

Oxford Technology 2 Venture Capital Trust Plc



- Arecor Therapeutics
- ImmBio
- Inaplex
- Insense
- Scancell Holdings
- Select – STL Management

Annual Financial Statements

For the Year Ended 28 February 2022

Company Registered Number: 3928569

Table of Contents

About Oxford Technology 2 Venture Capital Trust Plc	3
Investment Strategy	3
Financial Headlines	3
Strategic Report	4
Chairman's Statement	4
Business Review	12
Investment Manager's Review	19
Investment Manager – Oxford Technology Management Ltd	27
Board of Directors	28
Directors' Report	31
Directors' Remuneration Report and Policy	37
Corporate Governance Report	40
Statement of Directors' Responsibilities	46
Report of the Independent Auditor	47
Income Statement	54
Balance Sheet	55
Statement of Changes in Equity	56
Statement of Cash Flows	57
Notes to the Financial Statements	58
Oxford Technology 2 Venture Capital Trust Plc - Notice of Annual General Meeting	70
Oxford Technology 2 Venture Capital Trust Plc Proxy Form	73
Shareholder Information	75
Company Information – Directors and Advisers	76

About Oxford Technology 2 Venture Capital Trust Plc

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. This was achieved by offering VCT investors a series of tax benefits. Oxford Technology 2 Venture Capital Trust Plc (the “Company”, “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

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 now also has investments in AIM listed Scancell Holdings Plc and Arecor Therapeutics 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

	Year Ended 28 February 2022	Year Ended 28 February 2021
Net Assets at Year End	£1.70m	£1.32m
Net Asset Value (NAV) per Share	32.0p	24.8p
Cumulative Dividend per Share	22.5p	22.5p
NAV + Cumulative Dividend per Share Paid from Incorporation	54.5p	47.3p
Share Price at Year End (LSE)	26.5p	20.0p
Earnings Per Share (Basic & Diluted)	7.2p	(3.0)p

Strategic Report

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

The Strategic Report consists of the Chairman's Statement (page 4), which looks at future prospects for the Company, a Business Review (page 12), which includes analysis of the principal risks, and the Investment Manager's Review (page 19), which looks at the performance of the Company's investments over the past year.

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

Chairman's Statement

I hope this is the last report I need to write explaining the challenges of being such a small VCT in terms of net asset value (NAV), market capitalisation and number of portfolio companies. As I have set out in previous years, the fact we are the smallest VCT results in a difficult balancing act to ensure we have enough liquidity to meet the going concern requirements and yet also continue to satisfy the very demanding VCT tests. It has also presented difficulties should we have wished to continue to support our investees with further funds.

I wrote to shareholders on 17 March 2022 (and as announced by RNS on 4 March 2022) advising that OT2 had entered into discussions regarding a possible merger of the Oxford Technology VCTs ("OT VCTs") ("Merger") and a proposed offer for subscription ("Fund Raise") together with a move to a new investment manager, Edition Capital Investments Limited ("Edition"). The structure of the proposed Merger is designed to preserve the economic value of each VCT's portfolio for the benefit of each company's existing shareholders. The existing OT2 Ordinary share class will remain exactly as is, and OT2 will issue shares in new separate share classes to the current shareholders of the other OT VCTs. Discussions are progressing and the proposed transaction, with full details, is expected to be formally announced in May.

Shareholders will be aware that as investments are realised, your Company reduces in size, making it increasingly unviable on a standalone basis. The Boards of all four OT VCTs have previously stated that it would be preferable to have a larger asset base to share their operating costs due to the relentless upward trajectory of regulatory costs and the ongoing challenges of maintaining VCT status. The structure being proposed allows the shareholders of all four OT VCTs to benefit from the economies of scale of the Merger.

Shareholders will be aware that for a number of years your Directors have sought to find partners interested in using the existing VCT structure to launch their own share offering, and hence enabling one (or more) of the OT VCTs to expand its asset base. In Edition I believe we have found an ideal partner, especially in the light of our succession planning requirements: it has been clear for some years that Oxford Technology Management Limited (OTM) do not consider VCTs a suitable vehicle for investing small sums in high risk/reward start-ups, their area of interest and expertise.

Having Edition as the new investment manager and raising new money in a separate share class focussed on the leisure sector means longevity for the OT VCT portfolios such that the risk of 'fire sale' exits (due to these individual portfolios become sub-scale) is substantially reduced. Although under this scenario Edition will take over as the manager of OT2, the investments in the existing assets will continue to be managed by the Board with the support of OTM in an advisory capacity as is currently the case.

It is important to emphasise the point made above: the proposed Merger is designed to preserve the economic value of OT2's portfolio for the benefit of existing shareholders whilst reducing its operating costs. The portfolios of each of the other OT VCTs will also be ringfenced. By sharing the costs of the Merger with its sister VCTs as well as Edition, it has been possible to off-set the otherwise and hitherto prohibitive cost of combining the VCTs.

Whilst the Board cannot be certain the proposals they are discussing will be finalised, good progress is being made with both Edition and the boards of the other OT VCTs, and we are optimistic a merger circular (Circular) will be available next month. I would therefore encourage all Shareholders to read any such Circular carefully and to vote to support the various resolutions to enable the Merger to proceed. The Fund Raise will also launch at the same time, giving existing shareholders (and new investors) the chance to subscribe for new shares ("Leisure Shares") in the current tax year.

Final details of any Merger or fund raise have still to be finalised and will need shareholder approval. However, I believe that what we are hoping to present to shareholders next month will provide a compelling case for you to provide your full support. Should the Merger proceed and/or new shares be issued under the Fund Raise, the Company will have much more flexibility in how it operates going forward.

Turning now to the past, I present the Annual Report for the year to 28 February 2022 to fellow shareholders. The period under review continued to be impacted by the implications of the Covid-19 pandemic and the subsequent actions of the UK government, as well as post-Brexit trading implications. Your Investment Adviser and the Directors have continued to manage the VCT and its portfolio effectively together via remote working during lockdown.

Performance

The Company's NAV per share increased by 7.2p per share (29%) from 24.8p at 28 February 2021 to 32.0p per share as at 28 February 2022. The increase is primarily due to an increase in the value of Arecor Therapeutics Plc ("Arecor"), offset by a much smaller decrease in the valuation attributable to our holding in Scancell Holdings Plc ("Scancell"). Arecor floated on 3 June 2021 at a share price of 226p per share and was 350p per share on 28 February 2022. Further explanations are included in the portfolio review section below. Total Return since the Company's launch is 54.5p per share.

The Company paid no dividends during the year ended 28 February 2022 (2021: nil). The cumulative dividends per share paid since inception are 22.5p (2021: 22.5p).

Portfolio Review

At 28 February 2022, the Company had holdings in five unlisted companies and two companies which are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange. The three largest companies (representing over 80% of the NAV in total) continue to progress. The VCT rules will forbid us from making further investments in these three companies (for example Arecor did seek further funding from us and we wanted to support it but were unable to do so due to the constraints imposed by these rules); we can technically still support ImmBio, Insense and Inaplex. Your Company has the cash resources to continue to invest to support the portfolio were these companies to require further investment.

Arecor remains our largest holding, representing nearly over 55% of the NAV per share. Your Company first invested in Arecor in July 2007. Since then, it has become a leader in innovative formulation technologies allowing pharmaceutical formulations to be stabilised in liquid form. The company has developed a successful fee for service and licencing business model as well as developing its own formulations for rapid action and highly concentrated insulin.

Arecor floated on AIM on 3 June 2021 at a share price of 226p per share, and as at the reporting date of 28 February 2022, was valued at a bid price of 350p per share, an increase of just under 55% from the float price. Shares are currently subject to a lock in and an orderly market period, but the Directors continue to consider when will be the most appropriate time to realise the investment and return cash to shareholders.

STL Management Limited (“Select Technology”) distributes high quality document management software via its global channel partners. Over the last decade Select Technology has built up a global network of distributors and dealers through which it sells third party products targeted at its end customers’ scanning, copying and printing infrastructure. These products now include PaperCut, KPAX, Foldr, Drive Image, EveryonePrint and Square 9 Enterprise Content Management.

