

Oxford Technology 2 Venture Capital Trust Plc

Unaudited Half-Yearly Report

For the period

1 March 2019 to 31 August 2019

Financial Headlines

	6 Months Ended 31 August 2019	Year Ended 28 February 2019
Net Assets at Period End	£1.75m	£1.67m
Net Asset Value per Share	32.8p	31.4p
Cumulative Dividend per Share	21.0p	21.0p
Total NAV Return per Share	53.8p	52.4p
Share Price at Period End (Mid-Market)	25.5p	40.0p
Earnings per Share	1.4p	(0.3)p



Select Technology – Scan2Everywhere

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2019.

Results and Dividend

The Company's net asset value (NAV) per share has increased from 31.4p at 28 February 2019 by 1.4p to 32.8p at 31 August 2019. The NAV increased by nearly 3p per share as a result of further proceeds from the sale of OC Robotics (OCR). It is good to report that there were no warranty claims made by the acquiror following the Company's sale of OCR two years ago, and OT2's share of the outstanding amount was received in full in the period. Previously only 50% of the amount originally held in escrow had been accrued. Operating costs reduced the NAV per share by 0.6p during the period, with a further 1.0p reduction due to movements in the portfolio.

The Directors are actively reviewing the financing needs of the Company and its investee companies, and also the need for the Company to meet the more stringent 80% qualifying level to maintain VCT status that has to be satisfied by 29 February 2020. We will then consider the ability for OT2 to pay a small dividend before the end of February 2020.

Portfolio Review

As I indicated in my statement in the 2019 Annual Report, 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.

Select Technology represents a third of the value of the portfolio. It distributes high quality document management software via its global channel partners while adding significant value through its development team by providing integrations or bespoke solutions. Select's sales grew to just over £7m in the year to July 2019 and the company recorded a small profit. Their industry has been undergoing considerable changes as various mergers, acquisitions and consolidations have been taking place, introducing a degree of uncertainty regarding the immediate near term. Nevertheless, Select is optimistic about its prospects.

Arecor and ImmBio are both about 20% of the portfolio. Arecor have started dosing in their Phase 1 clinical trial of rapid action insulin. They have also signed multiple development agreements to develop room temperature liquid formulations with global pharma companies.

In March, OT2 invested £8,230 in ImmBio. This investment enables ImmBio to go through the process of technology transfer of PnuBioVax vaccine strains to the Chinese National Biotech Company as required by the license agreement. Discussions are also ongoing with pharma companies in other regions of the world.

Orthogem is the only other investment to be worth more than £100k in OT2. It has agreed terms with a new UK distributor, TRB Chemica. However, the valuation of Orthogem has been reduced to reflect that sales of the putty product have been slow to arrive. Overseas regulatory approval has been much slower than anticipated, significantly in Australia which has been a leading market for Orthogem.

The Company's quoted investment, Scancell, continues to make progress. It has announced approval to start the UK Phase 2 melanoma combination trial of SCIB1 and has begun screening potential patients in Nottingham. It has also started the first joint programme on its new AvidiMab anti-glycan antibody technology, having partnered with a large unnamed pharma. AvidiMab antibodies target sugars rather than proteins on the cell surface. Scancell raised £3.9 million through the issue of new shares at 5p per share to Vulpes Life Science Fund in June (a significant discount to previous placings). The money will support the transition of Modi-1 to the clinic. Vulpes now owns 16.67% of Scancell: Martin Diggle from Vulpes was appointed to the board which we believe increases the chance of a successful outcome for this investment. The Scancell share price has risen following the Vulpes investment, and our investment has been valued at 6.8p, the AIM share at 31 August 2019.

Overall, as seen in the Income Statement, the net impact of valuation changes across the portfolio during the first half of the 2019/2020 year, including the uplift due to the full OCR final distribution, has been a gain of £106k.

The Directors along with the Investment Adviser 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 Adviser to be able to provide support when such approaches occur is essential for maximising value.

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. As already flagged, the Directors are closely assessing the implications of meeting the new 80% qualifying holding limit, required to be in place by 29 February 2020. OT2's small size makes balancing the needs of prudent management of the Company and meeting the various VCT qualifying tests all the more challenging.

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. Recent rule changes to tax efficient investment schemes are not expected to 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 recent communications with shareholders, the Board has set out its preference to expand the asset base of the Company by raising funds with a new manager. 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'. We continue 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.

Whilst we got very close to launching an offer for subscription with Chelverton Asset Management Limited earlier in the year, this did not come to fruition in the end. We have had detailed conversations with many other potential parties, but to date, the costs of such a launch present too high a risk for other parties to make a move into the VCT industry. We have always made clear that there is no certainty such an opportunity can be found but the Directors will continue seeking such opportunities.

In any event, your Board and Investment Manager continue to work together so as to best position your VCT such that – when valuations and liquidity allow – holdings can be exited and proceeds distributed to shareholders, whilst keeping a keen eye on keeping costs as low as possible in the interim.

