Oxford Technology 3 Venture Capital Trust Plc

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Annual Financial Statements
For the Year Ended 28 February 2017

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About Oxford Technology 3 VCT Plc

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. This was achieved by offering VCT investors a series of tax benefits. Oxford Technology 3 VCT Plc (OT3) was listed on the London Stock Exchange in 2002. It raised £5.4m in 2002-03. Further top-up offers have raised an additional £995k.

The Company is managed by OT3 Managers Ltd with services subcontracted to Oxford Technology Management Ltd. It has built a balanced portfolio of investments with the following characteristics at the time of the initial investment:

- Unlisted, UK based, science, technology and engineering businesses; investee company Scancell Holdings Plc and Abzena have subsequently listed on AIM;
- Investments typically in the range of £100k to £500k;
- Generally located within approximately 60 miles of Oxford so that the Company can be an active investor.

The key feature of Oxford Technology 3 VCT is that it has focussed on investing in early stage and start-up technology companies. The returns from such investments when successful can be highly attractive but the associated risks are high.

OT3 has been approved as a VCT by HMRC throughout the year and continues to comply with all statutory requirements.

Financial Headlines

	Year Ended 28 February 2017	Year Ended 29 February 2016
Net Assets at Year End	**£5.60m**	**£6.89m**
Net Asset Value per Share	**82.5p**	**101.6p**
Dividend per Share paid in Year	**15.0p**	**7.0p**
Cumulative Dividend per Share	**32.0p**	**17.0p**
NAV + Cumulative Dividend paid per Share from Incorporation	**114.5p**	**118.6p**
Proposed Final Dividend per Share	**4.0p**	**-**
Share Price at Year End	**52.5p**	**62.5p**
Earnings per Share (Basic & Diluted)	**(4.1)p**	**13.0p**

Strategic Report

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

The Report consists of the Chairman's Statement which looks at future prospects for the Company, a Business Review which includes analysis of the principal risks and an Investment Portfolio Review which looks at the performance of the Company's investments over the past year.

The Company's objective is to continue to work with its investee companies to help them succeed and to seek exits as and when appropriate. The aim is to provide a capital return to investors with dividend payments once exits have been achieved. The focus of the fund is on supporting existing investees.

Chairman's Statement

I am pleased to present my annual report for the year to 28 February 2017 to fellow shareholders.

Overview

Last year, it was pleasing to report that there had been some positive progress within our portfolio with the sale of Telegesis for £3.3m, which enabled the payment of a 7.0p per share dividend and followed this year by a 15.0p per share interim dividend on 13 May 2016. Following the sale of Allinea the Board is now recommending a final capital dividend of 4.0p per ordinary share. Subject to shareholder approval, the dividend will be paid on 21 July 2017 to ordinary shareholders on the register on 30 June 2017.

This year, we have invested over £1m in 6 follow-on fundings to support our portfolio: Ixaris (£425k), Arecor (£200k), Plasma Antennas (£200k), Orthogem (£100k), Immbio (£50k) and Scancell (£34k). Glide Pharmaceutical Technologies ("Glide") also raised money during the year but on such unattractive terms that OT3 chose not to participate. Whilst your company only holds two AIM stocks both Scancell and Abzena showed significant falls in share price during the year.

Portfolio Review

The net asset value per share on 28 February 2017 was 82.5p after payment of a 15p interim dividend compared to 101.6p on 29 February 2016. The earnings per share in the year to 28 February 2017 were a loss of 4.1p. Thus at 28 February 2017, the Total Return is 114.5p. The 4% decrease in net asset value after the dividend has been primarily driven by a reduction in the value of Glide.

The Company still contains 14 holdings at different stages of development. The Directors continue to monitor all investee companies, looking for the optimum time to realise your Company's investment in them.

OT3 continues to invest in support of its portfolio as companies develop. It has not been affected by the recent changes in VCT legislation, given the types of investments OT3 makes, and the fact that all are existing investees who have previously received financing from OT3.

£425k was invested in Ixaris when an opportunity arose to convert our warrants on attractive terms. Ixaris continues to make good progress. As a result of our warrant conversions and

improved Ixaris sales the valuation has increased and now represents 47% of the OT3 NAV.

£200k was invested in Arecor to support its transition from a research-led company to a product-led company including an initiative with the US Juvenile Diabetes Research Foundation for the delivery of ultra-concentrated rapid acting insulin. In February 2017, Arecor was awarded a £1m grant from Innovate UK towards clinical trials.

£200k was invested in Plasma Antennas. The company continues to be in discussion with several large players particularly around 4G and 5G telecommunications.

£100k was invested in Orthogem to enable it to register its new product TriPore Putty. The synthetic bone market has moved significantly towards putties, and the commercial launch of their new product in 2017 is expected to have a significant impact on sales.

£50k was invested into ImmBio to support the completion of their First-in-Human study of their novel vaccine, PnuBioVax™, against the bacterial pathogen Streptococcus pneumoniae. PnuBioVax was found to be safe and well tolerated, and capable of producing antibody responses against key S. pneumoniae antigens broadly conserved across strains. The company is now in detailed discussions with larger organisations regarding commercialisation.

£34k was invested in Scancell in last year's Placing and Open Offer. Although we invested to the maximum level permitted by VCT rules, our equity stake was diluted a little as a result. The Scancell share price has declined since the placing. However the company is making good progress with the development of novel immunotherapies for the treatment of cancer. Scancell now has a much improved balance sheet, enabling it to continue to push ahead with its commercial activities: Scancell is now active in the USA, has hired additional commercial staff and has announced several new initiatives relating to its ImmunoBody platform, *inter alia* a planned multicentre clinical trial that aims to demonstrate an increase in response rates when SCIB1 is added to checkpoint inhibitor monotherapy and a partnership with the Addario Lung Cancer Medical Institute to advance SCIB2 to treat non-small cell lung cancer. Scancell is also developing its Moditope platform with first-in-man clinical studies for breast cancer, ovarian cancer and osteosarcoma anticipated to commence in 2018.

Glide was anticipating an AIM flotation, but needed to raise pre-IPO funding. Despite considerable interest, the eventual offer that the company accepted was at an extremely high discount to previous rounds and has a significant preference ahead of ordinary shareholders. Combined with existing preferences from earlier funding rounds, this has resulted in a significant write down in valuation. This is highly disappointing for OT3 as the initial investor in the company. OT3 chose not to invest as the advantageous terms were not available to OT3.

Further details on these investments are contained within the Investment Portfolio Review. Allinea was sold in December 2016 for an initial payment of £286k for an 18x increase over investment cost with some further small conditional payments due in 2017. The full list of the Company's investments is shown on Page 13, with details of all investees on our website.

We continue to seek opportune moments to maximise value from our portfolio, but we do not currently foresee any further major liquidity events soon.

Dividends/Return of Capital

The ongoing strategy is to seek to crystallise value from the portfolio and distribute cash to shareholders via dividend payments when the opportunity arises. Following the sale of Allinea the Directors are recommending a final dividend of 4.0p per ordinary share for the year ended 28 February 2017. Subject to shareholder approval, the dividend will be paid on 21 July to ordinary shareholders on the register on 30 June 2017.

Continued Improvements to Cost Effectiveness and VCT Market Changes.

Following the reduction of fees implemented at the start of the previous financial year, your Board continues to look at methods of reducing running costs as well as improving liquidity for shareholders who wish to realise their holdings.

Shareholders may be aware of some significant changes to the VCT market in recent years. Changes to pension tax reliefs are driving investors to look for alternatives – coupled with a reduced supply of tax efficient investment opportunities, this has resulted in exceptional demand from investors wishing to subscribe for VCTs. Changes to VCT legislation have been made to target more VCT money towards the types of earlier stage companies that OT3 has invested in. This may present an opportunity for your VCT.

Several options are being explored, and your Board is hoping to bring forward proposals later in the year which may increase options for shareholders.

In the interim the Board would like to have the flexibility to buy back shares and is therefore proposing a buyback resolution at the AGM. This will be proposed as an Ordinary Resolution in accordance with the Companies Act 2006 (Amendment of Part 18) Regulations 2013.

Audit Tender

New legislation has been introduced in the UK on audit firm rotation, resulting from the new European Audit Regulation Directive, making it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years. An audit firm can, however, be appointed for up to twenty years provided a public tender process has been carried out after ten years. The Company has therefore recently conducted an audit tender process. The Board, on the recommendation of the Audit Committee, has decided to recommend the re-appointment of James Cowper Kreston as the Company's external auditor. For further information on the audit tender, please see the Audit Committee section of the Corporate Governance Statement on pages 31 and 32 of this Annual Report.

AGM

Shareholders should note that the AGM for the Company will be held on Wednesday 5 July 2017 at the Magdalen Centre, Oxford Science Park, starting at 11am and will include presentations by Oxford Technology Management and some of the companies that the Oxford Technology VCTs have invested in.

A formal Notice of the AGM has been enclosed with these Financial Statements together with a Form of Proxy for those not attending. We appreciate the input of our shareholders and look forward to welcoming as many of you as possible on the day.

Outlook

The year under review was dominated by two major political events, the UK's vote to leave the European Union and the election of Donald Trump to the office of US President. In the case of the EU referendum, the leave result triggered a significant fall in the value of sterling, and it has so far remained weak. This in turn led to the increase in valuation of UK larger companies, which have a bias towards overseas earnings.

The more immediate impact on our own UK smaller investees has been to improve those with overseas revenues in sterling terms while increasing the costs for those with foreign activities or imports. These impacts are not yet material. The longer term UK/EU trading issues will take time

to emerge but clearly one impact is that our investee company sterling valuations now look more attractive to overseas buyers.

