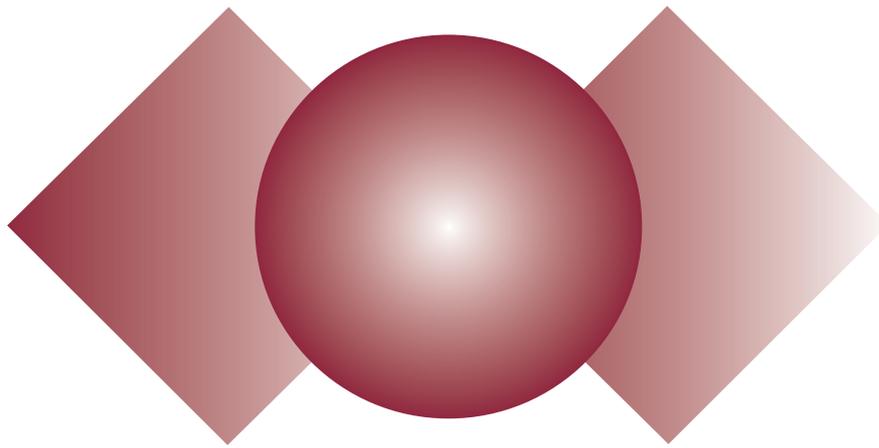


**Oxford
Technology 3
Venture Capital Trust plc**



Financial Statements

For the year ended 29 February 2004

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Financial highlights

	Year ended 29 February 2004 per ordinary share	Period ended 28 February 2003 per ordinary share
Net asset value at year end after distributions	101p	97p
Revenue return	(1.24)p	(0.36)p
Cumulative dividend (gross) from incorporation	0p	0p
Share price at year end	70.0p	90.0p

Statement on behalf of the Board

Investment Portfolio

Oxford Technology 3 VCT closed its fund raising in Spring 2003 having raised a total of £5.4 million.

The fund is now fully invested, in the sense that no further material investments in new companies will be made. However, OT3VCT retains funds for follow-on investments in its existing portfolio companies. In the year, the fund made new investments in 13 companies bringing the number of companies in the portfolio to 26. The net asset value as at 29 February 2004 was 101p per share.

Although the fund is still relatively young, some companies have made particularly encouraging progress. Ixaris Systems Ltd signed a significant contract to provide online payment systems to a major household name company. BioAnaLab Ltd, in its first full year of operation, was awarded Best New Laboratory Start-up by a trade newspaper, and with growing revenues achieved its first profitable month. Warwick Effect Polymers Ltd, developed a new technology allowing it to polymer coat drugs, which is of particular interest to pharmaceutical companies involved in the production of therapeutic antibodies.

Coraltech, the company that has developed a method for producing strong and lightweight injection moulded plastic products by mixing a foaming agent with the plastic, has developed a second technology that also seems to have significant potential for the plastics industry. The scale of the opportunity is such that it was decided to set up a new venture, Im-Pak Technologies Ltd, to exploit the new technology, and take on a new CEO with a successful track record as both investor and entrepreneur in the plastics industry. Since the Im-Pak technology had been developed by Peter Clarke, the founder of Coraltech, for the purposes of the accounts it was decided to split the historic cost of the investment in Coraltech evenly between Coraltech and the new company, Im-Pak. OT3VCT, along with other shareholders in Coraltech, became *pro rata* shareholders in the new venture at its formation.

However, not all of the companies have had a good year, and some in particular have struggled. Whilst none of the fund's investments have failed

yet, some failures are to be expected in investments in start-up and early stage technology companies in which all the OTVCTs specialise. And, as a rule, failures tend to happen soon, while it may take several years for successes to come through: in the industry jargon, 'lemons ripen before plums'.

Overall, the Board is pleased with the way the portfolio is developing.



The Board of Oxford Technology 3 VCT (from left to right): Sir Martin Wood; Lucius Cary; John Jackson (Chairman); Mike O'Regan; and Charles Breese.