Our valuation methodology for this investment is based on a sales multiple, and we have cautiously retained the discount that we have applied in recent years until we can fully assess the impact of various geopolitical events on Select Technology’s markets. However, the company itself is now seeing a recovery in trading conditions – this is welcome news after the turmoil of 2020 and the disruption in early 2021. OT2 received a small dividend from Select Technology in February 2022, possibly (and hopefully) a sign that normal trading is in the process of being resumed. At the end of August 2021, Alex Starling joined the board of Select Technology to represent the OT VCTs’ interests as we seek to maximise shareholder value. As at 28 February 2022, OT2’s stake in Select Technology constituted nearly 19% of the Company’s NAV.

The Company’s third largest holding is now AIM listed Scancell (just under 9% 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. Scancell’s share price fluctuated for most of the year between 19p and 23p: however, from mid January, in line with many biotech stocks, its share price entered a period of steady decline to 11p before recovering in April to 16.75p on the announcement of the start of Modi-1 trials (post period end Scancell has also received approval from the South Africa authorities to extend the scope of its Covidity trial). At 28 February 2022, its price was 12p per share, the price of our original investment.

While it could be argued that Scancell has had a quiet year in terms of news flow and corporate milestones, the substantial injections of equity funding during 2020 have allowed Scancell to invest heavily in its technology platforms. Founder Professor Lindy Durrant is now back at the helm as CEO and Chief Scientific Officer, and Dr Richard Goodfellow is back as Interim Chief Business Officer. There have been subtle changes in the way Scancell positions itself in the market, the company now describing itself as a “*clinical stage biopharmaceutical company that is leveraging its proprietary research, built up over many years of studying the human adaptive immune system, to generate novel medicines to treat significant unmet needs in cancer and infectious disease. The company is building a pipeline of innovative products by utilising its four technology platforms: Moditope and ImmunoBody for vaccines and GlyMab and AvidiMab for antibodies*”.

I remain positive about Scancell’s potential for treating otherwise untreatable diseases. Arguably the most important announcement made by Scancell during the course of the last 12 months was the news that the redemption date of the c. £19.7m of convertible loan notes held by Scancell’s major funder, US-based Redmile Group, LLC, was extended by three years (from 2022 to 2025), reducing the risk of an unfavourable dilutive event in 2022 and giving Scancell’s management the time to create maximum commercial value from its multiple ‘shots on goal’.

Following Arecor’s listing on AIM, the combined value of the two AIM quoted companies represents 63.9% of the Company’s net assets at 28 February 2022. Given the volatility in the share prices of these two quoted investments, shareholders should note that for every 10p change Arecor’s bid price, the NAV moves by about 0.5p per OT2 share, and for every 1.0p change in Scancell’s bid price, the NAV moves by about 0.2p per OT2 share.

Adjusting for the quoted share prices at 19 April 2022 (Arecor 390p and Scancell (16.75p), and the running costs since 28 February 2022, the unaudited NAV per share has increased to 34.4p. The valuations of the unquoted investments remain unchanged.

No other investments are worth more than 5% of NAV. As was reported in the half year accounts, the decision was made to move the core technology of Immunobiology Ltd (“ImmBio”) to Liverpool University to reduce costs whilst the technology transfer to ImmBio’s licensee China National Biotech Group continues.

Since the move, Liverpool University has won a grant to lay the foundations for a challenge/carriage study to determine the extent to which pneumococcus is carried in the nose of vaccinated people. The first grant finishes in April 2022 and could lead to a second grant to perform the study.

Interest in whole cell vaccines has been limited during the Covid crisis, with the focus on synthetic vaccines which could be rapidly developed, tested and deployed. However, in recent months the interest in such vaccines has waned, as can be seen by the share price drops of companies involved in their development. It can be hoped that interest will now switch back to vaccines with the potential for a much wider immune response, and therefore ImmBio may be able to re-engage with additional potential partners. ImmBio represents 3.5% of NAV.

Your Company also has holdings in three other companies, which together represent about 3% of the NAV, and are held at the same cost as at 28 February 2021. We hope the largest of these, Insense Limited (“Insense”), still has the potential for future value growth. Regretfully, Oxis is in administration, and we do not expect to recover any value from this investment. Overall, as seen in the Income Statement, the net impact of valuation changes across the portfolio during 2021/2022 year was a gain of £425k.

The loan in Plasma Antennas Limited (“Plasma”) was repaid this year before the company was dissolved: this investment was realised for a small profit over the carrying value but insufficient to offset previous years losses.

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 Manager’s Review, and on our website at <http://www.oxfordtechnologyvct.com/vct2.html>.

Risk Factors

The geopolitical situation is distressing, and our thoughts go out to those who are affected by military actions and other violence. Whilst your Company’s portfolio has no major direct contact with defence spending, there remains the possibility that any shift of government focus towards additional defence spending may have a long term impact on other areas of spending. The long term impact of sanctions is unclear, but it is hoped given the nature of the portfolio that they should not have a major impact on performance.

For much of the post 2008 era, inflation has been tamed by various mechanisms such as quantitative easing. Recent developments indicate that such efforts to ‘kick the can down the road’ may be coming to an end. Inflation is now forecast to hit high single figures – it is unclear to what extent the UK and the wider world economy is in a fit state to thrive in such a challenging environment.

Thankfully OT2’s portfolio – despite being concentrated in only having six active companies in it – is suitably diverse so as to provide a degree of protection from some of these global headwinds but remains exposed to cost inflation and reduction in availability of cheap money.

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 currently 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 minimum 80% qualifying holding limit. As at 28 February 2022, the HMRC value of qualifying investments of our portfolio was 82% (2021: 82%).

For operational reasons, OT2 provided a £50k short term interest free loan to Oxford Technology VCT Plc (OT1) during the year under the Common Payments and Liquidity agreement held between the VCTs. Half of this loan is still outstanding.

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 nearly three quarters of the Company's portfolio was held in cash or quoted AIM shares, thus hopefully providing both short- and medium-term liquidity (though shareholders should note that stocks quoted on AIM may have limited liquidity at times). Specifically, there are restrictions (lock in and orderly market provisions) on OT2's ability to sell its Arecor holding for a period of about another year, but our cash is more than sufficient in the interim).

As mentioned in my introduction, expanding the size of the Company should help improve this whole situation.

VCT Market Changes

During the period under review, there have been no further amendments to the rules governing VCTs. The Chancellor of the Exchequer's Spring Statement was also subsequently delivered on 23 March 2022 and did not propose any changes to the legislation governing VCTs.

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 more than £10k and the FCA fee of £6k. These regulatory fees seem to have relentless increases and bear disproportionately on a small company. Filed company accounts now also need to be produced in XHTML format, at additional cost, to comply with the first phase of mandatory electronic format reporting under FCA's Disclosure Guidance and Transparency Rules. It should be noted that this year OTM have earned no management fees, and indeed have had to make an £8,358 subsidy to the Company's costs as a result of the cost cap (3% excluding Directors' fees). As mentioned in the introduction (assuming the Board puts forward the Merger recommendation it is currently envisaging, and shareholders of the other OT VCTs approve the relevant resolutions), these annual costs will be able to be shared more widely in the future.

Keeping a close control on costs will remain an important agenda item for the Board of an enlarged VCT. Whilst some costs will necessarily increase as OT2 starts investing in new companies again, it is expected that the agreement with Edition will ensure that this focus on cost management will continue and the costs attributed to the OT2 share pool will decrease in absolute and percentage terms.

Separately, in line with a number of other VCTs, the Directors have decided that interim half year reports will no longer be printed but will only be available as a PDF on our website in a continued focus of minimising costs and acting in an environmentally conscious manner whenever possible. Shareholders who have not signed up to electronic communications will still be sent a letter advising that this report is available to view.

We continue to encourage all of our investors to switch to receiving updates from the Company via e-mail and documents in soft copy, which also ensures you receive documents more quickly. If you currently receive paperwork from us but are willing to be notified by email that documents are available for viewing online, please contact the registrars, whose details are on page 76.

Change of Auditor

In my letter of 17 March 2022, I explained that our previous auditors UHY Hacker Young LLP (UHY) had chosen to resign as the Company's auditors following a strategic review of the sectors they operate in. As you will be aware, UHY confirmed that there were no matters connected with it ceasing to hold office that needed to be brought to the attention of members or creditors of the Companies for the purposes of section 519 of the Companies Act 2006. We would like to thank UHY for their help and support as external auditors over the last three years.

Following a competitive tender process, we were pleased to announce that we appointed Hazlewoods LLP ("Hazlewoods") to replace UHY. They have audited these accounts, and shareholders are being asked at this AGM to reappoint them so that they can audit the financial statements in 2023 as well.

