three key products: an ultra-rapid acting insulin, a highly concentrated insulin and a stable aqueous glucagon. The phase 1 trial for the ultra-rapid acting insulin will be run in Austria, the application was submitted in December 2018 and the company is awaiting approval.

Arecor has successfully defended two key European patents against active opposition which is an indicator of both the novelty of their work and the importance to potential competitors. Innovate UK backed the development of the super-fast-acting prandial insulin with a £500k grant.

Arecor is based at the Cambridge Science Park in the UK and has a highly talented scientific and management team.

The company is valued at £6.60 per share, the price of the last major open fundraising round.

## ImmBio

**www.immbio.com**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| ImmBio | December 2000 | £267,123 | £274,680 | £98,910 | 2.6% |

ImmBio was founded in 2003 by Camilo Colaco to develop vaccines that engage dendritic cells. Dr. Colaco identified the role that Heat Shock Proteins play in activating the immune system. The company has programmes developing vaccines against Tuberculosis, Meningitis and Pneumonia. The TB and Meningitis vaccines have been partnered for development in China and India.

The pneumonia product PnuBioVax has now been trialled on humans in a Phase 1 trial which primarily and successfully assessed safety of the approach. The study showed the vaccine creates antibodies against a wide range of strains. The company has signed its first license deal for PnuBioVax with CNBG – China National Biotec Group – part of the state owned Sinopharm group. The license is for the development of a vaccine for infants in the Chinese market.

Pneumonia produces greater infant mortality than TB, HIV and malaria combined. There are approximately 100 serotypes (variants) of Streptococcus pneumoniae in circulation. The emergence of new serotypes presents an ongoing challenge. Existing marketed vaccines are relatively expensive to produce and do not cover all existing or emerging strains, the market leader only covering 13 serotypes. Also, they do not produce good resistance in children, one of the primary patient groups. In contrast, PnuBioVax offers the potential of improved protective breadth and low production costs.

PnuBioVax not only protects against a larger number of strains, it also provides protection against the toxins produced by the bacteria.

In April 2018, OT2 committed a further £12k. Following the year end OT2 invested a further £8k.

The company is valued to reflect its stage of technical and commercial development and taking into account the preference cascade.

## Orthogem

**www.orthogem.com**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| Orthogem | December 2000 | £400,937 | £169,522 | £69,048 | 8.1% |

Orthogem produces and markets artificial bone graft material. Their manufacturing process uses (and their product contains) no animal products; their manufacturing process is very cost effective and the granule products produce excellent bone grafting results. The company has invested in developing a putty which is more convenient to use for surgeons than the current granule product. Orthogem received CE approval for the putty product in 2018 and the product has started selling. The former CEO left at the end of February 2019 and the company has been reorganised with Bruce Venning taking a part time executive chairman role.

The handling characteristics of surgical putty are critical for a surgeon and the most immediately distinguishing feature of synthetic bone putties. Put simplistically, the Orthogem putty sticks to the bone and not to the gloves. Orthogem is recruiting new distribution partners around the world for the putty material as well as applying for regulatory clearance in countries where they already have distribution partners. First sales of the putty have been achieved in the UK and India.

The company is valued at the price of the most recent fundraising round, and in which OT2, OT3 and OT4 all invested.

## Scancell

**www.scancell.co.uk**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| Scancell | April 2018 | £150,000 | £87,500 | £87,500 | 0.3% |

Scancell is an AIM listed biotechnology company in which Oxford Technology VCT was one of the original investors in 1999 when Professor Lindy Durrant, Scancell's founder, was based in a university laboratory in Nottingham.

Scancell is developing novel immunotherapies for cancer based on two platform technologies known as ImmunoBody and Moditope. SCIB1, Scancell's first ImmunoBody, is being developed for the treatment of melanoma and is in Phase 2 clinical trials. In theory, these Scancell technologies could be used to treat many common forms of cancer, including lung, breast and prostate cancer. Data from the trials to date are encouraging and demonstrate that SCIB1, when used as monotherapy, has a marked effect on tumour load, produces a melanoma-specific immune response and a highly encouraging survival trend without serious side effects.

Data published in March 2015 demonstrated that animals treated with a combination of SCIB2, Scancell's ImmunoBody vaccine in development for the treatment of lung, oesophageal, prostate and other epithelial cancers, and checkpoint inhibitors showed enhanced tumour destruction and significantly longer survival times than when either treatment was used alone. This approach is now going to be converted into a clinical trial fully conducted and financed by CRUK, which is excellent news. Scancell has exercised an option on the license for the Trichor device which is used in administration on SCIB1. In October 2018, there was an announcement of a delay to the planned start of the clinical trial as the FDA had yet to approve the Trichor device/SCIB1 combination as an Investigational New Device (IND). Post year end, in April 2019, Scancell received all of the regulatory, ethical and legal approvals for the UK arm of this trial.

Scancell has entered into an agreement with BioNtech, Europe's biggest privately held biopharmaceutical company, who will develop T cell receptors based on the citrullinated epitopes which form the basis Scancell's Modi-1. Upon completion of the studies BioNtech will have an exclusive option to license them to develop T cell receptor based therapies.

This has been a frustrating year for Scancell shareholders which has seen the share price slide despite important advances. Scancell remains a high risk investment – clinical trials can go either way, but if the trials continue to go well, we would expect to see a significant increase in the share price.

The whole area of cancer immunology is now centre stage for major pharmaceutical companies seeking to secure a long-term position. This is a very exciting new area, which is anticipated to replace current crude, but often effective, treatments based around chemotherapy and radiotherapy.

A fundraising took place in April 2018 and Scancell raised approximately £8.7 million in total through an Open Offer and a Placing and Subscription combined. OT2 first invested at this stage to introduce liquidity in the portfolio.

The bid price as at 28 February 2019 used for this Scancell valuation was 7.0p (2018: 14.0p).

## Oxis Energy

**www.oxisenergy.com**

| | First Investment | Net Cost | Carrying Value 28/02/2019 | Change in Value for the Year | % Equity Held |
|---|---|---|---|---|---|
| Oxis Energy | January 2000 | £540,270 | £35,456 | (£104,457) | 0.2% |

OT2 was the first investor in Oxis Energy (then known as Intellikraft) in January 2000. For most of that time, the company has been developing a Lithium Sulphur rechargeable battery. In theory, a Lithium Sulphur battery should store more energy per unit of weight than conventional Li-ion batteries.

It has been a long haul, with many troubles and setbacks along the way: OT2 and other early shareholders have been heavily diluted, but Oxis Energy made steady progress.