Results for the year

Interest on gilts, bank deposits and other interest produced gross revenue of £91,000 (2003: £94,000) in the year. Net revenue after taxation and management expenses was a loss of £66,000 (2003: loss of £14,000) and revenue return for the period was a loss of 1.24p (2003: loss of 0.36p) per share. Capital return was 5.26p (2003: gain of 1.30p) per share. The graph on page 7 shows the historical Net Current Assets (chiefly cash) plus Gilts per share, and Other Investments (the fund's venture capital investments) per share. Together, these two figures make up the total Net Asset Value per share. The graph also shows cumulative dividends paid to date.

AGM

Shareholders should note that the AGM for Oxford Technology 3 VCT will be held on

Oxford Technology 3 Venture Capital Trust plc

Monday 7 June 2004, at the Magdalen Centre, Oxford Science Park, starting at 12.20 pm and will include presentations by some of the companies in which the Oxford Technology VCTs have invested. A formal Notice of AGM has been

included at the back of these Accounts together with a Form of Proxy for those not attending.

Fuller information on each of the investee companies is given in the April 2004 newsletter.

Table of investments held by company

Company	Date of initial investment	Net cost of investment £000	Percentage of voting rights held by company %
Armstrong Healthcare Ltd	Oct 02	170	3.2
Avidex Ltd	Jul 02	50	0.2
BioAnaLab Ltd	Nov 02	175	16.9
Caretek Medical Ltd	Nov 03	100	20.4
Ciphergrid Ltd	Oct 03	25	10.6
Commerce Decisions Ltd	July 03	100	2.2
Coraltech Ltd	May 02	75	13.9
Dataflow Ltd	Jul 02	70	18.5
Datasoft Medical Ltd	Oct 02	170	50.0
Equitalk.co.uk Ltd	Jan 03	102	16.6
The IFM Company International Ltd	Jun 02	261	20.6
Immunobiology Ltd	May 03	150	10.0
Im-Pak Technologies Ltd	Mar 03	339	17.7
InaPlex Ltd	Mar 03	45	10.8
Insense Ltd	May 03	250	6.9
Ixaris Systems Ltd	Aug 02	110	16.6
Membrane Extraction Technology Ltd	May 02	75	7.0
Metal Nanopowders Ltd	Nov 02	150	30.0
Novarc Ltd	July 03	155	25.6
Oxford Sensor Technology Ltd	Jun 03	20	1.4
PC Help Centre Ltd	Sep 03	75	26.4
Prolysis Ltd	Nov 02	75	1.1
Scancell Ltd	Dec 03	150	2.5
Streamline Computing Ltd	Mar 03	50	1.5
Telegesis (UK) Ltd	Oct 03	130	30.4
Warwick Effect Polymers Ltd	Nov 02	200	10.6
		3,272	

John Jackson
Chairman
6 May 2004

Board of Directors

John Jackson, 74, Chairman, worked full time for Philips Electrical Ltd and Philips Electronic and Associated Industries Ltd (“Philips Electronics”) in the UK from 1952 to 1980, becoming a director of Philips Electronics in 1966, on whose board he served until early 1994. Since 1980, he has joined the boards of a number of other companies in a wide range of industries, including electronics, engineering, biotechnology, pharmaceuticals and fine chemicals. He is currently chairman of Xenova Group plc, each of the three Oxford Technology VCTs, as well as the non-solicitor Chairman of Mishcon de Reya. He is a director of WPP Group plc, Brown & Jackson plc and a number of unlisted companies. In 2003, he retired as Chairman of Celltech Group plc. He was the special adviser to the Korda Seed Capital Fund (unconnected with Seed Capital Ltd), which was established as a £5m fund to invest primarily in technology-based companies from March 1989 until its final distribution and cessation in 2003. He is particularly interested in high technology business start-ups.