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 that commenced this year do not currently apply to the Company. However, it will be kept under review in light of any recommended changes.

Shareholder Interaction and AGM

Your Company held both virtual and physical events last summer to give shareholders an opportunity to discuss the Directors' plans for the VCT and returning cash to investors. We are very grateful to those shareholders who attended these meetings (whether in person or remote) and those who engaged by email. This year, we plan to once again hold our AGM meeting in person, preceded by an earlier webinar to allow shareholders to hear from the Board before casting their proxy votes. It is hoped that the General Meeting required to approve the Merger and Fund Raise will be held on the same day as the AGM. The meeting schedule is as follows:

- **Tuesday 7 June 2022 at 10am:** An informal shareholder meeting held online. The agenda will include presentations from OTM and the Board, followed by a shareholder Q&A (using chat/email facility) to include a full discussion on the proposed Merger and Fund Raise (assuming a Circular has been issued before this date). There will hopefully be a presentation from investee company Select Technology though this may be pre-recorded. Details for how to register for this event are on www.oxfordtechnologyvct.com.
- **Monday 20 June 2022 at 2pm:** The AGM will be an opportunity for a face-to-face meeting with shareholders (the physical AGM will hopefully be followed by a further in-person General Meeting). This will be a meeting to consider the formal business of the AGM (and GM if held), although the OTM and Board presentations from the previous meeting will be repeated. There will also be an opportunity for shareholders to ask questions. If you are unable to attend, please return your proxy forms by 2pm on 16 June 2022 (and / or register your votes with your broker if your shares are held with nominees) to ensure your vote is included.

If you intend to attend this session, please notify us in advance by email to vcts@oxfordtechnology.com to help us with numbers and in case there are changes to arrangements that need to be communicated at short notice.

We hope shareholders will appreciate the flexibility being offered.

Regarding the various proposed resolutions:

- **Resolution 1 and 2:** These resolutions seek approval of the Company's Annual Report and Accounts for the period ended 28 February 2022 and the Directors' Remuneration Report contained therein. The Directors are obliged to lay the Directors' Annual Report and Financial Statements and the auditors' report thereon for the year ended 28 February 2022 before shareholders at a general meeting. The vote on the Remuneration Report is advisory and the Directors' entitlement to remuneration is not conditional on this resolution being passed.
- **Resolutions 3– 6 (inclusive):** These resolutions seek the re-election of the existing four members of the Board as non-executive Directors of the Company. 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 7:** Seeks the approval of the re-appointment of Hazlewoods as auditors of the Company and to authorise the Directors to determine their remuneration. This is discussed above.
- **Resolution 8:** We are putting forward a resolution to vote for the continuation of the VCT, as in previous years. Due to the proposed Merger and Fund Raise, the Directors do not consider this to be an appropriate time to wind up the VCT. Shareholders should also note that should new Leisure Shares be issued as expected under the Offer for Subscription, the next continuation vote will not be until 5 years after the last allotment of Leisure Shares.
- **Resolutions 9 and 10:** 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 2 years have shown that it is prudent to take some precautionary measures. Every year we have a resolution for shareholders to enable the Directors to issue a small number shares without pre-emption rights and this has always been approved. This year (as last) 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 to 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. Given the proposed Merger and Offer, it is highly unlikely the Board will need to avail itself of this facility, but at this time, there can be no certainty these will proceed.
- **Resolution 11:** 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.

The Notice convening the 2022 AGM of the Company is set out at the end of this document 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.

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

As I outlined in my half year report, Shareholders voted unanimously in favour of the relevant resolution at the Annual General Meeting, and as a result each ordinary share of 10p in the capital of the Company was sub-divided to an ordinary share of 1p and a deferred share of 9p. The Company subsequently repurchased and cancelled the deferred shares for the aggregate sum of 1p. A shareholder now holds exactly the same number of shares as before, but the nominal value of each share has reduced from 10p to 1p. The NAV of each ordinary share was unaffected by this change.

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. The Company now has 5,331,889 ordinary shares of 1p each (and no deferred shares of 9p each). Existing share certificates remain valid.

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

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 do still need to caution that there is no certainty that either strategic route (a merger or increasing the asset base with a new manager) will proceed, as these are subject to final negotiations and shareholder approval, but the Directors will continue working to make them happen.

Whatever happens with the Merger and Fund Raise, your Board and Investment Adviser continue to work to best position your VCT such that, when valuations and liquidity allow, holdings in the existing pool of assets can be exited and proceeds distributed to shareholders, whilst keeping a keen eye on maintaining costs as low as possible in the interim.

The Board believes the proposed plans to merge the 4 OT VCTs and the raising of new money in a Leisure Share class as set out above are in the best interests of the Company and its shareholders. It will allow time for the portfolio to reach those value inflection points at which time we would hope to be able to realise the investments, whilst reducing the operating costs in the meantime.

It would be good to see many of you at the AGM, where I hope you will endorse the Board's unanimous recommendation to approve all the resolutions, as well as those linked to the Merger and Fund Raise which we expect to put to shareholders at a General Meeting immediately following AGM. If you have any immediate questions, please feel free to contact me via vcts@oxfordtechnology.com.

I look forward to a bright future under Edition's stewardship/management.



Richard Roth
Chairman
21 April 2022

Business Review

Company Performance

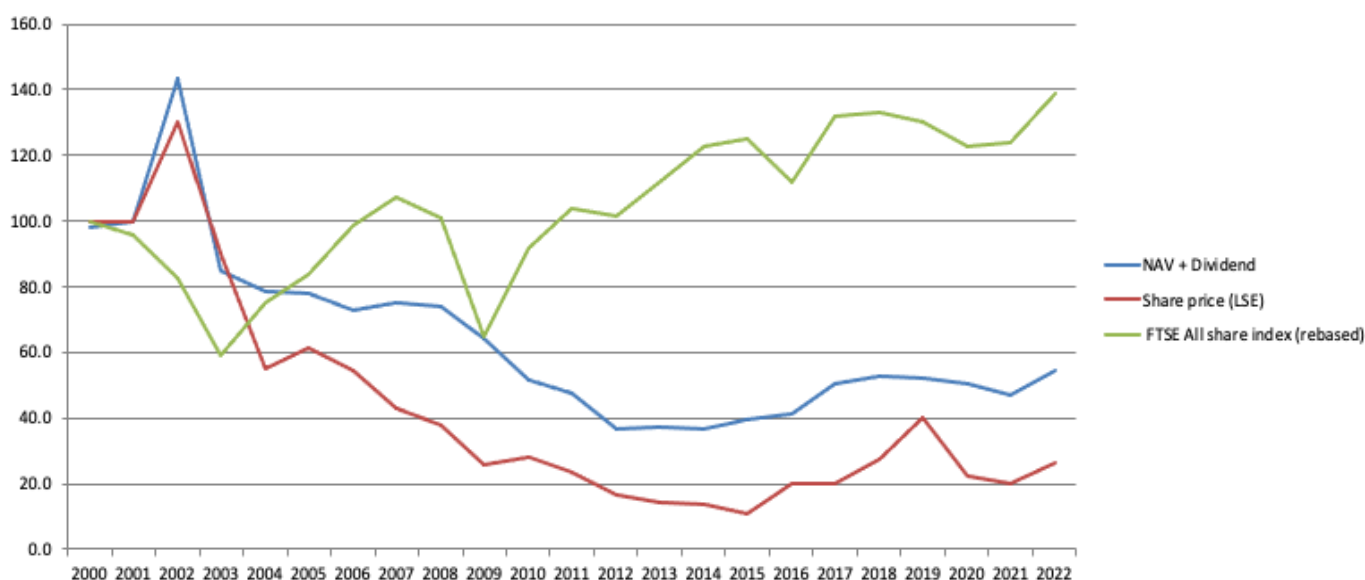
The Board is responsible for the Company's investment strategy and performance. The services regarding the creation, management and monitoring of the investment portfolio are subcontracted to OTM by the Company's Investment Manager, OT2 Managers Ltd. OTM is the Company's AIFM.

There was a net profit for the period after taxation amounting to £381,000 (2021: loss of £160,000). The income statement comprises income of £4,000 (2021: nil) received from investee companies, realised gains on fair value of investment were £12,000 (2021: nil), unrealised gains on fair value of investments of £425,000 (2021: unrealised losses of £95,000) and management and other expenses of £60,000 (2021: £65,000).

