

Oxford Technology 2 Venture Capital Trust Plc

Unaudited Half-Yearly Report

For the period

1 March 2017 to 31 August 2017

Financial Headlines

	6 Months Ended 31 August 2017	Year Ended 28 February 2017
Net Assets at Period End	£2.64m	£2.53m
Net Asset Value per Share	38.9p	37.2p
Cumulative Dividend per Share	13.0p	13.0p
Total NAV Return per Share	51.9p	50.2p
Share Price at Period End	30.0p	20.0p
Earnings per Share	1.7p	9.0p



Plasma Antennas – specialised antennas

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2017, which has been a busy time for your Company.

Results

The Company's net asset value (NAV) per share has increased from 37.2p at 28 February 2017 by 1.7p to 38.9p at 31 August 2017, mainly due to a slight increase in the adjusted final sale price of OC Robotics and a value uplift following a recent investment round in ImmunBiology Limited ("Immbio").

Sale of OC Robotics (OCR) and resultant Return of Funds to shareholders

The investment in OCR was sold to GE Aircraft Engine Services Ltd on 8 June 2017, yielding an immediate payment of £1,356k to OT2 with a further £327k being held in escrow for 24 months against normal business warranties and an estimated £98k of excess cash to be released shortly. In line with OT2's normal practice, 50% of both the amount in escrow and the estimated excess cash have been recognised in the NAV. OT2 originally invested £125k in 2001 when the company was a start-up, and then made additional investments over the years taking the total investment to £311k by the date of the most recent annual accounts to 28 February 2017, when it was valued at £1,535k. So far, the investment has therefore returned a 5 fold uplift vs cost.

With significant cash proceeds available, the Board offered shareholders the opportunity to sell 30% of their holding back to the Company via a Tender Offer, together with further shares should other shareholders not take up their Basic Entitlement. On 6 September 2017, just after the period end, the Company completed the Tender Offer, with a total of 1,461,034 Ordinary Shares being tendered. As this was less than the 2,037,877 shares that the Company was authorised to buy back all the Ordinary Shares tendered by shareholders were re-purchased, for £460k.

The Circular also indicated that a dividend would be paid to shareholders still on the register after the completion of the Tender Offer. This is still the intention, and as not all the funds earmarked for the Tender Offer were required for that purpose, the Directors expect to declare a slightly higher dividend of at least 8p per share, with a payment by 7 December 2017.

Portfolio Review

The 8 unlisted companies within the portfolio continue to develop, and where required and permitted under VCT rules your Company continues to invest to support that development. During the period, an additional investment of £30k was made into Immbio: The company attended our recent AGM and its presentation (along with that given by Arecor, another OT2 investee) can be found on our website. The recent investment in Immbio was in a new class of share with a significant preference. This has resulted in an uplift in its valuation of nearly £100k.

Select Technology, a photocopier (or more generally Multi Function Device, or MFD) software company, is now the largest holding in your Company's portfolio (over a third of the total investment value). The company is profitable and continues to grow, despite the strategic decision to reduce dependency on one particular supplier, which is expected to increase business resilience. Taking these developments into account, we have reverted to a valuation methodology based on a sales multiple to more appropriately reflect the prospects of the business, although the impact of this is small during the half year period.

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

Investment Advisor to be able to provide support when such approaches occur is essential for maximising value. This was demonstrated in the recent realisation of OCR.

Liquidity

Given the illiquidity of the current portfolio, the level of dividend declared above is set at a level such that the Company retains sufficient cash to ensure it can continue to operate for the foreseeable future, and yet remain VCT qualifying. Some portfolio companies will require further financing, and as always, these will be considered on a case by case basis.

VCT qualifying status

The Board has procedures in place to ensure that the Company continues to comply with the conditions laid down by HMRC for maintaining approval as a VCT.