Post referendum the new Theresa May government has retained the VCT model although we anticipate it will continue to be kept under review to ensure that it delivers value to the taxpayer. The Oxford VCTs have operated and continue to operate very much in the spirit of the VCT legislation by investing in and subsequently supporting early stage technology companies. Unfortunately the current VCT rules sometimes limit the amount of follow on investment that we are able to make.

Whilst this year has contained some disappointing news, the Board's outlook has not changed from a year ago. The portfolio is now dominated by our Ixaris and Scancell holdings but the remainder is quite diversified. Your Board monitors each investee, with clear views as to the value milestones which will allow investments to be realised. We continue to work to maximise value for shareholders and will, as per our stated strategy, seek to crystallise this value and return value to shareholders when liquidity allows.

Robin Goodfellow
Chairman
10 May 2017

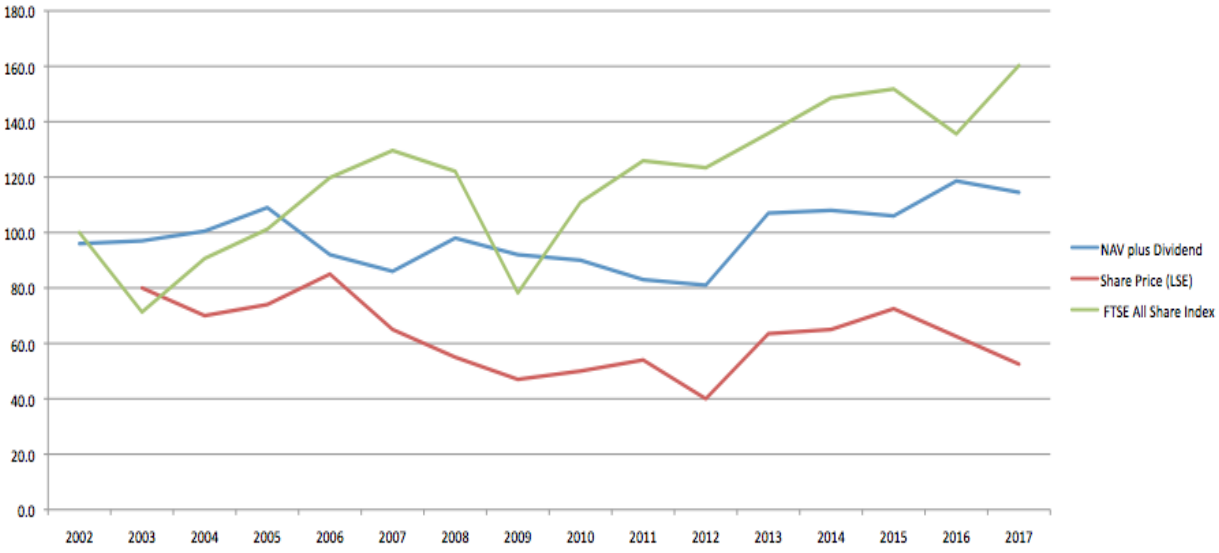
Business Review

Company Performance

The Board is responsible for the Company's investment strategy and performance. The services regarding the creation, management and monitoring of the investment portfolio are subcontracted to Oxford Technology Management by the Company's Investment Manager, OT3 Managers Ltd.

There was a net loss for the period after taxation amounting to £280,000 (2016: profit of £883,000). The income statement comprises income of £84,000 (2016: £19,000) received from investee companies, realised gains of £154,000 (2016: £1,333,000), unrealised losses on fair value of investments of £417,000 (2016: loss of £414,000) less management and other expenses of £124,000 (2016: £127,000) and release of performance fee accruals giving a gain of £23,000 (2016: gain of £72,000).

The graph below compares the NAV return of the Company from 2002 with the total return from the FTSE All-Share Index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of VCT rules and are very limited in the types of investment that can be made. All measures are rebased to 100 at the start date of the fund.



Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV and total return per share, is also measured against the FTSE All-Share index. This is shown in the graph above. This index has been adopted as an informal benchmark. The review of the investment portfolio on page 11 includes a review of the Company's activities and the Chairman's statement comments on future prospects.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the

"Going Concern" provision. The Company last raised funds in 2010, and so the minimum five year holding period required for subscribing investors to benefit from the associated tax reliefs has now passed. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a three year period is therefore considered to be an appropriate and reasonable time horizon.

The Board has carried out a robust assessment of the principal risks facing the Company and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 29 February 2020.

Risk Management Objectives and Policies

The Board carries out a regular review of the risk environment in which the Company operates.

Investment risk – The majority of investments are early stage unquoted companies which are VCT qualifying holdings. This inherently entails a higher level of risk and lower liquidity than investments in large quoted companies. The Directors sought to reduce this risk through careful selection of potential investee companies prior to investment; the Directors continue to carefully monitor existing investee companies.

VCT qualifying status risk – The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status as amended by subsequent legislation. In particular, the Finance (No. 2) Act 2015 has placed additional restrictions on how funds can be deployed as mentioned in the Chairman's Statement. The loss of such approved status could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment as well as any previously deferred capital gains coming back into charge. The Board keeps the Company's VCT qualifying status under regular review.

Financial risk – The Company is exposed to market price risks and to a limited extent to credit risk, liquidity risk, fair value and cash flow interest rate risks. All of the Company's income and expenditure is denominated in sterling and hence the Company has no direct foreign currency risk. The Company does not use derivative financial instruments.

Regulatory risk – The Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Internal Control

The Directors are responsible for the Company's system of internal control. The Board has adopted an internal operating and strategy document for the Company. This includes procedures for the selection and approval of investments, the functions of the Investment Manager and exit and dividend strategies. Day to day operations are delegated under agreements with the Investment Manager who has established clearly defined policies and standards. These include

procedures for the monitoring and safeguarding of the Company's investments and regular reconciliation of investment holdings.

This system of internal control, which includes procedures such as physical controls, segregation of duties, authorisation limits and comprehensive financial reporting to the Board, is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed, with its Investment Manager, the operation and effectiveness of the Company's system of internal control for the financial period and the period up to the date of approval of the financial statements.

The Board has continued to prepare the financial statements in accordance with UK Financial Reporting Standards rather than International Financial Reporting Standards. This is permitted as the financial statements present the results of an individual company rather than a group.

Gender and Diversity

The Board consists of four male non-executive Directors of various ages, backgrounds and experience. The gender and diversity of the constitution of the Board will be reviewed on an annual basis.

Environmental Policy, Greenhouse Gas Emissions and Human Rights Issues

The Board recognises the requirement under Section 414c of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies.

Given the size and nature of the Company's activities and the fact that it has no full-time employees and only four non-executive Directors, the Board considers there is limited scope to develop and implement social and community policies. However, the Company recognises the need to conduct its business in a manner responsible to the environment where possible.

Robin Goodfellow
Chairman
10 May 2017

Investment Portfolio Review

OT3 was formed in 2002 and invested in a total of 38 companies, all start-up or early stage technology companies. Some of these companies failed with the loss of the investment. Some have succeeded and have been sold. Dividends paid to shareholders to date are 32p per share. The table on page 13 shows the companies remaining in the portfolio. A more detailed analysis is given of the most significant investments on the following pages.

During the year Allinea, provider of software for parallel computing companies was sold to ARM Holdings, the world's leading semiconductor IP Company, for a total cash consideration of up to £18.1million. The software Allinea sells is used in high performance computing software development, debugging and performance optimisation in roughly 70% of the world's largest supercomputers. It was a good fit with ARM's increased activities in multi-core computing. OT3 VCT had invested £15k and has received £286k to date.

The portfolio contains several other investees which are showing promise and which have the potential to deliver significant returns.

OT3 first invested £110,000 in Ixaris Systems Ltd in 2002 when the company consisted of just three founders with an idea for a transaction-based financial solution that would give anyone the ability to pay online. Ixaris sales increased from just under £11m in the year to December 2015 to slightly over £13m in the year to December 2016. Currently, Ixaris is undertaking a reorganisation in which Entropay, IxTec and IxSol will become subsidiaries of the Ixaris Group.

Scancell, in which OT3 first invested in 2003 when the company was based in a University Lab, is now AIM listed. Scancell is developing novel immunotherapies for cancer, based on two platform technologies known as Immunobody and Moditope. Results from Scancell's first clinical trial for the treatment of melanoma have been excellent. At the start of the trial, the patients had life expectancies measured in months. Five years later 15 of the 16 patients are still alive. Unfortunately Scancell has not yet found a pharma partner to take this forward. However, the company is now planning a new study in the US which, if successful, is expected to create a great deal more interest. The study which will evaluate SCIB1 in combination with pembrolizumab, a checkpoint inhibitor drug, will be run by leading melanoma specialist Dr Keith Flaherty and several other top investigators. Scancell is now starting work on a second Immunobody product (SCIB2) for the treatment of lung cancer in collaboration with the Addario Lung Cancer Medical Institute. The first patients are expected to enter the trial in 2018 and the trial should complete in c 18 months. Scancell raised £6.2m during the year.

Arecor is making encouraging progress. In particular it is developing its own products for the better treatment of diabetes. In February 2017, Arecor won a grant of just over £1m to help with this progamme. Arecor has signed a £45m license deal regarding insulin glargine with India's largest privately held pharmaceutical company, Cadila. Details of the deal have not been disclosed.

