

# Oxford Technology 2 Venture Capital Trust Plc



- Arecor
- ImmBio
- Inaplex
- Insense
- Oxis Energy
- Plasma Antennas
- Scancell
- Select – STL Management

# Annual Financial Statements

For the Year Ended 28 February 2021

Company Registered Number: 3928569

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## About Oxford Technology 2 Venture Capital Trust Plc

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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 Venture Capital Trust 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 (OTM).

## Investment Strategy

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The Company has built a balanced portfolio of investments with the following characteristics at the time of 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 OT2 is that it has focused 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

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	Year Ended 28 February 2021	Year Ended 29 February 2020
Net Assets at Year End	£1.32m	£1.48m
Net Asset Value (NAV) per Share	24.8p	27.8p
Cumulative Dividend per Share	22.5p	22.5p
NAV + Cumulative Dividend per Share Paid from Incorporation	47.3p	50.3p
Share Price at Year End (LSE)	20.0p	22.5p
Earnings Per Share (Basic & Diluted)	(3.0)p	(2.1)p

## Strategic Report

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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 (page 4), which looks at future prospects for the Company, a Business Review (page 11), which includes analysis of the principal risks, and an Investment Portfolio Review (page 18), 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

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2020 was an extraordinary year that we will not forget. The appearance of the SARS-CoV2 virus and the subsequent response by the government have radically changed our way of life in a manner we could scarcely have imagined a year ago. The markets reacted badly, triggering a crash in March 2020. Life has been challenging for everyone but above all, I do hope that you have remained well in these difficult times.

Despite the astonishing scientific progress in developing vaccines and getting them through clinical trials in less than a year, and the speed at which the UK has been able to fully vaccinate 85% of the over 50s' population, concerns remain – in particular regarding the advent of new variants. The latest government target of vaccinating all over 18s by mid-July should continue to help. Also, again the UK appears to be leading the way with a sensible approach to developing further vaccines to respond to changes in the infection threat. I am therefore very much looking forward with hope to a continued economic recovery.

In March 2020 the Investment Adviser successfully transitioned to a remote working model. Throughout the period, and to date, your Company has maintained full operational capability. The Board and Investment Adviser were swift to respond to the potential economic impact of Covid-19 and the imposed restrictions. A comprehensive appraisal of the portfolio was carried out to identify the likely impact on each company and to ensure that pragmatic steps were taken to enable each investee company to weather the crisis as best it could. The results of this exercise were reported in last year's annual report as post balance sheet events.

On behalf of the Board, I would like to thank the members of the Investment Adviser's team for the work which they have done and continue to do alongside the management teams at each of the companies in the portfolio. Throughout the pandemic, the Directors have maintained close communication with the Investment Adviser, receiving regular updates on the performance of investee companies.

Against this background I present the Annual Report for the year to 28 February 2021 to fellow shareholders.

### Overview

The response to the outbreak of the SARS-CoV2 virus has presented your Company and the management of every one of the businesses in your Company's portfolio with unprecedented challenges. It is a great credit to the quality of the management of the portfolio companies to be able to record that the fallout from the pandemic has not been more significant.

All investee companies were alerted to, and some utilised, the available government support packages. Although some portfolio companies remain disadvantaged by the Covid-19 pandemic, it was evident in the second half of the year that at least one had actually benefited.

Greater clarity emerged as the year progressed and, for most of the investee companies, the environment was less volatile and uncertain than was initially assumed.

The Company's net asset value (NAV) per share decreased by 3.0p per share from 27.8p at 29 February 2020 to 24.8p per share as at 28 February 2021. Compared to 29 February 2020, operating costs reduced the NAV per share by 1.2p during the period, with a further loss of 1.8p per share due to movements in the portfolio: reductions in the valuations of STL Management Limited ("Select Technology") and ImmunoBiology Limited ("ImmBio") only partially being offset by an increase in the value of Scancell Holdings Plc ("Scancell"). Further explanations are included in the portfolio review section below. Total Return since the Company's launch is 47.3p per share.

### **First Quarter Results Announcement**

The NAV per share was 27.2p (unaudited) as at 31 May 2021, an increase of 2.4p. This incorporates the IPO share price of Arecor (described further in the portfolio review below), and the bid price of Scancell at the end of May (of 19.5p). The Directors have also reviewed the carrying values of the unquoted investments and these remain largely unchanged from their values at 28 February 2021. The next scheduled update will be for the half year to 31 August 2021, which we anticipate releasing in October.

### **Portfolio Review**

At 28 February 2021, the Company had holdings in seven unlisted companies and one company which is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange. The three largest companies continue to progress. Where these companies require further investments (and it is permitted under VCT rules), your Company has the cash resources to continue to invest to support the portfolio. Arecor Limited ("Arecor") sought funding from the VCT, but regrettably we were not able to support it due to the constraints imposed by the VCT rules (see below). Scancell raised £48m in two rounds that were not VCT qualifying.

Arecor remains our largest holding, representing nearly 32% of the NAV per share. In 2018, Arecor received an investment of £6 million primarily from a consortium of VCTs, with a further top up in 2020. This allowed the company to accelerate the development of its core assets focused around improved management of diabetes. This resulted in the announcement in December 2020 of positive results for the first phase I clinical trial of AT247, a novel ultra-rapid acting formulation of insulin, along with the first patient dosed in a Phase I clinical trial of Ultra-Concentrated Rapid Acting Insulin candidate AT278. Since the year end, Arecor has announced a £2.8 million grant from Innovate UK to support the Phase II development of AT247. Arecor has also announced commercial agreements with Hikma Pharmaceuticals plc (a British multinational pharmaceutical company that manufactures non-branded generic and in-licensed pharmaceutical products) and in May 2021, an exclusive formulation development collaboration with Eli Lilly. In an exciting further development, Arecor successfully floated on the AIM market on 3 June 2021, raising £20m from new and existing investors, and valuing the company at over £60m post new money - a 44% premium to our valuation at 28 February 2021.

The Company's second largest holding is now Scancell (21% of NAV per share). Scancell's share price has seen significant volatility since our original investment, which was made primarily to help the VCT meet HMRC's stringent qualifying tests, whilst also ensuring we retained sufficient liquidity for the future. Indeed, over the accounting period, the Scancell share price more than tripled, increasing from 6.4p (bid price as at 29 February 2020) to 22.5p (bid price as at 28 February 2021). Scancell has had a transformational year, and it is pleasing to note that the market appears to be finally starting to see the value this investment may have. We still believe the investment has further potential given its technologies and the number of "shots on goal" it has. Scancell has raised substantial new funds to develop a wide range of exciting prospects. It is developing novel immunotherapies for the treatment of cancer based on its technology platforms, ImmunoBody, Moditope and AvidiMab, with four products in multiple cancer indications and the development of a second generation vaccine for Covid-19.

Following Arecor's listing on AIM, the combined value of these two AIM quoted companies represents 58.7% of the Company's net assets at 31 May 2021.

A further nearly 19% of OT2's NAV at 28 February 2021 relates to our investment in Select Technology, which distributes high quality document management software via its global channel partners.

Sales were significantly affected by Covid-19 during the year, though the overall financial impact was cushioned by the furlough scheme. Our valuation methodology for this investment is based on a sales multiple, and we have cautiously marked down our valuation further until we can fully assess the impact of new working practices in Select Technology's markets. As at 28 February 2021, the value of your Company's stake in Select Technology is down by just under 40% compared to 29 February 2020. Despite this, the Board's medium-term view for Select Technology is positive. Underlying profit margins have increased over the course of the year and are on track to continue to rise.

No other investments are worth more than 5% of the NAV. ImmBio has seen a significant reduction in value during the year. In 2019, on the back of strong Phase 1 data, ImmBio signed a licensing agreement with CNBG to co-develop ImmBio's proprietary PnuBioVax vaccine against pneumococcal disease and launch the pneumococcal vaccine in the Greater China area upon completion of successful clinical studies. This relationship continues, with technology transfer to China ongoing, although the Chinese have had difficulty replicating some areas of the manufacturing process causing delays. ImmBio continues to look for additional regional partners and grants to continue to develop its vaccine portfolio but given Covid-19 has led to a focus on synthetic vaccines with a very specific target rather than cell based broad spectrum vaccines, it is proving difficult to get the required attention. However, a pharmaceutical company with a large presence in the pneumococcal market is showing some interest.

Oxis Energy Limited ("Oxis") has been developing a novel high power battery technology based on Li-S particularly suited to high load industrial applications. In addition to signing agreements to construct their first factories, they have also signed co-development agreements with partners in key sectors including shipping and aerospace. They were expecting to close their next funding round in Q1 2021, which would have funded them into production. Unfortunately, this round collapsed when a trade partner was unable to provide its proposed investment, and Oxis was placed into administration on 27 May 2021. At this point it is unclear what, if any, recovery may be possible. We have made a fully provision against the value of our investment.

We have also reviewed the value of our loan in Plasma Antennas Limited ("Plasma") which is due to be repaid this year and should be at a slightly higher level than previously expected.

Your Company also has holdings in two other companies, which together represent less than 5% of the NAV, and are held at the same cost as at 29 February 2020. We hope the larger of these, Insense Limited ("Insense"), still has the potential for future value growth. Overall, as seen in the Income Statement, the net impact of valuation changes across the portfolio during 2020/2021 year was a loss of £95k.

The Directors, along with the Investment Adviser, continue to take an active interest in the companies within the portfolio, supporting management teams (where possible) 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.

Further details are contained within the Investment Adviser's Report, and on our website at <http://www.oxfordtechnologyvct.com/vct2.html>.

### **VCT Qualifying Status, Liquidity, Dividends and Return of Capital**

Due to its small size the Company remains exposed to balancing solvency requirements and compliance with VCT rules: there is no flexibility in the latter, and there is now much greater emphasis on Directors to explain to shareholders why it is still reasonable to adopt the going concern basis when accounts are being prepared. To that end, the Directors have elected to retain as much cash as is allowed by the VCT rules, to ensure the Company can continue to operate for the foreseeable future and no dividend was paid or declared during the financial year.

The ongoing strategy remains 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.

In the meantime, the VCT rules do provide additional challenges for very small VCTs, where there is very little flexibility in how to operate, and with a small portfolio, we are very severely hindered from continuing to support our own investee companies. This was once again evidenced when we were unable to support Arecor's fund raising. Our VCT is not in line with much of the industry, which is continuing to raise funds and making new investments, and where small scale is not an issue, so these policies impact us more than larger VCTs. 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 continues to monitor all the VCT requirements very carefully and has procedures in place to ensure that the Company continues to comply with these conditions, in particular the new minimum 80% qualifying holding limit which has been in place since 1 March 2020. As at 28 February 2021, the HMRC value of qualifying investments of our portfolio was 82% (2020: 81%).

The issue of liquidity of unquoted companies within investment funds has remained a national topic of discussion this year. Shareholders may be interested to know that at the year-end a third of the Company's portfolio was held in cash or a single quoted AIM share, thus hopefully providing both short- and medium-term liquidity (though shareholders should note that stocks quoted on AIM may have limited liquidity at times). By the end of May 2021, following Arecor's listing, this had increased to 73%, although there are restrictions (lock in and orderly market provisions) on OT2's ability to sell its Arecor holding for a period of up to 2 years following that listing).

### **Brexit**

The uncertainty surrounding the UK's future global trading relationships, as a result of Brexit, continued throughout the year. The UK formally left the EU on 31 January 2020 and entered an 11 month transition period that ended on 31 December 2020. The EU (Future Relationship) Act 2020, which was agreed with the EU on 24 December 2020, came into effect on 1 January 2021. The potential impact of the UK's withdrawal from the EU has been closely monitored across the portfolio of investee companies and, as at the date of this Annual Report, there is nothing material to report. The majority of investee companies have limited direct exposure to the EU, and those that do have been implementing contingency plans to mitigate any potential impact. Furthermore, it is not anticipated that there will be any immediate changes to the legislation governing VCTs as a result of the UK's departure from the EU.

### **VCT Market Changes**

As we commented last year, after some big changes in recent years, this has been another period of allowing the new regulatory landscape to bed in. The types of investment now allowed are of the sort in which the OT VCTs have always specialised and we continue to believe the VCT structure is well-suited to this patient approach to long term value creation. As mentioned above under VCT qualifying status however, the challenges of supporting our investees cannot be under-estimated, and in several cases, we are forbidden from investing further funds to support their growth.

### **Cost Control**

Your Board continues to look at methods of improving operational efficiency, reducing costs and, more generally, putting in place appropriate plans to ensure that your VCT's operational costs relative to its overall size remain within acceptable limits. Over the last 5 years we have renegotiated almost every element of cost.

Our investment management and Directors' fees and auditors' remuneration are amongst the lowest in the VCT industry. The largest remaining elements of cost are the LSE listing fee at almost £10k and the FCA fee of £6k. These regulatory fees seem to have relentless increases and bear disproportionately on a small company. It should be noted that this year OTM have had to refund nearly half their fee (£7,025) as a result of the cost cap (3% excluding Directors' fees).

### **Environmental, Social and Governance (ESG)**

Whilst many of the requirements under company law to detail ESG matters are not directly applicable to the Company, the Board is conscious of its potential impact on the environment as well as its social and corporate governance responsibilities. Furthermore, the Investment Adviser takes ESG considerations into account when investing.

The future FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures commencing from 1 January 2021 do not currently apply to the Company. However, it will be kept under review in light of any recommended changes.

### **Shareholder Interaction and AGM**

I am sorry that it was not possible to hold an open Annual General Meeting last year because of the restrictions on public meetings. Shareholders were able to submit questions by email and on the day via the Zoom Q&A feature. A summary of the answers to questions we received was posted on our website <https://www.oxfordtechnologyvct.com/agmfaqs.html>.

After hosting last year's AGM via electronic means, we had hoped to return to full normality for this year's event, while also recognising the convenience of enabling virtual participation. However, timings conspired against us and it has not proved possible to hold our AGM in the usual early July timeslot, and there is still a degree of uncertainty as to what will be possible.