Charles Breese, 57, Director, joined Larpent Newton in 1982 and has been managing director of Larpent Newton since 1986. He has played an active role in helping to launch a number of technology transfer start-up companies. He qualified as a chartered accountant in 1969 with the firm now known as Grant Thornton and thereafter worked for the firm now known as KPMG from 1969 to 1982. Charles Breese is an experienced venture capital manager and from 1982 until 1999, Larpent Newton managed The Growth Fund Ltd, a wholly-owned subsidiary of Friends Provident Life Office, which invested in businesses which were unquoted at time of initial investment and primarily technology-based early stage and start-up companies (including several technology start-ups out of universities). As well as being a director of each of the three Oxford Technology VCTs, Charles Breese is also a director of Octopus Asset Management Ltd, a fund manager. As a result of the Octopus connection, he is a director of BioScience VCT, a fund which has a complementary strategy to the Oxford Technology VCTs and which has co-invested in two investee companies of the Oxford Technology VCTs, and is on the investment committee of Phoenix VCT.

Lucius Cary, 57, Director, is the founder and managing director of Seed Capital Ltd, which has specialised in making and managing investments

in start-up technology-based businesses since 1983. He has a degree in engineering and economics from Oxford University, an MBA from Harvard Business School and was an engineering apprentice at the Atomic Energy Research Establishment, Harwell. After forming and raising finance for his first business in 1972, he founded “Venture Capital Report” in 1978 and was its managing director for 17 years. In March 1996, he sold all his shares and became chairman so reducing his day-to-day involvement in order to concentrate more fully on Seed Capital’s investment activities. By 2003, Seed Capital had managed or advised seed capital funds which, between them, had made some 100 investments in early stage and start-up technology companies. In 2003, he was awarded an OBE for services to business.

Michael O’Regan, 56, Director, co-founded Research Machines Ltd in 1973 which floated on the London Stock Exchange as RM plc in 1994; he was an executive director until 1992 and remains a non-executive director. RM plc is the leading supplier to the UK education market of information technology solutions. He is a non-executive director of several unlisted companies and has been involved in the start-up and early stage financing of a number of technology-based companies. He is chairman of Hamilton Trust, an educational charity, is joint director of the Hamilton Maths and Reading Projects and is a founder trustee of Peers Early Education Partnership (PEEP).

Sir Martin Wood, 76, Director, founded the company now known as Oxford Instruments plc in 1959 and is now Honorary President. He is a non-executive director of Oxford Innovation Ltd, which provides technology advice and consultancy. He has long taken an interest in the development of early stage technology companies and has been a director of and investor in a number of such businesses. He was a founder of the Oxford Trust, which encourages investment in start-up technology companies and provides incubator premises for technology start-ups; he remains a patron of the Oxford Trust. Since 1986, Sir Martin has been a non-executive director of Oxford Seedcorn Capital Ltd (unconnected with Seed Capital Ltd), which has made and managed 19 “seed” investments, 17 of which were in technology companies.

Report of the Directors

The directors present their report together with financial statements for the year ended 29 February 2004.

Principal activity

The company is an investment company and was incorporated in January 2002. It commenced business in February 2002. The company provides investment in start-up and early stage technology companies in general located within 60 miles of Oxford.

Business review

There was a net return for the period after taxation amounting to £214,000 (2003: £36,000) made up of a net capital gain on the value of investments of £280,000 (2003: £50,000) and a revenue return of a loss of £66,000 (2003: loss of £14,000). The revenue account comprises income (mainly from interest on gilts) of £91,000 (2003: £94,000) less management and other expenses of £157,000 (2003: £108,000). No dividends were recommended.

Directors

The present membership of the board, and their beneficial interests in the ordinary shares of the company at 29 February 2004 and at 28 February 2003, are set out below:

	2004	2003
J B H Jackson	40,000	40,000
C J Breese	20,000	20,000
J L A Cary	25,000	25,000
M R H J O'Regan	50,000	50,000
Sir Martin Wood	200,000	200,000

Except as disclosed in note 2 and set out below, no director had, during the period or at the end of the period, a material interest in any contract which was significant in relation to the company's business. In the case of the investment in Scancell Ltd, Sir Martin Wood and John Jackson invested at the same time and on the same terms as the company; and in the case of Commerce Decisions Ltd, Sir Martin Wood invested at the same time and on the same terms as the company. In these cases the terms of the investment at the time when they invested were approved by the London Stock Exchange or the conditions for exemption under 11.7(h) of the Listing Rules were fulfilled.