Plasma Antennas has developed a range of next generation smart selectable antenna technologies and has a prototype of a true plasma antenna, which it is hoped may be at the centre of tomorrow's communications systems. Plasma Antennas is currently in discussions with three large electronics companies. It is hoped that a partnership deal can be concluded with one or more of them or with another.

£50,000 was invested in March 2016 into ImmBio to help support the commercialisation of the Pneumonia vaccine which had a successful phase 1 clinical trial in spring 2016. Discussions with potential licensees are progressing satisfactorily, but of course nothing will be certain until deals are actually signed.

Despite having a successful clinical trial in summer 2016, in December Glide raised capital on terms which were very unfavourable to the early shareholders, resulting in a significant reduction in the valuation of OT3's shareholding.

New Investments

There were six follow on investments during the year of £100,000 into Orthogem, £200,000 into Arecor, £425,000 into Ixaris, £200,000 into Plasma, £50,000 into ImmBio, and £34,000 into Scancell. All new investments have complied with both EU State Aid rules and HMRC VCT rules.

Disposals during the year

Allinea was sold during the year and OT3 received £286k from its original investment of £15k. Concurrent Thinking, previously written down to zero, went into liquidation.

Valuation Methodology

Quoted and unquoted investments are valued in accordance with current industry guidelines that are compliant with International Private Equity and Venture Capital Valuation Guidelines and current financial reporting standards.

VCT Compliance

Compliance with the main VCT regulations as at 28 February 2017 and for the year then ended is summarised as follows:

Type of Investment By HMRC Valuation Rules	**Actual**	**Target**
VCT Qualifying Investments	80%	Minimum obligation of: 70%
Non-Qualifying Investments	20%	Maximum allowed: 30%
Total	100%	100%

At least 10% of each investment in a qualifying company is held in 'eligible shares' – Complied.

No more than 15% of the income from shares and securities is retained – Complied.

No investment constitutes more than 15% of the Company's portfolio (by value at time of investment) – Complied.

No investment made by the VCT has caused the company to receive more than £5m of State Aid investment in the year – Complied.

Table of Investments held by Company at 28 February 2017

Company	Description	Date of initial investment	Net cost of investment £'000	Carrying value at 28/02/17 £'000	Change in value for the year £'000	% equity held OT3	% equity held by all OTVCTs	%Net Assets
Ixaris	Internet payments	Aug 2002	643	2,650	977	7.6	7.6	47.3
Scancell Quoted on AIM (Bid Price 14.0p)	Cancer therapeutics	Dec 2003	359	648	(127)	1.8	4.4	11.6
Arecor	Protein stabilisation	Jul 2007	224	256	209	2.6	11.4	4.6
Plasma Antennas	Directional antennas	Sep 2004	308	251	174	12.4	45.3	4.5
ImmBio	Novel vaccines	May 2003	400	237	50	4.4	13.9	4.2
Orthogem	Bone graft material	Dec 2004	234	142	100	10.9	29.5	2.5
Select Technology	Photocopier Interfaces	Nov 2004	47	129	(15)	2.8	58.6	2.3
Abzena Quoted on AIM (Bid Price 36.5p)	Protein & peptide drugs	Nov 2002	69	73	(25)	0.1	0.2	1.3
Insense	Wound healing	May 2003	333	60	16	2.3	6.8	1.1
Glide Technologies	Needle free injector	Nov 2003	225	48	(766)	3.2	8.8	0.9
Inaplex	Data transformation software	Mar 2003	58	22	-	13.3	34.8	0.4
Invro	Low power electronics	Apr 2004	40	20	-	33.1	33.1	0.4
Metal Nanopowders	Production of metal powders	Nov 2002	153	13	-	20.0	36.7	0.2
Superhard Materials	Production of hard materials	Feb 2012	11	3	(3)	21.8	40.0	0.1
Microarray	Insense spinout	Dec 2013	2	-	-	0.2	0.2	-
Concurrent Thinking	Cluster computing	Nov 2009	97	-	-	2.0	2.0	-
Total			3,203	4,552	590			
Other Net Assets				1,043				18.6
NET ASSETS				**5,595**				100

Number of shares in issue: 6,785,233
Net Asset Value per share at 28 February 2017: 82.5p
Dividends per share paid to date: 32.0p

The table shows the current portfolio holdings. The investments in Ciphergrid, Concurrent Thinking, Coraltech, Datasoft Medical, Freehand Surgical, IFM, Im-Pak, Inscentinel, Novarc, OST, Promic, ReviveR, and Streamline Computing have been written off. The investments in Avidex, Archimed, BioAnaLab, Commerce Decisions, Dataflow, MET, Telegesis, Equitalk and Allinea have been sold. Some shares in Abzena have been sold.

Ixaris

www.ixaris.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Ixaris	August 2002	£643,288	£2,649,639	£977,069	7.6%

OT3 first invested £110,000 in Ixaris Systems Ltd in 2002 when the company consisted of just three founders with an idea for a transaction-based financial solution that would give anyone the ability to pay online. Today, Ixaris specialises in developing innovative global payment applications based on established and emerging global payments networks to offer both consumers and businesses convenient access to real-time payments.

Ixaris' consumer payment service, EntroPay, enables those who are unwilling or unable to access credit card services to spend online and enter the financial mainstream. EntroPay delivers a Virtual Visa card that works like other Visa debit cards, but is delivered electronically to a user's computer instead of via a plastic card. EntroPay Virtual Visa cards can be created at the time they are needed, and a new one can be created for each transaction, making EntroPay one of the most secure methods of paying anywhere online.

Today Ixaris consists of three parts. Entropay which is widely used and generating sales, positive cash flow and profits. IxTec which is the development arm, developing improved payment solutions for the future, partly using the substantial H2020 grant awarded in 2015. Lastly IxSol offers payment solutions which companies can brand and use in their businesses. The travel industry is a major user of Ixaris systems, since they simplify the problems associated with making multiple payments in multiple currencies, as for example when arranging a holiday for a large group which will be visiting several countries and staying in hotels and travelling.

Ixaris sales increased from just under £11m in the year to December 2015 to slightly over £13m in the year to December 2016.

The company is valued using a revenue multiple with the loan of £108k held at cost.

Scancell

www.scancell.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Scancell	December 2003	£358,999	£647,629	(£126,907)	1.8%

Scancell is an AIM listed biotechnology company in which Oxford Technology VCT was one of the original investors in 1999 when Professor Lindy Durrant, Scancell's founder was based in a university lab in Nottingham. OT3 owns 4,625,920 shares in Scancell.

Scancell is developing novel immunotherapies for cancer based on two platform technologies, known as ImmunoBody and Moditope. SCIB1, Scancell's first ImmunoBody, is being developed for the treatment of melanoma and is in Phase II clinical trials. In theory, these Scancell technologies could be used to treat many common forms of cancer, including breast and prostate. Data from the trials to date is encouraging and demonstrate that SCIB1, when used as monotherapy, has a marked effect on tumour load, produces a melanoma-specific immune response and highly encouraging survival trend without serious side effects.

Data published in March 2015 demonstrated that animals treated with a combination of SCIB2, Scancell's ImmunoBody vaccine in development for the treatment of lung, oesophageal, prostate and other epithelial cancers, and checkpoint inhibition showed enhanced tumour destruction and significantly longer survival times than when either treatment was used alone which is positive news.

In January 2017, Scancell announced a collaboration with the Addario Lung Cancer Medical Institute (ALCMI) to study the second ImmunoBody product in lung cancer. ALCMI plans to assist Scancell in the design and development of a Phase 1/2 clinical trial with SCIB2 in patients with NSCLC which is planned to begin in 2018 and complete approximately 18 months later.

Scancell has also identified and patented a series of modified epitopes that stimulate the production of killer CD4+ T cells that destroy tumours without toxicity. The directors of Scancell believe that the Moditope platform could play a major role in the development of safe and effective cancer immunotherapies in the future.

Scancell remains a high risk investment – clinical trials can go either way, but if the trials continue to go well, we would expect to see a significant increase in the share price. The whole area of cancer immunology is now centre stage for major pharmaceutical companies seeking to secure a long term position, as this very new exciting area starts to deliver excellent clinical outcomes, which are anticipated to replace current crude, but often effective, treatments based around chemotherapy and radiotherapy.

A £6.2 million funding round was completed in early April 2016. OT3 was able to participate in this placing with an investment of £34,000, limited by restrictions imposed by VCT rules.

The bid price as at 28 February 2017 used for this Scancell valuation was 14.0p (2016: 17.5p).

Arecor

www.arecor.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Arecor	July 2007	£223,983	£256,182	£209,362	2.6%

Arecor Limited is a leader in the development of innovative formulation technology that enables differentiated biopharmaceutical products. It has developed a proprietary, patent backed formulation technology platform that has been proven to stabilize a broad range of molecules (proteins, peptides and vaccines) as aqueous compositions (liquids). Many proteins, peptides and vaccines are too unstable in liquid form and/or at high concentrations to develop ready-to-use drugs and Arecor has overcome these challenges to significantly enhance the delivery of therapeutic medicines to patients.

It has built a successful revenue generating business since inception in 2007 employing this technology to enable and differentiate biopharmaceuticals for a large cross section of the major pharmaceutical companies on a fee for service plus licensing model.

More recently, Arecor has taken the strategic decision to develop a portfolio of differentiated peptides through to clinical proof of concept, with an initial focus on diabetes as a therapeutic area. These products have been identified based on a fit with Arecor's formulation technology and expertise as well as a clear patient and market need for superior reformulated products. All of the products selected are being developed under the 505(b)(2) regulatory pathway, utilising already marketed peptide drug substances, and as such are considered to be low risk, as the safety and efficacy of these products is already proven.

