

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

This prospectus has been prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000, and has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the Financial Services Authority for all of the Relevant Shares to be admitted to the Official List. Application has also been made to the Main Market of the London Stock Exchange for the Relevant Shares to be admitted to trading on its market for listed securities. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the Offer Shares will commence three business days following allotment. No application is currently intended to be made for the Relevant Shares to be admitted to listing or dealt with on any other exchange.

The Directors of the Company, whose names appear on page 12 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**An investment in a Venture Capital Trust carries a high risk. Your attention is directed to the risk factors set out in this document. Prospective investors should regard an investment in the Company as long term in nature, particularly in the light of the Company's investment objective and policy.**

## **Oxford Technology 2 Venture Capital Trust plc**

*(incorporated and registered in England and Wales under the Companies Act 1985, registered number 392 8569)*

### **Prospectus**

## **Admission to the Official List and to trading on the Main Market of the London Stock Exchange of 634,582 New Ordinary Shares**

Sponsored by

**BEAUMONT  
CORNISH  
Limited**

#### **Share Capital immediately following Admission**

Authorised			Issued and fully paid	
Nominal value	Number		Nominal	Number
£1,500,000	15,000,000	Ordinary shares of 10p each	£663,458	6,634,582

Beaumont Cornish Limited, which is authorised and regulated in the United Kingdom in the conduct of business by the Financial Services Authority and is a member of the London Stock Exchange, is acting exclusively as Sponsor for the Company in connection with the matters described herein and will not be responsible to anyone, apart from the responsibilities and liabilities (including those in respect of acting as Sponsor) which may arise under FSMA or the regulatory regime established there under, other than the Company for providing the protections afforded to customers of Beaumont Cornish Limited or for advising any other person on the arrangements described in this Document or any matter referred to herein.

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## SUMMARY

*This summary conveys the essential characteristics and risks associated with OT2 and its securities and should be read as an introduction to the Prospectus. Any decision to invest should be based on consideration of the Prospectus as a whole, together with the risk factors set out on the next page. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.*

### Introduction

OT1 was listed on the London Stock Exchange in April 1997 when it raised approximately £3.3m before expenses. In 1998, OT1 raised a further £1.5m, bringing the total fund to £4.8m. OT2 was launched in 2000, raising £6.0m, with the same investment strategy as OT1. OT3 was launched in 2002, raising approximately £5.4m, with the same investment strategy as both earlier funds. OT1, OT2 and OT3 are now effectively fully invested in the sense that they will not make investments in any new companies. The Directors subsequently launched OT4 which raised £10.3m. OT4 is not fully invested

On 3 April 2008, OT2 issued 374,602 Shares at 71 pence per Share. On 3 April 2009, OT2 issued a further 259,980 Shares at 57 pence per Share.

This Prospectus has been issued in order that the Relevant Shares be admitted to the Official List and to trading on the Main Market.

### Investment Policy

OT2 has built a balanced portfolio of Qualifying Investments with the following characteristics:

- unlisted, UK based, science, technology and engineering businesses
- investments typically in the range of £100,000 to £500,000
- generally located within approximately 60 miles of Oxford

The Company is effectively fully invested in the sense that it will not make investments in any new companies. It has limited, but sufficient funds to make follow on investments in some of the Investees. Whilst the Company has the authority under the Articles to borrow, the Company's policy is not to borrow funds and indeed the Company never has done. In addition, under the VCT Taxation Rules the Company is limited to only making an investment that represents up to 15% by value of its Gross Assets. As a result, the Company ensures that it has a wide spread of investments.

### Current Investment Portfolio

**OT2 currently has a portfolio of 19 investments, typically with an initial cost of £100,000 to £300,000, an equity interest of between 5% to 20% and proximity to Oxford.**

### Investment Manager

Oxford Technology Management, the Investment Manager of OT2, has specialised in making and managing early stage technology investments since 1983. Lucius Cary, the founder and controlling shareholder of Oxford Technology Management, has managed or advised ten early stage venture capital funds and was the recipient of the Judge's Award at the 2004 Investor Allstars Awards. Oxford Technology Management is authorised and regulated by the FSA.

### Valuation of Investments

The Company's investments are valued by the Directors every six months.

The Directors' policy in valuing unquoted investments in Investee Companies is to carry them at cost except in the following circumstances: Quoted investments are stated at the bid price. Unlisted investments are reported at fair value. The concept of fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Generally, new investments are held at cost for the first year.

The Directors believe that the above policies are consistent with the International Private Equity and Venture Capital Valuation Guidelines.

### Directors

The Board has four Directors: John Jackson, Lucius Cary, Michael O'Regan and Richard Vessey, three of whom are independent of the Investment Manager. The fourth Director, Lucius Cary, represents the Investment Manager. All the Directors have experience highly relevant to growing and exiting early stage technology businesses.

The Directors and members of their immediate families are the legal and beneficial owners of 520,008 Shares

### Fees

**OT2 pays the Investment Manager an annual fee (excluding VAT) of 2.0 per cent of the total assets less current liabilities (excluding contingent liabilities and monies borrowed to finance the acquisition or making of investments) of OT2.**

**Tax benefits of Venture Capital Trusts**

- 30% income tax relief up to a maximum investment of £200,000 (in the current tax year)
- all income and capital gains from VCT shares are tax free
- VCTs do not themselves pay tax on capital gains from their underlying investments.

**Risk Factors**

The Company invests in start up and early stage companies. These are both higher risk and typically take many years to develop and indeed some are expected to fail.

The Company invests in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.

**VCTs invest in small companies usually with limited trading records which may not produce hoped for returns and investors could get back less than they invested.**

Shares in the Company should be considered a long term investment.

There can be no guarantees that the Company will meet its objectives or that suitable investment opportunities will be identified.

Past performance is not a guide to future performance.

The value of Shares may go down as well as up and Shareholders may not receive back the full amount invested.

Changes in general market conditions in the UK and movements in interest rates can affect returns.

Investors in the Company should be aware that most VCTs trade below their net asset value, and that there is a limited secondary market for shares in VCTs.

Income tax relief is withdrawn if shares in a VCT are disposed of within 3 years or the Company loses VCT status.

Income tax relief on dividends and capital gains tax relief is withdrawn if the Company loses VCT status.

Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.

**In addition, the value of a VCT depends on the performance of the underlying assets. The value of the investment and the dividend stream can rise and fall.**

Early stage Investee Companies usually require a significant amount of cash and are usually loss making in their first few years. Therefore, there is a risk that if this start up cash is not obtained over these first few years the Investee Company may struggle to reach profitability and hence lead to the loss of the VCT's investment.

## **RISK FACTORS**

### ***Overview***

Prospective investors should be aware that the value of the Shares can fluctuate and that there is no certainty as to any level of dividends. In addition, there is no guarantee that the market price of shares in Venture Capital Trusts will reflect their underlying net asset value. Having regard to the Company's investment policy and the tax reliefs available, Shares in OT2 should be considered as a long term investment.

Investing in a Venture Capital Trust such as OT2 and in smaller unquoted companies in general carries risks associated with unquoted early stage and start-up technology companies as set out below.

The past performance of investments made by the OTVCTs or other funds managed by Oxford Technology Management Ltd should not be regarded as an indication of the performance of the investments to be made by the company.

### ***Sale of Shares***

Although the Shares are listed on the London Stock Exchange, there may not be a liquid market for the Shares, (due, in part, to the matters referred to below). It may therefore prove difficult for Shareholders to sell their Shares. Purchasers of existing Shares from a Shareholder will not qualify for income tax relief at 30% of the amount invested (but should qualify for relief from capital gains tax on sale of the Shares).

Relief from income tax on subscription for shares in a VCT is withdrawn if the Shares are disposed of within five years of issue (other than to a subscriber's spouse or on the death of the subscriber) or if the VCT loses its approval within this period. Under these circumstances the investor would have to pay back the 30% tax relief to HMRC and would lose the capital gains and dividend income tax relief on gains and dividends arising from the investment.

The value of Shares may go down as well as up and Shareholders may not receive back the full amount invested.

**VCTs invest in small companies usually with limited trading records which may not produce hoped for returns and investors could get back less than they invested.**

### ***Risks associated with unquoted early stage and start-up technology companies***

Investee Companies will be in the early stages of their development and may include new companies. During the life of the investment, these Investee Companies may undergo significant structural change. Such businesses are usually exposed to greater risks than established businesses.

In addition, there are risks associated with technology-based businesses: the technology either may not perform as expected or may become obsolete.

It is generally the case that whilst investment in early stage and start-up unquoted companies can offer attractive returns, they involve a higher degree of risk than investment in quoted companies.

The Company's investments will be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.

Early stage may well require significant amounts of cash resources and are usually loss making and cash flow negative in their first few years. Therefore, there is a risk that if this start up cash is not obtained over these first few years, and this is beyond the means of OT2VCT to make follow on investments, the Investee Company may struggle to reach their objectives and hence lead to the loss of the VCT's investment.

### ***General Market Conditions***

Changes in general market conditions in the UK and movements in interest rates can affect the level of returns from both Investee Companies and also from any fixed interest and other securities held.