Corporate governance

The company has complied throughout the period with the provisions (as modified by the FSA Listing Rules for Venture Capital Trusts) set out in Section 1 of the Combined Code, except that a senior non-executive director is not identified and the Board as a whole performs the functions of both the Audit Committee (code D.3.1) and the Nomination Committee (code A.5.1).

The Board is aware of, and has reviewed the revised Combined Code (incorporating the Higg's Report) and is considering how best to incorporate the additional recommendations into its operation.

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

The Board meets regularly, at least four times a year and between these meetings maintains contact with the Investment Adviser. The Investment Adviser prepares detailed written reports on, amongst other things, the performance of each of the investees in advance of Board meetings and these are circulated to all members of the Board. In addition, the directors are free to seek any further information they consider necessary. All directors have access to the Company secretary and independent professionals at the Company's expense. The Combined Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that the direction and control of the company is firmly in its hands. This is achieved by a management agreement between the company and its Investment Adviser which sets out the matters over which the Investment Adviser has authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board of Directors.

The Board ensures the independence and objectivity of the external auditors. This includes reviewing the

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nature and extent of non-audit services supplied by the external auditors to the company, seeking to balance objectivity and value for money.

None of the directors has a service contract with the company. The Articles of Association require that one third of the directors (or the number nearest one third) on a rotation basis will be subject to re-election procedures at subsequent Annual General Meetings.

Internal control

The Board as a whole performs the function of the Investment Manager and the directors are responsible for the company's system of internal control. The Board has adopted an internal operating and strategy document for the company. This includes procedures for the selection and approval of investments, the functions of the Investment Adviser and exit and dividend strategies. Day to day operations are delegated under an agreement with the Investment Adviser who has established clearly defined policies and standards. These include procedures for the monitoring and safeguarding of the company's investments and regular reconciliation of investment holdings. This system of internal control, which includes procedures such as physical controls, segregation of duties, authorisation limits and comprehensive financial reporting to the Board, is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has considered the need for an internal audit function but has decided that the size of the company does not justify it at present. However, it will keep the decision under annual review.

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

The Board is aware of the launch of the International Financial Reporting Standards in 2005 and is

considering how best to incorporate the requirements into its existing reporting procedures.

Relations with shareholders

The company values the views of its shareholders and recognises their interest in the company's strategy and performance, Board membership and quality of management. The company's regular newsletters are distributed to all shareholders to provide additional information on the company's investments and its overall progress. In addition, 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).

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 29 February 2004 the company has been notified of three investors whose interest exceeds three percent of the company's issued share capital (Oxfordshire County Council Pension Fund 10.0%, R Vessey 3.8%, Sir Martin Wood 3.7%). The company has several investors, all individuals, who with their families have invested £100,000 or more in the shares of the company.

Auditors

Grant Thornton offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the Board

J L A Cary
6 May 2004

Directors' responsibilities for the financial statements

Company law in the UK requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity and to enable them to ensure that the financial statements comply with the Companies Act 1985.

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 ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The maintenance and integrity of the web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such.

Directors' fees and the company's policy on such fees

The Board consists solely of five non-executive directors. J L A Cary represents the Investment Adviser and the remaining four directors are independent. Since the company is a Venture Capital Trust with no executive directors, there are certain relaxations of the Combined Code permitted to the company under the Listing Rules of the Financial Services Authority. Accordingly, there is no separate

remuneration committee and the Board performs collectively the duties of the committee.

The Board's policy is that the remuneration of non-executive Directors should be sufficient to reflect the duties and responsibilities of the Directors and the amount of time committed to the company's affairs. The Articles of Association of the company state that no Director can be paid more than £50,000 without an ordinary resolution of the shareholders.

Seed Capital Ltd, a company of which J L A Cary is a director and the controlling shareholder, is the Investment Adviser to the Board. The Investment Adviser's fee is laid out in the prospectus dated 12 February 2002 and the fee payment for the year ended 28 February 2003 and 29 February 2004 is laid out in note 2 to the financial statements.

As detailed in the company prospectus dated 12 February 2002, once the sum of 100p (gross) has been returned to shareholders by way of dividends

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and capital distributions, a performance incentive fee (expressed as a percentage of all distributions thereafter) will be payable as to 15 per cent of such distributions to the Investment Adviser and 5 per cent of such distributions to the independent Directors collectively.