Arecor is based at the Cambridge Science Park in the UK and has a highly talented scientific and management team.

During 2016, Arecor raised £883k from a mixture of new and existing shareholders. OT3 invested £200k.

In February 2017, Arecor won an Innovate UK grant of just over £1m to finance the development of the company's proprietary liquid glucagon product. The company has also recently signed a £45m license deal regarding insulin glargine with India's largest privately held pharmaceutical company, Cadila. Details of the deal have not been disclosed.

Arecor is valued at the price of the autumn 2016 fundraising round.

Plasma Antennas

www.plasmaantennas.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Plasma Antennas	September 2004	£308,057	£250,655	£173,617	12.4%

Plasma Antennas has developed a range of next-generation smart selectable multi-beam antenna technologies for small cell backhaul, broadband wireless access, mesh network and other communications and sensing applications. Based on a set of patented beam forming technologies, these high-performance electronically-steerable antennas are extremely lightweight and compact.

The company is attracting growing levels of interest from global telecoms companies and its antennas are currently being tested all over the world, including in Japan, the US, India and the UK. There is potential for volume orders. Manufacturing is based in the UK and in China for volume applications.

Since April 2016, the new CEO has been concentrating on seeking ways to develop the true plasma antenna, in which a plasma of a controlled shape is created in a small silicon disc. This solid state device enables a beam to be steered in any direction. It is hoped that this device will be at the heart of tomorrow's communication systems. The company has two working prototypes which have been independently tested and their performance verified.

Plasma believes that it would be sensible to undertake the next steps in developing devices using this technology in collaboration with a large electronics company, rather than try to do this alone.

At the time of writing, Plasma Antennas is in discussions with three large electronics companies, none of them based in the UK. Two have visited the company, based in Winchester. It is hoped that a partnership deal can be struck with one or more of them, or with another.

The Company is currently raising funds to continue development and negotiations with potential customers and our valuation is based on the latest offer price. OT3 participated in the latest fundraising round.

ImmBio

www.immbio.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
ImmBio	May 2003	£400,000	£237,354	£50,001	4.4%

Immbio was founded in 2003 by Camilo Colaco to develop vaccines that engage dendritic cells. Dr. Colaco identified the role that Heat Shock Proteins play in activating the immune system. The company has programmes developing vaccines against Tuberculosis, Meningitis and Pneumonia. The TB and Meningitis vaccines have been partnered for development in China and India.

The pneumonia product PneuBioVax has now been trialled in man in a Phase1 trial which primarily and successfully assessed safety of the approach. The study showed the vaccine creates antibodies against a wide range of strains. The company is now in discussion with several companies about the next commercialisation steps.

Pneumonia produces greater infant mortality than TB, HIV and malaria combined. There are approximately 100 serotypes (variants) of *Streptococcus pneumoniae* in circulation. The emergence of new serotypes presents an ongoing challenge. Existing marketed vaccines are relatively expensive to produce and do not cover all existing or emerging strains. Also they do not produce good resistance in children, one of the primary patient groups. In contrast, PnuBioVax offers the potential of improved protective breadth and low production costs.

PnuBioVax not only protects against a larger number of strains, it also provides protection against the toxins produced by the bacteria.

ImmBio is valued at the price of the last fundraising round. OT3 invested £50,000 in March 2016, to support the commercialisation of the results.

Orthogem

www.orthogem.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Orthogem	Dec 2004	£233,999	£141,831	£100,000	10.9%

Orthogem produces and markets artificial bone graft material. Their process contains no animal products and their manufacturing process is very cost effective and the granule products produce excellent bone grafting results. The company has now invested in developing a putty which is more convenient to use for surgeons than the current granule product. Orthogem is awaiting CE approval for the putty product to begin marketing, but the preclinical trials were successful and distributors and surgeons who have examined the putty are very pleased with the handling characteristics.

The handling characteristics of surgical putty are critical for a surgeon and the most immediately distinguishing feature of synthetic bone putties. Put simplistically, the Orthogem putty sticks to the bone and not to the gloves. The company was hoping to have approval earlier in the year, but this was not achieved. The company has now raised more money with the hope that it will be sufficient to keep operating until approval is obtained for the synthetic bone putty. The sales of the granule material has fluctuated but now seems to be on the rise again, with India starting to make use of the material.

OT3 invested £50,000 in September 2016 and £50,000 in February 2017 as part of a larger round. Orthogem is valued at the price of the last fundraising round.

Select Technology

www.selectec.co.uk

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Select Technology	November 2004	£47,051	£129,349	(£14,646)	2.8%

Select Technology specialises in software for photocopiers (now known as MFDs – Multi-Function Devices – since they scan, fax, email and do other tasks in addition to photocopying). There are two strands to the business: (1) writing software which sits at the heart of MFDs and that greatly improves the user experience, enabling users to access all software programs to which they are entitled with a single sign on and giving these programs the same 'look and feel'; and (2) software distribution - Select Technology distributes a growing number of products through an expanding network of dealers and agents across the world. The products now include PaperCut, Kpax, Foldr and Drivve Image.

During the year PaperCut opened its own European office bringing to an end an EMEA channel management/support agreement with Select (Select still distributes PaperCut in the UK). As a result of this, Select will probably see a reduction in sales and gross margin in the current financial year but it is anticipated that this will be more than recovered in future years as the number of products, the size and number of the global network of dealers and distributors continues to expand.

Select Technology's staff has increased to 26, almost all of whom work remotely. It has staff in England, Wales, Australia and Cambodia.

It took a long time, but Select Technology's financial performance has improved steadily in recent years with sales growing from £210k in the year to 31 July 2010 to £5.2m in the year to 31 July 2016. OT3 received a dividend of £10k in January 2017.

Select Technology is valued using a profit multiple, the profits in the last 6 months have been lower due to the loss of the EMEA PaperCut contract, resulting in a small reduction in the valuation during the year.

Glide Technologies

www.glide-technologies.com

	First Investment	Net Cost	Carrying Value 28/02/2017	Change in Value for the Year	% Equity Held
Glide Technologies	November 2003	£224,995	£47,916	(£765,705)	3.2%

OT3 was the first investor in Glide when the company was formed in 2003. The objective of the company was to develop a needle free injection system, in which a drug is injected in solid form in the shape of a needle. Removing the needle removes the problems with needles (contamination by dirty needles, needlestick injury and disposal). Drugs are also more stable in solid form so have increased shelf lives, and this can remove the need for refrigeration.

At the time of the last accounts, a clinical trial was due to start in May and report in August. If the results were positive then the plan was to raise additional capital at an increased valuation to take the company forward towards the launch of the first product.

Although the results of the trial were indeed positive, the fundraising that followed was highly dilutive for existing shareholders. Having decided to try to raise £20m in 2017 by means of a flotation on AIM, the Board decided to raise a pre-IPO round of around £3m. The majority of the investment was provided by a single investor, who against strongly-voiced but ultimately unsuccessful opposition was given terms not available to other shareholders. The investment was made by way of a loan with 2% per month interest which converts on float. In addition, the investor receives warrants to subscribe for shares at a nominal price on flotation.

The result is a very large fall in value per share. We have reduced the valuation by a further 50% of this to reflect our significantly lower preferences

The CEO and the Chairman have now left the company, and at the time of writing, Glide is searching for a new CEO and has more recently indicated that it may seek an institutional investment as an alternative to an IPO.

Glide is valued in line with the price of the current round, taking into account the preferences associated with the instruments used.

Lucius Cary
Director
OT3 Managers Ltd
Investment Manager
10 May 2017

Board of Directors

Robin Goodfellow

Robin Goodfellow is the Chairman of OT3. Robin had 30 years of experience in senior Accounting Manager and Internal Audit Manager roles with ExxonMobil International, Esso Europe, Esso Petroleum and Esso Norway. He has particular expertise in advising on and implementing cost effective controls across total company business activities and their accounting systems.

Robin has an MA in Engineering from Cambridge University and an MBA from the London Business School.

More recently he has been an active investor and shareholder in VCTs, EISs and other small companies. He was a regular commentator on VCT industry performance and current VCT company issues.

Robin is a shareholder in Scancell, Abzena, Arecor and Orthogem. He is also a Director of OT1 Managers Ltd, OT3 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 2 VCT Plc and Oxford Technology 4 VCT Plc.

Alex Starling

Alex Starling is a Director of OT3. Alex runs his own corporate advisory firm, ACS Technical Limited. He has helped a number of technology companies raise venture capital and, conversely, shareholders realise their investments in such technology companies. Alex has an interest (as founder and shareholder) in several young growing companies.

He is a Chartered Engineer and Member of the Institution of Mechanical Engineers, has a PhD in Engineering from Cambridge University and holds the ICAEW Diploma in Corporate Finance. Alex is a shareholder in Scancell. He is also a Director of OT1 Managers Ltd, OT2 Managers Ltd, Oxford Technology 2 VCT Plc, Oxford Technology 4 VCT Plc and is the Chairman of Oxford Technology VCT Plc.

David Livesley

David Livesley is a Director of OT3. He worked in the life science and pharmaceutical industries before joining Cambridge Consultants Ltd in 1987, where he was involved in product and process development across a range of industrial sectors.

Between 1999 and 2012 he worked for the YFM Group, where he specialised in investing VCT money into early stage technology companies. Currently he is an independent Non-Executive director for a number of early stage technology businesses. David is also a Director of OT3 Managers Ltd, OT4 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 2 VCT Plc and is the Chairman of Oxford Technology 4 VCT Plc.