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
18 September 2019

Investment Portfolio as at 31 August 2019

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/19 £'000	Change in value for the 6 month period £'000	% Equity held OT2	% Equity held All OTVCTs	% Net Assets
Select – STL Management Ltd	Photocopier interfaces	132	454	24	7.4	58.6	26.0
Arecor	Protein stabilisation	252	295	-	1.8	10.5	16.9
ImmBio	Novel vaccines	275	276	2	2.7	22.2	15.8
Orthogem	Bone graft material	401	119	(51)	8.0	29.8	6.8
Scancell (bid price 6.8p)	Cancer therapeutics	150	85	(3)	0.3	2.7	4.9
Insense	Active wound healing dressings	204	52	-	2.0	6.8	2.9
Plasma Antennas	Directional antennas	188	38	-	5.6	48.8	2.2
Oxis Energy	Rechargeable batteries	540	25	(10)	0.1	0.3	1.5
Inaplex	Data Integration	138	2	(7)	21.5	34.8	0.1
Total Investments		2,281	1,346	(45)			77.1
Other Net Assets			400				22.9
Net Assets			1,746				100

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
18 September 2019

Income Statement

	Six months to 31 Aug 2019			Six months to 31 Aug 2018			Year to 28 February 2019		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gain on disposal of fixed asset investments	-	159	159	-	-	-	-	-	-
Unrealised (loss)/gain on valuation of fixed asset investments	-	(53)	(53)	-	(33)	(33)	-	59	59
Investment income	-	-	-	-	-	-	4	-	4
Investment management fees	(2)	(6)	(8)	(2)	(6)	(8)	(1)	(13)	(14)
Other expenses	(25)	-	(25)	(27)	-	(27)	(67)	-	(67)
Return on ordinary activities before tax	(27)	100	73	(29)	(39)	(68)	(64)	46	(18)
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(27)	100	73	(29)	(39)	(68)	(64)	46	(18)
Earnings per share – basic and diluted	(0.5)p	1.9p	1.4p	(0.6)p	(0.7)p	(1.3)p	(1.2)p	0.9p	(0.3)p

There was no other Comprehensive Income recognised during the year.

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

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

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

Balance Sheet

	As at 31 Aug 2019		As at 31 Aug 2018		As at 28 Feb 2019	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments (At fair value through profit and loss)		1,346		1,278		1,391
Current assets:						
Debtors	18		184		168	
Creditors: Amounts falling due within one year	(6)		(19)		(12)	
Cash at Bank	388		180		126	
Net current assets		400		345		282
Net assets		1,746		1,623		1,673
Called up equity share capital		533		533		533
Capital redemption reserve		146		146		146
Share premium		376		376		376
Unrealised capital reserve		(934)		(973)		(881)
Profit and Loss account reserve		1,625		1,541		1,499
Total equity shareholders' funds		1,746		1,623		1,673
Net asset value per share		32.8p		30.4p		31.4p

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 2018	533	146	376	(940)	1,576	1,691
Revenue return on ordinary activities after tax	-	-	-	-	(29)	(29)
Expenses charged to capital	-	-	-	-	(6)	(6)
Current period losses on fair value of investments	-	-	-	(33)	-	(33)
Balance as at 31 August 2018	533	146	376	(973)	1,541	1,623
As at 1 March 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
As at 1 March 2019	533	146	376	(881)	1,499	1,673
Revenue return on ordinary activities after tax	-	-	-	-	(27)	(27)
Expenses charged to capital	-	-	-	-	(6)	(6)
Current period gains on disposal	-	-	-	-	159	159
Current period losses on fair value of investment	-	-	-	(53)	-	(53)
Balance as at 31 August 2019	533	146	376	(934)	1,625	1,746

Statement of Cash Flows

	Six months to 31 Aug 2019 £'000	Six months to 31 Aug 2018 £'000	Year to 28 Feb 2019 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	72	(68)	(18)
Adjustments for:			
Decrease/(Increase) in debtors	150	(18)	(2)
(Decrease)/increase in creditors	(5)	9	2
Gain on disposal of fixed asset investments	(159)	-	-
Losses/(Gains) on valuation of fixed asset investments	53	33	(59)
Movement in investment debtors and creditors	(164)	-	-
Outflow from operating activities	(53)	(44)	(77)
Cash flows from investing activities			
Purchase of fixed asset investments	(8)	(162)	(183)
Sale of fixed asset investments	323	-	-
Inflow/(outflow) from investing activities	315	(162)	(183)
Cash flows from financing activities			
Dividends paid	-	-	-
Total cash flows from financing activities	-	-	-
Increase/(decrease) in cash and cash equivalents	262	(206)	(260)
Opening cash and cash equivalents	126	386	386
Closing cash and cash equivalents	388	180	126

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2019 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 2019 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 2019 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

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

4. Net asset value per share

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

5. 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 2019. 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. Copies of this statement are available from Oxford Technology Management, Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and on the Company's website.

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

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

Website: www.oxfordtechnologyvct.com/vct2.html