The review of the investment portfolio on page 19 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 increase in the total return is explained in the Chairman's Statement. In the twelve months to 28 February 2022 there was a gain in total return of 7.2p per share (2021: negative total return of 3.0p). No dividend was paid or declared during the year (2021: nil).

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 4.6% (but capped at 3%) of opening net assets (6.2% including Directors' fees (4.5% after cap)), (2021: 4.4% and 4.9% 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.

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, two of which are AIM quoted: Scancell is relatively liquid and readily accessible whilst the shares in Arecor are locked in until early June 2022, and then any trading is subject to orderly market provisions for another year.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 28 February 2025.

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:

- Have fewer than 250 full time equivalent employees (500 if a knowledge intensive company);
- Have no more than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment;
- Its first commercial sale must be less than seven years old (or ten years if a knowledge intensive company) if raising State Aided funds for the first time subject to certain exceptions;
- Have raised no more than £5 million of State Aided funds in the previous 12 months (or £10 million if a knowledge intensive company) and less than the lifetime limit of £12 million (or £20 million if a knowledge intensive company);
- Produce a business plan to show that its funds are being raised for growth and development;
- Be an unquoted company or listed on AIM;
- Have a permanent establishment in the United Kingdom;
- Not be under the control of any other company, nor control any company which is not a qualifying subsidiary of the company; and
- Are operating a trade which is not an “excluded activity”.

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 – Covid-19 has had an impact on economic conditions globally and may continue to affect the performance of some companies in which the Company has invested.

Geo-political and economic risks – the military invasion of Ukraine by Russian forces has caused various countries to announce the imposition of sanctions on Russia. These sanctions may lead to unpredictable reactions from Russia, particularly in relation to the provision of, or access to, energy resources which may have a consequential impact on economic conditions globally, including the costs of living and the availability (and increased cost) of raw materials. Such increased costs of living and the availability (and increased cost) of raw materials may also have an indirect impact on businesses in which the Company has invested in, hindering growth, financing or operations. Similarly, the threat of rising inflation may impact on the performance/ profitability of our investees. Consequently, any change of governmental, economic, fiscal, monetary or political policy, and in particular any spending cuts or material increases in interest rates could affect, directly or indirectly, the performance of the Company (as a result of the performance of its underlying investments) and hence the value of, and returns from, the Company's shares.

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 40.

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). 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 12.

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. In 2021, we held both a physical shareholder meeting and two webinars via our Zoom platform. We were able to welcome many shareholders and shareholders had the opportunity to submit questions. We welcome any feedback from shareholders on how they would like to see communication improved. In June this year, we currently plan to hold both a virtual and physical meeting once again. 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 12.

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 12.

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. The Company made no purchases nor sales but did receive a loan repayment from Plasma Antennas just before the company was dissolved. 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 34.

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.

Independence, Gender and Diversity

Throughout the year under review, the Board has consisted 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.

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
21 April 2022

Investment Manager's Review

OT2 was formed in 2000 and invested in a total of 30 companies, all start-up or early stage technology companies. Some of these companies failed with the loss of the investment. Some have succeeded and have been sold. The table on page 21 shows the companies remaining in the portfolio, which is followed by an update on the five investments which still have any significant residual value.

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.

Arecor provides 55.1% of the NAV for OT2 VCT. Arecor Ltd became Arecor Therapeutics Plc and then floated on the Alternative Investment Market on 3 June 2021, raising £20m at a share price of 226p – OT2 was unable to invest further at the IPO due to the constraints of the VCT qualifying tests. Since then its share price has risen to a peak of 460p and ended the year at 350p. Thus far it has been very thinly traded with the highest daily volume of just over 200,000 shares achieved when Arecor announced positive results for their AT278 ultra concentrated ultrarapid acting insulin. They have also announced that AT247 has progressed into Phase 1.

Select Technology is the second largest holding makes up 16.8% of the NAV. It specialises in software for photocopiers – now known as MFDs – Multi-Function Devices, but during the pandemic increased its activities in document management software independently of the printing aspect.

Scancell is focused on developing innovative immunotherapies for cancer that stimulate the body's own immune system and now represents 8.8% of the portfolio. ImmBio has had a mixed year and the Insense and Inaplex are the remaining two companies which remain in the portfolio at any value, albeit at very small values.

New Investments in the year

There were no new investments during the year.

Disposals during the year

Plasma Antennas was dissolved during the year but not before the outstanding loan was repaid to OT2 at a small increase to its previous carrying value. Oxis Energy Ltd which was developing a Lithium Sulphur rechargeable battery went in to administration in May 2021 and the investment is fully provided for.

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 2022 and for the year then ended is summarised as follows:

Type of Investment By HMRC Valuation Rules	Actual	Target
VCT Qualifying Investments	81.9%	Minimum obligation: 80%
Non-Qualifying Investments	18.1%	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 (£10 million for Knowledge Intensive Companies) in any rolling 12 month period and £12 million of state aid investment (£20 million for Knowledge Intensive Companies) during its lifetime – Complied as no new investments were made.

Table of Investments held by Company at 28 February 2022

Company	Description	Date of initial investment	Net cost of investment £'000	Carrying value at 28/02/22 £'000	Change in value for the year £'000	% equity held by OT2	% equity held by all OTVCTs	% net assets
Arecor (bid price 350p)	Protein stabilisation	Jul 2007	252	939	520	1.0	5.7	55.1
Select Technology – STL Mgt.	Specialist photocopier interfaces	Nov 2001	132	285	36	7.4	58.6	16.8
Scancell (bid price 12.0p)	Antibody based cancer therapeutics	Apr 2018	150	150	(131)	0.2	1.5	8.8
ImmBio	Novel vaccines	Dec 2000	295	59	-	3.1	22.6	3.5
Insense	Wound healing dressings	Jun 2001	204	52	-	1.6	5.6	3.0
Inaplex	Data integration software	Jan 2001	138	2	-	21.5	34.8	0.1
Oxis Energy	Battery technology	Jan 2000	540	0	-	0.1	0.3	-
Totals			1,712	1,488	425			87.3
Other Net Assets				216				12.7
NET ASSETS				1,704				100.0

Number of shares in issue: 5,331,889

Net Asset Value per share at 28 February 2022: 32.0p

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, Plasma Antennas, Promic and SVA have been written off. The investments in Hardide, Commerce Decisions, MET, Telegesic, Equitalk, Duncan Hynd Associates, OC Robotics and Orthogem have been sold. Some shares in Scancell have also been sold.

Arecor Therapeutics Plc

www.arecor.com

	First Investment	Net Cost	Carrying Value 28/02/2022	Change in Value for the Year	% Equity Held
Arecor	July 2007	£251,642	£939,288	£519,739	1.0%

Arecor Therapeutics Plc 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. 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.

The Company's original investment was in Arecor Ltd which became Arecor Therapeutics Plc when it floated on AIM on 3 June 2021, raising £20m at a share price of 226p. Since then its share price has risen to a peak of 460p and ended the year at 350p. Thus far it has been very thinly traded with the highest daily volume of just over 200,000 shares achieved when Arecor announced positive results for their AT278 ultra concentrated ultrarapid acting insulin. They have also announced that AT247 has progressed into Phase 1.

Since inception in 2007, Arecor 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. Since floating, Arecor has announced 4 new collaborations.

The bid price as at 28 February 2022 used for this Arecor valuation was 350p per share.

Select Technology – STL Management Ltd

www.selectec.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2022	Change in Value for the Year	% Equity Held
Select Technology	November 2001	£132,436	£285,269	£36,307	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 Technology's business, it has made a conscious effort to seek out and acquire regional 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 2010 to £5m in the year to 31 July 2021 and, despite the restrictions caused by the pandemic, the company still recorded a profit of £95k for the year. Subsequently, in the first half of the current financial year, the period August 2021 to January 2022, the company has reported turnover of £2.9m with a profit of £145k, the latter a result of measures to increase gross margin.

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

Scancell

www.scancell.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2022	Change in Value for the Year	% Equity Held
Scancell	April 2018	£149,913	£149,914	(£131,174)	0.2%

Scancell is an AIM listed biotechnology company in which OT2 first invested in April 2018. Scancell is developing novel immunotherapies for cancer based on four platform technologies known as ImmunoBody, Moditope, Avidimab and GlyMab. They are also using their TCell stimulating vaccine platform to make a COVID vaccine aimed at the N capsid.

