

Oxford Technology 4 Venture Capital Trust Plc



UNAUDITED HALF-YEARLY REPORT

For the period 1 March 2020 to 31 August 2020

	6 Months Ended 31 August 2020	Year Ended 29 February 2020
Net Assets At Period End	£3.32m	£4.15m
Net Asset Value (NAV) Per Share	28.8p	36.1p
Dividend Paid in Period	5.0p	3.0p
Cumulative Dividend Per Share	48.0p	43.0p
Total NAV Return Per Share	76.8p	79.1p
Share Price At Period End (Mid-Market)	18.0p	26.5p
Earnings Per Share	(2.3)p	(9.9)p

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2020. The period under review continues to be dominated by the Covid-19 pandemic. Your Investment Adviser and the Directors have continued to manage the VCT and its portfolio effectively via remote working during lockdown.

The six months to 31 August 2020 have been a volatile and uncertain period for the economy and for businesses operating within this environment. During this period, your Board has kept the impact of the pandemic on your Company's investments closely under review.

On 19 May 2020, when we issued our annual report, we reviewed the portfolio valuation since the year ended 29 February 2020 and announced a reduction in the NAV per share from 36.1p to an unaudited 34.3p. Since then, the pandemic along with the lockdown has continued to impose great uncertainty for UK companies. However our overall portfolio has remained relatively stable as the technology sector has been less severely impacted than others. During the six month period the company's holding in Castleton Technology Plc ("Castleton") was realised, with an interim dividend of 5.0p per share paid on 31 July.

Results and Dividend

The Company's net asset value (NAV) per ordinary share has decreased by 7.3p per share from 36.1p at 29 February 2020 to 28.8p per share as at 31 August 2020. Operating costs reduced the NAV per share by 0.45p during the period, the dividend reduced the NAV per share by 5.0p, with the remaining 1.95p reduction being due to movements in the portfolio, the most significant of which relate to Select Technology and ImmBio.

As noted above, the current NAV of 28.8p per ordinary share is a reduction of 0.5p net of dividend since the mid-May update of 34.3p per share.

Portfolio Review

The portfolio now containing 12 active investments continues to develop. No companies have sought funding from the VCT during this period. The disposal of Castleton has led to significant portfolio concentration with two investments representing over 70% of the current portfolio valuation.

Arecor now represents 45% of the portfolio valuation. It has published excellent phase 1 clinical data for its ultra-rapid insulin. The trial was sized to demonstrate equivalence, and on average the Arecor insulin delivered twice the early glucose lowering effect of the next fastest insulin on the market. Arecor will be continuing its clinical insulin programme and is expected to raise further funds soon to progress this.

Select Technology represents nearly 25% of the value of the portfolio. Select distributes high quality document management software via its global channel partners while adding value through its development team by providing integrations and bespoke solutions. Sales have been significantly affected by Covid-19 with sales from February to July, being about 50% of the previous six months. However, the greatest impact was in April and May and sales have revived in the most recent months and the hope is that the revival continues.

ImmBio - formally known as ImmunoBiology Ltd has licensed its pneumococcal vaccine to China National Biotech Group. It has completed parts of its technology transfer and is now seeking to start a phase 2 study of the same vaccine. To do this it has been applying for grants. It was rejected for several grants but has two more applications pending. Coronavirus has again highlighted the importance of vaccines to the world and in recent years pneumococcal disease has claimed a similar number of deaths as Covid-19 in 2020. An existing vaccine has reduced the death rate, but existing vaccines only protect against fewer than 20 of the 90 or so existing strains. As ImmBio's ImmBioVax technology utilises heat shock proteins to activate T-cell responses, it is hoped that it can be used to create vaccines for a wide range of currently poorly served infectious diseases.

Other investments in the portfolio which individually currently represent a small proportion of NAV include:

Oxis continues with the development of its battery manufacturing capabilities, signing a lease on a manufacturing plant in Brazil which is scheduled to come online in 2023. The factory will require an investment of \$50m and be capable of producing 5 million Lithium Sulphur cells a year. Whilst our holding has been significantly diluted, Oxis still offers upside potential, although it may still be several years before it is realised.

Insense is developing a treatment for fungal nail disease. Work is continuing with formulation and stability testing in preparation for a clinical trial in late 2022 or possibly in 2023. Ultimate realisation is therefore likely to be protracted.

Novacta's drug targeting Gram-negative bacterial infections continues through clinical trials in the hands of Spero Therapeutics. Preliminary Phase 1 clinical data has encouraged Spero to plan further trials in 2021. Ultimate realisation is therefore likely to be protracted.