Having not had the chance to meet shareholders for over two years, we are therefore planning the following shareholder interactions to maximise the opportunity for shareholder involvement during the holiday period:

- **Wednesday 28 July 2021 at 2pm:** An informal shareholder meeting held in person in Oxford, providing an opportunity for a face-to-face meeting with shareholders. The agenda will include a presentation from OTM followed by a shareholder Q&A to include future strategy. There will hopefully be some investee presentations, though these may be pre-recorded. **If you intend to attend this session, please notify us in advance by email to [vcts@oxfordtechnology.com](mailto:vcts@oxfordtechnology.com) in case there are changes to arrangements that need to be communicated at short notice.**
- **Thursday 12 August 2021 at 10.30am:** webinar – a repeat of the above shareholder event, but held online, and using chat/email facility for shareholder Q&A. Details for how to register for this event are on [www.oxfordtechnologyvct.com](http://www.oxfordtechnologyvct.com).
- **Wednesday 25 August 2021 at 10.30am:** Virtual AGM. This will be a meeting to consider the formal business of the AGM. All voting will be by poll (i.e. not using a show of hands), so please ensure that you return your proxy forms as soon as possible (and in any event by 10.30am on 23 August 2021) and / or register your votes with your broker if your shares are held with nominees. It is strongly encouraged that you appoint the Chairman of the AGM as your proxy to enable the orderly conduct of voting at the AGM. Please refer to the Notice of AGM for further details regarding lodging a proxy form and for how to register to attend the event. Please send in any questions you have, and we will seek to answer them at the meeting and also put up a Q&A section on the website.

We hope shareholders will appreciate the flexibility being offered.

Regarding the various proposed resolutions:

- Resolution 1 – 3 (inclusive): These resolutions seek approval of the Company's Annual Report and Accounts for the period ended 28 February 2021 and the Directors Remuneration Report and Directors' Remuneration Policy contained therein.
- Resolutions 4 – 7 (inclusive): In accordance with AIC guidelines all four directors are standing for annual re-election. All have played a very full part in the VCT's activities throughout the year.
- Resolution 8: Seeks the approval of the re-election of UHY Hacker Young LLP ("UHY") as auditors of the Company and to authorise the Directors to determine their remuneration. Once again, UHY have done a highly professional job again this year under difficult conditions.
- Resolution 9: We are putting forward a resolution to vote for the continuation of the VCT, as in previous years. The Directors do not consider this to be an appropriate time to wind up the VCT as it would not be in shareholders' best interests as outlined in "Outlook/Planning for the Future" section below.



- Resolutions 10 and 11: These seek approval for the Company to generally be authorised to allot up to 533,189 shares in the capital of the Company on a non-rights issue basis. Despite its small size, your VCT remains in reasonable structural shape but events of the last 15 months have shown that it is prudent to take some precautionary measures. Every year we have a resolution for shareholders to enable the Directors to raise a further 5% of shares without pre-emption rights and this has always been approved (exceptionally in 2020 this was increased to 20%). This year we would like – with our shareholders’ approval – to set the current maximum level to 10% to provide flexibility, if ever required, to raise money more cheaply and at short notice. This would enable us to support investee companies (within the VCT rules) and exceptionally take advantage of other opportunities arising from other investees in the OT VCT stable. Although at the moment we have no plans to raise additional capital or to conduct a possible placing for the ordinary shares, it seems prudent in these uncertain times to retain this capability for a further year in case the Board considers it opportune to act quickly. A number of shareholders have already expressed an interest in subscribing for shares should such an opportunity present itself; any other shareholders who might be interested in buying shares via such a placing are invited to register their potential interest at [vcts@oxfordtechnology.com](mailto:vcts@oxfordtechnology.com).
- Resolution 12: Last year, we updated our articles of association, in part to enable the sub-division and reclassification of each ordinary share of 10p each in the capital of the Company into (i) one ordinary share of 1p in the capital of the Company; and (ii) one deferred share of 9p in the capital of the Company (“Deferred 2020 Shares”) (“Sub-Division and Reclassification”). Resolutions at this year’s AGM seek shareholder approval to fully enact the Sub-Division and Reclassification (with some further minor related changes to the articles of association (“New Articles) to be adopted at the AGM). Further details are in the Directors’ Report on page 35. Immediately following the Sub-Division and Reclassification, the number of Ordinary Shares held by a Shareholder and the NAV per Ordinary Share will not change. Shareholders who hold their shares in certificate form should note that their existing share certificates will still be valid after the Sub-Division and Reclassification and no new certificates will be issued.  
This change has no adverse consequences for shareholders and is merely a precursor to enable the creation of additional distributable reserves in the future, which may allow the Company to pay out more to shareholders in time. Both the New Articles and a comparison with the existing ones are on the Company’s website ([www.oxfordtechnologyvct.com/vct2.html](http://www.oxfordtechnologyvct.com/vct2.html)). A copy of the proposed New Articles will also be available for inspection from the date of this Annual Report at the registered office of the Company and for at least 15 minutes prior to and during the Annual General Meeting at the place of the Annual General Meeting: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA.
- Resolution 13: This seeks the approval of Shareholders to cancel the amounts standing to the credit of the Company’s share premium account and capital redemption reserve as at the date an order is made confirming such cancellation by the High Court (and, as such, this resolution is subject to the approval of the High Court). Cancelling such amounts allows a company to create a special reserve that can be used to fund distributions, assist in writing off losses or finance market purchases of the Company’s shares.

A formal Notice of the AGM has been enclosed with these Financial Statements together with a Proxy Form. The Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of these resolutions as the Directors intend to do in respect of their beneficial shareholdings. We encourage you to vote on the AGM resolutions via your proxy forms and thank you all for your ongoing support.

### **Fraud Warnings – Boiler Room Fraud**

We are aware of a number of cases where shareholders are being fraudulently contacted or are being subjected to attempts of identity fraud. Shareholders should remain vigilant of all potential financial scams or attempts for them to disclose personal data for fraudulent gains. The Board strongly recommends shareholders take time to read the Company's fraud warning section, including details of who to contact, contained within the Shareholder Information section of the Annual Report.

### **Outlook/Planning for the Future**

Your company remains one of the smallest VCTs, both in terms of NAV and market capitalisation (and reducing in size as we realise investments and return proceeds to shareholders) but we continue to operate effectively and efficiently on a shoestring budget. We still believe your VCT is an appropriate structure to hold

your Company's investments, but as we have often stated, it would be preferable to have a larger asset base to share the operating costs.

Shareholders will be aware that for a number of years, we have sought to find a partner interested in using the existing VCT structure to launch its own share offering, and hence enabling us to expand our asset base, and further efforts have continued in the last few months in this regard. We have had detailed conversations with many prospective parties who are potentially interested in entering the VCT industry, but up until a few months ago, we have not been able to find common ground: either the costs of such a launch presented too high a risk for other parties to make such a move, or the Directors did not consider the terms on which they wished to take over the management of the VCT would be in existing shareholders' best interests.

At the half year, we further indicated that the Boards of the four Oxford Technology VCTs were reviewing once again the merits of merging some, or all, of the companies, given the relentless upward trajectory of regulatory costs and the ongoing challenges of maintaining VCT status, due to the very small size of each of the companies. There are very significant costs to effect such a merger: a drawback of operating each company on a limited budget and where possible consolidating activities, is that it makes the payback period of any such merger several years, and the Directors continue to assess whether the payback period of such a transaction is viable. 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 in such a transaction.

We have always made clear that there is no certainty that either strategic route (a merger or increasing the asset base with a new manager) can be successful but the Directors will continue seeking such opportunities where possible. We can report, however, that we are in active negotiations which could provide the opportunity we have been seeking. We will update shareholders if and when any of these discussions reach a conclusion, and in any event, shareholder approval would then be required before any transaction could proceed.

In the meantime, 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.

Despite the buffeting meted out by Covid-19 and the associated restrictions, I am pleased to note that the portfolio has been resilient through this turbulent period. Your Board also believes that the portfolio has valuable upside and that the VCT structure is an effective and tax efficient mechanism to hold such assets. The Board considers that the portfolio is likely to reach a point of significant inflection in the next few years as major investee company programmes reach maturity.

I would like to take this opportunity to thank shareholders for their continued support and I hope you and your families remain healthy and well. We were delighted that a significant number of you managed to attend our Zoom AGM in 2020 and we look forward to you joining for at least one of this year's shareholder engagement meetings and/or the AGM.



**Richard Roth**  
**Chairman**  
**30 June 2021**

## Business Review

### Company Performance

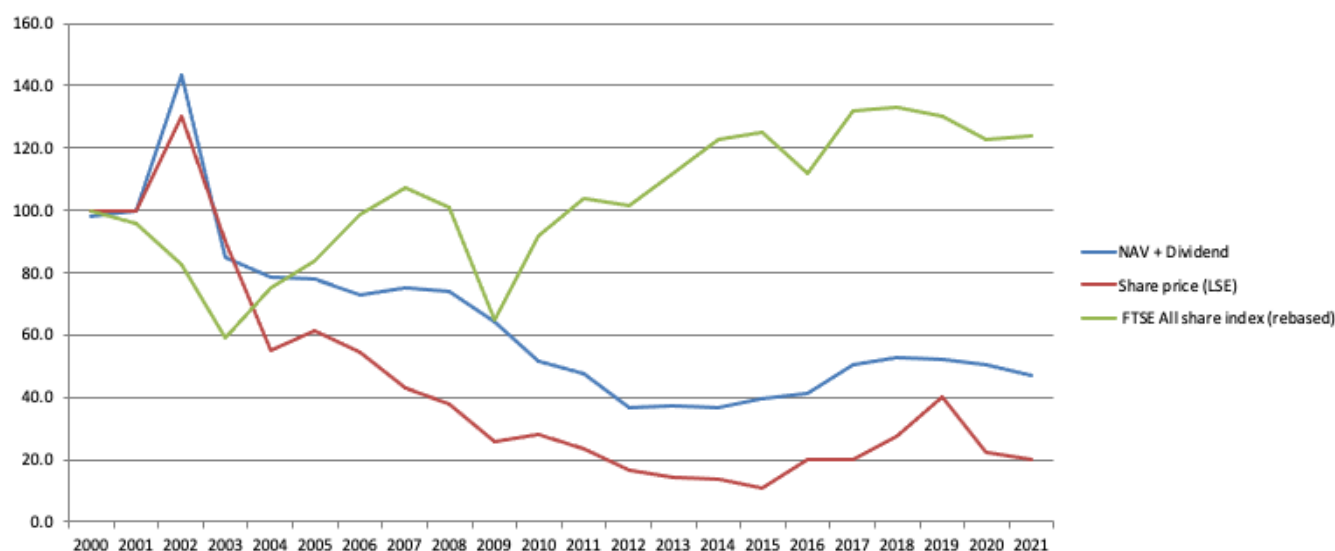
The Board is responsible for the Company's investment strategy and performance. The services regarding the creation, management and monitoring of the investment portfolio are subcontracted to OTM by the Company's Investment Manager, OT2 Managers Ltd. OTM is the Company's AIFM.

There was a net loss for the period after taxation amounting to £160,000 (2020: £110,000). The income statement comprises income of nil (2020: £4,000) received from investee companies, realised losses on fair value of investment were nil (2020: loss of £10,000), unrealised losses on fair value of investments of £95,000 (2020: unrealised losses of £36,000) and management and other expenses of £65,000 (2020: £68,000).

The review of the investment portfolio on page 18 includes a review of the Company's activities and the Chairman's Statement comments on future prospects.

The graph below compares the NAV return of the Company from 2000 with the total return from the FTSE All-Share Index (which excludes dividends) 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 strategic objectives. The KPIs it monitors include:

KPI	Objective
Total Return (Net Asset Value plus cumulative dividends paid) per share	To provide shareholders with tax free capital gains via profitable exits by investing its funds in a portfolio of primarily unquoted UK companies which meet the relevant criteria under the VCT rules.
The total expenses of the Company as a proportion of shareholders' funds	To maintain efficient operation of the VCT whilst minimising running costs.

The total return for the Ordinary shares is included in the Financial Summary on page 3 and the reduction in the total return is explained in the Chairman's Statement. In the twelve months to 28 February 2021 there was a reduction in total return of 3.0p per share (2020: negative total return of 2.1p). No dividend was paid or declared during the year.

The Company was able to maintain an efficient operation of the VCT whilst minimising running costs as a proportion of shareholder's funds. Expenses of the Company are capped at 3% of the opening net asset value (but excluding Directors' fees and any performance fee). The total actual expenses were 3.5% (but capped at 3%) of opening net assets (4.9% including Directors' fees (4.4% after cap)), (2020: 2.9% and 4.1% respectively).

### **Viability Statement**

In accordance with provision 30 and 31 of The UK Corporate Governance Code 2018 ("the UK Code") 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.

In addition to the above, the Company is also facing risks resulting from the impact of the Covid-19 pandemic. The Company's Board and Investment Adviser are focused on ensuring that investee companies are taking the required actions to minimise the potential impact that the Covid-19 pandemic could have on them. The Board will continue to review risks posed by Covid-19 and keep those risks under regular review.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable. The assets of the Company consist mainly of securities, one of which is AIM quoted, relatively liquid and readily accessible.

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 29 February 2024.

### **Principal Risks, Risk Management Objectives and Regulatory Environment**

The Board carries out a regular review of the risk environment in which the Company operates, including principal and emerging risks. The main areas of risk identified by the Board are as follows:

**Investment risk** – The majority of the Company's investments are in smaller unquoted companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors and the Investment Adviser aimed to limit the risk initially attached to the portfolio as a whole by careful selection, by carrying out due diligence procedures and by maintaining a spread of holdings. The Directors also consider timely realisation of investments. The Board reviews the investment portfolio on a regular basis. As holdings are realised, and investments are no longer being made into new companies, the portfolio will become more concentrated over time.

**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:

- carry out a qualifying trade; and
- 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
- have made their first commercial sales of more than £200k less than seven years ago (or 10 years 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
- have produced a business plan to show that its funds are being raised for growth and/or development purposes.

