

Oxford Technology 4 Venture Capital Trust Plc



UNAUDITED HALF-YEARLY REPORT

For the period 1 March 2021 to 31 August 2021

| | 6 Months Ended 31 August 2021 | Year Ended 28 February 2021 |
|---|----------------------------------|--------------------------------|
| Net Assets At Period End | £3.58m | £3.04m |
| Net Asset Value (NAV) Per Share | 31.0 p | 26.4p |
| Dividend Paid in Period | - | 5.0p |
| Cumulative Dividend Per Share | 48.0p | 48.0p |
| Total NAV Return Per Share | 79.1p | 74.4p |
| Share Price At Period End (Mid-Market) | 23.7p | 18.0p |
| Earnings Per Share | 4.6p | (4.7)p |

Company Number: 5038854

Registered Address: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2021. The period under review continues to be impacted by the implications of the Covid-19 pandemic and 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.

We included in our Annual Report published in June 2021 an update of the Company's net asset value (NAV) as at 31 May 2021 and this led to us announce an increase in the NAV per ordinary share from 26.4p to an unaudited 31.1p. As announced in the Annual Report, the rise is primarily due to the increase of the valuation of Arecor Therapeutics plc ("Arecor") following its flotation on AIM.

Results and Dividend

The Company's net asset value per ordinary share has increased by 4.6p per share from 26.4p at 28 February 2021 to 31.0p per share as at 31 August 2021. No dividend was paid in the period.

Portfolio Review

The portfolio now containing 8 active investments in total continues to develop. No investments or divestments were made in the period. However, the flotation of Arecor has led to significant portfolio concentration with two investments representing over 70% of the current portfolio valuation.

Arecor represents 53% of the NAV. After floating on AIM in June at a price of 226p per share and raising £20m, the share price remained firm and was 230p at 31 August 2021 (for these half year accounts). The £20m raised will fund its ongoing clinical trial programme, and the company has continued to provide excellent news flow regarding its technical and commercial progress. As noted in the Annual Report, the VCT is restricted from realising its holding for up to 2 years. Over the latter part of September 2021, the Arecor share price has increased on relatively thin trading volumes. As at 7 October 2021, its bid price was 360p per share, an increase of 57% since the period end. As this is the our largest investment, any such change has a material impact on the Company's NAV. Had that price been in place at 31 August 2021, then the NAV would have been over £1m higher and up by 9.4p per share to 40.4p per share.

STL Management Limited ("Select Technology") represents just over 18% of the NAV. Select Technology distributes high quality document management software via its global channel partners while adding significant further value through its development team by providing integrations and bespoke solutions. Sales were significantly affected by Covid-19 and are now being impacted by the global shortage of computer chips. Select Technology's distributors normally sell new software licences alongside the sale of hardware. As noted in the Annual Report, Alex Starling has now joined the board of Select Technology to represent the VCT's interests as we seek to maximise shareholder value.

ImmBio – formally known as ImmunoBiology Ltd – has licensed its pneumococcal vaccine to China National Biotech Group. It has completed certain parts of its technology transfer and is now seeking to start a phase 2 study of the same vaccine. To do this it has been applying for grants but has been turned down for several. Commercial discussions continue with partners, but it has been decided to move the core technology to Liverpool University to reduce costs.

The other notable change in the portfolio during the period is Novacta Biosystems Ltd ("Novacta"). Novacta's drug targeting gram-negative bacterial infections continues through clinical trials in the hands of Spero Therapeutics Inc. ("Spero"). Gram-negative bacteria are among the most significant public health problems in the world due to their high resistance to antibiotics. In June Spero announced that they had received a \$40 million investment from Pfizer and granted Pfizer a licence to continue development of SPR206, the Novacta asset. Whilst this does not mean that Novacta will receive any immediate licence fees, it does demonstrate that Novacta may still represent value to the VCT.

Overall, as seen in the Income Statement, the net impact of valuation changes across the portfolio during the first half of the 2021/2022 year was a gain of £578k.



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

VCT qualifying status

The decreasing size of the VCT means significant focus is required to ensure we retain sufficient working capital to manage the Company whilst meeting all the conditions laid down by HMRC for maintaining approval as a VCT. The Board has procedures in place to ensure that the Company continues to comply with these conditions, in particular the new 80% qualifying holding limit which has been in place since 1 March 2020. There have been no other recent changes to VCT legislation which could have potential impact on either the VCT or its investee companies.

Presentation of half-yearly report

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

Shareholder Events

Your Company held two shareholder events and the AGM in July and August 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 gave the Board useful feedback. We really appreciate your input and continued support. Please do not hesitate to be in touch – we will endeavour to respond, either directly or by incorporating your questions and feedback into our shareholder communications. We are considering how we can provide an optimum blend of in-person and remote options for future shareholder events.