### ***Maintaining Venture Capital Trust status***

It is the intention of the Directors that OT2 will be managed so as to continue to qualify as a Venture Capital Trust. However, due to the nature of the requirements of the applicable legislation, there is no guarantee that Venture Capital Trust status will be maintained for the necessary period for investors to retain their tax reliefs. Failure to meet Venture Capital Trust status could result in:

*For the Company:*

- loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;
- the possibility of the Company requesting the suspension of dealings in its Shares on the London Stock Exchange.

*For the Shareholders:*

- an obligation to repay the 30% income tax relief received on subscription for Shares;
- capital gains tax arising on the disposal of Shares in the VCT subsequent to the date from which loss of VCT status is treated as taking effect. Any gains on the Shares up to the date from which loss of VCT status has effect will be exempt from tax but gains thereafter will be taxable;
- loss of income tax relief on dividends paid by the Company in the accounting period in which the VCT loses its approved status and subsequent periods.

### ***Changes in taxation***

General taxation risks

Tax rules in relation to an investment in the Company may change thus affecting the levels and bases of taxation for individual investors. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. No guarantee can be given with regard to the particular tax relief and benefits available to any particular individual investor. Investors must obtain independent financial advice with regard to changes in taxation and the effect of such changes on their investment.

### ***Chargeable gains on disposal of Shares***

An investment in a VCT is free from tax on capital gains. By the same token, any realised losses on disposal of Shares in the Company for as long as it is a qualifying VCT cannot be used to create an allowable loss for capital gains tax purposes.

### ***Reported NAV***

The Net Asset Value ("NAV") will be calculated in accordance with the valuation principles set out in the paragraph headed "Valuation of Investments" in Part 1 of this document. As the investments will be typically unquoted, such reported NAV should not imply that such value can be realised. Also, the NAV may be subject to particular influence by the fluctuations in value of one or more particular investments.

### ***Long term nature of the investment***

OT2 has invested in start up and early stage companies, which typically take many years to develop and indeed some may fail. Investors should consider this investment to be a long term investment.

Investors in the Company should be aware that most VCTs trade below their net asset value, and that there is a limited secondary market for shares in VCTs

**In addition, the value of a VCT depends on the performance of the underlying assets. The value of the investment and the dividend stream can rise and fall.**

## **PART 1**

### **Information on OT2**

#### **1. Introduction**

**OT2 is a Venture Capital Trust that invests in early stage and start-up technology-based businesses. The returns from individual investments when successful can be highly attractive, although the associated risks are high.**

The objective is to provide investors with an attractive return by developing a portfolio of investments that are considered by the Directors to have exceptional growth potential. It is intended to provide returns as soon as is practicable through tax-free distributions from the capital gains and income generated from the investment portfolio.

The investment portfolio of OT2 is managed by Oxford Technology Management which is authorised and regulated by the Financial Services Authority whose founder and managing director, Lucius Cary has specialised in managing and advising on early stage and start-up technology companies for more than 20 years.

All investment proposals require the approval of a majority of the Directors. All the Directors have experience in growing and exiting successful early stage technology companies.

The OTVCTs have always specialised in making technology investments in the Oxford area, taking advantage of the region's growing high tech economy and its world class research establishments. The region is one of the Europe's acknowledged centres of innovation, enterprise and knowledge. At the heart of the region is the University of Oxford with over 7,000 academic and research staff and a reputation for world-class science. Since 1959, the University has spun-out more than 75 companies -over 30 spin-outs since 1997- with the quoted Oxford Instruments plc being one of the first (founded by Sir Martin Wood, a founding, former director of all the OTVCTs). More recent spin-out companies include Oxford BioMedica plc, Powderject Pharmaceuticals (acquired by Chiron Corporation, US), Oxford Glycosciences plc (acquired by Celltech Group plc) and Oxford Semiconductors plc.

In addition to the University of Oxford, there are many other established research institutions including Oxford Brookes University, the UK Atomic Energy Authority at Harwell and Culham, the Rutherford Appleton Laboratory, the Medical Research Council, the National Radiological Protection Board, and the Institute of Hydrology. With the network of science parks (Oxford Science Park, the Begbroke Business and Science Park and Milton Park), innovation organisations such as the Oxford Trust, and the networks of investors (the Oxfordshire Investment Opportunity Network as well as the OTVCTs), the Oxford area has proved itself able to support a continual flow of innovative and high growth technology businesses.

On 3 April 2008, OT2 issued 374,602 Shares at 71 pence per Share. On 3 April 2009, OT2 issued a further 259,980 Shares at 57 pence per Share, thereby raising a gross amount of £414,156 (being net proceeds of £393,448 after expenses of £20,708). The net proceeds raised via these share issues have been used for general working capital purposes, being the management fees, LSE fees, advisors fees and corporate and administrative expenses, and to make follow on investments in existing investments. Approximately £120,000 will be used for working capital with the balance of approximately £273,000 to be spent on making follow on investments.

Under the UKLA Prospectus Rules a Company that issue more than 10% of its current issues share capital is required to issue a Prospectus to apply for the listing of these new Ordinary Shares. Therefore, this Prospectus has been issued in order that the Relevant Shares be admitted to the Official List and to trading by the London Stock Exchange on its market for listed securities. Trading in the Relevant Shares is expected to commence on 8 January 2010.

## 2. Overview of OT2's portfolio

The Directors believe that many companies in the OT2 portfolio are making good progress and continue to have the potential to deliver good returns to OT2 shareholders.

**Table of Investments held by company at 31 August 2009**

Company	Description	Date of initial investment	Net cost of investment £'000	Unrealised profit/ (loss) £'000	Carrying value at 31/08/09	% equity held by OT2
Arecor	Protein stabilisation	July 07	7	7	14	1.0
DHA	Radiotherapy products	Oct 01	0	2	2	1.2
Equitalk	Internet telecoms	July 01	270	(219)	51	<1
ImmBio	Novel vaccines	Dec 00	175	76	251	2.9
Im-Pak	Injection moulding	Apr 03	227	(212)	15	6.6
Inaplex	Data transformation software	Jan 01	138	(110)	28	21.5
Inscentinel	Vapour detection	May 03	171	(94)	77	12.8
Insense	Wound healing	Jun 01	164	(50)	62	4.0
MET	Chemical separations	May 02	75	24	99	5.9
OC Robotics	Snake arm robots	Jan 01	214	866	1080	19.6
Orthogem	Bone graft material	Dec 00	253	(94)	159	24.0
OST	Sensors for car production lines	Oct 00	235	(172)	62	0.3
Oxis	Rechargeable batteries	Oct 00	540	(451)	89	6.7
Plasma Antennas	Solid state directional antennas	Nov 01	168	(33)	135	8.8
Prolysis	Novel antibiotics	Jun 01	225	1	226	1.5
Prosurgics	Medical robots	Sep 01	307	(217)	90	0.9
Select	Specialist photocopier interfaces	Nov 01	219	(8)	211	8.3
SVA	Financial software	Jan 01	50	(45)	5	10.2
Telegesis	Zigbee technology	Oct 03	8	51	59	3.9
			3,446	(598)	2,715	
Other Assets					367	
<b>TOTAL</b>					<b>3,082</b>	

### Review of current status of Investments

OCRobotics is now profitable and growing strongly.

Commerce Decisions has been sold to QinetiQ and as a result a 4.5p per share dividend was paid out on 27 February 2009.

Insense is achieving wonderful results in trials of its active dressings for wound-healing and for treating skin conditions. Sales are growing more slowly than originally hoped but are nevertheless growing quarter by quarter.

Orthogem has demonstrated excellent clinical results for its synthetic bone graft and has recently generated its first sales in the US.

Prolysis has received an investment from the Wellcome Trust and is making good scientific progress in its search for a

novel antibiotics to address the growing problem of bacterial strains such as MRSA that have become immune to existing treatments.

OT2 owns 8.3% of Select Technology whose product for Ricoh has been launched globally in the first half of 2009 (after many frustrating delays).

Plasma Antennas, MET, Prosurgics, Telegesis, Select Technology and Inscentinel are all making encouraging progress.

It is likely that many of these companies will need to raise additional capital as they grow, and it will be able to participate in such fundraisings, if and when they arise.

There have been no material changes to the current investments or further investments made since the date to which the above table has been prepared, namely 31 August 2009. As at 31 August 2009 the Company's NAV per share was 48p per share.

### 3. The Typical Investor

A typical Investor is expected by the Directors to be an individual (not a corporate) who is sophisticated and/ or a high net worth individual, who is aged 18 or over and pays UK income tax. The individual should be willing to invest over the long term and be comfortable with higher risk investments, such as unquoted investments in start up and early stage technology companies. The Investor should either have experience of such investments and/or seek advice from an appropriate adviser.

### 4. Overview of Venture Capital Trusts

Venture Capital Trusts provide an opportunity to private investors to participate in the venture capital industry. Venture Capital Trusts were introduced in the Finance Act 1995 and are aimed primarily at UK tax-paying private investors.

The tax benefits of Venture Capital Trusts available to eligible private investors subscribing for shares up to the maximum of **£200,000** for the 2009/10 tax year are as follows:

- tax-paying investors can claim income tax relief of 30% (i.e. up to £60,000 per tax year) on the amount invested, thus reducing the effective net cost of the investment to 70p for each £1 invested, as long as the shares are held for at least five years
- dividends (whether resulting from income or capital profit) paid by Venture Capital Trusts are free of income tax
- there is no capital gains tax payable on the sale of shares in a Venture Capital Trust
- capital gains made by a Venture Capital Trust on its underlying investments in Investee Companies are free of corporation tax and these gains may be distributed by way of tax-free dividends to investors

As of the 2004/05 tax year, investors may no longer defer capital gains tax on chargeable gains by investing in a Venture Capital Trust.