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.

VCTs may not make investments that do not meet the new “risk to capital” condition (which requires a company, at the time of investment, to be an entrepreneurial company with the objective to grow and develop, and where there is a genuine risk of a loss of capital).

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** – by its nature, as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value and cash flow risks. All of the Company’s income and expenditure is denominated in sterling and hence the Company has no direct foreign currency risk. The indirect risk results from investees doing business overseas. The Company is financed through equity. 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, a qualified audit report or even loss of VCT status.

**Cash flow risk** – the risk that the Company’s available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

**Liquidity risk** – the Company’s investments may be difficult to realise. The spread between the buying and selling price of shares may be wide and thus the price used for the valuation may not be achievable.

**Reputational risk** – inadequate or failed controls might result in breaches of regulation or loss of shareholder trust.

**Internal control risk** – the Board reviews annually the system of internal controls, financial and non-financial, operated by the Company. These include controls designed to ensure that the Company’s assets are safeguarded and that proper accounting records are maintained.

**Covid-19 risk** – The Company continues to be exposed to the current Covid-19 pandemic risk. Many of the VCT’s portfolio companies are encountering challenging and uncharted trading conditions, the full extent and impact of which will emerge only over time. The Investment Adviser and the Board will mentor and monitor investees carefully through the next phase.

The Board seeks to mitigate the internal risks by setting policies, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance.

In the mitigation and management of these risks the Board applies rigorously the principles detailed in the Financial Reporting Council’s Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting. Details of the Company’s internal controls are contained in the Corporate Governance section starting on page 38.

Further details of the Company’s financial risk management policies are provided in note 15 to the Financial Statements.

### **Investment Policy**

*This is the stated investment policy as per the original prospectus which has been adhered to without material change ever since.*

*The investment policy of Oxford Technology 2 VCT Plc 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 regularly and easily.*

*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 (Larpen Newton & Company Limited) and the Investment Advisor (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 Advisor 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.*

## **Key Information Document**

New EU PRIIPs regulations came into effect in January 2018. The intent of the regulations is to increase customer protection by improving the functioning of financial markets and in this instance through the Key Information Document (KID) to provide shareholders with more information about the risks, potential returns and charges within VCTs. The regulation requires the Company to publish a KID. Retail investors must now be directed to this before buying shares in the Company.

The KID is published on the Company website ([www.oxfordtechnologyvct.com/vct2.html](http://www.oxfordtechnologyvct.com/vct2.html)). The KID has been prepared using the methodology prescribed in the PRIIPS regulation. Although well intended, there are widespread concerns about the application of some aspects of the prescribed methodologies to VCTs. Specifically, there are concerns that:

1. the risk score may be understating the level of risk; and
2. investment performance scenarios may indicate future returns for shareholders that are too optimistic.

The Association of Investment Companies (AIC) has engaged on this matter and it is hoped that these issues will be resolved in the future. In the meantime, the Board recommends shareholders continue to classify our VCT as a high-risk investment.

## **Section 172(1) Statement**

The Directors discharge their duties under section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders as a whole as set out in the Business Review from page 11.

As an investment company, Oxford Technology 2 Venture Capital Trust Plc has no employees; however, the Directors also assessed the impact of the Company's activities on other stakeholders, in particular shareholders and our third-party advisers, as well as the portfolio of companies.

The Board's decision-making process incorporates, as part of the Company's investment policy and investment objectives as set out on page 4, considerations for supporting the Company's business relationships with the Investment Adviser, shareholders, advisers and registrar, independent financial advisers and the impact of the Company's operations on the community and the environment, which by nature of the business, only extends to the holdings in portfolio companies.

## **Key Stakeholders**

### **Investors**

Outside of general meetings, the Company engages with shareholders through regulatory news service announcements, interim and annual reports as well as regular correspondence with shareholders and their advisers to address any queries that arise.

The Company also holds shareholder presentations at the AGM in order to engage directly with shareholders and (under normal circumstances) allow them to hear directly from the companies in the VCT. At the July 2020 AGM we were able to welcome many shareholders virtually via our Zoom platform and shareholders had the opportunity to submit questions in advance. We welcome any feedback from shareholders on how they would like to see communication improved. Any views which may arise are discussed by the Board and factored into any decision-making and disclosed in annual and interim reports as appropriate. The Board uses a number of measures to assess the Company's success in meeting its strategic objectives with regard to shareholder interests as detailed in the Key Performance Indicators on page 11.

### **Investment Adviser**

The Company's most important business relationship is with the Investment Adviser, OTM. There is regular contact with the Investment Adviser, and all members of the team attend the Company's Board meetings. There is also an annual timetable agreed with the Investment Adviser and the Company for matters related to the annual timetable which are discussed at each Board Meeting. The Company and Investment Adviser also work together to maintain efficient operation of the VCT as detailed in the Key Performance Indicators on page 11.

### **Portfolio Companies**

The Company holds minority investments in most of its portfolio companies and it has appointed the Investment Adviser to manage the relationships with these companies. While the Board has little direct contact with the running of most of the companies, the Investment Adviser provides updates on the portfolio at least quarterly. Apart from a sale of a small number of Scancell shares, the Company made no purchases nor sales. Neither the Board nor the Investment Adviser believed it was in the best interests of all key stakeholders to do otherwise.

### **Environment and Community**

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment as far as is practicable given the nature of the business as an investment company. The management and administration of the Company is undertaken by the Investment Adviser, who recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives of the Investment Adviser designed to minimise its and the Company's impact on the environment include recycling and reducing energy consumption. More details of the work that the Investment Adviser has done in this area are set out on page 33.

### **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 Adviser and exit and dividend strategies.

Day to day operations are delegated under agreements with the Investment Adviser 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 Adviser, 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 widely ranging ages, backgrounds and experience. The gender and diversity of the constitution of the Board will be reviewed on an annual basis. The Board considers diversity when reviewing Board composition and has made a commitment to consider diversity when making future appointments. The Board will always appoint the best person for the job. It will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. However, the Board fully supports the aims of the Hampton Alexander Report and the renewed focus and emphasis on diversity in the new 2019 AIC Code of Corporate Governance ("the 2019 AIC Code") and in due course will, over time, strive to comply with these recommendations.

### **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.

For the financial year beginning 1 March 2020 and future periods, the Company has considered the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which came into force on 1 April 2019 (for accounting periods beginning after this date), in relation to energy consumption disclosure, discussed in this Business Review and also in the Directors' Report.



**Richard Roth**  
**Chairman**  
**30 June 2021**

## Investment Portfolio Review

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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 20 shows the companies remaining in the portfolio. A more detailed analysis is given for some of the larger investments.

The ultimate outcome for investors will depend on how the remaining investments perform. In particular, Select Technology, Scancell and Arecor still have the potential to deliver significant returns. All the companies in the portfolio are now adjusting their business plans in response to the Covid-19 pandemic and OTM is helping and advising these companies through these difficult and unprecedented times.

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 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 just over £4.8m in the year to January 2021, but this was a fall from the £6.5m to January 2020. Select’s business was affected by lockdowns with everyone working from home globally. This resulted in a reduction in the number of printed documents and so, also for print management software.

Scancell is focused on developing innovative immunotherapies for cancer that stimulate the body’s own immune system. Scancell has had a year marked by Covid-19 and a big investment. During the first lockdown access to the labs was limited to Covid-19 related research. Scancell announced they were working on a DNA vaccine (“Covidity”) making use of Scancell’s ImmunoBody expertise to target the conserved N protein as well as the spike proteins of the Sars-CoV-2 virus. From a share price of 6.4p at 29 February 2020, the share price rose to a peak of over 26p to end the financial year at 22.5p. In September the company received a grant from Innovate UK to develop the Covidity vaccine further. During the year Scancell raised £48m, with a new major shareholder, Californian hedge fund Redmile joining the shareholder register. Cancer Research UK’s partnership with Scancell on SCIB2 was ended by mutual agreement with all rights returning to Scancell, including all the developments made during the programme to date.

Arecor has had an excellent year as it continues to develop long term stable liquid formulations. It announced that both Hikma and Inhibrx exercised options to license products developed by Arecor. The results of the Ultrarapid insulin were published and exceeded expectations. In October 2020, Arecor raised convertible loan notes to continue pressing on with its diabetes programme and have started first in human trials of their high concentration insulin product. We were unable to participate in the fund raise as Arecor already makes up more than 15% of our portfolio based on HMRC qualifying rules (as well as 32% of NAV) but we believe the company is well placed to keep growing. Subsequent to the year end, on 3 June 2021 Arecor successfully floated on AIM via a placing at 226p per share.

ImmBio has had a mixed year. Three grants it had applied for got turned down as all the world vaccine attention shifted to Covid-19. The fortunes of vaccine companies were then boosted by Covid-19 and there has been interest from a number of companies. The situation at the end of the year is that there were interactions on-going with several companies, but we won’t know until conclusion whether they will progress or not. One of the companies has dropped out following the year end. During the year a stable formulation was developed which will not require cryogenic storage. Progress with China National Biotech Group for its pneumococcal vaccine PnuBioVax has been slow in part due to Covid-19. Further milestone payments will be made when the transfer of certain technology is complete. Due to the uncertainty we have made a further provision in the valuation of the Company.

Oxis Energy Ltd (Oxis) was 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 started the development of a fully electric plane with Texas Aircraft Manufacturing, their technology offering a 40% weight saving over the existing batteries. However, Oxis Energy was not able to continue operating normally under Covid-

19 and had to furlough many of its staff. On 27 May 2021 the Company announced that it had appointed administrators and unfortunately this investment now has to be written down to zero.

Plasma Antennas will also close this year, but the outstanding loans will be repaid to OT2.

### **New Investments in the year**

There were no new investments during the year.

### **Disposals during the year**

723 Scancell shares were sold during the year to cover custody fees at The Share Centre. In addition, the reduction in value of the equity of Plasma Antennas Limited was considered a permanent diminution in value, and £149,699 was transferred from the Unrealised Capital Reserve to the Profit and Loss account as a movement in reserves.

### **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 2021 and for the year then ended is summarised as follows:

<b>Type of Investment By HMRC Valuation Rules</b>	<b>Actual</b>	<b>Target</b>
VCT Qualifying Investments	82.0%	Minimum obligation: 80%
Non-Qualifying Investments	18.0%	Maximum allowed: 20%
Total	100%	100%

The value used in the qualifying tests is not necessarily the original investment cost due to the complex rules required by HMRC, therefore the allocation of Qualifying investments as defined by the legislation can be different to the portfolio weighting as measured by market value relative to the net assets of the VCT.

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 as no new investments were made.

## Table of Investments held by Company at 28 February 2021

Company	Description	Date of initial investment	Net cost of investment £'000	Carrying value at 28/02/21 £'000	Change in value for the year £'000	% equity held by OT2	% equity held by all OTVCTs	% net assets
Arecor	Protein stabilisation	Jul 2007	252	420	-	1.6	9.3	31.7
Scancell (bid price 22.5p)	Antibody based cancer therapeutics	Apr 2018	150	281	201	0.2	1.5	21.3
Select Technology – STL Mgt.	Specialist photocopier interfaces	Nov 2001	132	249	(164)	7.4	58.6	18.8
ImmBio	Novel vaccines	Dec 2000	295	59	(125)	3.1	22.6	4.5
Plasma Antennas	Solid state directional antennas	Nov 2001	188	56	18	5.6	48.8	4.2
Insense	Wound healing dressings	Jun 2001	204	52	-	2.0	6.8	3.9
Inaplex	Data integration software	Jan 2001	138	2	-	21.5	34.8	0.2
Oxis Energy	Battery technology	Jan 2000	540	0	(25)	0.1	0.3	0.0
<b>Totals</b>			<b>1,900</b>	<b>1,119</b>	<b>(95)</b>			<b>84.6</b>
Other Net Assets				204				15.4
<b>NET ASSETS</b>				<b>1,323</b>				<b>100.0</b>

Number of shares in issue: 5,331,889

Net Asset Value per share at 28 February 2021: 24.8p

Dividends per share paid to date: 22.5p

This table above 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, OC Robotics and Orthogem have been sold. Some shares in Scancell have also been sold.

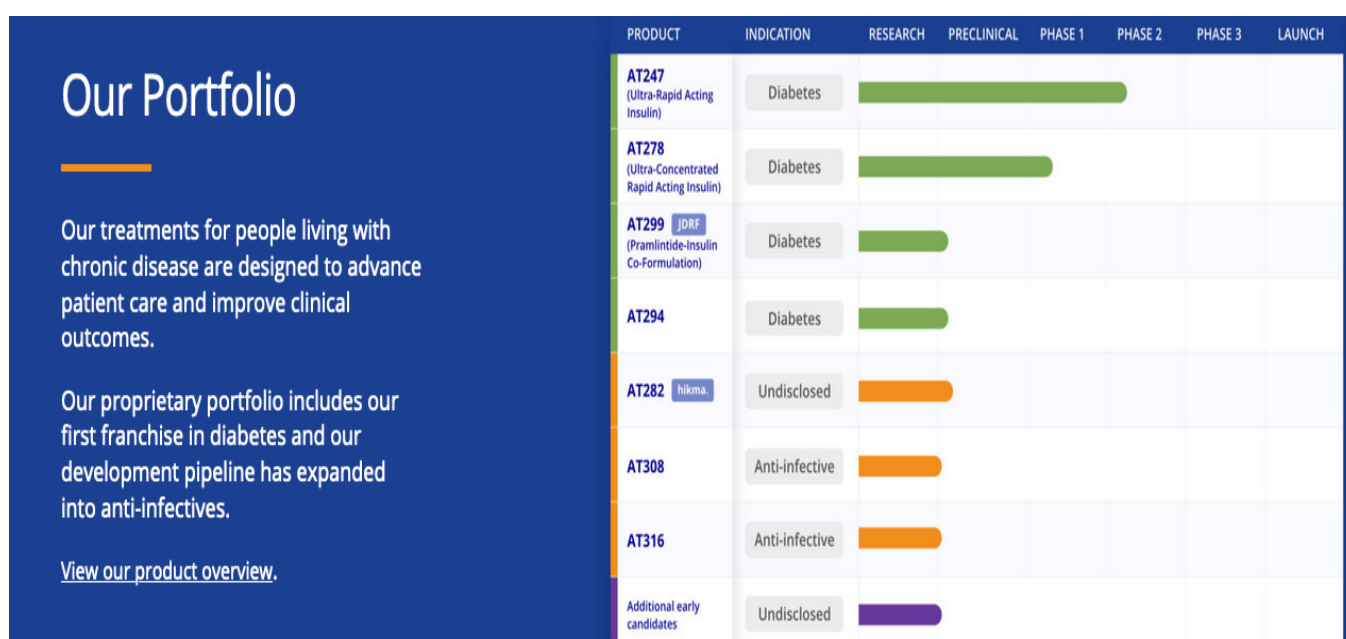
	First Investment	Net Cost	Carrying Value 28/02/2021	Change in Value for the Year	% Equity Held
Arecor	July 2007	£251,642	£419,549	-	1.6%

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. The fee for service portion of the business continues to grow profitably. This year saw the conversion of options into licenses by two partners, Hikma and Inhibrx. The Inhibrx cooperation had only started last year and the rapid conversion is a testament to the robustness and efficacy of the technology platform. The partnership further demonstrates the flexibility of Arecor’s Arestat technology platform in delivering formulation solutions, in this case for both multi-valent antibodies and recombinant fusion proteins.