Diamond Hard Surfaces produces a diamond like coating which, whilst being extremely hard, is also an electrical insulator but a good conductor of heat. The number of customers is growing steadily, but revenue per customer remains small. Total sales have improved in 2020 with sales in the six months to June being similar to the whole of 2019. The major reason for this has been a growth in a heat sink application. If DHS does find a lucrative niche, then its value could grow rapidly.

Whilst Mirriad is currently a minor proportion of NAV, it has seen revenue double for the 6 months to the end of June compared to the previous year. There has been growth of sales of their inserted advertising in China and the United States from existing and new customers. This comes against a backdrop of falling demand for advertising.

These companies fall into two camps. In some, our holding is so small, that even if the company is ultimately highly successful, the return to our Company would be small. Others remain relatively early stage, so their ultimate valuation remains unclear. Directors, in consultation with the Investment Adviser continue to focus on determining if achieving an early exit from some of these companies would be in the interest of shareholders.

Overall, as seen in the Income Statement, the net impact of valuation changes across the portfolio during the first half of the 2020/2021 year was a loss of £209k.

The Directors, along with the Investment Adviser, continue to take an active interest in the companies within the portfolio, supporting 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 decreasing size of the VCT means significant focus is required to ensure we retain sufficient working capital to manage the Company whilst meeting all the conditions laid down by HMRC for maintaining approval as a VCT. The Board has procedures in place to ensure that the Company continues to comply with these conditions, in particular the new 80% qualifying holding limit which has been in place since 1 March 2020.

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

Nothing has changed in our plans for your Company. We continue to believe your VCT is an appropriate structure to hold your Company's investments, but it would be preferable to have a larger asset base to share the operating costs. I have reported previously of our efforts to seek prospective parties who are potentially interested in entering the VCT industry. This initiative is currently on hold whilst any such possible organisations are entirely focussed on more immediate actions within their own businesses as a result of the Covid-19 pandemic. We have always made clear that there is no certainty such a route can be achieved, but the Directors will continue seeking such opportunities when the future outlook has become clearer. Directors are also revisiting the economics of a merger with some or all of the other Oxford Technology VCTs. Such a transaction is not without risk and it is by no means clear that it would be in your Company's best interests to participate.

We will update shareholders if and when these discussions reach a conclusion, and in any event, shareholder approval will be required before any transaction could proceed.

Apart from the change to investment qualifying levels, there have been no recent changes to VCT legislation, or their potential impact on both the VCT and its investee companies. It is still too early to fully assess the impact of Covid-19, and the resulting government interventions. Whilst the impact of Brexit remains unclear, your Directors do not expect its eventual outcome to have a material impact on portfolio valuations.

Your Board and Investment Adviser continue to work 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 maintaining costs as low as possible in the interim.

Finally, I would like to take this opportunity to thank shareholders for their continued support. We were delighted a significant number of you managed to attend our zoom AGM, and we will consider the merits of future online forums which allow a greater number of shareholders to participate. We hope that the difficulties this year have not been too disruptive to our shareholders and look forward to a return to an “old normal”.

David Livesley
Chairman
8 October 2020

Investment Portfolio as at 31 August 2020

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/20 £'000	Change in value for the 6 month period £'000	% Equity held OT4	% Equity held All OTVCTs	% Net Assets
Arecor	Protein stabilisation	590	1,289	-	5.6	10.5	38.9
Select – STL Management Ltd	Specialist photocopier interfaces	237	708	(314)	18.4	58.6	21.4
ImmBio	Novel vaccines	857	331	(224)	13.0	22.6	10.0
Diamond Hard Surfaces	Diamond coatings	640	198	63	49.9	49.9	6.0
Oxis Energy	Battery technology	305	85	43	0.2	0.3	2.6
Insense	Active wound healing dressings	476	67	-	2.5	6.8	2.0
Plasma Antennas	Solid state directional antennas	700	60	20	30.9	48.8	1.8
Novacta	Antibiotics Development	347	59	-	2.3	2.3	1.7
Dynamic Extractions	Separation technology	377	44	(12)	30.4	30.4	1.3
MirriAd Advertising (bid price 13.0p)	Virtual product placement	-	9	5	0.0	0.0	0.3
Metal Nanopowders	Production of metal nanopowders	52	-	-	16.7	36.7	-
Superhard Materials	Very hard materials	9	-	-	18.2	40.0	-
Total Investments		4,589	2,850	(419)			86.0
Other Net Assets			466				14.0
Net Assets			3,316				100.0

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

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Interim Financial Reporting” issued by the Financial Reporting Council;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
 - a description of the principal risks and uncertainties for the remaining six months of the year.
 - a description of related party transactions that have taken place in the first six months of the current financial year that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.
- The assets of the Company include a cash balance of £466,000. After reviewing the forecast for the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the half year accounts

On behalf of the Board:

David Livesley
Chairman
8 October 2020

Income Statement

	Six months to 31 Aug 2020			Six months to 31 Aug 2019			Year to 29 February 2020		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gain/(Loss) on disposal of fixed asset investments	-	210	210	-	29	29	-	(198)	(198)
Unrealised loss on valuation of fixed asset investments	-	(419)	(419)	-	(266)	(266)	-	(852)	(852)
Investment income	-	-	-	-	-	-	19	-	19
Investment management fees	(21)	-	(21)	(7)	(21)	(28)	(56)	-	(56)
Other expenses	(31)	-	(31)	(26)	-	(26)	(54)	-	(54)
Return on ordinary activities before tax	(52)	(209)	(261)	(33)	(258)	(291)	(91)	(1,050)	(1,141)
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(52)	(209)	(261)	(33)	(258)	(291)	(91)	(1,050)	(1,141)
Earnings per share – basic and diluted	(0.5)p	(1.8)p	(2.3)p	(0.3)p	(2.3)p	(2.6)p	(0.8)p	(9.1)p	(9.9)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 2020		As at 31 Aug 2019		As at 29 Feb 2020	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments at fair value		2,850		4,675		3,891
Debtors	13		18		10	
Cash at Bank	466		315		262	
Creditors: Amounts falling due within one year	(13)		(6)		(10)	
Net current assets		466		327		262
Net assets		3,316		5,002		4,153
Called up share capital		1,152		1,152		1,152
Share premium reserve		813		813		813
Unrealised capital reserve		(1,739)		(266)		(770)
Profit and Loss account		3,090		3,303		2,958
Total equity shareholders' funds		3,316		5,002		4,153
Net asset value per share		28.8p		43.4p		36.1p

Statement of Changes in Equity

	Share Capital £'000	Share Premium Reserve £'000	Unrealised Capital Reserve £'000	Profit & Loss Reserve £'000	Total £'000
As at 1 March 2019	1,152	813	7	3,667	5,639
Revenue return on ordinary activities after tax	-	-	-	(54)	(54)
Current period gains on disposal	-	-	-	29	29
Current period losses on fair value of investments	-	-	(266)	-	(266)
Prior years' unrealised gains now realised	-	-	(7)	7	-
Dividends paid	-	-	-	(346)	(346)
Balance as at 31 August 2019	1,152	813	(266)	3,303	5,002
As at 1 March 2019	1,152	813	7	3,667	5,639
Revenue return on ordinary activities after tax	-	-	-	(91)	(91)
Current period losses on disposal	-	-	-	(198)	(198)
Current period losses on fair value of investments	-	-	(852)	-	(852)
Prior years' unrealised losses now realised	-	-	75	(75)	-
Dividends paid	-	-	-	(345)	(345)
Balance as at 29 February 2020	1,152	813	(770)	2,958	4,153
As at 1 March 2020	1,152	813	(770)	2,958	4,153
Revenue return on ordinary activities after tax	-	-	-	(52)	(52)
Current period gains on disposal	-	-	-	210	210
Current period losses on fair value of investments	-	-	(419)	-	(419)
Prior years' unrealised gains now realised	-	-	(550)	550	-
Dividends paid	-	-	-	(576)	(576)
Balance as at 31 August 2020	1,152	813	(1,739)	3,090	3,316

Statement of Cash Flows

	Six months to 31 Aug 2020 £'000	Six months to 31 Aug 2019 £'000	Year to 29 Feb 2020 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	(261)	(291)	(1,141)
Adjustments for:			
(Gain)/loss on disposal of fixed asset investments	(210)	(29)	198
Loss on valuation of fixed asset investments	419	266	852
Increase/(decrease) in creditors	3	(7)	(3)
Increase in debtors	(3)	(16)	(7)
Outflow from operating activities	(52)	(77)	(101)
Cash flows from investing activities			
Purchase of fixed asset investments	-	(38)	(67)
Sale of fixed asset investments	832	492	491
Inflow from investing activities	832	454	424
Cash flows from financing activities			
Dividends paid	(576)	(346)	(345)
Outflow from financing activities	(576)	(346)	(345)
Increase/(decrease) in cash and cash equivalents	204	31	(22)
Opening cash and cash equivalents	262	284	284
Closing cash and cash equivalents	466	315	262

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2020 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 2020 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 29 February 2020 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 (11,516,946 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 29 February 2020. The Company's principal risks and uncertainties have not changed materially since the date of that report.

6. Related party transactions

OT4 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: David Livesley, Alex Starling, Robin Goodfellow and Richard Roth.

Investment Manager: OT4 Managers Ltd with services contracted to Oxford Technology Management Ltd

Website: www.oxfordtechnologyvct.com/vct4.html