GlyMab 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. 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.

During the year Scancell started 2 major clinical trials. Covidity, their family of Covid-19 vaccines is in phase 1 in South Africa and at the end of January the dosing had started on the second of the COVIDITY variants and will be dosed using PharmaJet's needle free system. It is the only needle free system precleared by the WHO. Results were expected during H1 22, however there has been a change of protocol to make the results more relevant and also to make it easier to recruit patients. The SCIB1 phase 2 trial started dosing in November and is looking at how well SCIB1 – Scancell's melanoma vaccine works with existing checkpoint inhibitor pembrolizumab. Scancell also received approval for and started their Modi 1 phase 1/2 trial which is directed at a wide range of tumours with or without existing Checkpoint inhibitors. The trial includes 22 centres indicating wide clinical interest in participating. The first stage will just look at safety, with efficacy trials intending to read out in 2023, however as the patients in the phase 1 are cancer patients there is the possibility of early results. Furthermore Scancell has started to commercialise their GlyMab platform which targets antibodies at sugars rather than proteins on cell surfaces. They have announced though not detailed four partnerships in this area.

The Scancell share price has fallen over the year. Possible reasons are the delays due to Covid-19 and a general move of the market away from Biotech, but in early April had begun to recover following the official announcement of the Modi-1 trials.

The bid price as at 28 February 2022 used for this Scancell valuation was 12.0p per share (2021: 22.5p).

ImmBio

www.immbio.net

	First Investment	Net Cost	Carrying Value 28/02/2022	Change in Value for the Year	% Equity Held
ImmBio	December 2000	£295,353	£59,149	-	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 makes up 3.5% of the NAV of OT2.

Whilst ImmBio has not managed to find a pharmaceutical partner or acquirer during the year it has teamed up with Liverpool School of Tropical Medicine, who have applied for a grant to progress the programme to a challenge model of the protein based vaccine. They have won a first grant which is to validate the models they would use in the main study. A successful challenge study would address many of the questions potential partners have raised. Whether that would then result in them taking action is a separate question.

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, but the outcome is likely to be quite binary.

Insense

www.insense.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2022	Change in Value for the Year	% Equity Held
Insense	June 2001	£204,259	£52,149	-	1.6%

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 but work restarted in 2021. During the year, Insense completed its planned fungal nail product formulation work and has a number of candidate gels that entered 6 month stability testing in Q1 2022. During this time, data will be gathered at months 0, 3 and 6 on the physical, chemical and flow characteristics of the gels. This information is needed to prove that the gels will remain stable during a clinical trial. During the stability testing, fungal kill tests will also be performed. Insense is also finalising the design for the hardware components of the product. On successful completion of this stability testing and design work, Insense plans to submit an application to MHRA to gain approval to run a first-in-man clinical trial in the UK.

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
21 April 2022

Investment Manager – Oxford Technology Management Ltd

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. OTM has managed or advised twelve funds which, between them, have made more than 100 such investments. 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

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 starting on page 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 58) 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 and Scancell. 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 44) 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.

David Livesley



David Livesley (aged 61) 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

The Directors present their report together with Financial Statements for the year ended 28 February 2022.

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 12 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 17, the Chairman's Statement on pages 4 to 11 and the Investment Manager's Review on pages 19 to 26 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 2022. The Company's Corporate Governance policy is set out on pages 40 to 45.

The 2019 AIC Code is available on the AIC website (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 2022 and at 28 February 2021 are set out below:

Name	2022	% Holding	2021	% Holding
R Roth	44,033	0.83	44,033	0.83
A Starling	Nil	-	Nil	-
R Goodfellow	14,000	0.26	14,000	0.26
D Livesley	Nil	-	Nil	-

There have been no changes in the Directors' interests since 28 February 2022. No options over the share capital of the Company have been granted to the Directors.

There is no minimum holding requirement that the Directors need to adhere to.

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.

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

Investment Management Fees

OT2 Managers Ltd, the Company's wholly owned subsidiary, has an agreement to provide investment management services to the Company for a fee of 1% of net assets per annum. 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

As permitted by legislation and the Company's Articles of Association, 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

The Company is committed to carrying out business fairly, honestly and openly and makes certain that the highest standards of professional and ethical conduct are maintained. The Investment Adviser has established policies and procedures to prevent bribery within its organisation and seeks to ensure adequate safeguards are in place at its main third party suppliers. The Company has adopted a zero tolerance approach to bribery and corruption 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).

Shareholders have the opportunity to meet the Board at an annual meeting, and we are now also planning to hold a shareholder webinar each year. In addition to the formal business of the meeting 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.

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 quarterly, as well as on ad hoc basis when applicable.

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 17, 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, 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 £184,000 at 28 February 2022 with annual running costs of £60,000 in the past year. On the basis that the Company makes no further investments, the cash balance alone covers costs for more than the next two 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 military invasion of Ukraine by Russian forces has caused various countries to announce the imposition of sanctions on Russia. These sanctions may lead to unpredictable reactions from Russia, particularly in relation to the provision of, or access to, energy resources which may have a consequential impact on economic conditions globally, including the costs of living and the availability (and increased cost) of raw materials. Such increased costs of living and the availability (and increased cost) of raw materials may also have an indirect impact on businesses in which the Company has invested in, hindering growth, financing or operations. Similarly, the threat of rising inflation may impact on the performance/profitability of our investees. Consequently, any change of governmental, economic, fiscal, monetary or political policy, and in particular any spending cuts or material increases in interest rates could affect, directly or indirectly, the performance of the Company (as a result of the performance of its underlying investments) and hence the value of, and returns from, the Company's shares.

Covid-19 has had an impact on economic conditions globally and may continue to affect the performance of some companies in which the Company has invested.

The Board will keep these risks under regular review but do not consider them to have any impact on the Company's own ability to continue as a going concern.

Share Capital

At the AGM on 25 August 2021, Shareholders approved the resolutions 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. This resulted in the issue of 5,331,889 Deferred 2020 Shares, which were immediately repurchased by the Company for an aggregate sum of 1p in accordance with the provisions of the Articles, following which all of the Deferred 2020 Shares were cancelled. This process has created an additional £480,000 of Capital Redemption Reserve, which can be subsequently cancelled, subject to the sanction of the High Court, creating further distributable reserves to assist in the payment of dividends or assist in the return of funds to shareholders.

Following the sub-division and reclassification as described above, the Company had 5,331,889 Ordinary Shares of 1p each in issue, and this has remained the same at 28 February 2022 (2021: 5,331,889 Ordinary Shares of 10p each) with each share having one vote. There are no other share classes in issue.

As disclosed on page 75, 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. This position is being reconsidered in the light of the proposed Merger and Offer (as described in the Chairman's statement) and will be further referred to in any Circular that may subsequently be issued. No shares were bought back by the Company during the year.

No shares were allotted by the Company during the year. The Board's authority to allot up to 533,189 shares (representing approximately 10% of the ordinary share capital as at 29 June 2021) without pre-emption rights expires at the forthcoming AGM. 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 renew this authority for a further period.

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 2022, 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, 5.13%; Mrs Mary Louisa Perry, 3.84%; Hargreaves Lansdown Nominees Limited, 3.24%; Merrick Sidney Whitehouse Feast, 3.19%.

Auditors

As set out in the Chairman's Statement, UHY resigned as the Company's auditor during the year, and Hazlewoods were appointed by the Board to fill the casual vacancy. Hazlewoods have audited the financial statements for the year to 28 February 2022, and offer themselves for re-appointment as the independent auditors for the year to 28 February 2023 in accordance with Section 489 of the Companies Act 2006.



On behalf of the Board
Richard Roth - Chairman
21 April 2022

Directors' Remuneration Report and Policy

Introduction

This report is submitted in accordance with the requirements of s420-422 of the Companies Act 2006, in respect of the year ended 28 February 2022. The Company's independent auditor, Hazlewoods is required to give its opinion on certain information included in this report. Their report on these and other matters is set out on pages 47 to 53. 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 25 August 2021 on a poll vote where 100% of proxies voted in favour (a total of 1,083,248 votes in favour, none against, none at Chairman's discretion and no votes withheld). It needs to be put to a shareholder vote every three years, and shareholders will be asked to approve it again at the AGM in 2024.

Shareholders also need to approve the Directors' Remuneration Report every year. It was last approved by a poll vote at the AGM on 25 August 2021 where 100% of proxies voted in favour (details as per the Directors' Remuneration Policy vote above). A Resolution to approve the Directors' Remuneration Report for the year ended 28 February 2022 will be proposed at the AGM on 20 June 2022.