Arecor has continued the development of a portfolio of differentiated peptides through to clinical proof of concept, with an initial focus on diabetes as a therapeutic area. Arecor is progressing key products: an ultra-rapid acting insulin and a highly concentrated insulin. A phase 1 trial for the ultra-rapid acting insulin was completed in Austria, with excellent results and the phase 1 of the highly concentrated insulin has now started. This was supported by a convertible loan note.

The valuation of the investment has been maintained to reflect the excellent clinical and commercial progress, counterbalanced by the longer than expected time to raise money.



## Scancell

www.scancell.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2021	Change in Value for the Year	% Equity Held
Scancell	April 2018	£149,913	£281,087	£201,133	0.2%

Scancell is an AIM listed biotechnology company in which sister company 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 three platform technologies known as ImmunoBody, Moditope and Avidimab. Moditope has moved into GMP production in preparation for clinical trial. During the year a Covid vaccine was added to the range. Scancell has raised £48m during the year.

At the start of the pandemic, Scancell decided to make use of its expertise in immunology to develop a vaccine called Covidity, which would stimulate T-Cells as well as antibodies. With some foresight they chose to expand the immunity beyond the spike protein most of the other companies focussed on, and included the N or nucleocapsid protein. This is tricky for others due to its lower immunogenicity but Scancell's technology should provide a useful immune response.

Avidimab is the most recent of the cancer therapeutics: these are antibodies with direct killing ability and are targeted at glycans produced by tumours. SCIB1, Scancell's first ImmunoBody, is being developed for the treatment of melanoma and is in Phase 2 clinical trials. Unfortunately there was no progress during the year as recruitment for clinical trials was suspended but is ready to resume once the practicalities to do so can be managed. 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. SCIB2 had been the basis of a clinical development partnership with Cancer Research UK, but that partnership has come to an end with all the rights reverting to Scancell. SCIB2 has made progress through a new liposomal nanoformulation which enables it to be administered independently through a simple injection. The combination with the Avidimab technology will increase the immunogenicity.

The Scancell share price has risen over the year with the announcement of the Covidity vaccine development, but also due to the fundraising which reduced the financing risk.

The bid price as at 28 February 2021 used for this Scancell valuation was 22.5p (2020: 6.4p).  
The bid price at the close of Q1 on 28 May 2021 was 19.5p.

## Select – STL Management Ltd

www.selectec.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2021	Change in Value for the Year	% Equity Held
Select - STL Management Ltd	November 2001	£132,436	£248,962	(£163,567)	7.4%

Select Technology (100% owned by STL Management Ltd) 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. Realising that this type of software was becoming 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.

Covid-19 caused major disruption both to Select and to everyone in the industry globally. The biggest and most obvious change was that almost everyone was working from home which meant that all the long-established procedures for managing and printing documents were disrupted. Another effect is that there were many consolidations/mergers globally, with larger companies acquiring smaller companies with the objective of reducing costs while increasing sales.

Although print management remains a significant part of Select's business, Select has made a conscious effort to seek out and acquire global rights to innovative document management systems which are appropriate to the new 'work-at-home' reality. Among these products, for example are Foldr and Square9.

Foldr was originally developed for teachers in schools. It enabled teachers to store and retrieve materials for their lessons, to write reports for their students and email these securely to the parents, with controls to ensure that the right report went to the right parent, but which also enabled all the reports to be sent to the school's central administration. Documents could be protected with various levels of security with different people being given different levels of access. Foldr has turned out to be very useful for businesses to manage their documents in a secure manner and even more so now that working from home is the norm. The level of security on a home laptop is generally less than was the case for the head-office security systems.

Square9 is an Enterprise Content Management System. It is appropriate for the largest companies with thousands of employees and enables companies to store, find, access and manage documents and other information easily and securely and in compliance with GDPR and other security protocols.

Select Technology's sales grew from £210k in the year to 31 July in 2010 to £4.8m in the year to January 2021. However, because of cost cutting measures and the furloughing of some staff, the net profit increased slightly, from £98k before tax in the six months to January 2020 to £107k in the six months to January 2021.

Select Technology is valued at a multiple of sales with a discount.

	<b>First Investment</b>	<b>Net Cost</b>	<b>Carrying Value 28/02/2021</b>	<b>Change in Value for the Year</b>	<b>% Equity Held</b>
<b>ImmBio</b>	December 2000	£295,353	£59,149	(£125,397)	3.1%

ImmBio was founded in 1999 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.

ImmBio has had a mixed year. Three grants it had applied for got turned down as all the world vaccine attention shifted to Covid-19. The fortunes of vaccine companies were then boosted by Covid-19 and there has been interest from a number of companies. The situation at the end of the year is that there are interactions on-going with several companies, but we won't know until conclusion whether they will progress or not. During the year, a stable formulation was developed which will not require cryogenic storage.

Progress with China National Biotech Group for its pneumococcal vaccine PnuBioVax has been slow in part due to the pandemic. Further milestones payments will be made when the transfer of certain technology is complete.

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



## **Insense**

[www.insense.co.uk](http://www.insense.co.uk)

	<b>First Investment</b>	<b>Net Cost</b>	<b>Carrying Value 28/02/2021</b>	<b>Change in Value for the Year</b>	<b>% Equity Held</b>
<b>Insense</b>	June 2001	£204,259	£52,149	-	2.0%

OT2 first invested in Insense in 2001.

The company was founded by Dr Paul Davis and was a spin-out from Unilever. Paul is very creative and a number of companies have spun out of Insense, companies in which OT2 had an initial shareholding as a result of its shareholding in Insense (eg Arecor and Microarray).

Insense itself is now focused on developing a treatment for fungal nail disease. The treatment works well in the laboratory. Very little progress was made in 2020, since the university laboratories where the testing was due to take place were closed. It is anticipated that work will restart in summer 2021. Insense is currently doing formulation work with a partner, adjusting the way the two gels used for the treatment mix together. At the moment, the candidate gels being tested for 6 month stability are of different viscosities and this makes mixing them difficult and can affect the quality of the final gel produced. This work is not trivial because the company needs to ensure that in adding viscosity adjusters, the chemical performance of the final gel is not degraded.

Once the formulation work is successfully completed, Insense will be in a position to start the 6 month stability testing. Insense is also exploring all options for shortening the time until the first clinical trial in man can take place.

The plan is to conduct this trial, and then to sell the package to a pharma company in exchange for an up-front payment and a royalty on sales.

Insense is valued at the price of the last equity fundraising round.

**Lucius Cary**  
**Director – OT2 Managers Ltd**  
**Investment Manager**  
**30 June 2021**

# **Investment Manager – Oxford Technology Management Ltd**

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## **Lucius Cary**

Lucius Cary is the founder and managing director of Oxford Technology Management Ltd (“OTM”). He has a degree in engineering and economics from Oxford University, an MBA from Harvard Business School and was an engineering apprentice at the Atomic Energy Research Establishment, Harwell.



After forming and raising finance for his first business in 1972, he founded "Venture Capital Report" in 1978 and was its managing director for 17 years. In March 1996, he became chairman and reduced his day-to-day involvement in order to concentrate more fully on OTM's investment activities. OTM raised its first fund to invest in start-up and early-stage technology companies in 1983. In 2003, he was awarded an OBE for services to business.

Lucius is a shareholder in Oxford Technology 2 VCT, Scancell and Select Technology. He is also a Director of OT1 Managers Ltd, OT2 Managers Ltd, OT3 Managers Ltd and OT4 Managers Ltd.

## **Andrea Mica**

Andrea Mica graduated from the Delft University of Technology with an MSc in Industrial Design Engineering, and went on for a further graduate study in Innovation and Creativity at the State University College of New York at Buffalo.



He has a strong and varied background in technology prior to joining OTM – both promoting technologies for sale, and identifying new technologies to invest in.

He also has an entrepreneurial streak – he co-founded CleanSteel Ltd, a company that developed a new technique for recycling waste products from the tyre industry.

Within the VCTs he has concentrated on the life science portfolio companies.

Andrea is a shareholder in Scancell.

## Board of Directors

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The Company has a Board of four non-executive Directors. They meet on a regular basis to review the investment performance and monitor compliance with the investment policy laid down by the Board as set out in the Strategic Report on pages 14 to 15.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- the consideration and review of the Company's compliance with HMRC conditions for maintenance of approved VCT status;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Investment Manager;
- the performance of the Company, including monitoring the discount of the share price to net asset value; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that the Company communicates effectively with shareholders in accordance with the Board's duty to promote the success of the Company.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

The Company's articles of association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

## Richard Roth



Richard Roth (aged 57) is the Chairman of OT2 and Chairman of the Audit Committee. He was appointed in July 2015. He is a Chartered Management Accountant. After 14 years at 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 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 Arecor, 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.

This combination of experience, including his directorship on another VCT outside the Oxford Technology stable, provides the Company with valuable and detailed knowledge regarding the successful ongoing operation of a VCT.

## Alex Starling



Alex Starling (aged 43) is a Director of OT2 and was appointed in July 2015. 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.

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 brings current corporate finance & early stage fundraising experience to the Board.

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 he is the Chairman of Oxford Technology VCT Plc.

## Robin Goodfellow



Robin Goodfellow (aged 74) is a Director of OT2 and also a member of the Audit Committee. He was appointed in July 2015. 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 previously a regular commentator on VCT industry performance and current VCT company issues.

Robin's combination of experience provides the Company with valuable and detailed knowledge of the VCT industry which contributes to the successful ongoing operation of a VCT. He also undertakes significant research about other companies within similar fields of activity as our investments.

Robin is a shareholder in Arcor 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. He is also a director of Edge Performance VCT Plc.

## David Livesley



David Livesley (aged 60) is a Director of OT2 and was appointed in July 2015. 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.

David brings a wealth of fund management and venture capital investment experience to the Board, as well as direct experience of VCT fund management. He has been involved with the portfolio for over 15 years, and hence has extensive historic knowledge of the Company's investments, which remains highly relevant to the ongoing success of the Company.

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

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The Directors present their report together with Financial Statements for the year ended 28 February 2021.

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.

## Review of Business Activities

The Directors are required by section 417 of the Companies Act 2006 to include a Business Review to shareholders. This is set out on page 11 and forms part of the Strategic Report. The purpose of the Business Review is to inform members of the Company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company). The Company's section 172 Statement on page 15, the Chairman's Statement on page 4 to 10 and the Investment Portfolio Review on pages 18 to 25 also form part of the Strategic Report.

## Corporate Governance Statement

The Board has considered the principles and recommendations of the 2019 AIC Code as applied to companies reporting as at 28 February 2021. The Company's Corporate Governance policy is set out on pages 38 to 43.

The 2019 AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the 2019 AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the recommendations of the 2019 AIC Code and the relevant provisions of the UK Code, except as set out below:

- The Company does not have a Chief Executive Officer or a Senior Independent Director. The Board does not consider this necessary as it does not have any executive directors.
- New Directors do not receive a formal induction on joining the Board, though they did receive one tailored to them on an individual basis.
- The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for this VCT at this time.
- The Company does not have a Remuneration Committee as these matters are dealt with by the Board.
- The Company does not have a Nomination Committee as these matters are dealt with by the Board.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers the above provisions are not relevant to the position of the Company, being an investment company run by the Board and managed by the Investment Adviser. In particular, all of the Company's day-to-day administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

Furthermore, the Board acknowledges that it is not recommended practice that the Chairman of the Company to be chairman of the Audit Committee; however, for administrative convenience, Richard Roth is chairman of the Audit Committee as he fulfils this role for all the OT VCTs.

## **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 2021 and at 29 February 2020 are set out below:

<b>Name</b>	<b>2021</b>	<b>2020</b>
R Roth	44,033	44,033
A Starling	Nil	Nil
R Goodfellow	14,000	14,000
D Livesley	Nil	Nil

Under the Company's Articles of Association Directors are required to retire by rotation every third year. However, best practice under the latest corporate governance guidelines is for all directors to stand for election each year and as a result, Richard Roth, Alex Starling, Robin Goodfellow and David Livesley will all be nominated for re-election at the forthcoming AGM. The Board believes that all the 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 all four Directors at the forthcoming AGM.

The Board is satisfied that, following individual performance appraisals, the Directors who are retiring continue to be effective and demonstrate commitment to their roles and therefore offer themselves for re-election with the support of the Board.

The Board did not identify any conflicts of interest between the Chairman's interest and those of the shareholders, especially with regard to the relationship between the Chairman and the Investment Adviser.

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 is a director of Seneca Growth Capital VCT Plc, a VCT investing in the MedTech sector which has a number of investments in common with the Oxford Technology VCTs. This year Robin Goodfellow became a director of Edge Performance VCT Plc.