Richard Roth

Richard is a Director of OT3 and Chairman of the Audit Committee. He is a Chartered Management Accountant. Having worked for two blue chip companies he joined easyJet, where he was one of the key executives that transformed the business from private company to household name.

He has subsequently worked as CFO for an airline, and most recently as the Director of Performance Management and Turnaround for the Monarch Group. Richard has also had a number of consulting assignments, in particular helping companies determine their strategy, and implementing business improvements. He has been deeply involved in growing and/or turning businesses around.

Richard is a well-informed VCT investor having followed the industry closely since inception and has extensive understanding of the sector having observed good and bad practice over the last 15 years. He has invested in a number of small (mainly unquoted) companies and has also advised several potential start-up businesses – mainly travel-related. Richard is also a Director of OT2 Managers Ltd, OT4 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 4 VCT Plc and is the Chairman of Oxford Technology 2 VCT Plc. He is also a Director of Hygea VCT Plc and a shareholder in Scancell, Glide Technologies and Plasma Antennas.

Directors' Report

The Directors present their report together with financial statements for the year ended 28 February 2017.

The Directors consider that the Annual Report and Financial Statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This report has been prepared by the Directors in accordance with the requirements of s415 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the Directors' Report is consistent with the financial statements.

Principal Activity

The Company commenced business in March 2002. The Company invests in start-up and early stage technology companies in general located within 60 miles of Oxford. The Company has maintained its approved status as a Venture Capital Trust by HMRC.

Directors

The Directors of the Company are required to notify their interests under Disclosure and Transparency Rule 3.12R. The present and previous membership of the Board and their beneficial interests in the ordinary shares of the company at 28 February 2017 and at 29 February 2016 are set out below:

Name	**2017**	**2016**
R Goodfellow	35,000	35,000
D Livesley	Nil	Nil
R Roth	38,149	38,149
A Starling	Nil	Nil

Under the Company's Articles of Association one third of the Directors are required to retire by rotation each year. Robin Goodfellow and Alex Starling will be nominated for re-appointment at the forthcoming AGM. The Board believes that both non-executive Directors continue to provide a valuable contribution to the Company and remain committed to their roles. The Board recommends that Shareholders support the resolutions to re-elect Robin Goodfellow and Alex Starling at the forthcoming AGM.

The Board is cognisant of shareholders' preference for Directors not to sit on the boards of too many larger companies ("overboarding"). Shareholders will be aware that in July 2015, the Company, along with the other VCTs that were managed by Oxford Technology Management, appointed directors such that the four VCTs each had a Common Board. In addition, Richard Roth has subsequently also become a Director of Hygea VCT plc, a VCT investing in the Med Tech sector which is also self-managed and has a number of investments in common with the Oxford Technology VCTs. Whilst great care is taken to safeguard the interests of the shareholders of each separate company, there is an element of overlap in the workload of each Director across the four OT funds due to the way the VCTs are managed. The Directors note that the workload related to the four OT funds is less than it would be for four totally separate and larger funds, and are satisfied that Richard Roth has the time to focus on the requirements of each OT fund.

Investment Management Fees

OT3 Managers Ltd, the Company's wholly owned subsidiary, has an agreement to provide investment management services to the Company for a fee of 1% of net assets per annum. David Livesley and Robin Goodfellow, together with Lucius Cary are Directors in OT3 Managers Ltd.

Directors' and Officers' Insurance

The Company has maintained insurance cover, on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to their duties as Directors of the Company.

Ongoing Review

The Board has reviewed and continues to review all aspects of internal governance to mitigate the risk of breaches of VCT rules or company law.

Whistleblowing

The Board has been informed that the Investment Manager has arrangements in place in accordance with the UK Corporate Governance Code's recommendations by which staff of Oxford Technology Management or the Secretary of the Company may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Investment Manager has established policies and procedures to prevent bribery within its organisation. The Company has adopted a zero tolerance approach to bribery and will not tolerate bribery under any circumstance in any transaction the Company is involved in. The Company has instructed the Investment Manager to adopt the same approach with investee companies.

Relations with Shareholders

The Company values the views of its shareholders and recognises their interest in the Company. The Company's website provides information on all of the Company's investments, as well as other information of relevance to shareholders (www.oxfordtechnology.com/vct3).

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the AGM the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at the Company's registered office: The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Substantial Shareholders

At 28 February 2017, the Company has been notified by Neville Registrars of three investors whose interest exceeds three percent of the Company's issued share capital (Harewood Nominees Ltd, 8.7% (representing the beneficial interest of Oxfordshire County Council Pension Fund); Hargreaves Lansdown Nominees Ltd, 4.5%; and Richard Vessey, 3.5%.

Auditors

James Cowper Kreston offer themselves for re-appointment in accordance with Section 489 of the Companies Act 2006.

On behalf of the Board
Robin Goodfellow
Chairman
10 May 2017

Directors' Remuneration Report

Introduction

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006. The Company's independent auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report. This report includes a statement regarding the Directors' Remuneration Policy. Resolutions to approve the Directors' Remuneration Report will be proposed at the Annual General Meeting on 5 July 2017.

The Directors' Remuneration Policy was approved by shareholders at the AGM on 26 August 2015. The Directors' Remuneration Report for the year ended 29 February 2016 was approved by shareholders at the AGM on 8 July 2016 on a unanimous show of hands and 84% of proxies voted in favour.

This report sets out the Company's forward-looking Directors' Remuneration Policy and the Annual Remuneration Report which describes how this policy has been applied during the year.

Directors' Terms of Appointment

The Board consists entirely of non-executive Directors who meet at least four times a year and on other occasions as necessary to deal with important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for at least three years and are expected to devote the time necessary to perform their duties. All Directors retire at the first general meeting after election and thereafter every third year, with at least one Director standing for election or re-election each year. Re-election will be recommended by the Board but is dependent upon shareholder vote. Directors who have been in office for more than nine years will stand for annual re-election in line with the AIC Code. There are no service contracts in place, but Directors have a letter of appointment.

Directors' Remuneration Policy

The Board acts as the Remuneration Committee and meets annually to review Directors' pay to ensure it remains appropriate given the need to attract and retain candidates of sufficient calibre and ensure they are able to devote the time necessary to lead the Company in achieving its strategy. The Board has not engaged any third party consultancy services, but did consult with the previous Chairman, Richard Vessey and Michael O'Regan the previous Chairman of Oxford Technology 2 VCT when the current levels were determined in 2015.

The Articles of Association of the company state that the aggregate of the remuneration (by way of fee) of all the Directors shall not exceed £50,000 per annum unless otherwise approved by Ordinary Resolution of the Company. Based on the Company sharing a Common Board with the other Oxford Technology VCT funds the following Directors' fees are payable by the Company;

	per annum
Director Base Fee	£3,500
Chairman's Supplement	£2,000
Audit Committee Chairman	£3,000
Audit Committee Member	£1,500

Robin Goodfellow chairs the Company. Richard Roth chairs the Audit Committee, with Robin Goodfellow as a member of the Committee. As the VCT is self-managed, the Audit Committee carries out a particularly important role for the VCT and has played a greater part in the production of the annual accounts compared to earlier years.

Fees are currently paid annually. The fees are not specifically related to the Directors' performance, either individually or collectively. No expenses are paid to the Directors. There are no share option schemes or pension schemes in place but Directors are entitled to a share of the carried interest as detailed below.

David Livesley and Robin Goodfellow receive no remuneration in respect of their directorships of OT3 Managers Ltd, the Company's Investment Manager.

The performance fee is detailed in note 3. Current Directors are entitled to benefit from any payment made, subject to a formula driven by relative lengths of service. The performance fee becomes payable if a certain cash return threshold to shareholders is exceeded – the excess is then subject to a 20% carry that is distributed to Oxford Technology Management, past Directors and current Directors; the remaining 80% is returned to shareholders. At 28 February 2017 no performance fee was due (2016: £23,069 in total was accrued for).

Should any performance fee be payable at the end of the year to 28 February 2018, Alex Starling, Robin Goodfellow, and Richard Roth would each receive 0.19% of any amount over the threshold and David Livesley 0.65%. No performance fee will be payable for the year ending 28 February 2018 unless original shareholders have received back at least 128.0p in cash for each 100p (gross) invested.

Relative Spend on Directors' Fees

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

Loss of Office

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

Annual Remuneration Report

Directors' Fees	**Year End 28/02/18 (unaudited)**	**Year End 28/02/17 (audited)**	**Year End 29/02/16 (audited)**
Alex Starling	£3,500	£3,500	£2,333
Richard Roth	£6,500	£6,500	£4,333
Richard Vessey	-	-	£3,750
Robin Goodfellow	£7,000	£7,000	£7,167
David Livesley	£3,500	£3,500	£2,333
Total	**£20,500**	**£20,500**	**£19,916**

Prior to his appointment as a director of OT3, Richard Roth received an additional one off payment of £2,000 in the year to 29 February 2016 as compensation for executive work undertaken in relation to the setting up of the Common Board structure.

Corporate Governance Report

The Board considers that reporting against the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the "AIC Code") and additionally where applicable by reference to the UK Corporate Governance Code (the "Code") will provide better information for shareholders than reporting against the Code alone.

For the reasons set out in the AIC Code and as envisaged in the Code, the Board considers certain provisions as not being relevant to the position of the Company as it is an investment company. The Company has no executive directors or employees. The Company has therefore not reported further in respect of these matters.