Directors' rights of tenure

No director has a service contract with the company. At each AGM, one-third of the directors are obliged to retire by rotation though any such director can, if he wishes, offer himself for re-election by shareholders. At the AGM for the current year, J B H Jackson and J L A Cary will retire and offer themselves for re-election. There is no notice period and no provision for compensation upon early termination of the appointment of any director.

Company's performance compared to a suitable index

The Board is responsible for the Company's investment strategy and performance, although the creation, management and monitoring of the investment portfolio is delegated to the Investment Adviser, as described in the prospectus dated 12 February 2002.

The graph below compares the performance of the company from 28 February 2002 to 29 February 2004 with the performance of the FTSE All-Share Index over the same period. It shows the change over the period in the total return to ordinary shareholders (assuming all dividends are reinvested) compared to the change over the period in total shareholder return on a notional investment of the same composition as the FTSE All-Share Index. This index was chosen as it represents a comparable

broad equity market index. The net asset value per share (NAV) of the company has been selected as the most appropriate performance measure, as this best reflects progress of the investments made by the company; shareholders will ultimately realise value on disposal of these investments. All measures are rebased to 100 at the start date of the period. An explanation of the performance of the company is given in the Statement on behalf of the Board.

Directors' emoluments for the year

The information in this part of the report has been audited by the company's auditors.

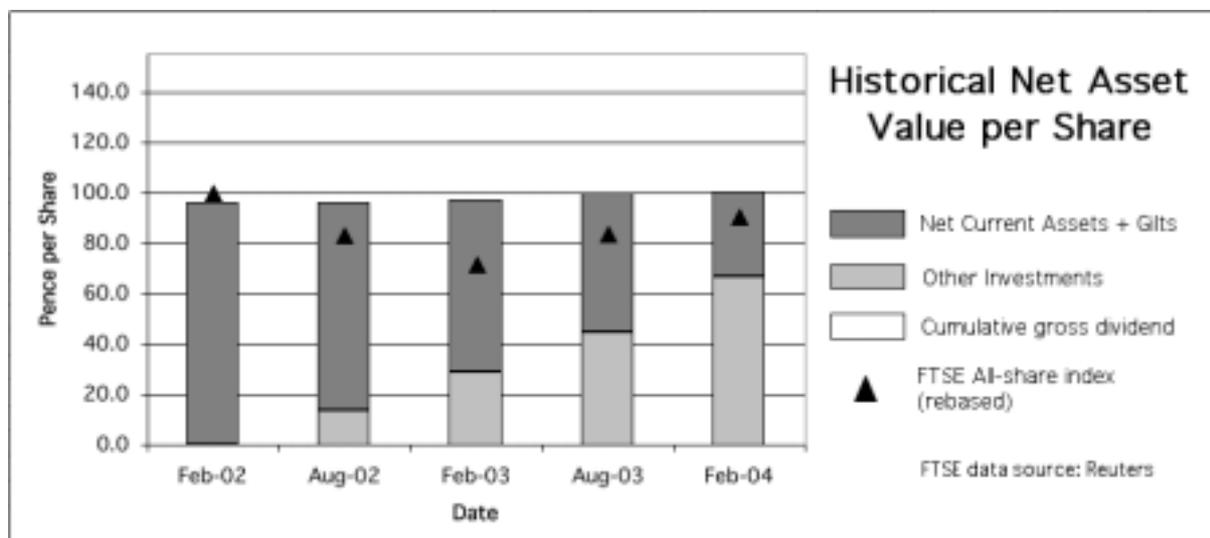
The Directors who served in the year received the following emoluments in the form of fees:

	2004	2003
	£000	£000
J B H Jackson (Chairman)	6	5
J L A Cary	5	4
C J Breese	5	4
M R H J O'Regan	5	4
Sir Martin Wood	5	4
	26	21
	26	21

The directors are not eligible for pension benefits, share options, long-term incentive schemes or other benefits.