Statement from the Chairman of the Board in relation to Directors' Remuneration Matters

The Board is mindful of its obligation to set remuneration at levels which will attract and maintain an appropriate calibre of individuals whilst simultaneously protecting the interests of shareholders.

During the year to 28 February 2022, the Board reviewed its existing remuneration levels, having considered the remuneration payable to non-executive directors of comparable VCTs, the demand for non-executive directors within the financial sector and the increasing regulatory requirements with which the sector is required to comply. However the key criteria are the amount the VCT can afford to pay, and the overlap of some of the work with the other OT VCTs. The Board agreed to leave Directors' fees unchanged at this time from the prior year as shown in the table on page 39. An update on Directors' Remuneration will be proposed in any Merger Circular that may be produced. As with any Board comprising solely of non-executive directors, it is unlikely that a Director can fully abstain from any discussion or decision concerning their own fees. Director's remuneration consists of a base fee for all Directors and each Director participated in the process of setting the level of this fee. Additional fees have been set for the role of Chairman of the Company, Chairman of the Audit Committee and Member of the Audit Committee and the individual Director did not participate in setting the additional fee for their own specific roles. The Board considers that this process is consistent with the spirit of the AIC Code on the setting of Directors' fees.

The Company's Articles of Association limit the aggregate amount that can be paid to the Directors in fees to £75,000 per annum, unless otherwise approved by Ordinary Resolution of the Company.

Details of the voting from the last AGM on 25 August 2021 for both the Remuneration Report and the Remuneration Policy are set out in the Introduction above.

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.

Details of the Directors' remuneration are disclosed below and in Note 4.

Directors' Terms of Appointment

The Board manages the Company and consists entirely of non-executive Directors, who meet formally as a Board 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 as recommended in the 2019 AIC Code, 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.

Statement of the Company's policy on Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. On an annual basis, the Board meets to review Directors' pay to ensure it remains appropriate given the need to attract and retain candidates of sufficient calibre, and ensure they are able to devote the time necessary to lead the Company in achieving its strategy.

The following Directors' fees are currently 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 effectively 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 (as below), but Directors are entitled to a share of the carried interest - also 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 2022 no performance fee was due.

Should any performance fee be payable at the end of the year to 28 February 2023, Alex Starling, Robin Goodfellow, and Richard Roth would each receive 0.43% of any amount over the threshold and David Livesley 0.91%. No performance fee will be payable for the year ending 28 February 2023 unless original shareholders have received back at least 183.9p in cash for each 100p (gross) invested.

Pensions (Information Subject to Audit)

None of the Directors receives, or is entitled to receive, pension benefits from the Company.

Share options and long-term incentive schemes (Information Subject to Audit)

The Company does not grant any options over the share capital of the Company nor operate long-term incentive schemes.

Relative Spend on Directors' Fees

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

The table below sets out:

- a) the remuneration paid to the Directors; and
- b) the distributions made to shareholders by way of dividends paid in the financial year ended 28 February 2022 and the preceding financial year.

There were no share buy-backs.

	Year ended 28 February 2022	Year ended 28 February 2021	Change %
Total Remuneration	20,500	20,500	-
Dividends Paid	-	-	n/a

Loss of Office

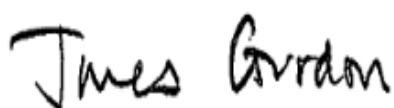
In the event of anyone ceasing to be a Director, for any reason, no loss of office payments will be made. There are no contractual arrangements entitling any Director to any such payment.

Directors' Emoluments (Information partly Subject to Audit)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below

Directors' Fees	Year End 28/02/23 (unaudited)	Year End 28/02/22 (audited)	Year End 28/02/21 (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
Total	£20,500	£20,500	£20,500

No change to Director's remuneration is expected for the year ending 28 February 2023 on the basis that OT2 continues to remain a standalone entity (ie no Merger proceeding or Leisure Shares being issued).



By Order of the Board
James Gordon - Company Secretary
21 April 2022

Corporate Governance Report

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). 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 Independence, Gender and Diversity is on page 18.

As set in the Directors' Remuneration Report on page 38, 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 37.

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.

Director Name	Board Meetings Attended (6 Held in year)	Audit Committee Meetings Attended (2 Held in year)
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.

During the year, UHY tendered their resignation as auditors as explained in the Chairman's Statement. Hazlewoods were appointed by the Board to fill the casual vacancy following a competitive tender process, which took into account relevant experience of the auditor and the fees charged by similar sized audit firms. The Board has been happy with the quality of service provided by Hazlewoods this year and is happy to recommend them for reappointment at the AGM.

The Board have also subsequently appointed Hazlewoods to act as the reporting accountant for the proposed Merger. This is a service that it is permissible to be performed by a Company's auditor, and the fee levels are such that the Board are confident will not compromise the independence or objectivity of the auditor. Indeed, it was the competitive nature of the fee quote that was the determining factor in their appointment for this supplementary role. This additional work is being carried out by a separate team within Hazlewoods. Hazlewoods will not provide any other non-audit services.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the 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 2022.

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. The duties of 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 28 to 30.

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 2022.

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.

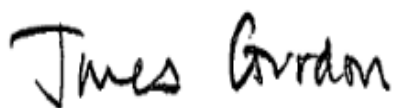
Compliance Statement

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
21 April 2022

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

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

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

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

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

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

- there is no relevant audit information of which the Company's auditor is unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information;
- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the 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
21 April 2022

Report of the Independent Auditor

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

Opinion

We have audited the financial statements of Oxford Technology 2 Venture Capital Trust Plc for the year ended 28 February 2022, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 2022 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers and inspecting records and documents held by the third-party service providers. We undertook 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 over individual systems and the management of specific risks.

The audit team communicated throughout the audit with the directors and investment managers in order to ensure we had good knowledge of the business of the Company. During the audit, we reassessed and re-evaluated audit risks and tailored our approach accordingly.

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

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 statements is appropriate.

In making this assessment we have considered the directors' procedures for overseeing the activities of the Company and reviewing its results and forecasts. The application of those procedures has been supported by us reviewing Board minutes and other accessible documentation which confirm that the directors regularly

benchmark key performance indicators which include but is not restricted to, reviewing the net asset value per share and net asset value total return per share and the frequent monitoring of available funds, anticipated cash outflows and financial headroom.

In conjunction with the evaluation of management's assessment of going concern, we have observed that resources are carefully planned and managed with the intention of ensuring that the Company has sufficient resources available and accessible to ensure that the Company's commitments and obligations are capable of being met as they fall due.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' Statement of Responsibilities 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

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters identified were valuation, ownership and existence of investments, and compliance with the VCT rules. Revenue recognition and the risk of management override of controls are always deemed risks in any audit. This is not a complete list of all risks identified by our audit.

Valuation, ownership and existence of investments

The Company's investment portfolio is one of the key drivers of its results, of which 73% is represented by quoted investments and 27% by unquoted investments.

Quoted investments are not considered to be at a high risk of material misstatement in terms of valuation, or to be subject to a significant level of judgement, because they comprise liquid investments, for which evidence of the market price is readily available. However, due to their materiality in the context of the financial statements as a whole, they are considered to be a significant risk area.

Our audit work included, but was not restricted to, consideration of the design and implementation of controls over the pricing of quoted investments and agreeing 100% of investment prices to independent sources. We considered the appropriateness of the use of the quoted bid price by reviewing the liquidity of the market of the quoted investments held.

The valuation of unquoted investments involves significant judgements and estimates. In particular, we look at where the directors made subjective judgements in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We obtained an understanding of how the valuations were performed and considered whether the method chosen was in accordance with published guidance and reviewed and challenged the assumptions applied to the valuation inputs.

We verified and benchmarked key inputs and estimates to independent information from our own research and against metrics from the investments.

Where appropriate, we have performed sensitivity analysis on the valuation calculations.

Alternative valuation methods were considered and discussed with management to provide alternative views on the value of the investments.

Further, we also considered the economic environment in which the investments operate in to identify factors that could impact the investment valuation.

Ownership and existence are also considered significant risks. We confirmed investment holdings on quoted investments to custodian report and on unquoted investments to share certificates and Companies House.

The Company's accounting policy on fixed asset investments held at fair value through profit or loss is shown in the Financial Statements and related disclosures are included in note 7.