The Company has complied throughout the period with the provisions in Section 1 of the Code except that:-

1 The Board has no nominated Senior Independent Director (Code A4.1);

2 The Board as a whole performs the functions of the Nomination Committee (Code B.2.1) and no formal terms of reference for such a Committee have been adopted;

3 The Directors are not appointed for a specified term (Code B2.3);

4 The Board as a whole performs the functions of the Remuneration Committee (Code D2.1).

The Company is committed to maintaining high standards in corporate governance. 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 independent non-executive Directors. The Board has put in place corporate governance arrangements which it believes are appropriate for a Venture Capital Trust and that will enable the Company to operate within the spirit of the Code.

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

Director Name	Board Meetings Attended (6 Held in year)	Audit Committee Meetings Attended (4 Held in year)
Robin Goodfellow	6	4
Alex Starling	6	-
Richard Roth	6	4
David Livesley	6	-

The Investment Manager prepares a written report on the performance of the fund in advance of Board meetings and this is circulated to all members of the Board. In addition, the Directors are free to seek any further information they consider necessary.

All Directors have access to the Company Secretary and independent professionals at the Company's expense. The Code states that the Board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly in its hands. This is achieved by a management agreement between the Company and its Investment Manager which sets out the matters over which the Investment Manager has authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board.

The Audit Committee ensures the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Company, seeking to balance objectivity and value for money.

None of the Directors has a service contract with the Company, but they do have letters of appointment (copies of which may be obtained by shareholders on request). 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.

Conflicts of Interest

The Board has always considered carefully all cases of possible conflicts of interest as and when they arise. For example, every time one of the Oxford Technology VCTs (OTVCTs) makes an investment in which another OTVCT is an investor, there is a potential conflict of interest. The general policy is that there is complete transparency and all interests in every situation are declared and known to all, so that practical and sensible decisions can be taken.

Audit Committee

The role of the Committee is discharged by Richard Roth (chairman) and Robin Goodfellow. The Committee is responsible for:

- monitoring the Company's financial reporting;
- reviewing internal controls and risk management systems; and
- matters regarding audit and external auditors.

<u>Financial Reporting</u>
The Committee is responsible for reviewing, and agreeing, the half-yearly and annual accounts (including those figures presented within) before they are presented to the Board for final approval. In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the half-yearly interim and full year annual accounts. The Committee also takes into careful consideration comments on matters regarding valuation, revenue recognition and disclosures arising from the external auditors' report to the Audit Committee as part of the finalisation process for the Annual Accounts. Specifically, the Committee advises the Board on whether the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and whether they provide the necessary information to shareholders to assess performance, business model and strategy.

<u>Audit and Control including details of a Tender for Audit Service</u>
The Committee reviews and agrees the audit strategy and plan in advance of the audit, and has assessed the effectiveness of the audit after its conclusion. The Committee has also reviewed the non audit services provided by the external auditor, James Cowper Kreston, and on both counts is happy to recommend their reappointment. In addition, the Committee has undertaken an audit tender process during the year in compliance with new requirements on audit firm rotation, resulting from the new European Audit Regulation Directive. These made it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years. As

part of the tender process, having invited three firms with demonstrable experience in the VCT sector to tender, the Audit Committee considered detailed proposals from James Cowper Kreston, as the incumbent Auditor, and one other firm of auditors. The Committee consider that that both firms made a strong presentation and showed a clear understanding of the Company's requirements and its particular demands as a VCT as well as presenting a competitive estimate of fees. After careful consideration, the Committee concluded that the re-appointment of James Cowper Kreston as Auditor was in the best interests of the Company and of shareholders and its recommendation was endorsed by the Board. Shareholders will be asked to ratify this appointment at the AGM through an Ordinary Resolution.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. The Committee seeks to satisfy itself that there is a proper system and allocation of responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Manager.

Significant Risks

The Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks as:

- Valuation of investment portfolio: The Auditors give special audit consideration to the valuation of investments and the supporting data provided by the Investment Manager. The impact of this risk could be a large movement in the Company's net asset value. The valuations are supported by investee company audited accounts and third party evidence. These give comfort to the Audit Committee.
- Management override of financial controls: The Auditors specifically review all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the preparation of the financial statements.
- Compliance with HMRC conditions and EU State Aid rules for maintenance of approved VCT status. The Auditors review this as part of their work.
- Recognition of revenue from investments: Investment income is the Company's main source of revenue. Revenue is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. The Company has few revenue paying companies and the Committee pays close attention to these.

These issues were discussed with OT3 Managers Ltd, Oxford Technology Management and the Auditors at the conclusion of the audit of the financial statements.

The Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Committee can confirm that there were no significant issues to report to the Shareholders in respect of the audit of the financial statements for the year ended 28 February 2017.

Nomination Committee

The role of the Nomination Committee is discharged by the Board. The Board considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees. New Directors are selected as part of a rigorous selection process involving interviews with the existing board, the Manager and shareholder representatives.

The Board's policy is to promote diversity (including, but not limited to, gender diversity).

Performance Evaluation

In accordance with the AIC Code and guidance each year a formal performance evaluation is undertaken of the Board as a whole, the Committees and the Directors in the form of one-to-one meetings between the Chairman and each Director. The performance of the Chairman was evaluated by the other Directors.

Compliance Statement

The Listing Rules require the Board to report on compliance with the UK Corporate Governance Code provisions throughout the accounting year. The preamble to the Code does, however, acknowledge that some provisions may have less relevance for investment companies. The Company has complied throughout the year with the provisions set out in the Code, except as outlined above.

James Gordon
Company Secretary
10 May 2017

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

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

- there is no relevant audit information of which the Company's auditor is unaware;
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information;
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Investment Portfolio Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Robin Goodfellow
Chairman
10 May 2017

Report of the Independent Auditor

Independent Auditor's Report to the Members of Oxford Technology 3 VCT plc

We have audited the Financial Statements of Oxford Technology 3 VCT plc for the year ended 28 February 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Auditor Commentary

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio is undertaken by the Investment Manager. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

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

We established materiality for the Financial Statements as a whole to be £112,000, which is 2% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the Financial Statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £2,000.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Valuation of Unquoted Investments

Investments are the largest asset in the Financial Statements, and they are designated as being at fair value through profit or loss in accordance with Financial Reporting Standard 102 and the 2014 Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as the risk that has the greatest effect on the overall audit strategy.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with the Directors, and reviewing and challenging the basis and reasonableness of the assumptions made by the Directors in conjunction with available supporting information. The Company's accounting policy on the valuation of unquoted investments is included in Note 1, and its disclosures about unquoted investments held at the year end are included in Note 7.

Revenue Recognition

Investment income is the Company's main source of revenue and is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice.

Our audit work included, but was not restricted to, a detailed review of those sources of income recorded in the Financial Statements and further consideration of other potential sources of income. The Company's accounting policy on income is included in Note 1 and its disclosures about income are included in Note 2.

Management Override of Financial Controls

The Company operates a system of financial controls to mitigate its vulnerability to fraud and its Financial Statements to material error and is reliant upon the efficacy of these controls to ensure that its Financial Statements present a true and fair view.

The Financial Statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the completion of the Financial Statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in Note 1.

Compliance with Laws and Regulations

The company is required to observe the conditions laid down by the Income Tax Act 2007 for the maintenance of approved VCT status.

Our audit work included but was not restricted to a review of those rules central to the Company's ongoing status as a VCT and review of relevant correspondence with HMRC.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2017 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other Reporting Responsibilities

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- The information given in the Corporate Governance Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the section of the Corporate Governance Report describing the work of the Audit Committee does not appropriately address matters communicated to us by the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Report has not been prepared by the Company

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the provisions of the 2014 UK Corporate Governance Code specified for our review; and
- certain elements of the report on Directors' remuneration.

Alan Poole BA (Hons) FCA
Senior Statutory Auditor
For and on behalf of James Cowper Kreston, Oxford
Chartered Accountants and Statutory Auditor
10 May 2017

Income Statement

	Note Ref.	Year Ended 28 February 2017 Revenue £'000	Capital £'000	Total £'000	Year Ended 29 February 2016 Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments		-	154	154	-	1,333	1,333
Unrealised (loss) on valuation of fixed asset investments			(417)	(417)		(414)	(414)
Investment income	2	84	-	84	19	-	19
Performance fee accrual		-	23	23	-	72	72
Investment management fees	3	(17)	(52)	(69)	(16)	(49)	(65)
Other expenses	4	(55)	-	(55)	(62)	-	(62)
Return on ordinary activities before tax		12	(292)	(280)	(59)	942	883
Taxation on return on ordinary activities	5	-	-	-	-	-	-
Return on ordinary activities after tax		12	(292)	(280)	(59)	942	883
Return on ordinary activities after tax attributable to equity shareholders		12	(292)	(280)	(59)	942	883
Earnings per share – basic and diluted	6	0.2p	(4.3)p	(4.1)p	(0.9)p	13.9p	13.0p

There was no other Comprehensive Income recognised during the year.