On behalf of the Board

John Jackson
Chairman
6 May 2004



Report of the independent auditors to the members of Oxford Technology 3 Venture Capital Trust plc

We have audited the financial statements of Oxford Technology 3 Venture Capital Trust plc for the year ended 29 February 2004 which comprise the principal accounting policies, the statement of total return, the balance sheet, the cash flow statement and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom auditing standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Statement on behalf of the Board, the Board of Directors, the Report of the Directors and the unaudited part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company at 29 February 2004 and of its result for the year then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Oxford
6 May 2004

Principal accounting policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared in accordance with applicable accounting standards up to and including FRS 19 and with the Statement of Recommended Practice 'Financial statements of investment trust companies' issued in January 2003. The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Valuation of Investments

Gilts and other listed investments are valued at middle market prices. Unlisted investments are carried at cost except in the following circumstances:

- where an Investee Company's under-performance against plan indicates a diminution in value of the investment, provision against cost will be made as appropriate in bands of 25 per cent
- where an Investee Company is well-established and profitable, the shares may be valued by applying a suitable price-earnings ratio to the company's historic post-tax earnings. The ratio will be based on a comparable listed company or sector but discounted by 25-50 per cent to reflect lack of marketability
- where a value is indicated by a material arm's-length transaction by a third party in the shares of an Investee Company, such value may be used.

The directors consider that this basis of valuation of unquoted investments is consistent with the British Venture Capital Association guidelines.

Income

Dividends receivable on unquoted equity shares are brought into account when the company's right to receive payment is established and there is no reasonable doubt that payment will be received. Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares, provided there is no reasonable doubt that payment will be received in due course. Interest receivable from cash and short term deposits are accrued to the end of the year.

Expenses

All expenses are accounted for on an accruals basis. All expenses are charged through the revenue account 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
- expenses are charged to the realised capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the directors consider that, in appropriate circumstances, a proportion of the company's management expenses (not exceeding 75 per cent) may be charged to capital.

Deferred Tax

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an Investment Trust Company. The Inland Revenue has approved the company as an Investment Trust Company for the purpose of Section 842 of the Income and Corporation Taxes Act 1988. The approval was given in the financial period ended 28 February 1998 and the company has subsequently directed its affairs so as to enable it to continue to be so approved.

Capital Reserves

Gains or losses on disposal of investments are dealt with in the realised capital reserve. Appreciation and depreciation on the revaluation of investments is dealt with in the unrealised capital reserve. The Company is structured as an "investment company" for the purposes of the Companies Act 1985 to enhance its ability to pay dividends out of income. However, whilst the Company retains the status of an investment company, it is precluded from distributing capital profits. When the Company has accumulated capital profits which the Board considers appropriate to distribute by way of dividend, the Board will apply to revoke the status of the Company as an investment company so that capital profits may be distributed.

Statement of total return (incorporating the revenue account)* for the year ended 29 February 2004

		2004			2003		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments	6	-	280	280	-	50	50
Income	1	91	-	91	94	-	94
Investment advisory fee	2	(99)	-	(99)	(66)	-	(66)
Other expenses	3	(58)	-	(58)	(42)	-	(42)
		-----	-----	-----	-----	-----	-----
Net return / (loss) on ordinary activities before taxation		(66)	280	214	(14)	50	36
Tax on net return / (loss) on ordinary activities	4	-	-	-	-	-	-
		-----	-----	-----	-----	-----	-----
Return / (loss) attributable to equity shareholders and transfers to / (from) reserves	10	(66)	280	214	(14)	50	36
		=====	=====	=====	=====	=====	=====
Return / (loss) per ordinary share	5	(1.24)p	5.26p	4.02p	(0.36)p	1.30p	0.94p
		=====	=====	=====	=====	=====	=====

* The revenue column of this statement is the profit and loss account of the company.

All revenue and capital items in the above statement derive from continuing operations. There were no recognised gains or losses for the period other than those shown above.