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

Shareholders voted overwhelmingly 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 11,516,946 ordinary shares of 1p each (and no deferred shares of 9p each). Existing share certificates remain valid.

Outlook

We continue to believe your VCT is an appropriate structure to hold your Company's investment, but it would be preferable to have a larger asset base to share the operating costs. I have reported previously of our efforts to seek prospective parties who are potentially interested in entering the VCT industry. Detailed discussions are underway and a further announcement will be made if or when such discussion reach a suitable stage. We have always made clear that there is no certainty such a route can be achieved, but the Directors will continue working on all such opportunities.

Your Board and Investment Adviser continue to work to best position your VCT such that, when valuations and liquidity allow, holdings can be exited and proceeds distributed to shareholders, whilst keeping a keen eye on maintaining costs as low as possible in the interim.

David Livesley
Chairman
8 October 2021

Investment Portfolio as at 31 August 2021

| Company | Description | Net Cost of investment £'000 | Carrying value at 31/08/21 £'000 | Change in value for the 6 month period £'000 | % Equity held OT4 | % Equity held All OTVCTs | % Net Assets |
|--|--------------------------------------|---------------------------------|--|--|-------------------|-----------------------------|--------------|
| Arecor (bid price 230p) | Protein stabilisation | 590 | 1,896 | 607 | 2.9 | 5.7 | 53.0 |
| Select STL Management | Specialist photocopier interfaces | 237 | 650 | 33 | 18.4 | 58.6 | 18.2 |
| Diamond Hard Surfaces | Diamond coatings | 640 | 205 | (54) | 49.9 | 49.9 | 5.7 |
| ImmBio | Novel vaccines | 857 | 178 | - | 13.0 | 22.6 | 5.0 |
| Dynamic Extractions | Separation technology | 377 | 85 | 2 | 30.4 | 30.4 | 2.4 |
| Insense | Active wound healing dressings | 476 | 67 | - | 2.5 | 6.8 | 1.9 |
| Novacta | Antibiotics Development | 347 | 59 | - | 2.3 | 2.3 | 1.6 |
| Plasma Antennas | Solid state directional antennas | 700 | 52 | - | 30.9 | 48.8 | 1.5 |
| MirriAd Advertising (bid price 30.0p) | Virtual product placement | - | 15 | (10) | 0.0 | 0.0 | 0.4 |
| Oxis Energy | Battery technology | 305 | - | - | 0.2 | 0.3 | - |
| Total Investments | | 4,528 | 3,207 | 578 | | | 89.7 |
| Other Net Assets | | | 370 | | | | 10.3 |
| Net Assets | | | 3,577 | | | | 100.0 |

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

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Interim Financial Reporting” issued by the Financial Reporting Council;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
 - a description of the principal risks and uncertainties for the remaining six months of the year.
 - a description of related party transactions that have taken place in the first six months of the current financial year that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.
- The assets of the Company include a cash balance of £321,000 and shares in two AIM quoted companies, one of which is quite liquid and readily accessible. After reviewing the forecast for the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the half year accounts

On behalf of the Board:

David Livesley
Chairman
8 October 2021

Income Statement

| | Six months to 31 Aug 2021 | | | Six months to 31 Aug 2020 | | | Year to 28 February 2021 | | |
|--|---------------------------|-------------|-------------|---------------------------|---------------|---------------|--------------------------|---------------|---------------|
| | Revenue | Capital | Total | Revenue | Capital | Total | Revenue | Capital | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gains on disposal of fixed asset investments | - | - | - | - | 210 | 210 | - | 210 | 210 |
| Unrealised gain/(loss) on valuation of fixed asset investments | - | 578 | 578 | - | (419) | (419) | - | (640) | (640) |
| Investment income | - | - | - | - | - | - | - | - | - |
| Investment management fees | (15) | - | (15) | (21) | - | (21) | (42) | - | (42) |
| Other expenses | (30) | - | (30) | (31) | - | (31) | (61) | - | (61) |
| Return on ordinary activities before tax | (45) | 578 | 533 | (52) | (209) | (261) | (103) | (430) | (533) |
| Taxation on ordinary activities | - | - | - | - | - | - | - | - | - |
| Return on ordinary activities after tax | (45) | 578 | 533 | (52) | (209) | (261) | (103) | (430) | (533) |
| Earnings per share – basic and diluted | (0.4)p | 5.0p | 4.6p | (0.5)p | (1.8)p | (2.3)p | (0.9)p | (3.8)p | (4.7)p |

There was no other Comprehensive Income recognised during the year.