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

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

The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.
The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Unrealised Capital Reserve £'000	Profit & Loss Reserve £'000	Total £'000
As at 1 March 2015	679	718	4,315	773	6,485
Revenue return on ordinary activities after tax	-	-	-	(59)	(59)
Expenses charged to capital	-	-	-	(49)	(49)
Performance fee release credited to capital	-	-	-	72	72
Current period gains on disposal	-	-	-	1,333	1,333
Current period losses on fair value of investments	-	-	(414)	-	(414)
Dividends paid	-	-	-	(475)	(475)
Prior years' unrealised losses now realised	-	-	(1,913)	1,913	-
Movement in reserves (Note 11)	-	-	(75)	75	-
Balance as at 29 February 2016	**679**	**718**	**1,913**	**3,583**	**6,893**
Revenue return on ordinary activities after tax	-	-	-	12	12
Expenses charged to capital	-	-	-	(52)	(52)
Performance fee release credited to capital				23	23
Current period gains on disposal	-	-	-	154	154
Current period losses on fair value of investments	-	-	(417)	-	(417)
Dividends paid	-	-	-	(1,018)	(1,018)
Prior years' unrealised gains now realised	-	-	(147)	147	-
Balance as at 28 February 2017	**679**	**718**	**1,349**	**2,849**	**5,595**

The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Note Ref.	Year Ended 28 February 2017 £'000	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000	Year Ended 29 February 2016 £'000
Fixed Asset Investments At Fair Value	7		4,552		4,123
Current Assets					
Debtors	8	103		2	
Cash At Bank		995		2,894	
Creditors: Amounts Falling Due Within 1 Year	9	(55)		(55)	
Net Current Assets			**1,043**		**2,841**
Creditors: Amounts Falling Due After 1 Year	9		-		(47)
Provisions – Performance Fee	9		-		(23)
Net Assets			**5,595**		**6,893**
Called Up Equity Share Capital	10		679		679
Share Premium			718		718
Unrealised Capital Reserve	11		1,349		1,913
Profit and Loss Account Reserve	11		2,849		3,583
Total Equity Shareholders' Funds	11		**5,595**		**6,893**
Net Asset Value Per Share			**82.5p**		**101.6p**

The accompanying notes are an integral part of the financial statements.

The statements were approved by the Directors and authorised for issue on 10 May 2017 and are signed on their behalf by:

Robin Goodfellow
Chairman
10 May 2017

Statement of Cash Flows

	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000
Cash flows from operating activities		
Return on ordinary activities before tax	(280)	883
Adjustments for:		
Gain on disposal of investments	(154)	(1,333)
Loss on valuation of investments	417	414
(Increase) in debtors	(101)	(1)
(Decrease) in creditors	(70)	(119)
Movement in investment debtors and creditors	30	-
Outflow from operating activities	**(158)**	**(156)**
Cash flows from investing activities		
Purchase of investments	(1,009)	(120)
Disposal of investments	286	3,442
Dividends paid	(1,018)	(475)
(Decrease)/increase in cash at bank	**(1,899)**	**2,691**
Opening cash and cash equivalents	**2,894**	**203**
Cash and cash equivalents at year end	**995**	**2,894**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

The financial statements have been prepared under Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The accounting policies have not materially changed from last year.

1. Principal Accounting Policies

Basis of Preparation
The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including FRS 102 and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2014)' issued by the AIC.

The principal accounting policies have remained materially unchanged from those set out in the Company's 2016 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company held all fixed asset investments at fair value through profit or loss. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at fair value through profit or loss.

The most important policies affecting the Company's financial position are those related to investment valuation and require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. These are discussed in more detail below.

Going Concern
After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current International Private Equity and Venture Capital Valuation (IPEV) guidelines, which can be found on their website at www.privateequityvaluation.com, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of investee companies and liquidity or marketability of the investments held.

Although the Directors believe that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could result in changes in the stated values. This could lead to additional changes in fair value in the future.

Functional and Presentational Currency
The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

Cash and Cash Equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and also include bank overdrafts.

Fixed Asset Investments
The Company's principal financial assets are its investments and the policies in relation to those assets are set out below.

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis and information about them is provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. In the case of AIM quoted investments this is the closing bid price.

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple, revenue multiple, discounted cash flows and net assets. These are consistent with the IPEV guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the unrealised capital reserve.

In the preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

Fair Value Hierarchy
Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements dependent on whether the stock is quoted and the level of the accuracy in the ability to determine its fair value. The fair value measurement hierarchy is as follows:

For Quoted Investments:
Level a: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the bid price at the Balance Sheet date.

Level b: where quoted prices are not available (or where a stock is normally quoted on a recognised stock exchange that no quoted price is available), the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or

a significant lapse in time since the transaction took place. The Company holds no such investments in the current or prior year.

For investments not quoted in an active market:
Level c: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data (e.g. the price of recent transactions, earnings multiple, discounted cash flows and/or net assets) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level c (i). If one or more of the significant inputs is not based on observable market data, the instrument is included in level c (ii).

There have been no transfers between these classifications in the year (2016: none). The change in fair value for the current and previous year is recognised in the income statement.

Income
Investment income includes interest earned on bank balances and from unquoted loan note securities, and dividends. Fixed returns on debt are recognised on a time apportionment basis so as to reflect the effective yield, provided it is probable that payment will be received in due course. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally the ex dividend date.

Expenses
All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to capital and 25% to revenue. Any applicable performance fee will be charged 100% to capital which was the case in 2016, but no performance fee is due this year.

Revenue and Capital
The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and holding gains and losses on investments. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the appropriate capital reserve on the basis of whether they are realised or unrealised at the balance sheet date.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the current tax rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Financial Instruments
The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not

have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

The Company does not have any externally imposed capital requirements.

Reserves
Called up Equity Share Capital – represents the nominal value of shares that have been issued.

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

Unrealised Capital Reserve arises when the Company revalues the investments still held during the period and any gains or losses arising are credited/charged to the Unrealised Capital Reserve. When an investment is sold, any balance held on the Unrealised Capital Reserve is transferred to the Profit and Loss Reserve as a movement in reserves.

The Profit and Loss Reserve represents the aggregate of accumulated realised profits, less losses and dividends.

Dividends Payable
Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are declared by the Board, and for final dividends when they are approved by the Shareholders.

2. Investment Income

	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000
Dividends received	13	19
Loan interest received	71	-
Total	**84**	**19**

3. Investment Management Fees

Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to capital in line with industry practice.

	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000
Investment management fee	69	65
Total	**69**	**65**

In the year to 28 February 2017 the manager received a fee of 1% of the net asset value as at the previous year end (2016: 1%). Oxford Technology Management is also entitled to certain monitoring fees from investee companies and the Board reviews the amounts.

Oxford Technology Management had previously agreed to defer 25% of the 2% management fee to which it was contractually entitled (i.e. 0.5% of net assets) until such a time when the finances of the Company made this payment more affordable. As part of the revised agreement with effect from 1 March 2015 the Board have agreed to pay the deferred balance over a 36 month period.

A performance fee is payable to the Investment Manager once original shareholders have received a specified threshold in cash for each 100p (gross) invested. The original threshold of 100p has been increased by compounding that portion that remains to be paid to shareholders by 6% per annum with effect from 1 March 2013, resulting in the remaining required threshold rising to 90.5p at 28 February 2017, corresponding to a total shareholder return of 122.5p after taking into account the 32.0p already paid out (32.0p + 90.5p = 122.5p). After this amount has been distributed to shareholders, each extra 100p distributed goes 80p to the shareholders and 20p to the beneficiaries of the performance incentive fee, of which Oxford Technology Management receives 15p.

A performance fee of £nil (2016: £23k) has been accrued to date. Any applicable performance fee accrual has been charged (or credited) 100% to capital.

Expenses are capped at 3%, including the management fee but excluding Directors' fees and any performance fee.

4. Other Expenses

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

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

	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000
Directors' remuneration	21	20
Auditors' remuneration	6	6
Other expenses	28	36
Total	**55**	**62**

5. Tax on Ordinary Activities

Corporation tax payable at 20% (2016: 20%) is applied to profits chargeable to corporation tax, if any. The corporation tax charge for the period was £ nil (2016: £ nil).

	Year Ended 28 February 2017 £'000	Year Ended 29 February 2016 £'000
Return on ordinary activities before tax	(280)	883
Current tax at standard rate of taxation	(56)	177
UK dividends not taxable	(3)	(4)
Unrealised losses not taxable	84	83
Realised gains not taxable	(31)	(267)
Excess management expenses carried forward	6	11
Total current tax charge	-	-

Unrelieved management expenses of £1,801.4k (2016: £1,771.1k) remain available for offset against future taxable profits.

6. Earnings per Share

The calculation of earnings per share (basic and diluted) for the period is based on the net loss of £280,000 (2016: profit of £883,000) attributable to shareholders divided by the weighted average number of shares 6,785,233 (2016: 6,785,233) in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant. The basic and diluted earnings per share are therefore identical.

7. Investments

	AIM quoted investments Level a £'000	Unquoted investments Level c(ii) £'000	Total investments £'000
Valuation and net book amount:			
Book cost as at 29 February 2016	394	1,815	2,209
Cumulative revaluation	478	1,436	1,914
Valuation at 29 February 2016	**872**	**3,251**	**4,123**
Movement in the year:			
Purchases at cost	34	975	1,009
Disposals – cost	-	(15)	(15)
Disposals - revaluation	-	(147)	(147)
Revaluation in year	(186)	(232)	(418)
Valuation at 28 February 2017	**720**	**3,832**	**4,552**
Book cost at 28 February 2017	428	2,775	3,203
Cumulative revaluation to 28 February 2017	292	1,057	1,349
Valuation at 28 February 2017	**720**	**3,832**	**4,552**

Subsidiary Company
The Company also holds 100% of the issued share capital of OT3 Managers Ltd at a cost of £1.