In October 2018 Oxis announced that it had successfully demonstrated that its battery cells now store 425Wh/Kg and with a target of 450Wh/kg in the near future. This is better than the best conventional Li-ion batteries.

The next step is to be able to produce such batteries in volume and with an automated production process. An investment of $60m for the building of a Lithium Sulphur battery plant in Brazil has been agreed. The plant will be capable of producing 2 million battery cells each year and completion of the plant is scheduled for 2021.

The company will initially focus on commercial expansion throughout Latin America, and will soon address the aviation, defence and heavy electric vehicle markets worldwide.

OT2 now has a small % holding in Oxis Energy, but the company continues to make progress. If the Oxis batteries are used in commercial electric vehicles, which is the aim, then the ultimate prize could be large. Electric Vehicles are now being produced in volume and a battery which gave a longer range would be welcomed by all.

The company is valued based on the latest share price taking into account the preference cascade.

**Lucius Cary - Director**
**OT2 Managers Ltd**
**Investment Manager**
**21 May 2019**

## Board of Directors

### Richard Roth - Appointed in July 2015

Richard is the Chairman of OT2 and Chairman of the Audit Committee. He is a Chartered Management Accountant. Having worked for two blue chip companies he joined easyJet, where he was one of the key executives that transformed the business from private company to household name.

He has subsequently worked for a number of airlines, including as CFO of RoyalJet. Richard has also had a number of consulting assignments, in particular helping companies determine their strategy, and implementing business improvements. He has been deeply involved in growing and/or turning businesses around.

Richard is a well-informed VCT investor having followed the industry closely since inception and has extensive understanding of the sector having observed good and bad practice for nearly 20 years. He has invested in a number of small (mainly unquoted) companies and has also advised several potential start-up businesses – mainly travel-related. Richard is a shareholder in Scancell and Plasma Antennas. He is also a Director of OT2 Managers Ltd, OT4 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 3 VCT Plc and Oxford Technology 4 VCT Plc. He is also a Director of Seneca Growth Capital VCT Plc.

### Alex Starling - Appointed in July 2015

Alex Starling is a Director of OT2. Alex runs his own corporate advisory firm, ACS Technical Limited. He has helped a number of technology companies raise venture capital and, conversely, shareholders realise their investments in such technology companies. Alex is a shareholder in several young growing companies.

He is a Chartered Engineer and Member of the Institution of Mechanical Engineers, has a PhD in Engineering from Cambridge University and holds the ICAEW Diploma in Corporate Finance.

Alex is a shareholder in Scancell. He is also a Director of OT1 Managers Ltd, OT2 Managers Ltd, Oxford Technology 3 VCT Plc and Oxford Technology 4 VCT Plc and is the Chairman of Oxford Technology VCT Plc.

**Robin Goodfellow - Appointed in July 2015**

Robin Goodfellow is a Director of OT2 and also a member of the Audit Committee. Robin had 30 years of experience in senior Accounting Manager and Internal Audit Manager roles with ExxonMobil International, Esso Europe, Esso Petroleum and Esso Norway. He has particular expertise in advising on and implementing cost effective controls across total company business activities and their accounting systems.

Robin has an MA in Engineering from Cambridge University and an MBA from the London Business School.

More recently he has been an active investor and shareholder in VCTs, EISs and other small companies. He was a regular commentator on VCT industry performance and current VCT company issues.

Robin is a shareholder in Arecor, Orthogem and Scancell. He is also a Director of OT1 Managers Ltd, OT3 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 4 VCT Plc and is the Chairman of Oxford Technology 3 VCT Plc.

**David Livesley - Appointed in July 2015**

David Livesley is a Director of OT2. He worked in the life science and pharmaceutical industries before joining Cambridge Consultants Ltd in 1987, where he was involved in product and process development across a range of industrial sectors.

Between 1999 and 2012 he worked for the YFM Group, where he invested VCT money into early stage technology companies. Currently he is an independent Non-Executive director for a number of early stage technology businesses and Chairman of an IoT business Wearable Technologies Limited.

David is also a director of Plover Capital Limited, a corporate finance house, and a partner in TransTech Capital LLP which delivers consultancy on Technology Transfer for emerging markets. David is also a Director of OT3 Managers Ltd, OT4 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 3 VCT Plc and is the Chairman of Oxford Technology 4 VCT Plc.

# Directors' Report

The Directors present their report together with Financial Statements for the year ended 28 February 2019.

The Directors consider that the Annual Report and Financial Statements, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This report has been prepared by the Directors in accordance with the requirements of s415 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the Directors' Report is consistent with the Financial Statements.

**Principal Activity**

The Company commenced business in 2000. The Company invests in start-up and early stage technology companies in general located within 60 miles of Oxford. The Company has maintained its approved status as a Venture Capital Trust by HMRC.

**Directors**

The Directors of the Company are required to notify their interests under Disclosure and Transparency Rule 3.12R. The membership of the Board and their beneficial interests in the ordinary shares of the company at 28 February 2019 and at 28 February 2018 are set out below:

| Name | 2019 | 2018 |
|---|---|---|
| R Roth | 44,033 | 44,033 |
| R Goodfellow | 14,000 | 14,000 |
| D Livesley | Nil | Nil |
| A Starling | Nil | Nil |

Under the Company's new Articles of Association approved by Shareholders in November 2018, Directors are required to retire by rotation every third year. However, in line with previous years, the Directors have elected that one third of their number should still be subject to re-election procedures at this year's Annual General Meeting: Richard Roth and Alex Starling will therefore be nominated for re-appointment at the forthcoming AGM. The Board believes that both non-executive Directors continue to provide a valuable contribution to the Company and remain committed to their roles. The Board recommends that Shareholders support the resolutions to re-elect Richard Roth and Alex Starling at the forthcoming AGM.

The Board is cognisant of shareholders' preference for Directors not to sit on the boards of too many larger companies ("overboarding"). Shareholders will be aware that in July 2015, the Company, along with the other VCTs that were managed by Oxford Technology Management, appointed directors such that the four VCTs each had a Common Board. In addition, Richard Roth has subsequently also become a Director of Seneca Growth Capital VCT Plc, a VCT investing in the Med Tech sector which is also self-managed and has a number of investments in common with the Oxford Technology VCTs.

Whilst great care is taken to safeguard the interests of the shareholders of each separate company, there is an element of overlap in the workload of each Director across the four OT funds due to the way the VCTs are managed. The Directors note that the workload related to the four OT funds is less than it would be for four totally separate and larger funds and are satisfied that Richard Roth has the time to focus on the requirements of each OT fund.