The financial effects of the tax incentives available to a private investor in a Venture Capital Trust and the extent to which the return on both income and capital may be enhanced can be illustrated in relation to an initial investment of £10,000 as follows:

<b>Income Tax Relief for the 2009/10 tax year:</b>	<b>Without VCT tax relief</b>	<b>With 30% Income Tax relief:</b>
	<b>£</b>	<b>£</b>
Initial cost of investment	10,000	10,000
30% Income Tax relief	Nil	(3,000)
Effective initial cost of investment	<u>10,000</u>	<u>7,000</u>

The table set out above is shown for the purpose of illustration only. **The example is not a forecast and is intended as a guide only.** The Directors consider that the assumptions below on which the table is based are fair and reasonable.

Assumptions:

1. The investor is a UK tax payer and has income tax liability of at least £3,000 for the year in which the subscription was made;
2. The investor subscribes £10,000 for shares in the VCT at the subscription price of 100p per Share and claims income tax relief, resulting in a tax repayment of £3,000.

**Any potential investor in any doubt as to the taxation consequences of investment in a VCT should consult an appropriately qualified professional adviser.**

**A fuller summary of the tax benefits available in respect of VCTs is set out in Part 3 of this document.**

## **5. Investment Policy**

The investment policy of OT2 has been to build a balanced portfolio of Qualifying Investments with the following characteristics:

- unlisted, UK based, science and engineering businesses
- investments typically in the range of £100,000 to £500,000, although a few investments outside this range will be contemplated
- generally located within approximately 60 miles of Oxford.

Normally, investments have been made by subscribing for ordinary shares and preference shares, sometimes combined with loans. It is envisaged that successful Investee Companies will typically pay interest on loans or dividends on preference shares to OT2 before it achieves an exit. Whilst the Company has the authority under the Articles to borrow, the Company's policy is not to borrow funds and indeed the Company never has done. In addition, under the VCT Taxation Rules the Company is limited to only making an investment that represents up to 15% by value of its Gross Assets (as set out in paragraph 4(c) on page 17. As a result, the Company ensures that it has a wide spread of investments.

The fund is now effectively fully invested, with the majority of funds subscribed 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.

## **6. Exit Strategy for Investee Companies**

OT2 intends to be a long term investor and to act in a way that fosters the development of a portfolio of successful science and engineering companies. OT2 will always specifically discuss an exit strategy or a means of achieving shareholder liquidity with the management of Investee Companies before an investment is made. This will be in a form which is best suited to the development of the value of the Investee Company; the means of achieving an exit from relatively young companies has been enhanced by the development of new markets such as AIM. However, it must be noted that, with early stage and start-up companies, it is not always possible to be specific about the form of the exit at the outset. The general policy will be to seek a disposal, generally through a sale or flotation, within three to ten years of investment.

## 7. Investment Management

Oxford Technology Management is the Investment Manager of OT2 and will be responsible for the overall policy and management of the fund. Whilst any decision to make or dispose of individual investments will require the approval of a majority of the Directors, Oxford Technology Management has undertaken, *inter alia*, the following:

- originating and investigating investment opportunities;
- preparing detailed investment recommendations for submission to the Board;
- negotiating investment terms with Investee Companies;
- liaising with the Board on the development of portfolio companies;
- actively providing advice and assistance to Investee Companies where appropriate;
- preparing periodic portfolio reviews for submission to the Board; and
- advising the Board on disposals of Investee Companies.

Lucius Cary is the managing director, founder and controlling shareholder of Oxford Technology Management. Matthew Frohn, who has a *D.Phil* in molecular biology from Oxford University, joined Oxford Technology Management in June 1999, and became a director in November 2001 and is now a shareholder. He is particularly involved with the life science investments. David Denny, who has an M.Eng from Newcastle University, and an MBA from Harvard Business School, joined in October 2004, and became a director in October 2005. Joanne Hoareau, who has a BSc in economics and politics, joined in December 2004 and is responsible for the administration of the four funds and investor relations.

In 1978, Lucius Cary founded "Venture Capital Report", a monthly publication enabling entrepreneurs to present their business plans in some detail to private investors. He was the managing director until 1996. In 1996, he sold all his shares in this business which later moved to London. From 1983 until 1995, Oxford Technology Management managed or advised four Oxford Technology Management funds, which made a total of 37 investments in very early stage companies. In all cases, the initial investment was of less than £50,000, and in many cases the purpose of the investment was to build a prototype of an innovative idea. Beginning in 1995, when Oxford Technology Management made three investments on behalf of 3i, and continuing with OT1, OT2, and OT3, the initial investment size increased to £100,000 - £250,000, and the Investee Companies were slightly further advanced in the development of their technologies and businesses.

Lucius Cary has long had a keen interest in technology and his particular qualifications and experience (further details of which will be found under the heading "Directors") enable him to relate closely to the needs of entrepreneurs and innovators starting out in the technology sector. Oxford Technology Management adopts a "hands-on" approach to investments and has given assistance as and when required on a wide range of commercial and operational matters.

Oxford Technology Management is a private limited company incorporated and registered in England and Wales under the Companies Act 1985. The company was incorporated under registration number 106 9573 on 4 September 1972. The company's registered address is The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and its telephone number is 01865 784466. You should note that investment advice will not be provided to individuals.

### **Co-investments by Directors.**

One or more of the Directors may occasionally co-invest personally in Investee Companies with the Company, though the Company will always have "first refusal" in any such instances. In such circumstances, the Director concerned will make a full declaration of his personal involvement, and will not participate in the vote on any Board resolution in respect of the relevant investment. As, when, and if this happens, the Director concerned will co-invest on terms which are no more favourable than those upon which the Company is investing. Any such co-investment will be subject to compliance with the Listing Rules.

## 8. Directors

The Board of OT2 consists of four Directors, three of whom are independent of the Investment Manager. Sir Martin Wood, a founding directors of OT2 retired from the Board on 28 February 2009.

**John Jackson**, age 80, Chairman, worked full time for Philips Electrical Limited and Philips Electronic and Associated Industries Limited (“Philips Electronics”) in the UK from 1952 to 1980, becoming a director of Philips Electronics in 1966, on whose board he served until early 1994. Since 1980, he has joined the boards of a number of other companies in a wide range of industries, including electronics, engineering, biotechnology, pharmaceuticals and fine chemicals. He is currently chairman of each of the four OTVCTs, as well as non-solicitor Chairman of Mishcon de Reya. He is a director and chairman of Instore plc (formerly Brown & Jackson plc) and a number of unlisted companies. He was the special adviser to the Korda Seed Capital Fund, which was established as a £5m fund to invest primarily in technology-based companies, from March 1989 until its final distribution and cessation in 2003. He is particularly interested in high technology business start-ups.

**Lucius Cary OBE**, age 62, Director, is the founder and managing director of Oxford Technology Management, which has specialised in making and managing investments in start-up technology-based businesses since 1983. 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 sold all his shares and became chairman so reducing his day-to-day involvement in order to concentrate more fully on Oxford Technology Management's investment activities. By 2005, Oxford Technology Management had managed or advised ten Oxford Technology Management funds, including the Oxford Technology VCTs which, between them, had made some 100 investments in early stage and start-up technology companies. In 2003, he was awarded an OBE for services to business and in 2004 was awarded the Judges Award at Investors Allstars, for his contribution over many years to early stage investing.

**Michael O'Regan OBE**, age 62, Director, was co-founder in 1973 of Research Machines Limited which floated on the London Stock Exchange as RM plc in 1994; he was an executive director until 1992 and then a non-executive director until 2004. RM plc is the UK's leading supplier of ICT and related services to education. He is a non-executive director of several unlisted companies and has been involved in the start-up and early stage financing of a number of technology-based companies. He is chairman of Hamilton Trust, an educational charity, and a Governor of Oxford Brookes University. Michael O'Regan is also an investor in Oxford Sensor Technology from the OT2 portfolio.

**Richard Vessey**, age 61, Director, joined the Board of Oxford Technology Venture Capital Trust on 13 July 2006. His education is as a chemical engineer from Imperial College and MBA from Harvard, and his early career was in manufacturing companies, becoming Sales and Marketing Director of Plastic Engineers Ltd. In 1984 he left the conventional career path and founded Bell Plastics Ltd, a specialist plastics manufacturing business which was sold in 2004 to a private equity fund, of which he is currently a director, and which is building a portfolio of niche plastic companies. Richard is now CEO of Im-Pak Technologies and Chairman of OST, both OT investee companies and is also an active member of the UK Shareholders Association. Richard Vessey is also an investor in Telegesis, Plasma Antennas, Astron Clinica, Oxis, Equitalk, Prosurjics and Select Technology from the OT2 portfolio.

## 9. Compliance with corporate governance regimes, audit and remuneration committees

Save as set out below, the Company complies with the relevant requirements of the Combined Code on Corporate Governance as far as is practicable having regard to its size.

The Board as a whole performs the functions of both the audit committee and nominations committee. The Company does not have an audit committee.