Key observations

Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year end.

Compliance with VCT rules

Compliance with the VCT rules is necessary to maintain the VCT status and associated tax benefits.

Our audit work included, but was not restricted to:

- Reviewing of the design and implementation of controls around the ongoing internal assessment and monitoring of VCT compliance.
- Obtaining an understanding of the processes adopted and evidenced the work completed by the Investment Manager on documenting compliance with the key VCT rules and directors' review of this on a regular basis.
- 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.

Key observations

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.

Management override of financial controls

The risk of management override is always considered a significant audit risk but is particularly relevant for the Company due to the size of the organisation structure. Our audit work included, but was not restricted to a review of all significant management estimates and judgements applied during the preparation of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in note 1 to the financial statements.

Key observations

Our testing did not identify any management override of financial controls that will materially misstate the financial statements.

Revenue recognition

There is always a presumed risk that revenue may be misstated due to the improper and/or incomplete recognition of revenue. In particular we identified completeness and occurrence of investment income as a risk that requires particular audit attention. Our audit work included, but was not restricted to: obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy; checking on a sample basis income transactions by comparing dividends during the year obtained from an independent source with those recognised by the Company; checking on a sample basis gains and losses on investments to third party contracts; and checking transactions close to the financial year end date on a sample basis, to ensure that they have been allocated to the correct accounting period.

Key observations

Our testing did not identify any material misstatements in revenue recognition.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we use to determine the extent of testing needed, to reduce to an appropriately low-level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £26,000, which is 1.5% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £11,000, which is 25% of the Company's net revenue return on ordinary activities before taxation and after applying determined performance rate.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- **Fair, balanced and understandable, set out on page 31** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting, set out on pages 42 to 44** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code, set out on pages 42 to 45** - the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditors in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been 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; or
- a corporate governance statement has not been prepared by the Company.

Corporate governance statement

The Listing Rules require us to review the Directors' Report in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity'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:

- the disclosures in the annual report set out on pages 13 to 15 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 13 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;

- the directors' statement set out on page 35 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 13 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 46), 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 has 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 audit evidence available in relation to the investment portfolio and associated returns are publicly available and considered to be strong sources of audit evidence. Ownership has been verified against custodian documentation, share certificates and Companies House.

The nature of the Company's activities means that overheads are generally consistent and predictable and where unexpected variances occur, adequate evidence is available.

Our audit work, which utilises the above audit evidence along with the audit procedures outlined in our description of our approach to the audit above, provides us with a reasonable assurance that our audit procedures will detect irregularities, including fraud.

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. This description forms part of our auditor's report.

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.



Scott Lawrence FCA (Senior Statutory Auditor)

for and on behalf of **Hazlewoods LLP** Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

21 April 2022

Income Statement

	Note Ref.	Year Ended 28 February 2022			Year Ended 28 February 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on disposal of fixed asset investments		-	12	12	-	-	-
Unrealised gain/(loss) on valuation of fixed asset investments		-	425	425	-	(95)	(95)
Investment income	2	4	-	4	-	-	-
Investment management fees	3	8	-	8	(8)	-	(8)
Other expenses	4	(68)	-	(68)	(57)	-	(57)
Return on ordinary activities before tax		(56)	437	381	(65)	(95)	(160)
Taxation on return on ordinary activities	5	-	-	-	-	-	-
Return on ordinary activities after tax		(56)	437	381	(65)	(95)	(160)
Return on ordinary activities after tax attributable to equity shareholders		(56)	437	381	(65)	(95)	(160)
Earnings per share – basic and diluted	6	(1.0)p	8.2p	7.2p	(1.2)p	(1.8)p	(3.0)p

There was no other Comprehensive Income recognised during the year.

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

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

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

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

Balance Sheet

	Note Ref.	Year Ended 28 February 2022		Year Ended 28 February 2021	
		£'000	£'000	£'000	£'000
Fixed Asset Investments at Fair Value	7		1,488		1,119
Debtors	8	56		8	
Cash at Bank and Cash Equivalents		184		211	
Creditors	9	(24)		(15)	
Net Current Assets			216		204
Net Assets			1,704		1,323
Called Up Share Capital	10		53		533
Capital Redemption Reserve			626		146
Share Premium Reserve			376		376
Unrealised Capital Reserve	11		316		(631)
Profit and Loss Account	11		333		899
Total Equity Shareholders' Funds	11		1,704		1,323
Net Asset Value Per Share			32.0p		24.8p

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

The statements were approved by the Directors and authorised for issue on 21 April 2022 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
As at 1 March 2020	533	146	376	(686)	1,114	1,483
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)	-
Balance as at 28 February 2021	533	146	376	(631)	899	1,323
Revenue return on ordinary activities after tax	-	-	-	-	(56)	(56)
Current period gains on disposal	-	-	-	-	12	12
Current period gains on fair value of investments	-	-	-	425	-	425
Permanent diminution in value now realised	-	-	-	540	(540)	-
Prior year gains now realised	-	-	-	(18)	18	-
Share capital reclassification	(480)	480	-	-	-	-
Balance as at 28 February 2022	53	626	376	316	333	1,704

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

Statement of Cash Flows

	Year Ended 28 February 2022 £'000	Year Ended 28 February 2021 £'000
Cash flows from operating activities		
Return on ordinary activities before tax	381	(160)
Adjustments for:		
Gain on disposal of investments	(12)	-
(Gain)/loss on valuation of investments	(425)	95
Increase in creditors	9	4
(Increase)/decrease in debtors	(23)	2
Cash outflow from operating activities	(70)	(59)
Cash flows from investing activities		
Purchase of investments	-	-
Disposal of investments	68	-
Cash inflows from investing activities	68	-
Cash flows from financing activities		
Short term interest free loan to OT1	(25)	-
Dividends paid	-	-
Cash outflows from financing activities	(25)	-
Decrease in cash and cash equivalents	(27)	(59)
Opening cash and cash equivalents	211	270
Cash and cash equivalents at year end	184	211

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

Notes to the Financial Statements

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 2021)’ issued by the AIC.

The principal accounting policies have remained materially unchanged from those set out in the Company’s 2021 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, two of which are AIM quoted: Scancell is relatively liquid and readily accessible whilst the share in Arecor are locked in until early June 2022, and then any trading is subject to orderly market provisions for another year. As at 28 February 2022, 10.8% 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.

Key Judgements and Estimates

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

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEVC Valuation Guidelines, which can be found on their website at www.privateequityvaluation.com, although this does rely on subjective estimates such as appropriate sector earnings 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.

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 reporting 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 was one transfer between these classifications in the year with the IPO of Arecor (2021: 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 2022 £'000	Year Ended 28 February 2021 £'000
Dividends received	4	-
Total	4	-

All of the Company's income has been generated in the United Kingdom from its investment portfolio. Select Technology paid a dividend in 2022 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 2022 £'000	Year Ended 28 February 2021 £'000
Investment management fee	13	15
Cost Cap refund from OTM	(21)	(7)
Total	(8)	8

In the year to 28 February 2022 the manager received a fee of 1% of the net asset value as at the previous year end (2021: 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 145.9p at 28 February 2022, corresponding to a total shareholder return of 175.2p after taking into account the 29.3p already paid out ($29.3p + 145.9p = 175.2p$). 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 £21,585 to comply with the costs cap in place which is credited to the revenue account (2021: £7,025).

4. Other Expenses

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

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

	Year Ended 28 February 2022 £'000	Year Ended 28 February 2021 £'000
Directors' remuneration	21	21
Auditors' remuneration	16	9
London Stock Exchange Fees	10	10
FCA Fees	7	6
Other expenses	14	11
Total	68	57

Irrecoverable VAT included in these expenses is £6,900 (2021 £5,000).

5. Tax on Ordinary Activities

Corporation tax payable at 19.0% (2021: 19.0%) is applied to profits chargeable to corporation tax, if any. The corporation tax charge for the period was £ nil (2021: £ nil).