**Investment Management Fees**

OT2 Managers Ltd, the Company's wholly owned subsidiary, has an agreement to provide investment management services to the Company for a fee of 1% of net assets per annum. Alex Starling and Richard Roth, together with Lucius Cary are Directors of OT2 Managers Ltd.

**Directors' and Officers' Insurance**

The Company has maintained insurance cover on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to their duties as Directors of the Company.

**Ongoing Review**

The Board has reviewed and continues to review all aspects of internal governance to mitigate the risk of breaches of VCT rules or company law.

**Whistleblowing**

The Board has been informed that the Investment Manager has arrangements in place in accordance with the UK Corporate Governance Code's recommendations by which staff of Oxford Technology Management or the Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

**Bribery Act 2010**

The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery within its organisation. The Company has adopted a zero tolerance approach to bribery and will not tolerate bribery under any circumstance in any transaction the Company is involved in. The Company has instructed the Investment Manager to adopt the same approach with investee companies.

**Relations with Shareholders**

The Company values the views of its shareholders and recognises their interest in the Company. The Company's website provides information on all of the Company's investments, as well as other information of relevance to shareholders (www.oxfordtechnologyvct.com/vct2.html).

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the AGM the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at the Company's registered office: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA.

**Going Concern**

The assets of the Company consist mainly of securities, one of which is AIM quoted, quite liquid and readily accessible, as well as cash. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the Financial Statements.

## Share Capital

As disclosed on page 57 the Board has does not have authority to make market purchases of the Company's own shares. No shares were purchased by the Company during the year.

The Board has authority to allot up to 266,590 shares (representing approximately 5% of the ordinary share capital as at 2 May 2018). No shares were allotted by the Company during the year.

The total number of Ordinary Shares of 10p each in issue at 28 February 2019 was 5,331,889 (2018: 5,331,889) with each share having one vote. There are no other share classes in issue.

### Companies Act 2006 disclosures

In accordance with Schedule 7 of the Large and Medium Size Companies and Groups (Accounts and Reports) Regulations 2008, as amended, the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised above, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- The rules concerning the appointment and replacement of directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- The Company does not have an employee share scheme;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur following a takeover bid or for any other reason.

### Substantial Shareholders

At 28 February 2019, the Company has been notified of the following investors whose interest exceeds three percent of the Company's issued share capital: Redmayne Nominees Limited 6.9% (includes the beneficial interests of Ms Shivani Palakpari Shree Parikh, who has a declared holding of 6.4%); Barclays Direct Investing Nominees Ltd, 4.9%; Mr Richard Vessey, 4.4%; Mrs Mary Louisa Perry, 3.8%; Merrick Sidney Whitehouse Feast, 3.2%.

### Auditors

As discussed in the Chairman's statement on page 8, UHY Hacker Young LLP have been appointed as the independent auditors in accordance with Section 489 of the Companies Act 2006, and will offer themselves for reappointment at the AGM.

**On behalf of the Board**
**Richard Roth**
**Chairman**
**21 May 2019**

# Directors' Remuneration Report

**Introduction**

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006. The Company's independent auditor, UHY Hacker Young LLP, is required to give its opinion on certain information included in this report. This report includes a statement regarding the Directors' Remuneration Policy. This report sets out the Company's Directors' Remuneration Policy and the Annual Remuneration Report which describes how this policy has been applied during the year.

The Directors' Remuneration Policy was last approved by shareholders at the AGM on 12 July 2018. It needs to be put to a shareholder vote every three years, and shareholders will be asked to approve it again at the Annual General Meeting in 2021.

Shareholders also need to approve the Directors' Remuneration Report every year. It was last approved at the AGM on 12 July 2018 on a unanimous show of hands and 100% of proxies voted in favour, and a Resolution to approve the Directors' Remuneration Report for the year ended 28 February 2019 will also be proposed at the Annual General Meeting on 3 July 2019.

**Directors' Terms of Appointment**

The Board consists entirely of non-executive Directors who meet at least four times a year and on other occasions as necessary to deal with important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for at least three years and are expected to devote the time necessary to perform their duties.

All Directors retire at the first general meeting after election and thereafter every third year. Re-election will be recommended by the Board, but is dependent upon shareholder vote. Directors who have been in office for more than nine years will stand for annual re-election in line with the AIC Code and the Company's Articles of Association. There are no service contracts in place, but Directors have a letter of appointment.

**Directors' Remuneration Policy**

The Board acts as the Remuneration Committee and meets annually to review Directors' pay to ensure it remains appropriate given the need to attract and retain candidates of sufficient calibre and ensure they are able to devote the time necessary to lead the Company in achieving its strategy.

The Articles of Association of the company state that the aggregate of the remuneration (by way of fee) of all the Directors shall not exceed £75,000 per annum unless otherwise approved by Ordinary Resolution of the Company. The following Directors' fees are payable by the Company:

| | per annum |
|---|---|
| Director Base Fee | £3,500 |
| Chairman's Supplement | £2,000 |
| Audit Committee Chairman | £3,000 |
| Audit Committee Member | £1,500 |

The OT2 Director Fees are amongst the lowest of any VCT (apart from the other OT VCTs). However, the Board has spent and continues to spend more time on Company activities than was initially envisaged in Summer 2015 (when the fees were last changed) partly due to closer involvement with investment, accounting and administration procedures and partly due to compliance with additional government regulations. Fees remain at levels approved last year.

Typically, VCT industry total directors' fees are in excess of £50k and individual fees in excess of £15k for equivalent levels of work.

Richard Roth chairs the Company. He also chairs the Audit Committee, with Robin Goodfellow as a member of the Committee. As the VCT is self-managed, the Audit Committee carries out a particularly important role for the VCT and plays a significant part in the sign off of quarterly management accounts, and the production of the half year and annual statutory accounts.

Fees are currently paid annually. The fees are not specifically related to the Directors' performance, either individually or collectively. No expenses are paid to the Directors. There are no share option schemes or pension schemes in place, but Directors are entitled to a share of the carried interest as detailed below. The Directors may at their discretion pay additional sums in respect of specific tasks carried out by individual Directors on behalf of the Company.

Alex Starling and Richard Roth receive no remuneration in respect of their directorships of OT2 Managers Ltd, the Company's Investment Manager.

The performance fee is detailed in note 3. Current Directors are entitled to benefit from any payment made, subject to a formula driven by relative lengths of service. The performance fee becomes payable if a certain cash return threshold to shareholders is exceeded – the excess is then subject to a 20% carry that is distributed to Oxford Technology Management, past Directors and current Directors; the remaining 80% is returned to shareholders. At 28 February 2019 no performance fee was due.