The company has complied throughout the last financial period, being the year to 28 February 2009, with the provisions (as modified by the FSA Listing Rules for Venture Capital Trusts) set out in Section 1 of the Combined Code, except that a senior non-executive director is not identified and the Board as a whole performs the functions of both the Audit Committee (code D.3.1) and the Nomination Committee (code A.5.1). The Directors do not have formalised service contracts with the company, whereas the recommendation is for fixed term renewable contracts. The Board confirms that procedures to implement the guidance *Internal Control: Guidance for directors on the Combined Code* (‘the Turnbull Report’) are in place. The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than

eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board consists of four non-executive directors. JLA Cary represents the Investment Manager and the remaining three directors are independent. In these circumstances, the Board does not believe that it is necessary to identify a senior independent director other than the Chairman. The Board has put in place corporate governance arrangements which it believes are appropriate to a Venture Capital Trust and which will enable the company to operate within the spirit of the Principles of Good Governance and comply with the code of Best Practice ("the Combined Code").

The Board meets regularly, at least four times a year, and between these meetings maintains contact with the Investment Manager. The Investment Manager prepares written reports on the performance of each of the funds in advance of Board meetings and these are 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 Combined 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 of Directors. The Board 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. The Articles of Association require that one third of the Directors (or the number nearest one third) on a rotation basis will be subject to re-election procedures at subsequent Annual General Meetings.

#### **10. Continuation of the Company**

It is considered desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. At each annual general meeting of the Company, the Directors will propose a resolution for the continuation of the Company as a VCT. The Company's Articles only require such a vote every third year, but the Directors have resolved that the issue should be put to shareholders more regularly.

If the Shareholders vote against a resolution to continue as a Venture Capital Trust, a general meeting of the Company will be convened within the following four months to consider proposals with regard to the re-organisation, reconstruction or voluntary winding up of the Company.

#### **11. Realisation of Shares**

As the Shares are listed on the London Stock Exchange, there will be a facility available for Shareholders to realise their investment. However, investors should be aware that dealings in the Shares of **OT2** are likely to be very restricted in practice and that their investment is likely to be relatively illiquid. It must also be noted that realisation within 5 years of subscription for the Shares may result in the selling Shareholder losing some or all of the tax benefits summarised in Part 3 of this document. Investors must hold their Shares for at least 5 years to retain their income tax relief.

#### **12. Management and Administration**

OT2 has entered into an agreement with the Investment Manager, Oxford Technology Management, which has overall responsibility for the Company's portfolio of investments. The agreement may be terminated by either party on 12 months' notice expiring at any time.

The annual management fee payable to Oxford Technology Management is currently 2.0 per cent of the total assets less current liabilities (excluding contingent liabilities and monies borrowed to finance the acquisition or making of investments) of OT2. There will be no additional management or secretarial fees charged. The effect of these arrangements will be to reduce the Investment Manager's fee in the event that, in due course, funds under management by OT2 diminish due to distributions to Shareholders or otherwise. These expenses will, to the extent that income is not received from investments, be charged to capital.

In addition to the fees outlined above, as is normal practice Oxford Technology Management is also entitled to charge Investee Companies a monitoring fee.

### **13. Performance Incentive**

Once the sum of 100p (gross) per Share has been returned to Shareholders by way of dividends and capital distributions, a performance incentive fee equal to 20% of all distributions thereafter will be payable to the Investment Manager and the Independent Directors. Such incentive fee will be charged either to income or to capital on the basis of the underlying distribution.

### **14. Dividend Policy**

It is expected that dividends will primarily arise from the realisation of successful investments.

The level of dividends will be affected partly by the extent to which investment income exceeds operating costs, but in particular by the realisation of gains on the disposal of investments (in excess of any write-downs required against the cost of any remaining investments). Investors should further be aware that the timetable for such realisations may be relatively long.

As funds are invested in Investee Companies, it is expected that the amount available for dividend distribution from the yield on fixed-income securities will decline. Investors should be aware that the ability of early stage technology companies to pay dividends to OT2 is likely to be very limited, especially during the early years following the investment.

Since incorporation, the Company has paid dividends amounting to 10.5 pence per Share.

### **15. Monitoring of VCT status**

OT2 has adopted the following procedure for monitoring the VCT status of Investee Companies. After agreement is reached to make an investment in any proposed Investee Company, the draft shareholders agreement and other relevant documentation were sent to HMRC Small Company Enterprise Centre and the investment was normally completed only when it has been confirmed by HMRC that the Investee Company and the form of the investment meet the requirements of the VCT legislation. However, investors should note that it is possible for individual Investee Companies to lose their status as "qualifying holdings" of the VCT subsequently.

At the time of the annual audit of OT2, details of all the holdings in all Investee Companies are sent to HMRC who check that the overall investment ratios meet the requirements of the VCT legislation for OT2 itself.

### **16. Accounts**

OT2's annual report and accounts are made up to the last day of February in each year and are normally be sent to Shareholders during May. Shareholders will also receive unaudited half-yearly reports. In preparing its financial statements, OT2 will follow the Statement of Recommended Practice for Investment Trust Companies published by the Association of Investment Trust Companies in January 2003.

### **17. Valuation of Investments**

The Company's investments are valued by the Directors every six months.

The Directors' policy in valuing unquoted investments in Investee Companies is to carry them at cost except in the following circumstances:

Quoted investments are stated at the bid price. Unlisted investments are reported at fair value. The concept of fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Generally, new investments are held at cost for the first year. After the first year, or where material events have impacted the value of an investment during the first year, the following methods are used:

- Where fair value is indicated by a material, arm's length transaction by a third party in the shares of an Investee Company, such value may be used.
- Where an Investee Company is well-established and profitable, the shares may be valued by applying a suitable price-earnings ratio to the company's historic post-tax earnings. The ratio will be based on a comparable listed company or sector but discounted by 25-50% to reflect lack of marketability.
- Where neither of the above methods are appropriate, the enterprise value will be estimated and the value of the investment will be derived from enterprise value, taking into account any financial instruments which would have seniority in a liquidation event. Where appropriate, a discount of 25-50% will be applied to reflect lack of marketability.

The Directors believe that the above policies are consistent with the International Private Equity and Venture Capital Valuation Guidelines.

## Part 2

### Existing Investments and Historical Financial Data for OT2

The table below show the unaudited Net Asset Value since incorporation, together with cumulative gross dividends paid. The tables simply record the facts. They do not seek to imply any value for the shares of OT2, nor is it intended to influence a potential investor as to any potential value of future investments of OT2.

Each of the valuations provided as at 31 August 2009 is based on the application of International Private Equity and Venture Capital Valuation Guidelines, and is unaudited.

**Table of Investments held by company at 31 August 2009**

Company	Description	Date of initial investment	Net cost of investment £'000	Unrealised profit/ (loss) £'000	Carrying value at 31/08/09	% equity held by OT2
Arecor	Protein stabilisation	July 07	7	7	14	1.0
DHA	Radiotherapy products	Oct 01	0	2	2	1.2
Equitalk	Internet telecoms	July 01	270	(219)	51	<1
ImmBio	Novel vaccines	Dec 00	175	76	251	2.9
Im-Pak	Injection moulding	Apr 03	227	(212)	15	6.6
Inaplex	Data transformation software	Jan 01	138	(110)	28	21.5
Inscentinel	Vapour detection	May 03	171	(94)	77	12.8
Insense	Wound healing	Jun 01	164	(50)	62	4.0
MET	Chemical separations	May 02	75	24	99	5.9
OC Robotics	Snake arm robots	Jan 01	214	866	1080	19.6
Orthogem	Bone graft material	Dec 00	253	(94)	159	24.0
OST	Sensors for car production lines	Oct 00	235	(172)	62	0.3
Oxis	Rechargeable batteries	Oct 00	540	(451)	89	6.7
Plasma Antennas	Solid state directional antennas	Nov 01	168	(33)	135	8.8
Prolysis	Novel antibiotics	Jun 01	225	1	226	1.5
Prosurgics	Medical robots	Sep 01	307	(217)	90	0.9
Select	Specialist photocopier interfaces	Nov 01	219	(8)	211	8.3
SVA	Financial software	Jan 01	50	(45)	5	10.2
Telegesis	Zigbee technology	Oct 03	8	51	59	3.9
			3,446	(598)	2,715	
Other Assets					367	
TOTAL					3,082	

### Operating and Financial Review

As at the date of this document, the Company has invested approximately £6.5m in 30 companies and the performance of the Company is in part dependent upon the performance of these individual companies. At this point, it is still too early to make a meaningful evaluation of performance since it typically takes many years to turn good science into a good business.

There are no special factors such as unusual or infrequent events or new developments which have arisen that would

adversely affect the performance of the fund. Similarly, the Directors are not aware of any governmental, economic, fiscal, monetary or political policies or factors that have or could materially affect, directly or indirectly the Company's operations.

### Capital Resources

Under the Investment Management agreement, the Company has fixed operating costs calculated as a percentage of funds under management (as detailed in paragraph 12 of Part 1 of this Document) and relies on money raised from share issues and any realisations net of dividends to fund making investments. As stated in paragraph 5 of Part 1 of this Document, whilst the Company has the ability to borrow it has no such facilities. During the year ended 28 February 2009, the Company raised a total of £265,362 and made investments totalling £225,302. There was a realisation and the company received £578,375. The cash resources as at 28 February 2009 were £333k. For the six months ended 31 August 2009, the Company raised a total of £146,410 and made investments totalling £87,688. There was a realisation and the company received a payment of £83,425 and the cash resources as at 31 August 2009 were £375k. All investments are made in GBP and therefore there are no exchange rate or currency issues. The Company has no commitments to make investments and the Investment Management agreement is terminable on 12 months notice.