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 and Robin Goodfellow have 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. OT2 Managers Ltd subcontracts these services to OTM on a pass through basis. Alex Starling and Richard Roth together with Lucius Cary are Directors of OT2 Managers Ltd.

## **Directors' and Officers' Insurance**

The Company has taken out 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 Adviser has arrangements in place in accordance with the UK 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 Adviser 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 Adviser 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](http://www.oxfordtechnologyvct.com/vct2.html)).

Shareholders have the opportunity to meet the Board at the Annual General Meeting, although in 2020 we had to hold this virtually. In addition to the formal business of the AGM the Board is available to answer any questions a shareholder may have. Outside of general meetings, the Company engages with shareholders through regulatory news service announcements, interim and annual reports as well as regular correspondence with shareholders and their advisers to address any queries that arise. 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. Alternatively, your question can be emailed to: [vcts@oxfordtechnology.com](mailto:vcts@oxfordtechnology.com).

## **Relations with Investment Adviser**

The Company's most important business relationship is with the Investment Adviser. There is regular contact with the Investment Adviser, and all members of the Investment Adviser's team attend all of the Company's Board meetings. There is also an annual timetable agreed with the Investment Adviser and the Company for matters related to the annual timetable which are discussed at each Board Meeting. The Company and Investment Adviser also work together to maintain efficient operation of the VCT as detailed in the Key Performance Indicators.

## **Relations with Portfolio Companies**

The Company primarily holds minority investments in its portfolio companies and it has appointed the Investment Adviser to manage the share portfolio. While the Board has little direct contact with the most of the portfolio, the Investment Adviser provides updates on the investee companies monthly.

## **Environmental, Social and Governance ("ESG") Practices**

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 and 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 employees and only four non-executive Directors, the Board considers there is limited scope to develop and implement environmental, social and community policies, but recognises the importance of including consideration for such matters in investment decisions. The Board has taken into account the requirement of section 172(1) of the Companies



Act 2006 and the importance of ESG matters when making decisions which could impact shareholders, stakeholders and the wider community.

The Company's Section 172(1) statement has been provided in the Strategic Report on page 15, where the Directors consider the information to be of strategic importance to the Company.

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Investment Adviser who recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any negative environmental impact and which promote environmental sustainability, choosing energy efficient equipment, appliances and light bulbs, reducing printing to a minimum and recycling where possible.

The Investment Adviser recognises that managing investments on behalf of clients involves taking into account a wide set of responsibilities in addition to seeking to maximise financial returns for investors. Industry practice in this area has been evolving rapidly and the Company seeks to be an active participant by working to define and strengthen its principles accordingly. This involves both integrating ESG considerations into the Investment Adviser's investment decision-making process as a matter of course. The following is an outline of the kinds of ESG considerations that the Investment Adviser is taking into account as part of its investment process.

### **Environmental**

OTM as part of its commercial due diligence practices and ongoing monitoring, examines potential issues which could arise from supply chains, climate change and environmental policy compliance. The Investment Adviser looks for management teams who are aware of the issues and are proactive in responding to them.

### **Social**

OTM seeks to avoid unequivocal social negatives, such as profiting from forced labour within its investment portfolio and to support positive impacts which will more likely find support from customers and see rising demand. OTM does not tolerate modern slavery or human trafficking within its business operations and takes a risk-based approach in respect of our portfolio companies. OTM actively engages with portfolio companies and their boards to discuss material risks, ranging from business and operational risks to environmental and social risks.

### **Governance**

OTM examines and, where appropriate, engages with companies on board membership, remuneration, conflicts of interest such as related party transactions, and business leadership and culture. In addition, the Company, as a matter of course, exercises its voting rights when possible.

### **Greenhouse Gas ("GHG") Emissions and Streamlined Energy & Carbon Reporting ("SECR")**

Under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the 2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, quoted companies of any size are required under Part 15 of the Companies Act 2006 to disclose information relating to their energy use and GHG emissions.

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have direct responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information. A low energy user is defined as an organisation that uses 40 MWh or less during the reporting period.

## **Going Concern**

The assets of the Company consist mainly of securities as is required by the VCT regulations, two of which are 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.

The company had a cash balance of £211,000 at 28 February 2021 with annual running costs of £65,000 in the past year. On the basis that the Company makes no further investments, the cash balance alone covers costs for the next three years. In addition, were additional cash required, Scancell is reasonably liquid (the shares were initially subscribed for specifically to help with liquidity) with the sums of cash required for operations of the VCT achievable without moving the market. In future periods, the Directors would expect there to be some liquidity for Arecor as well, although this is harder to assess as Arecor is newer to the market and a number of shareholders (including the Company) are subject to a lock in.

For this reason the Directors have adopted the going concern basis in preparing the Financial Statements.

The Company is facing risks resulting from the impact of the Covid-19 pandemic. The Company's Board and Investment Adviser are focused on ensuring that investee companies are taking the required actions to minimise the potential impact that the Covid-19 pandemic could have on them. The Board will continue to review risks posed by Covid-19 and keep those risks under regular review but do not consider the pandemic to have any impact on the Company's own ability to continue as a going concern.

## **Share Capital**

As disclosed on page 76, the Board does not have authority to make market purchases of the Company's own shares. As a result of some shareholder representations, the Company has previously withdrawn the customary buy-back resolution and none is proposed this year. No shares were bought back by the Company during the year.

The Board has authority to allot up to 1,066,370 shares (representing approximately 20% of the ordinary share capital as at 19 May 2020). No shares were allotted by the Company during the year.

The total number of Ordinary Shares of 10p each in issue at 28 February 2021 was 5,331,889 (2020: 5,331,889) with each share having one vote. There are no other share classes in issue.

As discussed in the Chairman's Statement, whilst the VCT remains in good structural shape, it seems prudent to take some precautionary measures and the Board is proposing a resolution for shareholders to enable the Directors to raise a further 10% of shares without pre-emption rights this year.

This will provide additional flexibility, if ever required, to raise money more cheaply and at shorter notice. This would enable the Company to support investee companies (within the VCT rules) and, exceptionally, take advantage of other opportunities arising from other investees in the OT VCT stable. At the moment we have no plans to raise additional capital or to conduct a possible placing, but it seems prudent in these uncertain times to have the capability in case the Board wishes to act quickly.

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 any 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 2021, the Company has been notified of the following investors whose interest exceeds three percent of the Company's issued share capital: Redmayne Nominees Limited 5.98% (includes the beneficial interests of Ms Shivani Palakpari Shree Parikh); Barclays Direct Investing Nominees Ltd, 4.87%; Mrs Mary Louisa Perry, 3.84%; Hargreaves Lansdown Nominees Limited, 3.24%; Merrick Sidney Whitehouse Feast, 3.19%.

### **Auditors**

UHY offer themselves for re-appointment as the independent auditors in accordance with Section 489 of the Companies Act 2006.

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

As referred to in the Chairman's Statement on page 9, Shareholders are being asked to approve resolutions at the AGM to sub-divide and reclassify each ordinary share of 10p each in the capital of the Company into (i) one ordinary share of 1p in the capital of the Company; and (ii) one deferred share of 9p in the capital of the Company. Following the Sub-Division and Reclassification, it is proposed that the Company repurchases all of the Deferred 2020 Shares for the aggregate sum of 1p in accordance with the provisions of the New Articles ("Repurchase") and Resolution 12 includes the necessary approval for the Repurchase. Following the Repurchase, all of the Deferred 2020 Shares will be immediately cancelled.

The Deferred 2020 Shares will have restricted dividend rights, will not have rights to receive notice of, or attend or vote at, general meetings, will on a winding up only be entitled to 1p in respect of each Shareholder's entire holding (with no further right to participate in any further surplus assets of the Company) and are capable of being purchased by the Company at any time for an aggregate price of 1p.

It is expected that the Repurchase (which is subject to the Sub-Division and Reclassification as well as the adoption of the New Articles) will create capital redemption reserves which can be subsequently cancelled, subject to the sanction of the High Court, thereby creating further distributable reserves to assist in the payment of dividends or assist in the return of funds to shareholders.



**On behalf of the Board**  
**Richard Roth - Chairman**  
**30 June 2021**

# Directors' Remuneration Report

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## 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 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 this year's Annual General Meeting.

Shareholders also need to approve the Directors' Remuneration Report every year. It was last approved at the AGM on 9 July 2020 where 100% of proxies voted in favour. A Resolution to approve the Directors' Remuneration Report for the year ended 28 February 2021 will be proposed at the Annual General Meeting on 25 August 2021.

## Directors' Pay

The Directors have considered the EU Shareholder Rights Directive II. The Remuneration Report appears on the Company website along with the full annual report and accounts for 10 years. Any change in Directors' pay would be viewed against comparatives and fully documented.

## 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. In line with best practice, all Directors will offer themselves for re-election this year. Re-election is recommended by the Board, but is dependent upon shareholder vote. 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.

There is a cap on Directors' fees of £75,000 per annum unless otherwise approved by Ordinary Resolution of the Company. The following Directors' fees are payable by the Company:

	<u>per annum</u>
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. Richard Roth chairs the Company and 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 2021 no performance fee was due.

Should any performance fee be payable at the end of the year to 28 February 2022, Alex Starling, Robin Goodfellow, and Richard Roth would each receive 0.40% of any amount over the threshold and David Livesley 0.89%. No performance fee will be payable for the year ending 28 February 2022 unless original shareholders have received back at least 175.2p 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 28 February 2022.

Directors' Fees	Year End 28/02/22 (unaudited)	Year End 28/02/21 (audited)	Year End 29/02/20 (audited)
Richard Roth	£8,500	£8,500	£8,500
Alex Starling	£3,500	£3,500	£3,500
Robin Goodfellow	£5,000	£5,000	£5,000
David Livesley	£3,500	£3,500	£3,500
<b>Total</b>	<b>£20,500</b>	<b>£20,500</b>	<b>£20,500</b>

# Corporate Governance Report

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The Board has considered the principles and recommendations of the 2019 AIC Code.

The 2019 AIC Code addresses the Principles and Provisions set out in the UK Code as well as setting out additional Provisions on issues that are of specific relevance to Oxford Technology 2 Venture Capital Trust Plc.

The Board considers that reporting against the Principles and Provisions of the 2019 AIC Code, which has been endorsed by the Financial Reporting Council (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) provides more relevant information to shareholders.

The 2019 AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the 2019 AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company is committed to maintaining a high standard in corporate governance and has complied with the Principles and Provisions of the 2019 AIC Code, except as set out below. 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 Directors strongly believe that achieving the Company's corporate governance objectives contributes to its long-term sustainable success.

## Independence of Directors

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 regularly reviews the independence of its members and is satisfied that the Company's Directors are independent in character and judgment and that there are no relationships or circumstances which could affect their objectivity.

The Board has determined a policy of tenure for the Chairman and believe that this – together with the annual re-election of all directors – is an essential ingredient to balancing the requirements of effective business continuity, whilst also providing the opportunity for regular refreshment and increasing diversity of the Board.

In line with best practice recommended in the 2019 AIC Code, all Directors will offer themselves for re-election this year.

It is the Company's policy of tenure to review individual appointments every year, with increased scrutiny after nine years of service to consider whether the Director is still independent and still fulfils the role.

However, in accordance with the principles of the 2019 AIC Code, we do not consider it necessary to mandatorily replace a Director, including the Chairman, after a predetermined period of tenure. A more flexible approach to Chairman tenure will help the Company manage succession planning in the context of the business needs of the Company, whilst at the same time still addressing the need for regular refreshment and diversity. The Company's report on Gender and Diversity is on page 17.

As set in the Directors' Remuneration Report on page 37, Directors are entitled to a proportion of any performance fee that may become payable. Having regard for the historic nature and circumstances under which the performance incentive fees were agreed, the Board does not believe that the performance incentive fees in any way impact or hinder the Directors' independence or present a conflict of interest which could compromise or override independent judgment of the Directors.

## Board Committees

The Board does not have a separate Remuneration Committee, as the Company has no employees or executive directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on page 36.

The Board as a whole considers the selection and appointment of Directors and reviews Directors' remuneration on an annual basis. The Board considers the Company's size to be such that it is unnecessary to form a separate committee for the purposes of nomination. When making an appointment, the Board draws on its members' extensive business experience and range of contacts to identify suitable candidates. To date formal advertisements and external search consultants have not been used. However, the Board would consider their use as and when appropriate.

New Directors are selected as part of a rigorous selection process involving interviews with the existing board, the manager and shareholder representatives. The Board speaks regularly about Board composition and succession planning in order to identify and address any issues that may arise. The Board's policy is to promote diversity (including, but not limited to, gender diversity).

The Board has appointed an Audit Committee to make recommendations to the Board in line with its terms of reference. The committee is chaired by Richard Roth and Robin Goodfellow is a fellow member of the Audit Committee. The Audit Committee believes Richard Roth possesses appropriate and relevant financial experience as per the requirements of the 2019 AIC Code. The Board considers that the members of the Audit Committee have collectively the skills and experience required to discharge their duties effectively. Given the size of the Company the Board considers that an Audit Committee of two is sufficient.

## Attendance at Board and Committee meetings

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

<b>Director Name</b>	<b>Board Meetings Attended (6 Held in year)</b>	<b>Audit Committee Meetings Attended (2 Held in year)</b>
Richard Roth	6	2
Robin Goodfellow	6	2
Alex Starling	6	N/A
David Livesley	6	N/A

In addition to formal Board meetings, the Board communicates on a regular basis in carrying out its responsibilities in managing the Company.

The Investment Adviser 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).

## **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 (OT VCTs) makes an investment in which another OT VCT 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.

## **Internal Control**

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

The Board continually reviews financial results and investment performance. The Board also monitors and evaluates external service providers and maintains regular discussions with the Investment Adviser about the services provided. The Investment Adviser reviews the service contracts on an annual basis and discusses any recommendations with the Board as relevant.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The risk management and internal control systems include the production and review of monthly bank statements and quarterly management accounts. All outflows made from the Company's accounts require the authority of signatories from the Board. The Company is subject to a full annual audit. Further to this, the Audit Partner has open access to the Directors of the Company.