Should any performance fee be payable at the end of the year to 29 February 2020, Alex Starling, Robin Goodfellow, and Richard Roth would each receive 0.32% of any amount over the threshold and David Livesley 0.85%. No performance fee will be payable for the year ending 29 February 2020 unless original shareholders have received back at least 159.1p in cash for each 100p (gross) invested.

### Relative Spend on Directors' Fees

The Company has no employees, so no consultation with employees or comparison measurements with employee remuneration are appropriate.

### Loss of Office

In the event of anyone ceasing to be a Director, for any reason, no loss of office payments will be made. There are no contractual arrangements entitling any Director to any such payment.

### Annual Remuneration Report

No change to director's remuneration is expected for the year ending 29 February 2020.

| Directors' Fees | Year End 29/02/20 (unaudited) | Year End 28/02/19 (audited) | Year End 28/02/18* (audited) |
|---|---|---|---|
| Richard Roth | £8,500 | £16,500 | £7,000 |
| Alex Starling | £3,500 | £5,500 | £2,000 |
| Robin Goodfellow | £5,000 | £5,000 | £3,500 |
| David Livesley | £3,500 | £3,500 | £2,000 |
| **Total** | **£20,500** | **£30,500** | **£14,500** |

*In the year to 28 February 2018, each Director had agreed to waive £1,500 of their fee

In line with the policy set out above, an additional one off payment has been made to Richard Roth of £8,000 and £2,000 to Alex Starling as compensation for work undertaken in relation to setting up of the new B share structure as well as the preparation of the circular and draft prospectus associated with the planned offer for subscription by Chelverton.

# Corporate Governance Report

The Board considers that reporting against the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the "AIC Code") and additionally where applicable by reference to the UK Corporate Governance Code (the "Code") will provide better information for shareholders than reporting against the Code alone.

For the reasons set out in the AIC Code and as envisaged in the Code, the Board considers certain provisions as not being relevant to the position of the Company as it is an investment company. The Company has no executive directors or employees. The Company has therefore not reported further in respect of these matters.

The Company has complied throughout the period with the provisions in Section 1 of the Code except that:-

1 The Board has no nominated Senior Independent Director (Code A.4.1);

2 The Board as a whole performs the functions of the Nomination Committee (Code B.2.1) and no formal terms of reference for such a Committee have been adopted;

3 The Directors are not appointed for a specified term (Code B.2.3);

4 The Board as a whole performs the functions of the Remuneration Committee (Code D.2.1).

The Company is committed to maintaining high standards in corporate governance. The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board consists of four independent non-executive Directors. The Board has put in place corporate governance arrangements which it believes are appropriate for a Venture Capital Trust and that will enable the Company to operate within the spirit of the Code.

The Board meets regularly – at least four times a year – and between these meetings maintains very regular contact with the Investment Manager. The following table sets out the Directors' attendance at the formal Board and Committee meetings held during the year.

| **Director Name** | **Board Meetings Attended (8 Held in year*)** | **Audit Committee Meetings Attended (2 Held in year)** |
|---|---|---|
| Richard Roth | 8 | 2 |
| Alex Starling | 8 | N/A |
| Robin Goodfellow | 8 | 2 |
| David Livesley | 8 | N/A |

*During the year, included 3 board meetings specifically related to the proposed transaction with Chelverton.

*Several ad hoc telephone board meetings also took place to approve the release of financial results and other investment matters.

The Investment Manager prepares a written report on the performance of the fund in advance of Board meetings and this is circulated to all members of the Board. In addition, the Directors are free to seek any further information they consider necessary.

All Directors have access to the Company Secretary and independent professionals at the Company's expense. The Code states that the Board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly in its hands. This is achieved by a management agreement between the Company and its Investment Manager which sets out the matters over which the Investment Manager has authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board.

The Audit Committee ensures the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Company, seeking to balance objectivity and value for money.

None of the Directors has a service contract with the Company, but they do have letters of appointment (copies of which may be obtained by shareholders on request). The new Articles of Association approved by Shareholders in November 2018 only require that Directors retire at least every third year and will be subject to re-election procedures at subsequent Annual General Meetings; however, in line with previous years, the Directors have elected that one third of their number should still be subject to re-election procedures at this year's Annual General Meeting.

**Conflicts of Interest**

The Board has always considered carefully all cases of possible conflicts of interest as and when they arise. For example, every time one of the Oxford Technology VCTs (OTVCTs) makes an investment in which another OTVCT is an investor, there is a potential conflict of interest. The general policy is that there is complete transparency and all interests in every situation are declared and known to all, so that practical and sensible decisions can be taken.

**Audit Committee**

The role of the Committee is discharged by Richard Roth and Robin Goodfellow. Richard Roth is chairman of both the VCT and the Audit Committee.

The Committee is responsible for:

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

**Financial Reporting**

The Committee is responsible for reviewing, and agreeing, the half-yearly and annual accounts (including those figures presented within) before they are presented to the Board for final approval. In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the half-yearly interim and full year annual accounts. The Committee also takes into careful consideration comments on matters regarding valuation, revenue recognition and disclosures arising from the external auditors' report to the Audit Committee as part of the finalisation process for the Annual Accounts. Specifically, the Committee advises the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and whether they provide the necessary information to shareholders to assess performance, business model and strategy.

**Audit and Control**

The Committee reviews and agrees the audit strategy and plan in advance of the audit and has assessed the effectiveness of the audit after its conclusion.

In October 2018, James Cowper Kreston tendered their resignation as auditors. The Board appointed UHY Hacker Young LLP to fill the casual vacancy. The Board is happy to recommend UHY Hacker Young LLP for reappointment at the AGM. In line with requirements, the Audit Committee have ensured UHY Hacker Young LLP do not provide any non-audit services.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so, would recommend this to the Board.

The Committee seeks to satisfy itself that there is a proper system and allocation of responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Investment Manager.

**Significant Risks**

The Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the Financial Statements. The Committee and the Auditors have identified the most significant risks as:

- Valuation and verification of the investment portfolio: the Auditors give special audit consideration to the valuation of investments and the supporting data provided by the Investment Manager. The impact of this risk could be a large movement in the Company's net asset value. The valuations are supported by investee company audited accounts and/or third party evidence. The holdings are also cross checked to records held at Companies House. These give comfort to the Audit Committee.
- Management override of financial controls: the Auditors specifically review all significant accounting estimates that form part of the Financial Statements and consider any material judgements applied by management during the preparation of the Financial Statements.
- Compliance with HMRC conditions and EU State Aid rules for maintenance of approved VCT status: the Auditors review this as part of their work.
- Recognition of revenue from investments: investment income is the Company's main source of revenue. Revenue is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. The Company has few revenue paying companies and the Committee pays close attention to these.