### Historical Financial Information

Oxford Technology 2 Venture Capital Trust plc Audited Financial Statements and the Auditor's Report for each of the last 3 financial periods, specifically from 1 March 2006 to 28 February 2009 and the Company's unaudited interim accounts for the period from 1 March 2009 to 31 August 2009 are hereby incorporated by reference.

Destination Table:

Area of Annual Accounts	OT2VCT reference document and page number in the reference document			
	Interims to 31 August 2009	Year to 28 February 2009	Year to 28 February 2008	Year to 28 February 2007
Auditor's Report	N/A	9	9	8
Profit and Loss Account	2	12	12	10
Balance Sheet	3	13	13	11
Statement of Changes in Equity	None	None	None	10
Statement of Cashflows	None	14	14	12
Notes to the financial information	4	14	14	12
Accounting Policies	None	10	10	9
Operating and Financial Review	None	5 (Chairman's Statement)	4 (Chairman's Statement)	4 (Chairman's Statement)
Dividend	N/A	13	13	12

## Part 3

### TAXATION SUMMARY

**The following information is of a general nature based on the Directors' understanding of the law and practice currently in force in the United Kingdom. It assumes that an investor is resident or ordinarily resident in the UK and not in any other jurisdiction. If potential investors are in any doubt as to their tax position, they should consult their professional advisers.**

#### 1. Tax Reliefs for Individual Investors

Investors must be individuals aged 18 or over and must be UK taxpayers to be eligible for the Income Tax reliefs which will only be given in relation to an individual's total investments in VCTs in any tax year not exceeding £200,000.

##### *Income Tax Relief*

Relief on investment

An investor subscribing for new ordinary shares in VCTs will be entitled to claim income tax relief on amounts subscribed up to the permitted maximum of £200,000. The relief will be given for the tax year in which the shares are issued, at 30% of the amount subscribed, but such relief is limited to an amount which reduces the investor's tax liability for the tax year in which the investment is made to nil.

If the shares are sold or otherwise disposed of (other than to the investor's spouse) within five years of their issue then some or all of the income tax relief obtained will have to be repaid.

Relief on dividends

An investor who either subscribes for or subsequently purchases ordinary shares in a VCT, up to a maximum of £200,000 in any given tax year, will not be liable to UK income tax on dividends paid by the VCT.

##### *Relief from Capital Gains Tax*

Deferral of capital gains tax

Unlike earlier years, it is no longer possible to defer capital gains tax by making an investment in a VCT.

Exemption from capital gains tax on disposal

A disposal by an investor of ordinary shares in a VCT (whether acquired by a subscription for new shares or by a subsequent acquisition) will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the permitted limit of £200,000. Any loss arising on the disposal of ordinary shares in a qualifying VCT will not be available for setting off against any other chargeable gain realised by the investor.

#### 2. Obtaining Tax Reliefs

##### *Income Tax Relief on Investment*

OT2 will give each investor a certificate which he can use to claim the income tax relief, either (where applicable) immediately by obtaining an adjustment to his tax coding from HMRC or by waiting until the end of the tax year and claiming the relief on his tax return.

##### *Income Tax Relief on Dividends*

The investor does not need to include dividends paid on shares in a VCT on his tax return if he is an individual aged 18 or over who is beneficially entitled to the dividend, and to the extent that he has not invested more than £200,000 in VCTs in any tax year.

#### 3. Investors who are not resident in the UK

Any potential investors who are not resident or ordinarily resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

#### 4. Approval as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

(a) derive its income wholly or mainly from shares or securities;

- (b) have at least 70% by value of its investments represented by "qualifying holdings" (see below), of which at least 30% by value must be ordinary shares carrying no preferential rights to dividend, return of capital or any rights to be redeemed;
- (c) not have more than 15% by value of its investments in any single company or group (other than another VCT or a company which would, if its shares were listed, qualify as a VCT);
- (d) have its ordinary share capital quoted on the London Stock Exchange;
- (e) not retain more than 15% of its income derived from shares and securities; and
- (f) not be a close company.

Normally, HMRC cannot give approval of a VCT unless (a) to (e) above have all been met throughout the Company's most recent accounting period and HMRC is satisfied that they will be met throughout its current accounting period at the time of application for approval. However, to facilitate the launch of VCTs, HMRC may give provisional approval if it is satisfied that conditions (a), (c), (d) and (e) will be met throughout the current or subsequent accounting period and condition (b) will be met in relation to an accounting period commencing no later than three years after the date of the provisional approval.

Qualifying holdings comprise new shares or securities (including loans with a five-year or greater maturity period) issued by unquoted trading companies which exist wholly for the purpose of carrying on one or more qualifying trades and are limited to investments of up to £1m per tax year per Investee Company. At least 10% of the investment in a qualifying holding must be for eligible ordinary shares and this minimum percentage must be maintained for qualifying status to be continued. Most trades are qualifying trades, other than certain activities which are regarded as inappropriate. The Investee Company must not be controlled by the VCT or any other company and its gross assets must not exceed £15m immediately prior to the investment or £16m immediately thereafter.

Companies whose securities are traded on the AIM count as unquoted companies for the purposes of determining qualifying holdings. Shares in an unquoted company which subsequently become quoted may still be regarded as part of a qualifying holding for a further five years following quotation.

HMRC has granted provisional approval of the Company as a VCT. Tax reliefs are available during the period that approval is provisional but are withdrawn if full approval is never given.

If there is any breach of the VCT legislation, the Company will report directly and immediately to HMRC to rectify the breach.

## **5. Taxation of the Company**

The Company is resident for tax purposes in the United Kingdom. The Company complies with and intends to continue to satisfy the conditions for approval as a VCT laid down in section 842AA of the Income and Corporation Taxes Act 1988. Under current legislation, the Company will be exempt from United Kingdom taxation on capital gains realised while it is approved as a VCT.

The Directors have been advised that, at the date of this document, the Company is not a close company. If the Company was a close company in any accounting period, approval as a VCT would be withdrawn.

The income of the Company will be derived wholly or mainly from shares or other securities. Dividends received from other UK resident companies will not be subject to tax in the hands of the Company. Other income will be subject to UK corporation tax after relief for allowable expenses.

## **6. Loss or Clawback of Tax Reliefs**

### ***The Company***

If the Company loses approval as a VCT, it will lose its exemption from corporation tax on chargeable gains.

Loss of approval takes effect either on the date when notice is given to the Company by HMRC or, if earlier and at HMRC's discretion, from the beginning of the Company's accounting period in which the notice is given. If the Company never obtains full approval as a VCT, it would be treated as if it was never entitled to the exemption.

### ***Investors***

Withdrawal or clawback of investors' tax reliefs can occur as a result of the Company losing or not initially gaining full approval as a VCT or as a result of actions taken by the investors themselves.

#### Income tax relief on investment

If the Company loses approval as a VCT within three years from the time when an investor acquired Shares by subscription, the income tax relief will be clawed back by an assessment to income tax for the year of assessment in respect of which relief was given. If the Company never obtains full approval as a VCT, the relief is clawed back, irrespective of how long the investor has held the Shares.

#### Income tax relief on dividends

If the Company loses approval as a VCT, then Shares acquired by an investor after loss of approval are not capable of generating tax free dividends and any dividends paid in respect of profits or gains arising to the Company in any accounting period ending at a time when the Company was not a VCT are likewise not exempt from income tax. If the Company never obtains full approval as a VCT, the dividends will be liable to tax in the hands of the investors.

Dividends which are subject to income tax carry a tax credit at the rate of one ninth of the net dividend which is not payable.

#### Exemption from capital gains tax on disposal

If the Company loses approval as a VCT, then any investor disposing of Shares subsequently will be treated as making a chargeable gain or an allowable loss (as the case may be). However, he will be deemed to have disposed of the Shares at market value immediately before withdrawal of approval at a time when the Company was a VCT, so any accrued gain will not be taxable. Any investor acquiring Shares in the Company after it has lost approval will likewise make a chargeable gain or an allowable loss on subsequent disposal. If the Company never obtains full approval as a VCT, disposals of Shares will also give rise to a chargeable gain or an allowable loss (as the case may be).

### **7. Stamp Duty and Stamp Duty Reserve Tax**

No stamp duty or (unless Shares are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax should be payable on the issue of Shares.

The transfer or sale of Shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within 2 months) stamp duty reserve tax, generally in each case at the rate of 50p for every £100 or part of £100 of the consideration paid.