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

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

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

Balance Sheet

| | As at 31 Aug 2021 | | As at 31 Aug 2020 | | As at 28 Feb 2021 | |
|--|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed asset investments at fair value | | 3,207 | | 2,850 | | 2,629 |
| Debtors | 64 | | 13 | | 1 | |
| Cash at Bank | 321 | | 466 | | 434 | |
| Creditors: Amounts falling due within one year | (15) | | (13) | | (20) | |
| Net current assets | | 370 | | 466 | | 415 |
| Net assets | | 3,577 | | 3,316 | | 3,044 |
| Called up share capital | | 115 | | 1,152 | | 1,152 |
| Capital redemption reserve | | 1,037 | | - | | - |
| Share premium reserve | | 813 | | 813 | | 813 |
| Unrealised capital reserve | | (662) | | (1,739) | | (1,240) |
| Profit and Loss account | | 2,274 | | 3,090 | | 2,319 |
| Total equity shareholders' funds | | 3,577 | | 3,316 | | 3,044 |
| Net asset value per share | | 31.0p | | 28.8p | | 26.4p |

Statement of Changes in Equity

| | 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 | 1,152 | - | 813 | (770) | 2,958 | 4,153 |
| Revenue return on ordinary activities after tax | - | - | - | - | (52) | (52) |
| Current period gains on disposal | - | - | - | - | 210 | 210 |
| Current period losses on fair value of investments | - | - | - | (419) | - | (419) |
| Prior years' unrealised gains now realised | - | - | - | (550) | 550 | - |
| Dividends paid | - | - | - | - | (576) | (576) |
| Balance as at 31 August 2020 | 1,152 | - | 813 | (1,739) | 3,090 | 3,316 |
| As at 1 March 2020 | 1,152 | - | 813 | (770) | 2,958 | 4,153 |
| Revenue return on ordinary activities after tax | - | - | - | - | (103) | (103) |
| Current period gains on disposal | - | - | - | - | 210 | 210 |
| Current period losses on fair value of investments | - | - | - | (640) | - | (640) |
| Prior years' unrealised gains now realised | - | - | - | (550) | 550 | - |
| Permanent diminution in value now realised | - | - | - | 720 | (720) | - |
| Dividends paid | - | - | - | - | (576) | (576) |
| Balance as at 28 February 2021 | 1,152 | 0 | 813 | (1,240) | 2,319 | 3,044 |
| As at 1 March 2021 | 1,152 | 0 | 813 | (1,240) | 2,319 | 3,044 |
| Revenue return on ordinary activities after tax | - | - | - | - | (45) | (45) |
| Current period gains on fair value of investments | - | - | - | 578 | - | 578 |
| Share capital reclassification | (1,037) | 1,037 | - | - | - | - |
| Balance as at 31 August 2021 | 115 | 1,037 | 813 | (662) | 2,274 | 3,577 |

Statement of Cash Flows

| | Six months to 31 Aug 2021 £'000 | Six months to 31 Aug 2020 £'000 | Year to 28 Feb 2021 £'000 |
|---|---------------------------------------|---------------------------------------|---------------------------------|
| Cash flows from operating activities | | | |
| Return on ordinary activities before tax | 533 | (261) | (533) |
| Adjustments for: | | | |
| Gain on disposal of fixed asset investments | - | (210) | (210) |
| (Gain)/loss on valuation of fixed asset investments | (578) | 419 | 640 |
| (Decrease)/increase in creditors | (5) | 3 | 10 |
| (Increase)/decrease in debtors | (63) | (3) | 9 |
| Outflow from operating activities | (113) | (52) | (84) |
| Cash flows from investing activities | | | |
| Purchase of fixed asset investments | - | - | - |
| Sale of fixed asset investments | - | 832 | 832 |
| Inflow from investing activities | - | 832 | 832 |
| Cash flows from financing activities | | | |
| Dividends paid | - | (576) | (576) |
| Outflow from financing activities | - | (576) | (576) |
| (Decrease)/increase in cash and cash equivalents | (113) | 204 | 172 |
| Opening cash and cash equivalents | 434 | 262 | 262 |
| Closing cash and cash equivalents | 321 | 466 | 434 |

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2021 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting ('FRS 104') and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2019)'. Details of the accounting policies and valuation methodologies are included in the Annual Report.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 August 2021 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 28 February 2021 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

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

4. Net asset value per share

The net asset value per share is based on the net assets at the period end divided by the number of shares in issue at that date (11,516,946 in each case).

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

As referred to in the Chairman's statement, 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 11,516,946 ordinary shares of 1p each (and no deferred shares of 9p each).

6. Principal risks and uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 28 February 2021. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. Related party transactions

OT4 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company for a fee of 1% of net assets per annum. For operational reasons, OT4 loaned £50k to Oxford Technology VCT Plc under the Common Payments and Liquidity agreement held between the VCTs during the period. The loan has subsequently been repaid to OT4.

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

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

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

Website: www.oxfordtechnologyvct.com/vct4.html