These issues were discussed with the Investment Manager and the Auditors at the conclusion of the audit of the Financial Statements.

The Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the Financial Statements. The Committee can confirm that there were no significant issues to report to Shareholders in respect of the audit of the Financial Statements for the year ended 28 February 2019.

**Nomination Committee**

The role of the Nomination Committee is discharged by the Board. The Board considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees. New Directors are selected as part of a rigorous selection process involving interviews with the existing board, the manager and shareholder representatives.

The Board's policy is to promote diversity (including, but not limited to, gender diversity).

**Performance Evaluation**

In accordance with the AIC Code and guidance each year a formal performance evaluation is undertaken of the Board as a whole, the Committees and the Directors in the form of one-to-one meetings between the Chairman and each Director. The performance of the Chairman was evaluated by the other Directors.

**Compliance Statement**

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code provisions throughout the accounting year. The preamble to the Code does, however, acknowledge that some provisions may have less relevance for investment companies. The Company has complied throughout the year with the provisions set out in the Code, except as outlined above.

**James Gordon**
**Company Secretary**
**21 May 2019**

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that, to the best of their knowledge:

- there is no relevant audit information of which the Company's auditor is unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information;
- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Investment Portfolio Review, the Business Review and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

**Richard Roth**
**Chairman**
**21 May 2019**

# Report of the Independent Auditor

**Independent Auditor's Report to the Members of Oxford Technology 2 VCT Plc**

**Opinion**
We have audited the Financial Statements of Oxford Technology 2 VCT Plc for the year ended 28 February 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flow and the related notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2019 and of the Company's return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to principal risks, going concern and viability statement**
We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 10 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 10 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 26 in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit;
- the Directors' explanation set out on page 9 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following risks that we believe had the greatest impact on our audit strategy and scope:

| Key risks | Approach taken for the assessed risks |
|---|---|
| The carrying value of the investments and the recognition of realised and unrealised gains and losses. The investment portfolio and associated realised and unrealised gains and losses are the key driver to the financial performance of the Company and have the greatest impact on both the income statement and balance sheet. | For quoted shares, we tested the value of the year-end investments by reference to market price information at the year-end.<br><br>Measurement of the value of unquoted investments included significant assumptions and judgement.<br><br>Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with management, and reviewing and challenging the basis and reasonableness of assumptions made by management in conjunction with available supporting information.<br><br>The purchase of investments were agreed to contract notes and cash movements on a sample basis.<br><br>The results of our procedures were satisfactory. |
| Compliance with the VCT rules is necessary to maintain the VCT status and associated tax benefits. | Our audit work in respect of the compliance with the VCT rules involved testing the conditions for maintaining approval as a VCT as set out by HMRC. Each of the conditions was tested in turn in order to assess whether it had been met as at the year-end.<br><br>The results of our procedures were satisfactory. |

**Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the Financial Statements. We define financial statement materiality as the magnitude by which misstatements, including omission, could influence the economic decisions taken on the basis of the Financial Statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Financial Statements as a whole.

We determine a materiality for the Financial Statements as a whole to be £34,000. In determining this we based our assessment on an average of three key indicators, being the return before tax, the net assets and gross assets of the Company. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the Financial Statements should be 75% of materiality, being £25,500.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1,700 which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**An overview of the scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the Financial Statements as a whole, taken into account an understanding of the structure of the Company, its activities, the accounting processes and controls, and the industry in which it operates. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risks.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identified during the audit.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 25 – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 31 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 30 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's Corporate Governance Code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3, and 7.2.7 of the FCA Rules.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been reviewed from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Directors**
As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Other matters which we are required to address**
We were appointed by Oxford Technology 2 VCT Plc on 26 October 2018. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's' members as a body, for our audit work, for this report, or for the opinions we have formed.

**Daniel Hutson (Senior Statutory Auditor)**
**For and on behalf of**
**UHY Hacker Young**
**Chartered Accountants**
**Statutory Auditors**
**Quadrant House**
**4 Thomas More Square**
**London, E1W 1YW**

**21 May 2019**

# Income Statement

| | Note Ref. | Year Ended 28 February 2019 Revenue £'000 | Capital £'000 | Total £'000 | Year Ended 28 February 2018 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Gain on disposal of fixed asset investments | | - | - | - | - | 86 | 86 |
| Unrealised gain on valuation of fixed asset investments | | - | 59 | 59 | - | 49 | 49 |
| Investment income | 2 | 4 | - | 4 | - | - | - |
| Investment management fees | 3 | (1) | (13) | (14) | (6) | (19) | (25) |
| Other expenses | 4 | (67) | - | (67) | (50) | - | (50) |
| **Return on ordinary activities before tax** | | **(64)** | **46** | **(18)** | **(56)** | **116** | **60** |
| Taxation on return on ordinary activities | 5 | - | - | - | - | - | - |
| Return on ordinary activities after tax | | (64) | 46 | (18) | (56) | 116 | 60 |
| **Return on ordinary activities after tax attributable to equity shareholders** | | **(64)** | **46** | **(18)** | **(56)** | **116** | **60** |
| **Earnings per share – basic and diluted** | 6 | **(1.2)p** | **0.9p** | **(0.3)p** | **(0.9)p** | **1.9p** | **1.0p** |

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.

The accompanying notes are an integral part of the Financial Statements.

# Statement of Changes in Equity

| | Share Capital £'000 | Capital Redemption Reserve £'000 | Share Premium £'000 | Unrealised Capital Reserve £'000 | Profit & Loss Reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **As at 1 March 2017** | **679** | **-** | **376** | **235** | **1,238** | **2,528** |
| Revenue return on ordinary activities after tax | - | - | - | - | (56) | (56) |
| Expenses charged to capital | - | - | - | - | (19) | (19) |
| Current period gains on disposal | - | - | - | - | 86 | 86 |
| Current period gains on fair value of investments | - | - | - | 49 | - | 49 |
| Purchase of own shares | (146) | 146 | - | - | (470) | (470) |
| Prior years gains now realised | - | - | - | (1,224) | 1,224 | - |
| Dividends paid | - | - | - | - | (427) | (427) |
| **Balance as at 28 February 2018** | **533** | **146** | **376** | **(940)** | **1,576** | **1,691** |
| Revenue return on ordinary activities after tax | - | - | - | - | (64) | (64) |
| Expenses charged to capital | - | - | - | - | (13) | (13) |
| Current period gains on fair value of investments | - | - | - | 59 | - | 59 |
| **Balance as at 28 February 2019** | **533** | **146** | **376** | **(881)** | **1,499** | **1,673** |

The accompanying notes are an integral part of the Financial Statements.