**The above is only a brief summary of the law concerning the tax position of individual investors in a VCT. Any potential investor in doubt as to the taxation consequences of investment in a VCT should consult an appropriately qualified professional adviser.**

## Part 4

### ADDITIONAL INFORMATION

#### 1. The Company

- (a) The Company was incorporated and registered in England and Wales on 18 February 2000 with registered number 392 8569 under the Companies Act 1985 (the "Act") as a public limited company.
- (b) On 24 February 2000, the Company was issued with a certificate entitling it to commence business under section 117 of the Act.
- (c) On 2 March 2000, the Company gave notice to the Registrar of Companies pursuant to section 266 of the Act of its intention to carry on business as an investment company. On 28 February 2006, the Company revoked that status.
- (d) The Company is unregulated, but must comply with HMRC regulations for Venture Capital Trusts if it is to maintain Venture Capital Trust status.
- (e) HMRC has granted to the Company approval under section 842AA of the Income and Corporation Taxes Act 1988 and the business of the Company has been carried on so as to comply with that section.
- (f) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (g) The Company's registered and head office and principal place of business is at Magdalen Centre, The Oxford Science Park, Oxford OX4 4GA. The Company's telephone number is 01865 784466.

#### 2. Share Capital

- (a) On incorporation, the authorised share capital of the Company was £1,500,000 divided into 15,000,000 Shares of 10 pence each of which two shares were issued fully-paid to each of the two subscribers to the Company's memorandum of association.
- (b) As at 29 February 2008, OT2 had issued 6,000,000 Shares at £1 per Share, all of which were admitted to the Official List and to trading by London Stock Exchange on its main market for listed securities. On 3 April 2008, the Company issued 374,602 Shares at 71 pence per Share. On 3 April 2009, the Company issued 259,980 Shares at 57 pence per Share. Therefore, as at the date of this Document, the issued share capital of the Company is 6,634,582 Ordinary Shares. The issue of the Relevant Shares represents a 10.6% of the current Issued Share Capital.
- (c) no brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital.
- (d) no share capital of the Company is under option, and there is no conditional or unconditional agreement to put any such capital under option.
- (e) the Shares are be in registered form and are capable of being held in uncertificated form.

#### 3. Directors<sup>1</sup>

The directors, who are the founders of the Company, currently hold the following directorships and have held the following directorships within the past five years prior to the publication of this document and are or were partners in the following firms within the five years prior to the publication of this document.

##### John Jackson:

##### Current directorships and partnerships

Oxford Technology Venture Capital Trust plc  
Oxford Technology 2 Venture Capital Trust plc  
Oxford Technology 3 Venture Capital Trust plc  
Oxford Technology 4 Venture Capital Trust plc

##### Former directorships and partnerships

Rural Regeneration Unit Limited  
Countryside Alliance  
John Jackson Consultants Limited

Arkios Ltd  
Instore Plc  
Europe-China Investment and Trading Limited  
History Today Limited  
Unlock Democracy  
Urban Catalyst Limited  
Neos Interactive Limited  
Active Citizens Transform

**Lucius Cary:**

**Current directorships and partnerships**

Oxford Technology Venture Capital Trust plc  
Oxford Technology 2 Venture Capital Trust plc  
Oxford Technology 3 Venture Capital Trust plc  
Oxford Technology 4 Venture Capital Trust plc  
Getmapping plc  
Inscentinel Limited  
Phoenix Scientific Industries Limited  
Oxford Technology Management Limited  
Personal Lifting Limited

Seed Capital (Publishing) Limited  
Venturefest Oxford Limited

**Michael O'Regan:**

**Current directorships and partnerships**

Oxford Technology Venture Capital Trust plc  
Oxford Technology 2 Venture Capital Trust plc  
Oxford Technology 3 Venture Capital Trust plc  
  
Oxford Technology 4 Venture Capital Trust plc  
Citipages Limited  
Hamilton Education Limited  
First Line Support Limited  
How To Books Limited  
How To Limited  
Mission Assist Limited  
Oxfordshire Independent State Schools Partnership  
Law Express Limited  
Central Index Limited  
The Oxford Trust  
The Oxford Academy Trust  
Rowan Hamilton Limited  
Innovox Limited  
Peep Learning Limited  
Transita Limited

**Richard Vessey:**

**Current directorships and partnerships**

Oxford Technology Venture Capital Trust plc  
Oxford Technology 2 Venture Capital Trust plc

Burdale Financial Holdings Limited

Nicaragua Health Fund  
One World Action  
Xenova Group Limited

**Former directorships and partnerships**

Seed Capital General Partner Limited

Reviver Technologies Limited

**Former directorships and partnerships**

Ricewood Limited  
Market Marvels Limited  
Oxfordshire Childrens and Families Trust Limited

Newco Formations Limited

Set4Success Limited

**Former directorships and partnerships**

None

Oxford Technology 3 Venture Capital Trust plc  
Abel Magnets Limited  
Bell Plastics Limited  
Im-Pak Technologies Limited  
Oxford Sensor Technology Limited  
Plastics Capital Limited  
Bell Holdings Limited  
Plastics Capital Trading Limited  
Plastics Capital (Trustee) Limited  
Plastics Capital plc

No Director:

- (i) has any unspent convictions in relation to indictable offences;
- (ii) has become bankrupt or entered into any voluntary arrangement, or has had a receiver appointed to any asset of a Director;
- (iii) has been a director (with an executive function) of any company or a partner of any firm which, at that time or within 12 months after his ceasing to be a director or a partner (as the case may be), had a receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements or made any composition or arrangement with its creditors or had a receiver appointed to any partnership asset.
- (iv) has had any public criticism against him by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

#### **4. Memorandum and Articles of Association**

The memorandum of association of the Company provides that the Company's principal objects are to carry on the business of a venture capital trust company and to undertake all kinds of investment business. The objects of the Company are set out in full in clause 4 of the memorandum of association.

The articles of association of the Company (the "Articles") contain provisions to the following effect:

(a) Voting rights

Subject to any terms as to voting upon which any shares may be issued, or may for the time being be held, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote on a show of hands and, on a poll, every member shall have one vote for every share of which he is the holder. On a poll, votes may be given in person or by proxy. A member shall not be entitled to vote unless all calls or other sums due from him have been paid. A member shall not be entitled to vote in respect of any shares held by him in relation to which he, or any other person appearing to be interested in such shares, has been duly served with a notice under section 212 of the Act, if having failed to supply the Company with the information thereby required, or having supplied information which is false or misleading in a material respect, within 28 days after service of such notice (or 14 days where the shares concerned represent at least 0.25% of the issued shares of the relevant class) he is served with a default notice to that effect.

(b) Dividends

- (i) Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), the Company may by ordinary resolution declare dividends to be paid out of profits available for distribution to members according to their rights and priorities but no dividend shall exceed the amount recommended by the Board. The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.
- (ii) Except as provided by the rights attached to shares, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid (other than amounts paid in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

(iii) The Board may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

(iv) Where, in respect of any Shares, any registered holder or any other person appearing to be interested therein fails to comply with a notice under section 212 of the Act, then (provided that the shares concerned represent at least 0.25% in nominal amount of the issued shares of the relevant class) dividends on such shares may be withheld.

(c) Distribution of assets on winding up

On a winding up, any surplus assets will be divided between the members according to their respective holdings of shares, subject to the rights of any shares which may be issued with special rights or privileges.

The liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the Statutes, divide among the members in specie the whole or any part of the assets of the Company, and vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he shall determine.

(d) Transfer of shares

The Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. The instrument of transfer of a Share in certificated form may be in any usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any transfer of a Share which is not a fully paid Share, provided that the discretion is not exercised in such a way as to prevent dealings thereto from taking place on an open and proper basis. The Board may also refuse to register the transfer of any Shares unless (i) the transfer instrument is lodged with the Company, accompanied by the relevant share certificate(s) and such other evidence of the right of the transferor to make the transfer as the Board may reasonably require, (ii) the transfer instrument is in respect of only one class of Share and (iii) the transfer is not in favour of more than four transferees. If any of the above conditions is not complied with the Board may refuse to register the transfer in question. Where, in respect of any shares, any registered holder or any other person appearing to be interested therein fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25% in nominal amount of the issued shares of the relevant class, the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length or a transfer in consequence of a sale made through a recognised investment exchange. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

(e) Variation of rights

Subject to the Statutes, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the written consent of the holders of three-quarters in nominal amount of the issued shares of the affected class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders but not otherwise. The quorum at any such general meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, one person holding shares of the class in question or his proxy.

Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of the class held by them respectively. The rights or privileges attaching to any class of shares shall not, subject to the terms on which such shares may be issued, be deemed to be varied or abrogated by the creation or issue of new shares ranking *pari passu* with or subsequent to those already issued.

(f) Share capital, changes in capital and purchase of own shares

(i) Subject to the Statutes and without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution. Subject to the Statutes and to any rights conferred on the holders of any other shares, the Company may issue redeemable shares. Subject to the Articles and the Statutes, the power of the Company to allot and issue shares shall be exercised by the Board at such time, for such consideration and upon such terms and conditions as the Board may determine.

(ii) The Company may, by ordinary resolution, increase its share capital, consolidate and divide its share capital into shares of larger amount and, subject to the Statutes, sub-divide its shares or any of them into shares of smaller amount, and cancel any shares which, at the date of the passing of the resolution, have not been taken

or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(iii) Subject to the Statutes, the Company may, by special resolution, reduce its share capital, any redemption reserve and any share premium account in any way.

(iv) Subject to the Statutes, the Company may purchase all or any of its own shares of any class (as the case may be).