## **Audit Committee**

The role of the Audit Committee is discharged by Richard Roth (chairman) and Robin Goodfellow. The Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit 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. The Board appointed UHY in 2018 and is happy to recommend UHY for reappointment at the AGM. When considering whether to recommend the reappointment of the external auditor, the Audit Committee takes into account the quality of service received.

In line with requirements, the Audit Committee have ensured UHY do not provide any non-audit services, and hence the Audit Committee does not believe there is any risk that any non-audit services can influence UHY's independence or objectivity due to any associated fee. 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 Audit Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. The Audit 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 Adviser.

## **Significant Risks**

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the Financial Statements. The Audit 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. Guidelines, discussions, reviewing and challenging the basis and reasonableness of assumptions made in conjunction with available supporting information goes into the valuation process. The valuations are supported by investee company audited accounts and/or third party evidence where possible. Otherwise valuations are supported by the share price of the most recent fundraising and/or management information. 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 Audit Committee pays close attention to these.

These issues were discussed between the Investment Manager, Investment Adviser, the Auditors and the Audit Committee at the conclusion of the audit of the Financial Statements.

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the Financial Statements. The Audit 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 2021.

The Company is exposed to risks arising from its operational and investment activities. Further details can be found in note 15 to the Financial Statements.

## **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.

The Board considers the size of the Company, the number of independent non-executive Directors on the Board and the robustness of the reviews to be such that an external Board evaluation is unnecessary. Annual evaluations of the Board consider its composition, diversity, succession planning and how effectively members work together to achieve objectives as well as individual contributions. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed.

The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive Directors. This role is fulfilled by Robin Goodfellow, the other member of the Audit Committee.

The Board is satisfied with the performance of the Chairman and Directors and recommends their reappointment. The Board is also satisfied with the performance and constitution of the Audit Committee.

The Board sets out the assessment of its members and explains why its members are and continue to be of importance to the long-term sustainable success of the business on pages 27 to 29.

The Board reviews the performance of the Investment Manager and Investment Adviser on an ongoing basis, both formally and outside of Board meetings with regard to its appointment, evaluation, removal and remuneration. The Board considers the Company's size to be such that it would be unnecessarily burdensome to establish a separate management engagement committee to perform this role.

The Board is satisfied that it is in shareholders' best interests that the Investment Manager and Investment Adviser continue to be retained on the current remuneration terms.

## **International Financial Reporting Standards**

As the Company is not part of a group it is not mandatory for it to comply with International Financial Reporting Standards ("IFRS"). The Company does not anticipate that it will voluntarily adopt IFRS. The Company has adopted Financial Reporting Standard 102 – The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland.

The Board has considered the principles and recommendations of the 2019 AIC Code as applied to companies reporting as at 28 February 2021.

The 2019 AIC Code addresses the Principles and Provisions set out in the UK Code, as well as setting out additional Provisions on issues that are of specific relevance to Oxford Technology 2 Venture Capital Trust Plc.

The Board considers that reporting against the Principles and Provisions of the 2019 AIC Code, which has been endorsed by the Financial Reporting Council (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) provides more relevant information to shareholders.

The Company is committed to maintaining high standards in corporate governance and has complied with the Principles and Provisions of the 2019 AIC Code, except as set out below. The Company strongly believes that achieving our corporate governance objectives contributes to the long-term sustainable success of the Company.

## **Relations with Shareholders**

There was no resolution proposed at the last AGM which received 20% or more of votes cast against it for the purposes of disclosure under Provision 4 of the UK Code.

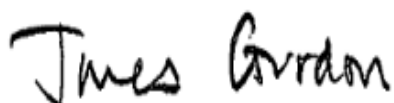
## **Compliance Statement**

As previously indicated, the Board considers that reporting against the principles and recommendations of the 2019 AIC Code will provide better information to shareholders.

The Company has complied with the recommendations of the 2019 AIC Code and the relevant provisions of the UK Code except as set out below:

- The Company does not have a Chief Executive Officer or a Senior Independent Director. The Board does not consider this necessary as it does not have any executive directors.
- New Directors do not receive a formal induction on joining the Board, though they did receive one tailored to them on an individual basis.
- The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for this VCT at this time.
- The Company does not have a Remuneration Committee as these matters are dealt with by the Board.
- The Company does not have a Nomination Committee as these matters are dealt with by the Board.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers the above provisions are not relevant to the position of the Company, being an investment company run by the Board and managed by the Investment Adviser. In particular, all of the Company's day-to-day administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Furthermore, the Board acknowledges that it is not recommended practice that the Chairman of the Company to be chairman of the Audit Committee; however, for administrative convenience, Richard Roth is chairman of the Audit Committee as he fulfils this role for all the OT VCTs.



By Order of the Board  
**James Gordon - Company Secretary**  
**30 June 2021**

## Statement of Directors' Responsibilities

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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 Strategic Report 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**  
**30 June 2021**

## Report of the Independent Auditor

### Report of the Independent Auditor to the Members of Oxford Technology 2 Venture Capital Trust Plc

#### Opinion

We have audited the Financial Statements of Oxford Technology Venture Capital Trust 2 Plc for the year ended 28 February 2021, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the Financial Statements, including 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” (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company’s affairs as at 28 February 2021 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 going concern

In auditing the Financial Statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statement is appropriate. Our evaluation of the Directors’ assessment of the entity’s ability to continue to adopt the going concern basis of accounting included:

Evaluation of management assessment	Key observations
<p>We evaluated the Directors’ going concern assessment and performed the following procedures:</p> <ul style="list-style-type: none"><li>• We assessed the appropriateness of the cash flow forecasts in the context of the Company’s 2021 financial performance.</li><li>• We evaluated the key assumptions in the forecast, which were consistent with our knowledge of the business and considered whether these were supported by the evidence we obtained. We performed sensitivity analysis on the forecasts using these key assumptions to assess the impact on future cash levels.</li><li>• We compared the prior year forecast against current year actual performance to assess management’s ability to forecast accurately.</li></ul>	<p>At 28 February 2021, the Company held cash and cash equivalents of £210,930.</p> <p>The Company’s cash flow forecasts to 1 July 2022 (‘the going concern period’) have been approved by the Board. These are prepared based on certain key assumptions, against which plausible sensitivities have been applied. These included considering further investments being made, no further shares to be issued and no further investments to be realised over the forecast period.</p> <p>The forecast shows that the Company has at all times available cash to meet its liabilities as they fall due.</p> <p>Based on the audit procedures performed we concluded that the Company has appropriately</p>

<ul style="list-style-type: none"> <li>We also reviewed the disclosures relating to going concern basis of preparation and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.</li> </ul>	<p>adopted the going concern basis of preparation. Further, we did not identify any material disclosures that should be included regarding any material uncertainty in respect of the going concern basis of preparation.</p>
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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company reporting on how they have applied the AIC Code of Corporate Governance (the "2019 AIC Code"), we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Our approach to the 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 enough work to be able to give an opinion on the Financial Statements as a whole, taking 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.

The audit team met and communicated regularly throughout the audit with the Audit Committee and the Investment Manager in order to ensure we had a good knowledge of the business of the Company. 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.

### **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. This is not a complete list of all risks identified during our audit. Going concern is a significant key audit matter and is described above. In arriving at our audit opinion above, the other key audit matters were as follows:

Key risks	Approach taken for the assessed risks
<p data-bbox="188 174 783 241"><b>Valuation of Investments and recognition of realised gains and losses</b></p> <p data-bbox="188 286 783 548">The investment portfolio and associated realised and unrealised gains and losses are the key driver to the financial performance of the Company. Due to the nature of the Company’s business, there is an inherent risk that if incorrectly valued this will have the greatest impact on both the Income Statement and Balance Sheet.</p> <p data-bbox="188 593 783 660">The investment portfolio at the year-end had a carrying value of £1,119,079.</p>	<p data-bbox="812 174 1396 208">Our audit work included, but was not restricted to:</p> <ul data-bbox="858 253 1407 548" style="list-style-type: none"> <li data-bbox="858 253 1407 365">• For quoted shares, we tested the value of the investments by reference to market price information at the year-end.</li> <li data-bbox="858 398 1407 548">• The unquoted investment valuations include significant assumptions and judgement by management and there is inherent estimation uncertainty.</li> </ul> <p data-bbox="906 582 1407 806">We obtained an understanding of how the valuations were performed considered whether the method chosen was in accordance with published guidance and reviewed and challenged the assumptions applied to the valuation inputs.</p> <p data-bbox="906 840 1407 985">We verified and benchmarked key inputs and estimates to independent information from our own research and against metrics from the investments.</p> <p data-bbox="906 1019 1407 1131">Where appropriate, we have performed sensitivity analysis on the valuation calculations.</p> <p data-bbox="906 1164 1407 1310">Alternative valuation methods were considered and discussed with management to provide alternative views on the value of the investments.</p> <p data-bbox="906 1344 1407 1500">Further, we also considered the economic environment in which the investments operate in to identify factors that could impact the investment valuation.</p> <ul data-bbox="858 1534 1407 2004" style="list-style-type: none"> <li data-bbox="858 1534 1407 1803">• We agreed the sale of investments to supporting evidence of the transaction and cash movements on a sample basis and recalculated the realised gains and losses on the sale of investments for both the individual transactions on a sample basis and for the total portfolio.</li> <li data-bbox="858 1836 1407 2004">• We checked the movement in unrealised gains and losses for arithmetical accuracy and validated by reviewing the opening costs to prior year balances on a sample basis.</li> </ul>

	<p>The Company's accounting policy on fixed asset investments held at fair value through profit or loss is shown on page 58 to the Financial Statements and related disclosures are included in note 7.</p> <p><b>Key observations</b> Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year end.</p>
<p><b>Compliance with the VCT rules</b></p> <p>Compliance with the VCT rules is necessary to maintain the VCT status and associated tax benefits.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• Review of the design and implementation of controls around the ongoing internal assessment and monitoring of VCT compliance. We obtained an understanding of the processes adopted and evidenced the work completed by the Investment Manager on documenting compliance with the key VCT rules and management's review of this on a regular basis.</li> <li>• Testing the eleven conditions for maintaining approval as a VCT as set out by HMRC. Each of the conditions was reviewed in turn in order to assess whether it had been met as at the year-end.</li> </ul> <p><b>Key observations</b> We reviewed the documentation maintained, that confirmed the Company was in compliance with the VCT rules during the period and at the year end. Further our own testing of compliance with the individual VCT rules did not identify any breaches.</p>

### Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and 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 omissions, could reasonably be expected to influence the economic decisions taken on the basis of the Financial Statements by reasonable users.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.



<b>Materiality Measure</b>	<b>Company</b>
Overall materiality	We determined materiality for the Financial Statements as a whole to be £26,000.
How we determine it	Based on a benchmark of 2% of gross assets.
Rationale for benchmarks applied	We believe 2% of gross assets to be the most appropriate benchmark, as it primarily comprises the Company's investment portfolio, which is considered to be the key driver of the Company's total return performance and forms part of the net asset value calculation being the performance measure investors use to assess the Company's performance.
Performance materiality	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, and was set at £19,500.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as Director's remuneration. Area materiality for the disclosure of the cash element of Director's remuneration has been set at £2,000 and performance materiality of £1,000.
Reporting threshold	We agreed with the Audit Committee that we would report to them all misstatements over £1,300 (5% of overall materiality) identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

### **Other information**

The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves.

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.

### **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 Company's Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **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.

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 received 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.

### **Corporate Governance Statement**

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34;
- Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 12;
- Directors' statement on fair, balanced and understandable set out on page 30;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 12;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 40; and
- The section describing the work of the Audit Committee set out on page 39 - 41.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 44, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the Company which were contrary to applicable laws and regulations including fraud and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the preparation of the Financial Statements such as the Companies Act 2006 and the HMRC VCT Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to inflated investment valuations and unrealised gains and losses.

Audit procedures performed included: review of the Financial Statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, and enquiries of management in so far as they related to the Financial Statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

## **Other matters which we are required to address**

Following the recommendation of the Audit Committee, we were appointed by Oxford Technology VCT Plc to audit the Financial Statements for the year ending 28 February 2019 and subsequent financial periods. Our ongoing appointment is confirmed by shareholders annually. The period of total uninterrupted engagement is 3 years, covering the years ending 28 February 2019 to 28 February 2021.

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 auditor's 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

**30 June 2021**

## Income Statement

	Note Ref.	Year Ended 28 February 2021			Year Ended 29 February 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on disposal of fixed asset investments		-	-	-	-	(10)	(10)
Unrealised loss on valuation of fixed asset investments		-	(95)	(95)	-	(36)	(36)
Investment income	2	-	-	-	4	-	4
Investment management fees	3	(8)	-	(8)	(17)	-	(17)
Other expenses	4	(57)	-	(57)	(51)	-	(51)
<b>Return on ordinary activities before tax</b>		<b>(65)</b>	<b>(95)</b>	<b>(160)</b>	<b>(64)</b>	<b>(46)</b>	<b>(110)</b>
Taxation on return on ordinary activities	5	-	-	-	-	-	-
Return on ordinary activities after tax		(65)	(95)	(160)	(64)	(46)	(110)
<b>Return on ordinary activities after tax attributable to equity shareholders</b>		<b>(65)</b>	<b>(95)</b>	<b>(160)</b>	<b>(64)</b>	<b>(46)</b>	<b>(110)</b>
<b>Earnings per share – basic and diluted</b>	<b>6</b>	<b>(1.2)p</b>	<b>(1.8)p</b>	<b>(3.0)p</b>	<b>(1.2)p</b>	<b>(0.9)p</b>	<b>(2.1)p</b>

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.