# Balance Sheet

| | Note Ref. | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|---|---|---|
| Fixed asset investments at fair value | 7 | | 1,391 | | 1,149 |
| **Current assets** | | | | | |
| Debtors | 8 | 168 | | 166 | |
| Cash at bank | | 126 | | 386 | |
| Creditors: amounts falling due within 1 year | 9 | (12) | | (10) | |
| Net Current Assets | | | 282 | | 542 |
| **Net Assets** | | | **1,673** | | **1,691** |
| Called up equity share capital | 10 | | 533 | | 533 |
| Capital redemption reserve | | | 146 | | 146 |
| Share premium | | | 376 | | 376 |
| Unrealised capital reserve | 11 | | (881) | | (940) |
| Profit and loss account reserve | 11 | | 1,499 | | 1,576 |
| **Total Equity Shareholders' Funds** | **11** | | **1,673** | | **1,691** |
| **Net Asset Value Per Share** | | | **31.4p** | | **31.7p** |

The accompanying notes are an integral part of the Financial Statements.

The statements were approved by the Directors and authorised for issue on 21 May 2019 and are signed on their behalf by:

**Richard Roth**
**Chairman**

# Statement of Cash Flows

| | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Return on ordinary activities before tax | (18) | 60 |
| Adjustments for: | | |
| Gain on disposal of investments | - | (86) |
| Gain on valuation of investments | (59) | (49) |
| Increase in debtors | (2) | (164) |
| Increase/(decrease) in creditors | 2 | (15) |
| Movement in investment debtors and creditors | - | 164 |
| **Outflow from operating activities** | **(77)** | **(90)** |
| **Cash flows from investing activities** | | |
| Purchase of investments | (183) | (230) |
| Disposal of investments | - | 1,457 |
| **(Outflows)/inflows from investing activities** | **(183)** | **1,227** |
| **Cash flows from financing activities** | | |
| Tender Offer | - | (470) |
| Dividends paid | - | (427) |
| **Outflow from financing activities** | **-** | **(897)** |
| **(Decrease)/increase in cash at bank** | **(260)** | **240** |
| Opening cash and cash equivalents | 386 | 146 |
| **Cash and cash equivalents at year end** | **126** | **386** |

The accompanying notes are an integral part of the Financial Statements.

# Notes to the Financial Statements

The Financial Statements have been prepared under Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The accounting policies have not materially changed from last year.

## 1. Principal Accounting Policies

### Basis of Preparation

The Financial Statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including FRS 102 and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2014)' issued by the AIC.

The principal accounting policies have remained materially unchanged from those set out in the Company's 2018 Annual Report and Financial Statements. A summary of the principal accounting policies is set out below.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company held all fixed asset investments at fair value through profit or loss. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at fair value through profit or loss.

The most important policies affecting the Company's financial position are those related to investment valuation and require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. These are discussed in more detail below.

### Going Concern

The assets of the Company consist mainly of securities, one of which is AIM quoted, quite liquid and readily accessible, as well as cash. After reviewing the Company's forecasts and expectations, 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 its Financial Statements.

### Key Judgements and Estimates

The preparation of the Financial Statements requires the Board to make judgements and estimates regarding the application of policies and affecting the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEVC Valuation Guidelines, which can be found on their website at www.privateequityvaluation.com, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of investee companies and liquidity or marketability of the investments held.

Although the Directors believe that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could result in changes in the stated values. This could lead to additional changes in fair value in the future.

### Functional and Presentational Currency

The Financial Statements are presented in Sterling (£). The functional currency is also Sterling (£).

**Cash and Cash Equivalents**
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and also include bank overdrafts.

**Fixed Asset Investments**
The Company's principal financial assets are its investments and the policies in relation to those assets are set out below.

Purchases and sales of investments are recognised in the Financial Statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis and information about them is provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. In the case of AIM quoted investments this is the closing bid price.

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple, revenue multiple, discounted cash flows and net assets. These are consistent with the IPEVC Valuation Guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the unrealised capital reserve.

In the preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

**Fair Value Hierarchy**
Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements dependent on whether the stock is quoted and the level of the accuracy in the ability to determine its fair value. The fair value measurement hierarchy is as follows:

**For Quoted Investments:**
Level 1: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the bid price at the Balance Sheet date.

Level 2: where quoted prices are not available (or where a stock is normally quoted on a recognised stock exchange that no quoted price is available), the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place. The Company held no such investments in the current or prior year.

For investments not quoted in an active market:
Level 3: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data (e.g. the price of recent transactions, earnings multiple, discounted cash flows and/or net assets) where it is available and rely as little as possible on entity specific estimates.

There have been no transfers between these classifications in the year (2018: none). The change in fair value for the current and previous year is recognised in the income statement.

**Income**
Investment income includes interest earned on bank balances and from unquoted loan note securities, and dividends. Fixed returns on debt are recognised on a time apportionment basis so as to reflect the effective yield, provided it is probable that payment will be received in due course. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally the ex dividend date.

**Expenses**
All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to capital and 25% to revenue. Any applicable performance fee will be charged 100% to capital.

**Revenue and Capital**
The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and holding gains and losses on investments. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the appropriate capital reserve on the basis of whether they are realised or unrealised at the balance sheet date.

**Taxation**
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the current tax rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated, but not reversed at the balance sheet date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Financial Instruments**
The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

The Company does not have any externally imposed capital requirements.

**Reserves**
Called up Equity Share Capital – represents the nominal value of shares that have been issued.

Share Premium Account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the Share Premium Account.

Unrealised Capital Reserve arises when the Company revalues the investments still held during the period and any gains or losses arising are credited/charged to the Unrealised Capital Reserve.

When an investment is sold, any balance held on the Unrealised Capital Reserve is transferred to the Profit and Loss Reserve as a movement in reserves.

The Profit and Loss Reserve represents the aggregate of accumulated realised profits, less losses and dividends.

**Dividends Payable**
Dividends payable are recognised as distributions in the Financial Statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are declared by the Board, and for final dividends when they are approved by the Shareholders.

### 2. Investment Income

| | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|
| Dividends received | 4 | - |
| **Total** | **4** | **-** |

### 3. Investment Management Fees

Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to the capital reserve in line with industry practice.

| | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|
| Investment management fee | 16 | 25 |
| Cost Cap refund from OTM | (2) | - |
| **Total** | **14** | **25** |

In the year to 28 February 2019 the manager received a fee of 1% of the net asset value as at the previous year end (2018: 1%). Oxford Technology Management (OTM) is also entitled to certain monitoring fees from investee companies and the Board reviews the amounts. OTM also received a further £18k in 2018, the final tranche of a payment which had been deferred from previous years. This was part of the revised agreement, with effect from 1 March 2015. No further liability is payable as at 28 February 2018 or 28 February 2019.