The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet at 29 February 2004

		29 February 2004		28 February 2003	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	6		4,908		3,142
Current assets					
Debtors	7	19		71	
Cash at bank		527		1,211	
		<u>546</u>		<u>1,282</u>	
Creditors: amounts falling due within one year	8				
		<u>(5)</u>		<u>(53)</u>	
Net current assets			541		1,229
Net assets			<u>5,449</u>		<u>4,371</u>
			=====		=====
Capital and reserves					
Called up share capital	9		541		452
Share premium account	10		4,658		3,883
Other reserves:	10				
Capital reserve - realised			-		-
Capital reserve - unrealised			330		50
Revenue reserve	10		(80)		(14)
Shareholders' funds	11		<u>5,449</u>		<u>4,371</u>
			=====		=====
Net asset value per share			101p		97p
			=====		=====

These financial statements were approved by the directors on 6 May 2004.

J L A Cary
Director

The accompanying accounting policies and notes form an integral part of these financial statements

Cash flow statement for the year ended 29 February 2004

	Note	2004 £000	2003 £000
Net cash (outflow) / inflow from operating activities	12	(6)	53
Capital expenditure and financial investment			
Purchase of investments		(3,342)	(4,277)
Disposal / redemption of investments		1,800	1,100
		-----	-----
Net cash outflow for capital expenditure and financial investment		(1,542)	(3,177)
		-----	-----
Net cash outflow before financing		(1,548)	(3,124)
Financing			
Issue of shares		891	4,515
Expenses paid in connection with share issue		(27)	(180)
		-----	-----
Net cash inflow from financing		864	4,335
		-----	-----
(Decrease) / increase in cash		(684)	1,211
		=====	=====

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the financial statements for the year ended 29 February 2004

	2004	2003
1 Income	£000	£000
Gilt interest	73	81
Other interest receivable	18	13
	-----	-----
	91	94
	=====	=====
2 Investment advisory fee	£000	£000
Investment advisory fee (see below)	89	59
Social security costs	10	7
	-----	-----
	99	66
	=====	=====

The Board performs the function of the Investment Manager. Seed Capital Ltd, a company of which J L A Cary is a director and the controlling shareholder, is the Investment Adviser to the company. By agreement between the Company and the Investment Adviser, the Investment Adviser's fee was paid in the form of salaries: J L A Cary £60,000 (2003: £30,000), and £29,000 (2003: £29,000) to other employees of Seed Capital Ltd. Social security costs associated with the payment of these fees were borne by the Company as explained in the prospectus.

Oxford Technology 3 Venture Capital Trust plc

3 Other Expenses	2004	2003
	£000	£000
Directors' remuneration (see report on page 6)	26	21
Social security costs	1	-
Auditors' remuneration: audit services	5	5
: non-audit services	2	-
Other	24	16
	58	42
	=====	=====

The employees during the year were the directors.

4 Tax	£000	£000
UK Corporation tax	-	-
	=====	=====

The tax charge for the year is different to the standard rate of corporation taxation in the UK of 20% (2003: 20%). The differences are explained below:

	£000	£000
Net revenue loss on ordinary activities before taxation	(66)	(14)
	=====	=====
At standard rate of taxation	(13)	(3)
Excess management expenses carried forward	13	3
	-	-
Current tax credit for year	-	-
	=====	=====

Unrelieved management expenses of £80,000 (2003: £14,000) remain available for offset against future taxable profits.

5 Return per ordinary share

The calculation of revenue return per share is based on the loss of £66,000 (2003: loss of £14,000) for the financial period divided by the weighted average number of ordinary shares of 5,324,714 (2003: 3,838,995) in issue during the period.

The calculation of capital return per share is based on the net capital return for the financial period of £280,000 (2003: £50,000) divided by the weighted average number of ordinary shares of 5,324,714 (2003: 3,838,995) in issue during the period.