	Year Ended 28 February 2022 £'000	Year Ended 28 February 2021 £'000
Return on ordinary activities before tax	381	(160)
Current tax at standard rate of taxation	72	(30)
UK dividends not taxable	(1)	-
Unrealised (gains)/losses not taxable	(81)	18
Realised gains not taxable	(2)	-
Excess management expenses carried forward	12	12
Total current tax charge	-	-

Unrelieved management expenses of £1,815,589 (2021: £1,755,410) 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 profit of £381,000 (2021: loss of £160,000) attributable to shareholders divided by the weighted average number of shares 5,331,889 (2021: 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

	AIM quoted investments Level 1 £'000	Unquoted investments Level 3 £'000	Total investments £'000
Valuation and net book amount:			
Book cost as at 28 February 2021	150	1,750	1,900
Cumulative revaluation to 28 February 2021	131	(912)	(781)
Valuation at 28 February 2021	281	838	1,119
Movement in the year:			
Transfer in the year at cost	252	(252)	-
Transfer in year revaluation	167	(167)	-
Disposals at cost	-	(188)	(188)
Disposals revaluation	-	132	132
Revaluation in year	389	36	425
Valuation at 28 February 2022	1,089	399	1,488
Book cost at 28 February 2022	402	1,310	1,712
Cumulative revaluation to 28 February 2022	687	(911)	(224)
Valuation at 28 February 2022	1,089	399	1,488

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 have 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.

As a result of this analysis the Board has concluded that such reasonable possible alternative assumptions could result in a NAV reduction of £130,000 (2.4p per share) or a NAV increase of £122,000 (2.3p per share). In coming to this conclusion, the Directors considered the valuation of all the unquoted portfolio companies and are of the view that only one of the four remaining unquoted investments is material to the range of outcomes that could reasonably be expected.

- **Downside analysis: 2.4p decrease in NAV per share.** The identified company sees a reduction in valuation to the value of its net assets. The Directors therefore believe that this establishes a credible lower bound to the range of possible valuations for this portfolio company.
- **Upside analysis: 2.3p increase in NAV per share.** The identified company is valued at a multiple of sales with a discount applied due to the market uncertainties as at 28 February 2022. Removing this discount would be an appropriate reflection of improved trading as a consequence an improved trading environment.

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 2022 are as follows:

	Country of Registration	Nature of Business	Turnover	Retained profit/loss	Net Assets
OT2 Managers Ltd	England and Wales	Investment Manager	(£8,358)	£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

	28 February 2022 £'000	28 February 2021 £'000
Prepayments, accrued income & other debtors	10	1
Amount due from Oxford Technology VCT Plc (OT1) Common Liquidity Agreement	25	-
Amount due from OTM Cost cap refund	21	7
Total	56	8

9. Creditors

	28 February 2022 £'000	28 February 2021 £'000
Creditors and accruals	24	15
Total	24	15

10. Share Capital

	28 February 2022 £'000	28 February 2021 £'000
Allotted, called up and fully paid: 5,331,889 ordinary shares of 1p each (2021: 5,331,889 ordinary shares of 10p each)	53	533

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

During the year each ordinary share of 10p in the capital of the Company was sub-divided and reclassified into one ordinary share of 1p and one deferred share of 9p, and then all of the deferred shares were repurchased and cancelled for the aggregate sum of 1p. The Company now has 5,331,889 ordinary shares of 1p each (and no deferred shares of 9p each).

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 £333,000 as at 28 February 2022 (2021: £268,000).

Reconciliation of Movement in Shareholders' Funds

	28 February 2022 £'000	28 February 2021 £'000
Shareholders' funds at start of year	1,323	1,483
Return on ordinary activities after tax	381	(160)
Shareholders' funds at end of year	1,704	1,323

No dividends were paid nor declared in the year to 28 February 2022 (2021: nil).

12. Capital Commitments

The Company had no capital commitments at 28 February 2022 or 28 February 2021.

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, £13,226 was paid in respect of these fees (2021: £14,837). Due to the cost cap of 3% being breached, £21,585 was due back from OTM at the year end (2021: £7,025).

Under the terms of the Common Liquidity Agreement between the 4 Oxford Technology VCTs, OT2 made a short term interest free loan to OT1 of £50,000 in May 2021. £25,000 of this was repaid in February 2022. The remaining £25,000 remains outstanding.

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 2022 and 28 February 2021:

	28 February 2022 £'000	28 February 2021 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	1,488	1,119
Total	1,488	1,119
Financial assets measured at amortised cost		
Cash at bank and cash equivalents	184	211
Debtors	46	7
Total	230	218
Financial liabilities measured at amortised cost		
Creditors	-	-
Accruals	24	15
Total	24	15

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 19 to 26.

23.4% (2021: 63.3%) 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 2022 (28 February 2021) would have increased net assets and the total return for the year by £39,900 (2021: £83,700) 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.

63.9% (2021: 21.2%) 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 2022 (28 February 2021) would have increased net assets and the total return for the year by £108,900 (2021: £28,000) 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 2022 or 28 February 2021.

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.

Geo-political and economic risks

The military invasion of Ukraine by Russian forces has caused various countries to announce the imposition of sanctions on Russia. These sanctions may lead to unpredictable reactions from Russia, particularly in relation to the provision of, or access to, energy resources which may have a consequential impact on economic conditions globally, including the costs of living and the availability (and increased cost) of raw materials. Such increased costs of living and the availability (and increased cost) of raw materials may also have an indirect impact on businesses in which the Company has invested in, hindering growth, financing or operations. Similarly, the threat of rising inflation may impact on the performance/profitability of our investees. Consequently, any change of governmental, economic, fiscal, monetary or political policy, and in particular any spending cuts or material increases in interest rates could affect, directly or indirectly, the performance of the Company (as a result of the performance of its underlying investments) and hence the value of, and returns from, the Company's shares.

Covid-19 risk

The Covid-19 pandemic has had an impact on economic conditions globally and may continue to affect the performance of some companies in which the Company has invested.

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

There are no events to report after the balance sheet date.

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

Notice is hereby given that the Annual General Meeting (“AGM”) of Oxford Technology 2 Venture Capital Trust Plc (company number:3928569) will be held at **The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 2pm on Monday 20 June 2022** for the purpose as set out below:

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 2022 be approved.
2. That the Directors’ Remuneration Report be approved.
3. 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.
4. 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.
5. 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.
6. 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.
7. That Hazlewoods LLP, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
8. That the Company continues in being as a Venture Capital Trust.
9. **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

10. **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.

11. **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 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

21 April 2022

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

Notes:

1. Resolutions 1 to 9 will be proposed as Ordinary Resolutions. Resolutions 10 and 11 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 2pm on 16 June 2022. A Proxy Form for use by members is attached. Completion of this Proxy Form will not prevent a member from attending the meeting.

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 2pm on 16 June 2022.

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 20 April 2022 (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 1p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 20 April 2022 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 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 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 a separate meeting 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.

Oxford Technology 2 Venture Capital Trust Plc Proxy Form

Annual General Meeting – 20 June 2022 at 2pm

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 20 June 2022, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

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

	For	Against	Withheld
1. To approve the Annual Report and Accounts			
2. To approve the Directors' Remuneration Report			
3. To re-elect Richard Roth as a Director			
4. To re-elect Alex Starling as a Director			
5. To re-elect Robin Goodfellow as a Director			
6. To re-elect David Livesley as a Director			
7. To approve the re-appointment of Hazlewoods LLP as auditors and authorisation of Directors to fix remuneration			
8. To approve that the Company continues as a VCT			
9. To approve the Directors' general authority to allot shares			
10. To approve the allotment of shares on a non-rights issue basis			
11. 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 – 20 June 2022 at 2pm

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 (working days) before the commencement of the meeting, being 2pm on 16 June 2022.**
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

Financial Calendar

The Company's financial calendar is as follows:

20 June 2022	- Annual General Meeting
November 2022	- Half-yearly results to 31 August 2022 published
January 2023	- Quarterly Update
May 2023	- Annual results for year to 28 February 2023 announced

Dividends

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

Share Price

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

Buying and selling shares

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

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

If you do contact Redmayne Bentley, you will require your National Insurance Number and a valid share certificate if selling. There may be tax implications in respect of all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

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 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.

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 as well as RNS histories and investee summaries.

Company Information – Directors and Advisers

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

Hazlewoods LLP
Staverton Court
Staverton
Cheltenham
GL51 0UX

Investment Adviser

Oxford Technology Management
Tel: 01865 784466
Email : vcts@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

BDO LLP
55 Baker Street
London
W1U 7EU

Legal Entity Identifier

2138002COY2EXJDHWB30

Website

www.oxfordtechnologyvct.com/vct2.html

Legal Adviser

Hill Dickinson LLP
50 Fountain Street
Manchester M2 2AS



oxford
technology