A performance fee is payable to the Investment Manager once original shareholders have received a specified threshold in cash for each 100p (gross) invested. The original threshold of 100p has now been increased by compounding that portion that remains to be paid to shareholders by 6% per annum with effect from 1 March 2010, resulting in the remaining required threshold rising to 123.9p at 28 February 2019, corresponding to a total shareholder return of 151.7p after taking into account the 27.8p already paid out (27.8p + 123.9 = 151.7p). The 27.8p already paid out includes an effective 6.8p (per original share) that was returned to shareholders as part of the Tender Offer.

After this amount has been distributed to shareholders, each extra 100p distributed goes 80p to the shareholders and 20p to the beneficiaries of the performance incentive fee, of which Oxford Technology Management receives 14p.

No performance fee has become due or been paid to date. Any applicable performance fee will be charged 100% to capital.

Expenses are capped at 3%, including the management fee, but excluding Directors' fees and any performance fee. Accordingly, Oxford Technology Management reduced their Management fee by £2,000 (2018: £nil), with the amount credited to the revenue account.

**4. Other Expenses**

All expenses are accounted for on an accruals basis. All expenses are charged through the income statement except as follows:

- those expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

| | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|
| Directors' remuneration | 31 | 15 |
| Auditors' remuneration | 7 | 6 |
| Other expenses | 29 | 29 |
| **Total** | **67** | **50** |

### 5. Tax on Ordinary Activities

Corporation tax payable at 19.0% (2018: 19.1%) is applied to profits chargeable to corporation tax, if any. The corporation tax charge for the period was £nil (2018: £nil)

| | Year Ended 28 February 2019 £'000 | Year Ended 28 February 2018 £'000 |
|---|---|---|
| Return on ordinary activities before tax | (18) | 60 |
| Current tax at standard rate of taxation | (3) | 11 |
| UK dividends not taxable | (1) | - |
| Unrealised gains not taxable | (11) | (9) |
| Realised gains not taxable | - | (16) |
| Excess management expenses carried forward | 15 | 14 |
| **Total current tax charge** | **-** | **-** |

Unrelieved management expenses of £1,621,167 (2018: £1,539,772) remain available for offset against future taxable profits.

### 6. Earnings per Share

The calculation of earnings per share (basic and diluted) for the period is based on the net loss of £18,000 (2018: profit of £60,000) attributable to shareholders divided by the daily weighted average number of shares 5,331,889 (2018: 6,080,419) in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant. The basic and diluted earnings per share are therefore identical.

## 7. Investments

| | AIM quoted investments Level 1 £'000 | Unquoted Investments Level 3 £'000 | Total investments £'000 |
|---|---|---|---|
| **Valuation and net book amount:** | - | - | - |
| Book cost as at 28 February 2018 | - | 2,089 | 2,089 |
| Cumulative revaluation to 28 February 2018 | - | (940) | (940) |
| **Valuation at 28 February 2018** | **-** | **1,149** | **1,149** |
| **Movement in the year:** | | | |
| Purchases at cost | 150 | 71 | 221 |
| Adjustment to cost | - | (38) | (38) |
| Revaluation in year | (62) | 121 | 59 |
| **Valuation at 28 February 2019** | **88** | **1,303** | **1,391** |
| Book cost at 28 February 2019 | 150 | 2,123 | 2,273 |
| Cumulative revaluation to 28 February 2019 | (62) | (819) | (881) |
| **Valuation at 28 February 2019** | **88** | **1,303** | **1,391** |

**Subsidiary Company**

The Company also holds 100% of the issued share capital of OT2 Managers Ltd at a cost of £1. Results of the subsidiary undertaking for the year ended 28 February 2019 are as follows:

| | Country of Registration | Nature of Business | Turnover | Retained profit/loss | Net Assets |
|---|---|---|---|---|---|
| OT2 Managers Ltd | England and Wales | Investment Manager | £14,569 | £0 | £1 |

Consolidated group Financial Statements have not been prepared as the subsidiary undertaking is not considered to be material for the purpose of giving a true and fair view. The Financial Statements therefore present only the results of Oxford Technology 2 VCT plc, which the Directors also consider is the most useful presentation for Shareholders.

## 8. Debtors

| | 28 February 2019 £'000 | 28 February 2018 £'000 |
|---|---|---|
| Prepayments, accrued income & other debtors | 4 | 2 |
| Deferred consideration from sale of investments | 164 | 164 |
| **Total** | **168** | **166** |

## 9. Creditors – amounts falling due in less than 1 year

| | 28 February 2019 £'000 | 28 February 2018 £'000 |
|---|---|---|
| Creditors and accruals | 12 | 10 |
| **Total** | **12** | **10** |

## 10. Share Capital

| | 28 February 2019 £'000 | 28 February 2018 £'000 |
|---|---|---|
| **Allotted, called up and fully paid:** | | |
| 5,331,889 (2018: 5,331,889) ordinary shares of 10p each | 533 | 533 |

## 11. Reserves

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the Income Statement. Changes in fair value of investments are then transferred to the Unrealised Capital Reserve. When an investment is sold any balance held on the Unrealised Capital Reserve is transferred to the Profit and Loss Account Reserve as a movement in reserves.

Distributable reserves are £618,000 as at 28 February 2019 (2018: £636,000).

**Reconciliation of Movement in Shareholders' Funds**

| | 28 February 2019 £'000 | 28 February 2018 £'000 |
|---|---|---|
| Shareholders' funds at start of year | 1,691 | 2,528 |
| Return on ordinary activities after tax | (18) | 60 |
| Purchase of own shares | - | (470) |
| Dividends paid | - | (427) |
| **Shareholders' funds at end of year** | **1,673** | **1,691** |

## 12. Financial Instruments and Risk Management

The Company's financial instruments comprise equity and loan note investments, cash balances and debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT – qualifying unquoted securities whilst holding a proportion of its assets in cash or near cash investments in order to provide a reserve of liquidity. The risk faced by these instruments, such as interest rate risk or liquidity risk is considered to be minimal due to their nature. All of these are carried in the accounts at fair value.

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed with regard to the possible effects of adverse price movements and with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes, though VCT rules limit the extent to which suitable Qualifying Investments can be bought or sold. The overall disposition of the Company's assets is regularly monitored by the Board.

## 13. Capital Commitments

The Company had no commitments at 28 February 2019 or 28 February 2018.