Presentation of half-yearly report

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

Outlook

Your Directors continue to monitor changes to VCT legislation, and their potential impact on both the VCT and its investee companies. The recent publication of the Patient Capital Review makes many recommendations regarding investment into early stage high growth companies. It is expected that this may drive additional changes to tax efficient investment schemes. Your Directors do not expect that this will have any material impact on the current portfolios or on current investors as the VCT is fully invested. Likewise, whilst the impact of Brexit remains unclear, your Directors do not expect its eventual outcome to have a material impact on portfolio valuations.

In July, the Board announced that it was aware that due to recent realisations, the VCT is becoming sub economic with unavoidable overheads on a small asset base. The VCT has limited ability to increase the asset base on its own, and a number of options to deal with this are under consideration. I can confirm that discussions continue regarding these options, and am hopeful that we can make a further announcement in the not too distant future. Once a proposal that the Board considers to be in the best interests of existing shareholders is sufficiently advanced, shareholders will be invited to approve any new arrangements. However, there can be no certainty that any of these discussions will lead to a concrete proposal, either at this time or in the future.

The Directors' view remains that the portfolio, while concentrated, still holds significant potential over the medium term but is not without risk. The ongoing strategy is to seek to crystallise value from the portfolio and distribute cash to shareholders when the opportunity arises.

Finally I would like to take this opportunity to thank shareholders, many of whom we were able to welcome to our AGM in July, for their continued support.

Richard Roth
Chairman
20 October 2017

Investment Portfolio as at 31 August 2017

Company	Description	Net Cost of investment £'000	Carrying value at 31/8/17 £'000	Change in value for the 6 month period £'000	% Equity held OT2	% Equity held All OT	% of fund investment value
Select Technology	Photocopier interfaces	132	346	5	7.4	58.6	34.1
ImmBio	Novel vaccines	255	189	127	2.0	16.2	18.7
Plasma Antennas	Solid state antennas	188	142	13	5.6	48.9	14.0
Arecor	Protein stabilisation	89	121	-	1.2	11.3	11.9
Orthogem	Bone graft material	342	100	-	5.4	20.2	9.9
Insense	Active wound healing dressings	204	52	-	2.0	6.8	5.1
Inaplex	Data transformation software	138	37	-	21.5	34.8	3.6
Oxis Energy	Rechargeable batteries	540	27	-	0.2	0.5	2.7
Total Investments		1,889	1,014	145			100%
Other Net Assets			1,626				
Net Assets			2,640				

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

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Interim Financial Reporting” issued by the Financial Reporting Council;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
 - a description of the principal risks and uncertainties for the remaining six months of the year.
 - a description of related party transactions that have taken place in the first six months of the current financial year that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board:

Richard Roth
Chairman
20 October 2017

Income Statement

	Six months to 31 Aug 2017			Six months to 31 Aug 2016			Year to 28 February 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	-	33	33	-	-	-	-	-	-
Unrealised gain on valuation of fixed asset investments	-	115	115	-	20	20	-	653	653
Investment income	-	-	-	-	-	-	27	-	27
Investment management fees	(3)	(9)	(12)	(2)	(8)	(10)	(5)	(14)	(19)
Other expenses	(24)	-	(24)	(23)	-	(23)	(45)	-	(45)
Return on ordinary activities before tax	(27)	139	112	(25)	12	(13)	(23)	639	616
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(27)	139	112	(25)	12	(13)	(23)	639	616
Earnings per share – basic and diluted	(0.4)p	2.1p	1.7p	(0.4)p	0.2p	(0.2)p	(0.4)p	9.4p	9.0p

- The 'Total' column of this statement is the profit and loss account of the Company; the supplementary Revenue return 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 accompanying notes are an integral part of the half-yearly report.
- 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 Company has no recognised gains or losses other than the results for the period as set out above. Accordingly a Statement of Comprehensive Income is not required.