(g) Untraced shareholders

The Company may sell the shares of a member or person entitled on death or bankruptcy of a member if all dividends, warrants and cheques sent to such member or person have remained uncashed for a period of 12 years during which at least three dividends have been paid in relation to such shares and the Company has, at the expiration of such period, given notice in a daily national paper and an appropriate local newspaper of its intention to sell such shares and has informed the London Stock Exchange of such intentions. The Company shall be obliged to account to the member or such other person for the net proceeds of sale but no trust shall be created in respect of such debt and no interest shall be payable in respect thereof.

(h) Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company (a "Relevant Period"), distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) shall be prohibited. The Board shall establish a reserve to be called the Capital Reserve. During a Relevant Period, all surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off, of, or other dealing with, any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to the capital shall be credited to the Capital Reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off or other dealing with any investments or other capital assets and, subject to the Act, any expense, loss or liability (or provision in respect thereof) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the Capital Reserve shall be carried to the debit of the Capital Reserve. During a Relevant Period, all sums carried and standing to the credit of the Capital Reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that, notwithstanding any other provision of the Articles, no part of the Capital Reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period, any amount standing to the credit of the Capital Reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act) or applied in paying dividends on any shares in the Company.

(i) Duration and winding-up

The Board shall procure that, at the sixth annual general meeting of the Company and thereafter at three yearly intervals, an ordinary resolution will be proposed to the effect that the Company shall continue in being as a Venture Capital Trust for a further three-year period. If, at that meeting, such resolution is not passed, the Board shall, within four months of such meeting, convene a general meeting to propose a special resolution for the re-organisation or reconstruction of the Company and a special resolution to wind-up the Company voluntarily. If the special resolution to wind up the Company is not passed, the Company shall continue as a Venture Capital Trust.

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution and subject to any provision sanctioned in accordance with the Act, divide among the members in specie or in kind the whole or any part of the assets of the Company and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved, but no member shall be compelled to accept any assets in respect of which there is a liability.

(j) Rights and obligations of Directors

Save as provided in the Articles, no Director is permitted to vote on any matter in which he is materially interested (except as a shareholder). The Articles provide certain exceptions to this general rule. There are no regulations in the Articles preventing the Directors, in the absence of an independent quorum, from voting remuneration (including pensions or benefits) to themselves but no Director can be paid more than £50,000 per annum without an ordinary resolution of the shareholders of the Company. The Directors have general powers to borrow money on behalf of the Company provided that such borrowings do not exceed 0.5 times the adjusted capital and reserves of the Company. There is no age restriction on a person wishing to serve as a Director, but where a general meeting is held where a

person is being proposed for election or re- election as a director is aged 70 or more, the notice convening the meeting will state that fact.

*(k) Shareholder Meetings*

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as may be determined by the Directors. All General Meetings other than Annual General Meetings shall be called General Meetings. The Board may whenever they think fit convene an General Meeting of the Company and a General Meeting shall also be convened on such requisition or, in default, may be convened by the Board for a date not more than 28 days after the date of the notice convening the meeting. If at any time there are not in the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene a General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

An Annual General Meeting and a meeting called for the passing of a Special Resolution shall be called by 21 days notice in writing at least, and any other meeting of the Company shall be called by 14 days notice at least. The notice shall be exclusive of the day on which it is served or deemed to be served and the day for which it is given, and shall specify the place, day, hour of the meeting and in the case of special business, the general nature of that business. A notice calling an Annual General Meeting shall specify the meeting as such and a notice convening a meeting to pass a Special Resolution or an Extraordinary Resolution as the case may be shall specify the intention to propose the resolution as such. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not also be a member.

*(l) Borrowing Powers*

As part of its investment policy the Company will not borrow money for the purposes of making investments.

## **5. Directors' and Other Interests**

- (a) The Directors, including members of their immediate families, are the beneficial and registered owners of the Shares set out against their respective names below:

Name	No of Shares	Percentage
JBH Jackson	47,508	0.71
JLA Cary	27,500	0.41
MRHJ O'Regan	225,000	3.39
R Vessey	220,000	3.32

- (b) Save as set out in paragraph 5(a) above, none of the Directors has at the date of this document any interest, beneficial or otherwise, in any Shares which is or would be required to be notified to the Company and, save as aforesaid, no connected person of any Director has any interest of which that Director is (or could with reasonable diligence be) aware which would, if such connected person were a Director, require to be so notified or shown.
- (c) Each Director has a letter of appointment with the Company by which they agreed to act as a Director of the Company on 3 months notice. The Chairman is paid an annual salary of £7,500 and each other Director is paid a salary of £4,750. No expenses, amounts accrued for pensions, retirement or similar benefits and no other benefits are paid. No compensation is payable on termination of any Director's agreement.
- (d) At the date of this document, there are no loans outstanding granted by the Company to any Director nor are there any guarantees which are provided by the Company for the benefit of any Director.
- (e) J L A Cary is a director of and the controlling shareholder in Oxford Technology Management. Under an agreement dated 6 March 2000, Oxford Technology Management was appointed as the Investment Manager for a fixed term of 3 years from the date on which the Shares were first listed and terminable thereafter on 12

months' notice. Under this agreement, the Investment Manager has agreed (subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time) to manage or procure the management of the Company's investments on a discretionary basis in return for an annual management fee. The fee is currently 2 per cent of the total assets less the current liabilities (excluding contingent liabilities and monies borrowed to finance the acquisition or making of investments) of the Company. The Company has agreed to indemnify the Investment Manager against all or any actions, proceedings, losses, claims, demands and liabilities whatsoever arising out of the poor performance of the Investment Manager's duties. There are no value or time limits attached to the indemnity other than the statutory time limit of six years.

- (f) The Investment Manager and the Independent Directors will receive a performance incentive. Once the cumulative amount distributed to Shareholders by way of dividends or capital distributions has reached 100p (gross) per Share, every further 100p (gross) distributed will be divided 80 pence to the Shareholders, 15p to the Investment Manager and 5p to the Independent Directors.
- (g) Conflicts of Interest may arise in respect of (i) Lucius Cary's position as a director of and the controlling shareholder in Oxford Technology Management (as set out in paragraph 5 (e) above) and (ii) any potential co-investments made by Directors (as set out in paragraph 7 of Part 1 of this Document). The Company has put in place policies to manage these conflicts whereby all potential related party transactions are discussed and agreed by the independent directors. Save for (i) and (ii) above there are no conflicts of interest between any duties to the issuer, of the Directors, Investment Manager or Related Parties and their private interests as well as with major shareholders of the Company since its incorporation.
- (h) It is estimated that the aggregate amount payable to the Directors by the Company for the financial period ending 28 February 2010 under the arrangements in force at the date of this document will not exceed £27,000.
- (i) So far as the Company is aware, no person other than a member of the administrative, management or supervisory bodies directly or indirectly has an interest in the issuer's capital or voting rights which is notifiable under the Company's national law.
- (j) In addition to two of the Directors, Messrs O'Regan and Vessey, each of whom owns more than 3 per cent of the issued Shares, the Company has been notified by Starcap ANS, a family investment company, that it holds 500,000 Shares representing 7.5 per cent of the issued Shares. None of the Company's major shareholders have voting rights different from other holders of Shares.
- (k) Save for the Directors, there are no employees of the Company.
- (l) It is estimated that the aggregate amount payable to the Investment Manager by the Company for the financial period ending 28 February 2010 under the arrangements in force at the date of this document will not exceed £70,000.

## **6. Investment, Valuation Policy and Investment Restrictions**

- (a) The Company's investment policy is set out in Part 1 of this document. In the absence of unforeseen circumstances, no material change in that policy will be made without the approval of Shareholders.
- (b) The method of valuation of Qualifying Investments used by the Company will conform to the International Private Equity and Venture Capital Valuation Guidelines.
- (c) The following Venture Capital Trust requirements will be met and will continue to be met:
  - (i) the Directors and the Investment Manager will have sufficient and satisfactory experience in the management of investments of the type in which the Company proposes to invest;
  - (ii) the Board will act independently of the Investment Manager and the majority of the Board will not be directors or employees or former directors or employees of, or professional advisers to the Investment Manager or any other company in the same group as the Investment Manager;
  - (iii) none of the Company's investments, other than in a VCT or a company which would qualify as a VCT if it were listed, will represent more than 15% by value of its investments. This is an HMRC requirement and is intended to ensure that not more than 15% of any VCT fund is invested in a single company. For the purposes of this particular rule, HMRC's valuation rules are applied, which, in practice, normally equates to cost;
  - (iv) until such time as it has obtained approval as a VCT from HMRC, the Company will not control any company in which it invests in such a way as to render it a subsidiary undertaking of the Company;

(d) The Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with this published investment policy.

This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 ITA.

(e) The Company is not required to be, and is therefore not, regulated by the Financial Services Authority. In order to obtain venture capital trust status, the Company must, however, be approved by HMRC. The conditions which must be satisfied to obtain and retain such status are set out in full in Part 3 and they include the following:

(i) at least 70% by value of the Company's investments (including any uninvested funds held) must be represented by shares or securities in Qualifying Holdings, of which at least 30% by value must be represented by holdings of ordinary shares carrying no preferential rights; additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;

(ii) not more than 15% by value of the Company's investments can be held in a single company or group (other than a VCT) and the Company must not control the companies in which it invests in such a way as to render them subsidiary undertakings; and

(iii) the Company is limited to investing up to £1 million per Income Tax Year per Qualifying Holding.