Results of the subsidiary undertaking for the year ended 28 February 2017 are as follows:

	Country of Registration	Nature of Business	Turnover	Retained profit/loss	Net Assets
OT3 Managers Ltd	England and Wales	Investment Manager	£68,941	£0	£1

Consolidated group financial statements have not been prepared as the subsidiary undertaking is not considered to be material for the purpose of giving a true and fair view. The Financial Statements therefore present only the results of Oxford Technology 3 VCT plc, which the Directors also consider is the most useful presentation for Shareholders.

8. Debtors

	28 February 2017 £'000	29 February 2016 £'000
Prepayments, accrued income	2	2
Accrued loan interest	71	-
Accrued sales proceeds	30	-
Total	**103**	**2**

9. Creditors – amounts falling due in less than 1 year

	28 February 2017 £'000	29 February 2016 £'000
Other creditors	8	8
Investment management fee accrual	47	47
Total	**55**	**55**

Creditors – amounts falling due in more than 1 year

	28 February 2017 £'000	29 February 2016 £'000
Investment management fee accrual	-	47
Provision – performance fee	-	23
Total	**-**	**70**

The Investment Manager had previously deferred 25% of fees, as detailed in Note 3. These are now being paid between March 2015 and February 2018.

If the the net asset value per share and cumulative dividends per share paid to date are greater than the threshold outlined in note 3, a performance incentive fee may become become payable. The Directors assessed that at 29 February 2016, the costs should be included in the accounts. The value of the liability arising to date could be estimated; however the timing of the future payment is uncertain. Following a reduction in total return in 2017, the accrued fee has been reversed.

10. Share Capital

	28 February 2017 £'000	29 February 2016 £'000
Authorised:		
15,000,000 ordinary shares of 10p each	1,500	1,500
Total Authorised	1,500	1,500
Allotted, called up and fully paid:		
6,785,233 (2016: 6,785,233) ordinary shares of 10p each	679	679

11. Reserves

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the Income Statement. Changes in fair value of investments are then transferred to the Unrealised Capital Reserve. When an investment is sold any balance held on the Unrealised Capital Reserve is transferred to the Profit and Loss Account Reserve as a movement in reserves.

The transfer between the Unrealised Capital Reserve and the Profit and Loss Reserve in 2016 was the result of the correction of historic misclassifications between the two reserves. The historic misclassifications were immaterial as they had no impact on reported returns or net assets and had no bearing on any distributions.

Distributable reserves are £2,849,000 as at 28 February 2017 (2016: £3,583,000).

Reconciliation of Movement in Shareholders' Funds

	28 February 2017 £'000	29 February 2016 £'000
Shareholders' funds at start of year	6,893	6,485
Return on ordinary activities after tax	(280)	883
Dividends paid	(1,018)	(475)
Shareholders' funds at end of year	5,595	6,893

The Company paid an interim capital dividend of 7.0p per share on 19 February 2016 and a final capital dividend for 2016 of 15.0p per ordinary share on 13 May 2016. Subject to shareholder

approval, the Company will pay a final capital dividend for 2017 of 4.0p per ordinary share on 21 July 2017.

12. Financial Instruments and Risk Management

The Company's financial instruments comprise equity and loan note investments, cash balances and debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT – qualifying quoted and unquoted securities whilst holding a proportion of its assets in cash or near cash investments in order to provide a reserve of liquidity. The risk faced by these instruments, such as interest rate risk or liquidity risk is considered to be minimal due to their nature. All of these are carried in the accounts at fair value.

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed with regard to the possible effects of adverse price movements and with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

13. Capital Commitments

The Company had no commitments at 28 February 2017 or 29 February 2016.

14. Related Party Transactions

OT3 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company with effect from 1 July 2015 for a fee of 1% of net assets per annum. During the year, £68,941 (2016: £43,239) was paid in respect of these fees. No amounts were outstanding at the year end.

15. Events after the Balance Sheet Date

During April 2017, a further investment of £50,000 was made into Plasma Antennas.

The Directors have declared a final capital dividend of 4.0p per share which, subject to shareholder approval at the AGM, will be paid on 21 July 2017 to ordinary shareholders on the register on 30 June 2017.

Oxford Technology 3 Venture Capital Trust
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Oxford Technology 3 Venture Capital Trust Plc will be held at the Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 11am on Wednesday 5 July 2017 for the following purposes:

To consider and, if thought fit, pass the following Resolutions:

Ordinary Resolutions

1. That the Annual Report and Accounts for the period to 28 February 2017 be approved.

2. That the Directors' Remuneration Report be approved.

3. That Mr Robin Goodfellow who retires at the Annual General Meeting by rotation in accordance with Article 139 of the Company's Articles of Association, be re-appointed as a Director.

4. That Mr Alex Starling who retires at the Annual General Meeting by rotation in accordance with Article 139 of the Company's Articles of Association, be re-appointed as a Director.

5. That James Cowper Kreston, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

6. That the Company continue in being as a Venture Capital Trust.

7. That the Company pay a final dividend of 4.0p per ordinary share in respect of the year to 28 February 2017.

Special Business

8. AUTHORITY TO BUY BACK SHARES
   That the Company is generally and unconditionally authorised (pursuant to Article 23 of the Company's Articles of Association) to make market purchases (within the meaning of s693(4) of the Companies Act 2006 ("the Act") of ordinary shares of 10 pence each in the share capital of the Company ("Shares") provided that:
   a. the maximum number of Shares hereby authorised to be purchased is 678,523 (representing approximately 10 per cent of the issued number of Shares),
   b. the minimum price which may be paid for a share is 10 pence (which amount shall be exclusive of expenses); and

   the maximum price which may be paid for a Share is 5% above the average market value of the Company's equity shares for the 5 business days prior to the day purchase is made (exclusive of expenses).

9. AUTHORITY TO ALLOT RELEVANT SECURITIES
   That the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £33,926 (representing approximately 5% of the Ordinary share capital in issue at today's date such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of

the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

10. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES
    That the Directors pursuant to s571 of the Companies Act 2006 be empowered to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 9 as if s561 (1) of the Act did not apply to any such allotments and so that:
    a. reference to allotment in this Resolution shall be construed in accordance with s560(2) of the Act; and
    b. the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

    And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

By Order of the Board
James Gordon
Company Secretary
10 May 2017

Notes:

1. A member who is entitled to vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company. To be valid, a proxy card must be lodged with the Company's Registrar, **Neville Registars, Neville House, 18 Laurel Lane, Halesowen B63 3DA,** at least 48 hours before the meeting. A proxy card for use by members is enclosed. Completion of this proxy card will not prevent a member from attending the meeting and voting in person.

2. Resolutions 1 to 9 will be proposed as Ordinary Resolutions. Resolution 10 will be proposed as a Special Resolution.

Shareholder Information

Financial Calendar

The Company's financial calendar is as follows:

5 July 2017	- Annual General Meeting
July 2017	- Quarterly Update
November 2017	- Half-yearly results to 31 August 2017 published
January 2018	- Quarterly Update
May 2018	- Annual results for year to 28 February 2018 announced

Dividends

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

Share Price

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

Buying and selling shares

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

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

If you do contact Redmayne Bentley, you will require your National Insurance Number and a valid share certificate if selling.

There may be tax implications in respect of all or part of your holdings, so Shareholders should contact their independent financial adviser if they have any queries.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Neville Registrars Limited, under the signature of the registered holder.

Other information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Company's website at www.oxfordtechnology.com.

Company Information – Directors and Advisers

Board of Directors
Robin Goodfellow (Chairman)
Alex Starling
David Livesley
Richard Roth

Company Number
4351474

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

Investment Manager & Registered Office
OT3 Managers Ltd
The Magdalen Centre
Oxford Science Park
Oxford OX4 4GA
Tel: 01865 784466

Accountants
Wenn Townsend
30 St Giles
Oxford OX1 3LE

Independent Auditor
James Cowper Kreston
2 Chawley Park
Cumnor Hill
Oxford OX2 9GG

Bankers
NatWest
121 High Street
Oxford OX1 4DD

Registrars
Neville Registrars
Neville House
18 Laurel Lane
Halesowen B63 3DA
Tel: 0121 585 1131

Financial Adviser & LSE Sponsor
Beaumont Cornish Ltd
2nd Floor, Bowman House
29 Wilson Street
London EC2M 2SJ

Compliance & FCA Advisor
Methuen Consulting LLP
26-27 Oxendon Street
London SW1Y 4EL

Website
www.oxfordtechnology.com

Oxford Technology 3 VCT Plc Proxy Form
Annual General Meeting – 5 July 2017 at 11am

I/We [capitals] ..... Telephone .....

Of [address] ..... Email .....
being a member of Oxford Technology 3 VCT Plc, hereby appoint the Chairman of the meeting or,

Name of Proxy ..... No of shares .....

As my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 5 July 2017, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

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

	For	**Against**	**Withheld**
1. To approve the Annual Report and Accounts			
2. To approve the Directors' Remuneration Report			
3. To re-elect Robin Goodfellow as a Director			
4. To re-elect Alex Starling as a Director			
5. To approve the re-appointment of James Cowper Kreston as auditors and authorisation of Directors to fix remuneration			
6. To approve that the Company continue as a VCT			
7. To approve a Final Dividend of 4.0p per ordinary share			
8. To approve the authority to make purchases of own shares			
9. To approve the Directors' authority to allot shares			
10. To approve the issue of shares on a non-rights issue basis			

Signature:

Date:

Proxy Form - Notes
Annual General Meeting – 5 July 2017 at 11am

1. **To be valid, the proxy form must be received by the Registrars of Oxford Technology 3 VCT Plc at Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, B63 3DA, no later than 48 hours before the commencement of the meeting.**
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 p.m. on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0121 585 1131.