Balance Sheet

	As at 31 Aug 2017		As at 31 Aug 2016		As at 28 February 2017	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments (At fair value through profit and loss)		1,014		1,672		2,405
Current assets:						
Debtors	227		14		2	
Creditors: Amounts falling due within one year	(18)		(23)		(25)	
Cash at Bank	1,417		245		146	
Net current assets		1,626		236		123
Creditors: Amount falling due in more than one year		-		(9)		-
Net assets		2,640		1,899		2,528
Called up equity share capital		679		679		679
Share premium		376		376		376
Unrealised capital reserve		(874)		(398)		235
Profit and Loss account reserve		2,459		1,242		1,238
Total equity shareholders' funds		2,640		1,899		2,528
Net asset value per share		38.9p		28.0p		37.2p

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Unrealised Capital Reserve £'000	Profit & Loss Reserve £'000	Total £'000
As at 1 March 2016	679	376	(418)	1,275	1,912
Revenue return on ordinary activities after tax	-	-	-	(25)	(25)
Expenses charged to capital	-	-	-	(8)	(8)
Current period gains on fair value of investments	-	-	20	-	20
Balance as at 31 August 2016	679	376	(398)	1,242	1,899
As at 1 March 2016	679	376	(418)	1,275	1,912
Revenue return on ordinary activities after tax	-	-	-	(23)	(23)
Expenses charged to capital	-	-	-	(14)	(14)
Current period gains on fair value of investments	-	-	653	-	653
Balance as at 28 February 2017	679	376	235	1,238	2,528
As at 1 March 2017	679	376	235	1,238	2,528
Revenue return on ordinary activities after tax	-	-	-	(27)	(27)
Expenses charged to capital	-	-	-	(9)	(9)
Current period gains on fair value of investments	-	-	115	-	115
Current period gains on disposal	-	-	-	33	33
Prior years' gains now realised	-	-	(1,224)	1,224	-
Balance as at 31 August 2017	679	376	(874)	2,459	2,640

Statement of Cash Flows

	Six months to 31 Aug 2017 £'000	Six months to 31 Aug 2016 £'000	Year to 28 February 2017 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	112	(13)	616
Adjustments for:			
(Increase)/Decrease in debtors	(225)	7	19
Decrease in creditors	(7)	(12)	(19)
Gain on disposal of fixed asset investments	(33)	-	-
Gain on valuation of fixed asset investments	(115)	(20)	(653)
Movement in investment debtors and creditors	213	-	-
Outflow from operating activities	(55)	(38)	(37)
Cash flows from investing activities			
Purchase of fixed asset investments	(30)	(50)	(150)
Sale of fixed asset investments	1,356	-	-
Total cash flows from investing activities	1,326	(50)	(150)
Cash flows from financing activities			
Dividends paid	-	-	-
Total cash flows from financing activities	-	-	-
Increase/(decrease) in cash and cash equivalents	1,271	(88)	(187)
Opening cash and cash equivalents	146	333	333
Closing cash and cash equivalents	1,417	245	146

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2017 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting ('FRS 104') and the Statement of Recommended Practice (SORP) for Investment Companies re-issued by the Association of Investment Companies in November 2014. Details of the accounting policies and valuation methodologies are included in the Annual Report.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 August 2017 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 28 February 2017 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

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

4. Net asset value per share

The net asset value per share is based on the net assets at the period end divided by the number of shares in issue at that date (6,792,923 in each case).

5. Principal risks and uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 28 February 2017. The Company's principal risks and uncertainties have not changed materially since the date of that report.

6. Related party transactions

OT2 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company for a fee of 1% of net assets per annum.

7. Events after the Balance Sheet Date

On 6 September 2017, the Company bought back, and cancelled, 1,461,034 shares at 31.5p (representing 21.5% of the issued share capital), under the Tender Offer Circular dated 26 July 2017. The number of shares now in issue is 5,331,889 Ordinary Shares.

8. Copies of this statement are available from Oxford Technology Management, The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and on the Company's website – www.oxfordtechnology.com/vct2.

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

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

Website: www.oxfordtechnology.com/vct2