## 14. Related Party Transactions

OT2 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company with effect from 1 July 2015 for a fee of 1% of net assets per annum. During the year, £14,569 was paid in respect of these fees (2018: £25,283). No amounts were outstanding at the year end.

The payment of £8,000 to Richard Roth referred to in the Directors' Remuneration Report constitutes a smaller related party transaction under Listing Rule 11.1.10R. Alex Starling also received a one off payment of £2,000 at the same time.

## 15. Events after the Balance Sheet Date

During March 2019, OT2 subscribed for further shares in ImmBio, at a cost of £8k.

## 16. Control

Oxford Technology 2 VCT Plc is not under the control of any one party or individual.

# Oxford Technology 2 Venture Capital Trust
# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Oxford Technology 2 Venture Capital Trust Plc will be held at the Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 2pm on Wednesday 3 July 2019 for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

**Ordinary Resolutions**

1. That the Annual Report and Accounts for the period to 28 February 2019 be approved.

2. That the Directors' Remuneration Report be approved.

3. That Mr Richard Roth, who retires at the Annual General Meeting by rotation in accordance with Article 89 of the Company's Articles of Association, be re-appointed as a Director.

4. That Mr Alex Starling, who retires at the Annual General Meeting by rotation in accordance with Article 89 of the Company's Articles of Association, be re-appointed as a Director.

5. That UHY Hacker Young LLP, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

6. That the Company continue in being as a Venture Capital Trust.

**Special Business**

7. AUTHORITY TO ALLOT RELEVANT SECURITIES
   That the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £26,659 (representing approximately 5% of the Ordinary share capital in issue at today's date such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting, but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

8. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES
   That the Directors be empowered to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 7 as if s561 (1) of the Act did not apply to any such allotments and so that:
   a. reference to allotment in this Resolution shall be construed in accordance with s560(2) of the Act; and
   b. the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

   And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

**By Order of the Board**
**James Gordon**
**21 May 2019**
**Company Secretary**

**Notes:**

1. A member who is entitled to vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company. To be valid, a proxy card must be lodged with the Company's Registrar, **Neville Registrars, Neville House, Steelpark Rd, Halesowen B62 8HD,** at least 48 hours before the meeting. A proxy card for use by members is attached. Completion of this proxy card will not prevent a member from attending the meeting and voting in person.

2. Resolutions 1 to 7 will be proposed as Ordinary Resolutions. Resolution 8 will be proposed as a Special Resolution.

# Oxford Technology 2 VCT Plc Proxy Form
# Annual General Meeting – 3 July 2019 at 2pm

I/We ………………………………………………………………………………………………………………………..

Telephone ………………………………………………………………………………………………………………

Of (address)…………………………………………………………………………………………………………….

Being a member of Oxford Technology 2 VCT Plc, hereby appoint the Chairman of the meeting, or,

Name of Proxy ………………………………………………..

No of Shares …………………………………………………..

As my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 3 July 2019, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made. For the appointment of one or more proxy, please refer to explanatory note 4.

☐

| | **For** | **Against** | **Withheld** |
|---|---|---|---|
| 1. To approve the Annual Report and Accounts | | | |
| 2. To approve the Directors' Remuneration Report | | | |
| 3. To re-elect Richard Roth as a Director | | | |
| 4. To re-elect Alex Starling as a Director | | | |
| 5. To approve the re-appointment of UHY Hacker Young as auditors and authorisation of Directors to fix remuneration | | | |
| 6. To approve that the Company continue as a VCT | | | |
| 7. To approve the Directors' authority to allot shares | | | |
| 8. To approve the issue of shares on a non-rights issue basis | | | |

Signature:

Date:

# Proxy Form - Notes
# Annual General Meeting – 3 July 2019 at 2pm

1. **To be valid, the proxy form must be received by the Registrars of Oxford Technology 2 VCT Plc at Neville Registrars Limited, Steelpark Rd, Halesowen B62 8HD, no later than 48 hours before the commencement of the meeting.**

2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.

3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)

4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.

7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast there at will be determined by reference to the Register of Members of the Company at 6 p.m. on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0121 585 1131.

9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

# Shareholder Information

### Financial Calendar

The Company's financial calendar is as follows:

| | |
|---|---|
| 3 July 2019 | - Annual General Meeting |
| July 2019 | - Quarterly Update |
| November 2019 | - Half-yearly results to 31 August 2019 published |
| January 2020 | - Quarterly Update |
| May 2020 | - Annual results for year to 29 February 2020 announced |

### Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Neville Registrars Limited.

### Share Price

The Company's share price is published daily on the London Stock Exchange's website (www.londonstockexchange.com) using code OXH.

### Buying and selling shares

The Company's Ordinary shares, which are listed on the London Stock Exchange, can be bought and sold in the same way as any other company quoted on a recognised stock exchange via a stockbroker. The Company does not have a buy back policy, so if you wish to trade in the secondary market and do not have a stockbroking relationship, you may wish to contact:

Redmayne Bentley – York Office 0800-5420055 / 01904-646362
Paul Lumley paul.lumley@redmayne.co.uk
Chris Steward chris.steward@redmayne.co.uk

If you do contact Redmayne Bentley, you will require your National Insurance Number and a valid share certificate if selling.

There may be tax implications in respect of all or part of your holdings, so Shareholders should contact their independent financial adviser if they have any queries.

### Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Neville Registrars Limited, under the signature of the registered holder.

### Other information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Company's website at www.oxfordtechnologyvct.com/vct2.html

# Company Information – Directors and Advisers

### Board of Directors
Richard Roth (Chairman)
Robin Goodfellow
David Livesley
Alex Starling

### Company Number
3928569

### Company Secretary
James Gordon
Gordons Partnership LLP
22 Great James Street
London WC1N 3ES

### Investment Manager & Registered Office
OT2 Managers Ltd
Magdalen Centre
Oxford Science Park
Oxford OX4 4GA
Tel: 01865 784466

### Independent Auditor
UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

### Financial Adviser & LSE Sponsor
Beaumont Cornish Ltd
2nd Floor, Bowman House
29 Wilson Street
London EC2M 2SJ

### Accountants
Wenn Townsend
30 St Giles
Oxford OX1 3LE

### Compliance & FCA Advisor
Methuen Consulting LLP
26-27 Oxendon Street
London SW1Y 4EL

### Bankers
Natwest Bank
121 High Street
Oxford OX1 4DD

### Registrars
Neville Registrars
Neville House
Steelpark Rd
Halesowen B62 8HD
Tel: 0121 585 1131

### Website
www.oxfordtechnologyvct.com/vct2.html