(f) The Company is regulated by Part 6 ITA in respect of the investments it makes. In respect of any breach of Part 6 ITA, the Company will report the matter immediately to HMRC.

(g) The Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest up to 15% of their total assets in other listed closed-ended investment funds.

(h) The Company will not invest directly in any physical commodities.

(i) The Company will not invest in any property.

(j) The Company will not invest in any derivatives or currencies save for efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.

(k) The Company will not conduct any trading activity which is significant in the context of its group as a whole.

(l) The net asset value of the Company will be determined twice a year, concurrent with the interim and annual announcements in accordance with the International Private Equity and Venture Capital Association ("IPEVC") valuation guidelines. The value of investments will be determined according to their listing status.

Quoted securities will be valued at bid price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the IPEVC guidelines.

Unquoted investments will be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The net asset value of the Company will be communicated to investors through a Regulatory Information Service provider at the same frequency as the determinations.

In the event of any suspension valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisors.

(m) The Company does not intend to appoint an external custodian and its assets (other than the Non-Qualifying Investments) will be held in certificated form.

(n) The Directors do not anticipate any circumstances arising under which the calculation of the net asset value may be suspended. Should the determination of net asset value differ from that set out above then this will be communicated to investors in the Company through a Regulatory Information Service provider.

## **7. Material Contracts**

The following contracts, being (i) contracts not in the ordinary course of business entered into by the Company in the two years preceding this document and/or (ii) contracts which are or may be material or contain a provision under which the Company has an obligation or entitlement which is material to the Company at the date of this document, have been entered into:

- (a) an investment management agreement dated 6 March 2000 more particularly described in paragraph 5(e) above;
- (b) an agreement dated 8 September 2009 between the Company, the Directors and Beaumont Cornish under which Beaumont Cornish has agreed to act as sponsor to the Company for the purposes of this Prospectus in return for a fee of £2,500 plus VAT.

## **8. Taxation of the Company**

- (a) The Company is resident for tax purposes in the United Kingdom. The Company intends to comply with and to continue to satisfy the conditions for approval as a Venture Capital Trust laid down in section 842AA of the Income and Corporation Taxes Act 1988 (as amended). Under current legislation, the Company will be exempt from UK taxation on capital gains realised while it is approved as a Venture Capital Trust.
- (b) The Directors have been advised that, at the date of this document, the Company is not a close company. If the Company were a close company in any accounting period, approval as a Venture Capital Trust would be withdrawn.
- (c) The income of the Company will be derived wholly or mainly from shares or other securities. Dividends received from Investee Companies will not be subject to tax in the hands of the Company. Other income will be subject to UK corporation tax after relief of allowable expenses.

## **9. General**

- (a) The Company does not have, nor has it had since incorporation, any employees or any subsidiary companies.
- (b) The Company is not and has not since its incorporation been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the Company's financial position or profitability.
- (c) It is estimated that the expenses (including VAT) of and incidental to the production of this prospectus, will not exceed £15,000.
- (d) The Company does not assume responsibility for the withholding of tax at source.
- (e) The capital of the Company is largely invested in unquoted companies which pay little or no dividends. In such circumstances the Company shall be entitled to pay management expenses from capital.
- (f) In making any investment decision in Shares, no information or representation should be relied on in relation to the Company or its shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date hereof or that the information herein is correct as of any time subsequent to the date of this document.
- (g) James & Cowper LLP, chartered accountants and registered auditors, of Buxton Court, 3 West Way, Oxford OX2 0JB were appointed as auditors to the Company on 7th September 2004. James & Cowper LLP (and its predecessor firm, James & Cowper) replaced Grant Thornton, who were the Company's auditors between incorporation and 2004.
- (h) Since 31 August 2009, the date to which the latest interim accounts of the Company has been prepared, there has been no significant change in the financial or trading position of the Company.

- (i) The Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the period of 12 months from the date of this document.
- (j) The Company is of the opinion that its working capital is sufficient for its present requirements that is for the next twelve months from the publication of this prospectus.
- (k) All of the Company's assets will be held in its own name
- (l) Beaumont Cornish Limited has given and has not withdrawn its consent to the issue of this document with the inclusion herein of its name and references hereto in the form and context in which they appear.

## 10. Capitalisation and Indebtedness

The table set out below shows the capitalisation as at 31 August 2009, the last date in respect of which financial information on the Company has been published.

	31 August 2009 £'000
<b>Total Current Debt</b>	Nil
Guaranteed	Nil
Secured	Nil
Unguaranteed/secured	Nil
<b>Total non-current debt</b>	Nil
Guaranteed	Nil
Secured	Nil
Unguaranteed/secured	Nil
<b>Shareholders' Equity</b>	3,082
Share Capital	663
Share Premium	237
Other Reserves	2,141

The following table shows the Company's net indebtedness as at 31 August 2009:

		31 August 2009 £'000
A	Cash	406

B	Cash Equivalents	nil
C	Trading Securities	nil
<b>D</b>	<b>Liquidity (A+B+C)</b>	406
E	Current Financial Receivable	Nil
F	Current Bank Debt	Nil
G	Current Position of Non-Current Debt	Nil
H	Other Current financial debt	nil
<b>I</b>	<b>Current financial debt (F+G+H)</b>	nil
<b>J</b>	<b>Net current financial indebtedness (I-E-D)</b>	(406)
K	Non-current bank loans	nil
L	Bonds issued	nil
M	Other non-current loans	nil
<b>N</b>	<b>Non-current financial indebtedness</b>	nil
O	Net financial indebtedness	nil

There is no indirect nor contingent indebtedness.

#### **11. Documents available for inspection**

Copies of the following documents may be inspected during normal business hours on any weekday (with the exception of Saturdays, Sundays and public holidays) until 30<sup>th</sup> January 2010 at the registered office of the Company at Magdalen Centre, The Oxford Science Park, Oxford OX4 4GA :-

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in paragraph 7 above
- (c) Directors' letters of appointment referred to in paragraph 5(c) above;
- (d) the accounts and audit report for each financial period from incorporation to 28 February 2009 and the Company's unaudited interim accounts for the period from 1 March 2009 to 31 August 2009.

Dated: 23 December 2009

## **DIRECTORS AND ADVISERS**

<b>Directors</b>	John Bernard Haysom Jackson (Chairman) John Lucius Arthur Cary Michael Rowan Hamilton John O'Regan Richard Charles Vessey all of:
<b>Registered Office</b>	Magdalen Centre The Oxford Science Park Oxford OX4 4GA
<b>Company Secretary</b>	James Gordon
<b>Investment Manager</b>	Oxford Technology Management Limited Magdalen Centre The Oxford Science Park Oxford OX4 4GA
<b>Sponsor and Financial Adviser</b>	Beaumont Cornish Limited 2 <sup>nd</sup> Floor Bowman House 29 Wilson Street London EC2M 2SJ
<b>Auditors, Tax Advisers and VCT Compliance Advisers</b>	James & Cowper LLP Willow Court 7 West Way Oxford OX2 0JB
<b>Registrar</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Bankers</b>	HSBC Bank 65 Cornmarket Street Oxford OX1 3HY

## DEFINITIONS

The following definitions are used throughout this document, except where the context otherwise requires:

"Act"	Companies Act 1985 (as amended)
"OT1"	Oxford Technology Venture Capital Trust plc
"OT2", or "the Company"	Oxford Technology 2 Venture Capital Trust plc
"OT3"	Oxford Technology 3 Venture Capital Trust plc
"OT4"	Oxford Technology 4 Venture Capital Trust plc
"OTVCTs"	OT1, OT2 OT3 and OT4
"CREST"	the computerised settlement system to facilitate the transfer of title in shares in uncertified form operated by CRESTCo Limited
"Directors" or "Board"	the directors of the Company, whose names appear in Part 1 of this document
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000 and subordinate legislation made under the Act
"HMRC"	HM Revenue & Customs
"ICTA"	Income & Corporation Taxes Act 1988, as amended
"Independent Directors"	directors independent of the Investment Manager
"Investee Company"	a company in which OT2 makes an investment
"Investment Manager"	
or "Oxford Technology Management"	Oxford Technology Management Limited, the Investment Manager of OT2, authorised and regulated by the FSA
"IPO"	Initial Public Offering
"Listing Rules"	the Listing Rules of the UK Listing Authority
"London Stock Exchange" or "LSE"	London Stock Exchange plc
"Main Market of the LSE"	the Main Market of the London Stock Exchange
"Official List"	the official list of the UK Listing Authority
"Qualifying Company/ies"	unquoted companies carrying on a qualifying trade wholly or mainly in the United Kingdom and which satisfy certain other conditions as defined in Schedule 28B ICTA
"Qualifying Investment"	an investment made by OT2 in an unquoted company which is a qualifying holding for a VCT under ICTA
"Relevant Shares"	the 634,582 Shares issued by the Company on 3 April 2008 and 3 April 2009
"Related Party"	a related party of the Company as defined under the Listing Rules.
"Shares"	ordinary shares of 10p each in the capital of the Company, ISIN code GB00B01H4V84
"Shareholders"	holders of Shares
"UK Listing Authority" or "UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"VAT"	Value Added Tax
"Venture Capital Trust" or "VCT"	a company which is, or is seeking to be, approved as a venture capital trust pursuant to Section 842AA of ICTA