## Balance Sheet

	Note Ref.	Year Ended 28 February 2021		Year Ended 29 February 2020	
		£'000	£'000	£'000	£'000
Fixed Asset Investments at Fair Value	7		1,119		1,214
Debtors	8	8		10	
Cash at Bank and Cash Equivalents		211		270	
Creditors	9	(15)		(11)	
Net Current Assets			204		269
<b>Net Assets</b>			<b>1,323</b>		<b>1,483</b>
Called Up Share Capital	10		533		533
Capital Redemption Reserve			146		146
Share Premium Reserve			376		376
Unrealised Capital Reserve	11		(631)		(686)
Profit and Loss Account	11		899		1,114
<b>Total Equity Shareholders' Funds</b>	11		<b>1,323</b>		<b>1,483</b>
<b>Net Asset Value Per Share</b>			<b>24.8p</b>		<b>27.8p</b>

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

The statements were approved by the Directors and authorised for issue on 30 June 2021 and are signed on their behalf by:



**Richard Roth**  
Chairman

## Statement of Changes in Equity

	Called up Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Reserve £'000	Unrealised Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
<b>As at 1 March 2019</b>	<b>533</b>	<b>146</b>	<b>376</b>	<b>(881)</b>	<b>1,499</b>	<b>1,673</b>
Revenue return on ordinary activities after tax	-	-	-	-	(64)	(64)
Current period losses on disposal	-	-	-	-	(10)	(10)
Current period losses on fair value of investments	-	-	-	(36)	-	(36)
Prior years losses now realised	-	-	-	231	(231)	-
Dividends paid	-	-	-	-	(80)	(80)
<b>Balance as at 29 February 2020</b>	<b>533</b>	<b>146</b>	<b>376</b>	<b>(686)</b>	<b>1,114</b>	<b>1,483</b>
Revenue return on ordinary activities after tax	-	-	-	-	(65)	(65)
Current period losses on fair value of investments	-	-	-	(95)	-	(95)
Permanent diminution in value now realised	-	-	-	150	(150)	-
<b>Balance as at 28 February 2021</b>	<b>533</b>	<b>146</b>	<b>376</b>	<b>(631)</b>	<b>899</b>	<b>1,323</b>

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

## Statement of Cash Flows

	Year Ended 28 February 2021 £'000	Year Ended 29 February 2020 £'000
<b>Cash flows from operating activities</b>		
Return on ordinary activities before tax	(160)	(110)
Adjustments for:		
Loss on disposal of investments	-	10
Loss on valuation of investments	95	36
Increase/(decrease) in creditors	4	(1)
Decrease in debtors	2	158
Movement in investment debtors and creditors	-	(164)
<b>Cash outflow from operating activities</b>	<b>(59)</b>	<b>(71)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	-	(28)
Disposal of investments	-	323
<b>Cash inflows from investing activities</b>	<b>-</b>	<b>295</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(80)
<b>(Decrease)/increase in cash</b>	<b>(59)</b>	<b>144</b>
Opening cash and cash equivalents	270	126
<b>Cash and cash equivalents at year end</b>	<b>211</b>	<b>270</b>

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



## Notes to the Financial Statements

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Oxford Technology 2 Venture Capital Trust Plc is a public company and is limited by shares.

### 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 Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘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 2019)’ issued by the AIC.

The principal accounting policies have remained materially unchanged from those set out in the Company’s 2020 Annual Report and Financial Statements. A summary of the principal accounting policies follows.

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. As at 28 February 2021, 15.9% of net assets were 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.

In addition to the above, the Company is also facing risks resulting from the impact of the Covid-19 pandemic. The Company’s Board and Investment Adviser are focused on ensuring that investee companies are taking the required actions to minimise the potential impact that the Covid-19 pandemic could have on them. The Board and Investment Adviser will continue to review risks posed by Covid-19 and keep those risks under regular review.

#### 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](http://www.privateequityvaluation.com), although this does rely on subjective estimates such as appropriate sector earnings or revenue 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, and in particular this could be the case in the short term if out-of-the-ordinary Covid-19 restrictions are extended or re-introduced.

The material factors affecting the returns and net assets attributable to shareholders are the valuations of the investments and ongoing general expenses.

### **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 and 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 or revenue multiples, 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.

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Adviser, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

### **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/revenue 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 (2020: 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, including investment management fees, are accounted for on an accruals basis and are charged wholly to revenue. Some years ago, investment management fees were charged 75% to capital and 25% to revenue. However, the Directors have determined that a more appropriate current split was to charge these fees 100% to revenue since the company is a small late life VCT no longer raising new capital. Any applicable performance fee will continue to 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 applicable 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 Share Capital – represents the nominal value of shares that have been issued.

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

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 in relation to that particular investment is transferred to the Profit and Loss Account as a movement in reserves. Similarly, where there is considered to be a permanent reduction in value due to a permanent diminution in value, any such impaired balance is also transferred to the Profit and Loss Account as a movement in reserves.

The Profit and Loss Account represents the aggregate of accumulated realised profits, less losses, permanent diminutions in value 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 shareholders.

## 2. Investment Income

	Year Ended 28 February 2021 £'000	Year Ended 29 February 2020 £'000
Dividends received	-	4
<b>Total</b>	<b>-</b>	<b>4</b>

All of the Company's income has been generated in the United Kingdom from its investment portfolio. Select Technology paid a dividend in 2020 but not in 2021.

### 3. Investment Management Fees

All expenses are accounted for on an accruals basis and are charged wholly to revenue.

	Year Ended 28 February 2021 £'000	Year Ended 29 February 2020 £'000
Investment management fee	15	17
Cost Cap refund from OTM	(7)	-
<b>Total</b>	<b>8</b>	<b>17</b>

In the year to 28 February 2021 the manager received a fee of 1% of the net asset value as at the previous year end (2020: 1%). Oxford Technology Management is also entitled to certain monitoring fees from investee companies and the Board reviews the amounts.

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 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 137.6p at 28 February 2021, corresponding to a total shareholder return of 166.9p after taking into account the 29.3p already paid out ( $29.3p + 137.6p = 166.9p$ ). The 29.3p 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.

Oxford Technology Management reduced their management fee in the current year by £7,025 to comply with the costs cap in place which is credited to the revenue account (2020: nil).

### 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.

	<b>Year Ended 28 February 2021 £'000</b>	<b>Year Ended 29 February 2020 £'000</b>
Directors' remuneration	21	21
Auditors' remuneration	9	8
London Stock Exchange Fees	10	10
FCA Fees	6	6
Other expenses	11	6
<b>Total</b>	<b>57</b>	<b>51</b>

Irrecoverable VAT included in these expenses is £5,000 (2020 £4,300).

## 5. Tax on Ordinary Activities

Corporation tax payable at 19.0% (2020: 19.0%) is applied to profits chargeable to corporation tax, if any. The corporation tax charge for the period was £ nil (2020: £ nil).

	<b>Year Ended 28 February 2021 £'000</b>	<b>Year Ended 29 February 2020 £'000</b>
Return on ordinary activities before tax	(160)	(110)
Current tax at standard rate of taxation	(30)	(21)
UK dividends not taxable	-	(1)
Unrealised losses not taxable	18	7
Realised losses not taxable	-	2
Excess management expenses carried forward	12	13
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>

Unrelieved management expenses of £1,755,410 (2020: £1,690,416) 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 £160,000 (2020: loss of £110,000) attributable to shareholders divided by the weighted average number of shares 5,331,889 (2020: 5,331,889) 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

	<b>AIM quoted investments Level 1 £'000</b>	<b>Unquoted investments Level 3 £'000</b>	<b>Total investments £'000</b>
<b>Valuation and net book amount:</b>			
Book cost as at 29 February 2020	150	1,750	1,900
Cumulative revaluation to 29 February 2020	(70)	(616)	(686)
<b>Valuation at 29 February 2020</b>	<b>80</b>	<b>1,134</b>	<b>1,214</b>
<b>Movement in the year:</b>			
Disposals at cost	-	-	-
Disposals revaluation	-	-	-
Revaluation in year	201	(296)	(95)
<b>Valuation at 28 February 2021</b>	<b>281</b>	<b>838</b>	<b>1,119</b>
Book cost at 28 February 2021	150	1,750	1,900
Cumulative revaluation to 28 February 2021	131	(912)	(781)
<b>Valuation at 28 February 2021</b>	<b>281</b>	<b>838</b>	<b>1,119</b>

All investments are initially measured at their transaction price. Subsequently, at each reporting date, the investments are valued at fair value through profit and loss, and all capital gains or losses on investments are so measured. Unquoted fixed asset investments are valued at fair value in accordance with the IPEV guidelines.

The changes in fair value of such investments recognised in these Financial Statements are treated as unrealised holding gains or losses; any permanent diminution in value is treated as a realised loss.

The methods of fair value measurement are classified into hierarchy based on the reliability of the information used to determine the valuation.

- Level 1 – Fair value is measured based on quoted prices in an active market.
- Level 2 – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.
- Level 3 – Fair value is measured using valuation techniques using inputs that are not based on observable market data.

When using this methodology for investments not quoted on an active market, however, a detailed assessment of the respective value of each portfolio company is also performed in order to gain the necessary comfort as to whether a fair value reduction or uplift is in fact required. This process involves a high level review of the progress made by each investee company, recent developments in the M&A market and any relevant comparisons to listed competitors across any key performance indicators. Further, all of these are considered in the context of any exit equity waterfall structure as detailed in each investee company's articles of association.

FRS 102 requires the Directors to consider the impact of changing one or more of the assumptions used as part of the valuation process to reasonable possible alternative assumptions.

In view of the FRS 102 requirement, the Board has considered the impact that introducing reasonable alternative assumptions to this revenue multiple based valuation methodology could have on the value of the Company's investment pool as at the year end. In coming to this conclusion, the Directors considered the valuation of all the unquoted portfolio companies and are of the view that three of these are material to the range of outcomes that could reasonably be expected.

As a result of this analysis the Board has concluded that such reasonable possible alternative assumptions could result in a NAV reduction of £181,000 (3.4p per share) or a NAV increase of £527,000 (9.9p per share). In coming to this conclusion, the Directors considered the valuation of three of the seven unquoted portfolio companies to be material to the range of outcomes that could reasonably be expected:

- **Downside analysis: 3.4p decrease in NAV per share.** Two of the selected portfolio companies contribute to this scenario:
  - One is reduced to the value of its net assets in its most recently filed annual accounts (dated 31 July 2020 and filed on 11 May 2021), the Directors therefore believe that this establishes a credible lower bound to the range of possible valuations for this portfolio company given that it has traded profitably since 31 July 2020.
  - The other is written off.
- **Upside analysis: 9.9p increase in NAV per share.** All three of the selected portfolio companies contribute to this scenario:
  - One of these portfolio companies is valued at a multiple of sales with a discount applied due to the market uncertainties as at 28 February 2021. Removing this discount would be an appropriate reflection of improved trading as a consequence of a successfully implemented business plan against the backdrop of a reduction in restrictions relating to the Coronavirus Act 2020.
  - The second portfolio company has been performing well, but due to the prudent valuation methodology prescribed by IPEV, it is not possible reflect this possible upside in the valuation reported NAV as at 28 February 2021. The chosen uplift represents a credible and realistic upside as determined by the valuation methodologies outlines below.
  - The third portfolio is currently valued based on what might be realised in an accelerated sale of its technology. In the upside scenario, a substantial valuation increase would be required if there were positive newsflow regarding the company's ongoing commercial activities, in particular relating to a specific identified high value commercial opportunity.



Throughout this exercise, and in determining the value of the Company's equity investments where trading multiples are considered, a selection of valuation methodologies are used, not limited to: the review of trading multiples and comparison to industry peers, based on size, stage of development, revenue generation and growth rate, as well as wider strategy and market position.

Where applicable, these multiples are calculated in the traditional manner, by dividing the enterprise value of the comparable group by its revenue, EBITDA or earnings depending on what is the norm in a particular sector driven by how acquisitions in that sector are typically valued. The trading multiple is then adjusted for considerations such as illiquidity, marketability and other differences, advantages and disadvantages between the portfolio company and the comparable public companies based on company specific facts and circumstances. A final point to note is that company valuation is art as well as science – no examination of numerous data points today can guarantee a fail-safe forecast of future movements in valuation.

### 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 2021 are as follows:

	<b>Country of Registration</b>	<b>Nature of Business</b>	<b>Turnover</b>	<b>Retained profit/loss</b>	<b>Net Assets</b>
OT2 Managers Ltd	England and Wales	Investment Manager	£7,812	£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 Venture Capital Trust Plc, which the Directors also consider is the most useful presentation for shareholders.

### 8. Debtors

	<b>28 February 2021 £'000</b>	<b>29 February 2020 £'000</b>
Prepayments, accrued income & other debtors	1	10
Amount due from OTM Cost cap refund	7	-
<b>Total</b>	<b>8</b>	<b>10</b>

### 9. Creditors

	<b>28 February 2021 £'000</b>	<b>29 February 2020 £'000</b>
Creditors and accruals	15	11
<b>Total</b>	<b>15</b>	<b>11</b>

## 10. Share Capital

	28 February 2021 £'000	29 February 2020 £'000
Allotted, called up and fully paid: 5,331,889 (2020: 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 or there is any permanent diminution in value, any balance held on the Unrealised Capital Reserve is transferred to the Profit and Loss Account as a movement in reserves.

Distributable reserves are £268,000 as at 28 February 2021 (2020: £428,000).

## Reconciliation of Movement in Shareholders' Funds

	28 February 2021 £'000	29 February 2020 £'000
Shareholders' funds at start of year	1,483	1,673
Return on ordinary activities after tax	(160)	(110)
Dividends paid	-	(80)
<b>Shareholders' funds at end of year</b>	<b>1,323</b>	<b>1,483</b>

## 12. Capital Commitments

The Company had no capital commitments at 28 February 2021 or 29 February 2020.

## 13. 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. During the year, £14,837 was paid in respect of these fees (2020: £16,736). Due to the cost cap of 3% being breached, £7,025 was due back from OTM at the year end (2020: nil).

## 14. Financial Instruments

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 Company's portfolio is concentrated for various reasons, including the age of the VCT, exits within the portfolio and the Company's policy of seeking to return excess capital to shareholders. No new funds have been raised by the Company since 2010. No investments in new portfolio companies have been made since 2018. The overall disposition of the Company's assets is regularly monitored by the Board.

### Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 28 February 2021 and 29 February 2020:

	28 February 2021 £'000	29 February 2020 £'000
<b>Financial assets at fair value through profit or loss</b>		
Fixed asset investments	1,119	1,214
<b>Total</b>	<b>1,119</b>	<b>1,214</b>
<b>Financial assets measured at amortised cost</b>		
Cash at bank and cash equivalents	211	270
Debtors	7	-
<b>Total</b>	<b>218</b>	<b>270</b>
<b>Financial liabilities measured at amortised cost</b>		
Creditors	-	-
Accruals	15	11
<b>Total</b>	<b>15</b>	<b>11</b>

Fixed asset investments (see note 7) are valued at fair value. Unquoted investments are carried at fair value as determined by the Directors in accordance with the IPEVC guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year-end is equal to their book value.

The Company's creditors and debtors are initially recognised at fair value, which is usually the transaction price, and then thereafter at amortised cost.

## **15. Financial Risk Management**

In carrying on its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are market risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the Balance Sheet date. In addition, the Board considers that the impact of Covid-19 presents an additional risk that is worth flagging separately.

### **Market risk**

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 4. The management of market risk is part of the investment management process. 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 in the medium term. 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. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the Balance Sheet date are set out on pages 18 to 25.

63.3% (2020: 76.5%) by value of the Company's net assets comprise investments in unquoted companies held at fair value. The valuation methods used by the Company for these assets include the price of recent transactions, earnings or revenue multiples, discounted cashflows and net assets. A 10% overall increase in the valuation of the unquoted investments at 28 February 2021 (29 February 2020) would have increased net assets and the total return for the year by £83,700 (2020: £113,000) disregarding the impact of the performance fee; an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

21.2% (2020: 5.4%) by value of the Company's net assets comprises equity securities quoted on AIM. A 10% increase in the bid price of these securities as at 28 February 2021 (29 February 2020) would have increased net assets and the total return for the year by £28,000 (2020: £8,000) disregarding the impact of the performance fee; a corresponding fall would have reduced net assets and the total return for the year by the same amount.

### **Credit risk**

There were no significant concentrations of credit risk to counterparties at 28 February 2021 or 29 February 2020.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board carries out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the Balance Sheet date.

### **Liquidity risk**

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally are illiquid. They also include investments in AIM-quoted companies, which, by their nature, involve a higher degree of risk than investments on the main market. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements.

The Company's liquidity risk is managed and monitored on a continuing basis by the Board in accordance with policies and procedures laid down by the Board.

**Covid-19 risk**

There remains significant uncertainty with regard to the lasting effects of Covid-19 (and associated restrictions) on the world economy. It is clear that the UK economy has been badly affected over the past 15 months, although it is now set to grow as it reopens. Airline and travel might take longer to recover but demand substitution will hopefully favour the UK economy: pent-up savings are running at 5x usual levels and is readily available to fund the recovery, at least in the short term.

**16. Control**

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

**17. Events after the Balance Sheet Date****ImmBio**

One of the pharma companies that had expressed interest in working with ImmBio have now indicated they would only be interested in a phase 3 asset. Although this decision was communicated after the Balance Sheet Date, we have included the effect of this in year-end valuation as it is possible that the pharma company had already made the decision before the year end. We do not expect any further reduction in valuation for that specific event.

**Arecor**

On 3 June 2021 Arecor floated on AIM raising £20m via a placing at 226p per Arecor share. The flotation was a success and the Arecor bid price at close had risen to 238p per Arecor share.

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

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Notice is hereby given that the Annual General Meeting (“AGM”) of Oxford Technology 2 Venture Capital Trust Plc (company number:3928569) will be held virtually in accordance with the arrangements set out below at 10.30am on Wednesday 25 August 2021.

A Zoom Web Conference will also be set up to broadcast proceedings to enable shareholders to join the proceedings remotely – details to access this will be on the website: [www.oxfordtechnologyvct.com](http://www.oxfordtechnologyvct.com). Shareholders should regularly check the Company’s website for updates in relation to the AGM and such updates will also be announced by the Regulatory Information Service. All Resolutions will be taken on a poll and so Shareholders are encouraged to appoint the Chairman of the AGM (“Chairman”) as their proxy in advance of the meeting.

We also recognise the importance of being able to answer Shareholders’ questions. Shareholders are invited to two separate meetings in advance of the AGM to ask the Directors questions as may be necessary. The first meeting will be held at The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 2pm on Wednesday 28 July 2021. The second meeting will be held via a Zoom Web Conference at 10.30am on Thursday 12 August 2021. Details to access this will also be on the website. Further details are set out in the Chairman’s Statement within the Annual Report and Accounts. The Company may not be in a position to answer every question at such meetings and will answer such questions within the confines of information already disclosed to the market.

The AGM will be 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 2021 be approved.
2. That the Directors’ Remuneration Report be approved.
3. That the Directors’ Remuneration Policy be approved.
4. That Mr Richard Roth, who retires at the Annual General Meeting in accordance with the AIC 2019 Corporate Governance guidelines be re-appointed as a Director.
5. That Mr Alex Starling, who retires at the Annual General Meeting in accordance with the AIC 2019 Corporate Governance guidelines be re-appointed as a Director.
6. That Mr Robin Goodfellow, who retires at the Annual General Meeting in accordance with the AIC 2019 Corporate Governance guidelines be re-appointed as a Director.
7. That Mr David Livesley, who retires at the Annual General Meeting in accordance with the AIC 2019 Corporate Governance guidelines be re-appointed as a Director.
8. That UHY Hacker Young LLP, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
9. That the Company continues in being as a Venture Capital Trust.
10. **AUTHORITY TO ALLOT SHARES IN THE COMPANY**  
That the Directors be and are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (“Act”) to exercise all the powers of the Company to allot shares or grant rights (“Rights”) to subscribe for, or convert any security into, shares in the capital of the

Company up to a maximum number of 533,189 (representing approximately 10% of the ordinary share capital in issue at today's date) provided that such authority shall expire at the later of the conclusion of the Company's next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of this 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).

## Special Resolutions

### 11. AUTHORITY TO ALLOT SHARES ON A NON-RIGHTS ISSUE BASIS

That the Directors be empowered, pursuant to section 570(1) of the Act, 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 10 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 next Annual General Meeting of the Company following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

### 12. SHARE CAPITAL: SUB-DIVISION AND RECLASSIFICATION, ADOPTION OF NEW ARTICLES AND REDUCTION OF CAPITAL

That:

(a) in respect of each holding of ordinary shares of £0.10 each in the capital of the Company ("Ordinary Shares") at the close of business on 25 August 2021, (i) each and every Ordinary Share be and is subdivided and reclassified into (A) one ordinary share of £0.01 ("New Ordinary Share"), each such New Ordinary Share having the same rights and being subject to the same restrictions as the Ordinary Shares and (B) one deferred share of £0.09 ("Deferred 2020 Share"), each such Deferred 2020 Share having the rights and being subject to the restrictions set out in the articles of association of the Company to be adopted pursuant to paragraph (b) of this Resolution;

(b) with effect from the conclusion of the meeting the draft articles of association produced to the meeting and, for the purposes of identification, initialed by the Chairman be adopted as the articles of association of the Company ("New Articles") in substitution for, and to the exclusion of, the Company's existing articles of association; and

(c) the Company, acting by its directors, be and are hereby authorised to enter into a contract to purchase all the issued Deferred 2020 Shares in accordance with the New Articles (such contract to be in the form tabled at the meeting and initialled by the Chairman for the purposes of identification and which as at the date of the meeting has been on display at the Company's registered office and available for inspection by members for not less than 15 days) for an aggregate price of 1p, such authority to expire 18 months from the date of the passing of this resolution ("Repurchase").

### 13. SHARE CAPITAL: CANCELLATION OF SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE

Subject to the confirmation of the High Court, (i) the amount standing to the credit of the share premium account of the Company as at the date an order is made confirming such cancellation by the Court and (ii) the amount standing to the credit of the capital redemption reserve of the Company (including, without limitation, as a result of the Repurchase) as at the date an order is made confirming such cancellation by the Court, in each case be cancelled and the appropriate amounts be credited to a distributable reserve.

**By Order of the Board**  
**James Gordon**  
**Company Secretary**  
**30 June 2021**

**Registered Office: The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA**

#### **Notes:**

1. Resolutions 1 to 10 will be proposed as Ordinary Resolutions. Resolutions 11 to 13 will be proposed as Special Resolutions.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the appointer. Details of how to appoint the Chairman of the meeting or another person as a proxy using the proxy card accompanying this notice ("Proxy Form") are set out in the notes on the Proxy Form. If the member wishes his or her proxy to speak on their behalf at the meeting then the member will need to appoint their own choice of proxy (not the Chairman) and give their instructions directly to the proxy. To be valid, a Proxy Form must be lodged with the Company's Registrar, **Neville Registrars, Neville House, Steelpark Road, Halesowen B62 8HD**, at least 48 hours before the meeting, being 10.30am on 23 August 2021. A Proxy Form for use by members is attached. Completion of this Proxy Form will not prevent a member from attending the meeting via the Zoom Web Conference. However, as all voting on Resolutions shall be by way of a poll and the AGM will be held virtually by way of Zoom Web Conference, Shareholders should appoint the Chairman of the meeting as their proxy to vote on their behalf.
3. 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 6pm 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.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent ID R023 by 10.30am on 23 August 2021.



For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

6. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings
7. As at 29 June 2021 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 5,331,889 ordinary shares of 10p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 29 June 2021 was 5,331,889.
8. Copies of the directors' letters of appointment, the Register of Directors' Interests in shares of the Company and copies of the existing articles of association of the Company and the revised articles of association to be adopted pursuant to Resolution 12 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
9. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
10. At the meeting, Shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, [www.oxfordtechnologyvct.com](http://www.oxfordtechnologyvct.com) in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. In order for the orderly conduct of the AGM, the Company has arranged separate meetings in advance of the AGM during which Shareholders can ask questions relating to the business of the AGM.
11. Further information, including the information required by section 311A of the CA 2006, regarding the meeting is available on the Company's website, [www.oxfordtechnologyvct.com](http://www.oxfordtechnologyvct.com).

**PLEASE VOTE NOW – IT IS IMPORTANT THAT YOUR PROXY VOTE IS REGISTERED WITH NEVILLE REGISTRARS**

**EVERY VOTE COUNTS**

**ALL RESOLUTIONS WILL BE VOTED FOR BY A POLL**

## Oxford Technology 2 Venture Capital Trust Plc Proxy Form

### Annual General Meeting – 25 August 2021 at 10.30am

I/We .....

Of (address).....

Being a member of Oxford Technology 2 Venture Capital Trust 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 25 August 2021, 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 approve the Directors' Remuneration Policy			
4. To re-elect Richard Roth as a Director			
5. To re-elect Alex Starling as a Director			
6. To re-elect Robin Goodfellow as a Director			
7. To re-elect David Livesley as a Director			
8. To approve the re-appointment of UHY Hacker Young LLP as auditors and authorisation of Directors to fix remuneration			
9. To approve that the Company continues as a VCT			
10. To approve the Directors' general authority to allot shares			
11. To approve the allotment of shares on a non-rights issue basis			
12. To approve the authority to: (a) sub-divide and reclassify the ordinary shares of £0.10 each; (b) adopt new articles of association; and (c) approve the repurchase of the deferred shares of £0.09 each for the aggregate sum of £0.01			
13. To approve the cancellation of the share premium account and capital redemption reserve, subject to the approval of the High Court			

Signature:

Date:

**Proxy Form - Notes**  
**Annual General Meeting – 25 August 2021 at 10.30am**

1. **To be valid, the Proxy Form must be received by the Registrars of Oxford Technology 2 Venture Capital Trust Plc at Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD, no later than 48 hours before the commencement of the meeting, being 10.30am on 23 August 2021.**
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. 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.
8. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

## Shareholder Information

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### Financial Calendar

The Company's financial calendar is as follows:

25 August 2021	- Annual General Meeting
June 2021	- Quarterly Update
November 2021	- Half-yearly results to 31 August 2021 published
January 2022	- Quarterly Update
May 2022	- Annual results for year to 28 February 2022 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](http://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](mailto:paul.lumley@redmayne.co.uk)  
Chris Steward [chris.steward@redmayne.co.uk](mailto: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.

### Shareholder Scams

We are aware that some of our shareholders are receiving unsolicited phone calls or correspondence concerning investment matters. These are usually from overseas based 'brokers' who target UK shareholders, offering to buy VCT shares off them at an inflated price in return for upfront payment. Alternatively, they may offer to sell shares that turn out to be worthless or non-existent. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares. You can check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA. For further information on share fraud and boiler room scams or to report a fraudulent call, please visit the FCA website at [www.fca.org.uk/scamsmart/how-avoid-investment-scams](http://www.fca.org.uk/scamsmart/how-avoid-investment-scams).

### 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](http://www.oxfordtechnologyvct.com/vct2.html) as well as RNS histories and investee summaries.



## Company Information – Directors and Advisers

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### Board of Directors

Richard Roth (Chairman)  
Robin Goodfellow  
David Livesley  
Alex Starling

### Accountants

Wenn Townsend  
30 St Giles  
Oxford OX1 3LE

### 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

### Investment Adviser

Oxford Technology Management  
Tel: 01865 784466  
Email : [vcys@oxfordtechnology.com](mailto:vcys@oxfordtechnology.com)

### Registrars

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

### Company Secretary

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

### Bankers

Natwest Bank  
121 High Street  
Oxford OX1 4DD

### Company Registration Number

3928569

### Financial Adviser & LSE Sponsor

Beaumont Cornish Ltd  
Building 3  
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London W4 5YA

### Legal Entity Identifier

2138002COY2EXJDHWB30

### Website

[www.oxfordtechnologyvct.com/vct2.html](http://www.oxfordtechnologyvct.com/vct2.html)

### Compliance & FCA Adviser

Methuen Consulting LLP  
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