6 Investments	2004			2003		
	Gilts £000	Others £000	Total £000	Gilts £000	Others £000	Total £000
Valuation at 1 March	1,848	1,294	3,142	-	-	-
Purchases at cost	1,323	2,019	3,342	3,024	1,253	4,277
Amortisation of book costs	(56)	-	(56)	(85)	-	(85)
Redeemed/disposed during the year	(1,800)	-	(1,800)	(1,100)	-	(1,100)
Unrealised appreciation / (depreciation)	(11)	291	280	9	41	50
Valuation at 29 February ¹	1,304	3,604	4,908	1,848	1,294	3,142
	=====	=====	=====	=====	=====	=====
			280			50
Unrealised appreciation Gain / (loss) on disposal of investments			-			-
Gains on investments			280			50
			=====			=====

¹ UK 5.0% Gilt, 2004

Oxford Technology 3 Venture Capital Trust plc

6 Investments (continued)

Details of unlisted investments are set out below with reference to their most recent published accounts in the footnote. All companies are incorporated and operate in the UK, except for Ciphergrid Ltd (formerly Cipherware Ltd) which operates in the UK and the Netherlands:

Name of undertaking	Class of shares held	Percentage of voting rights held by company %	Percentage of voting rights held by OT1 / OT2* %	Capital and reserves £000	Profit/(loss) before tax for year £000	Retained profit/(loss) for year £000
Armstrong Healthcare Ltd ¹	Ordinary	3.2%	9.2 / 10.9	281	(518)	(449)
Avidex Ltd ²	Ordinary	0.2%	4.7 / -	10,623	(6,205)	(5,378)
BioAnaLab Ltd ³	Ordinary	16.9%	- / -	208	(318)	(318)
Caretek Medical Ltd ⁴	Ordinary	20.4%	- / -	-	-	-
Ciphergrid Ltd ⁵	Ordinary	10.6%	- / 40.8	(12)	(109)	(109)
Commerce Decisions Ltd ⁶	Ordinary	2.2%	- / 5.9	481	(116)	(72)
Coraltech Ltd ⁷	Ordinary	13.9%	12.0 / 18.4	1,513	(29)	(29)
Dataflow Ltd ⁸	Ordinary and Preference	18.5%	9.0 / -	445	(74)	(74)
Datasoft Medical Ltd ⁹	Ordinary and Preference	50.0%	- / -	-	-	-
Equitalk.co.uk Ltd ¹⁰	Ordinary	16.6%	6.5 / 24.8	66	(331)	(331)
The IFM Company International Ltd ¹¹	Ordinary	20.6%	- / -	197	(458)	(458)
Immunobiology Ltd ¹²	Ordinary	10.0%	- / 10.0	163	(194)	(194)
Im-Pak Technologies Ltd ¹³	Ordinary	17.7%	9.0 / 13.8	-	-	-
InaPlex Ltd ¹⁴	Ordinary	10.8%	- / 17.4	(38)	(124)	(124)
Insense Ltd ¹⁵	Ordinary	6.9%	- / 7.4	67	(268)	(268)
Ixaris Systems Ltd ¹⁶	Ordinary	16.6%	- / -	139	(84)	(84)
Membrane Extraction Technology Ltd ¹⁷	Ordinary	7.0%	20.3 / 7.0	238	(155)	(142)
Metal Nanopowders Ltd ¹⁸	Ordinary	30.0%	- / -	-	-	-
Novarc Ltd ¹⁹	Ordinary	25.6%	- / -	754	(528)	(528)
Oxford Sensor Technology Ltd ²⁰	Ordinary	1.4%	19.6 / 13.2	80	(504)	(469)
PC Help Centre Ltd ²¹	Ordinary	26.4%	- / -	-	-	-
Prolysis Ltd ²²	Ordinary	1.1%	- / 3.2	1,741	(2,059)	(1,855)
Scancell Ltd ²³	Ordinary	2.5%	10.6 / -	694	(716)	(601)
Streamline Computing Ltd ²⁴	Ordinary	1.5%	- / -	314	(33)	(16)
Telegesis (UK) Ltd ²⁵	Ordinary and Preference-	30.4%	- / 3.8	(270)	(279)	(279)
Warwick Effect Polymers Ltd ²⁶	Ordinary	10.6%	- / -	428	(29)	(29)

As shown above, certain of the company's unlisted investments entitle the company to more than 20% of the voting rights in the investee company. The Board does not consider that these investments fall within the definition of associated undertakings since the company does not exercise significant influence over the operating and financial policies of the investee companies. In some instances, the company's equity holding in investees may have been diluted in the year where the company chose not to take up its pre-emption rights.

*Oxford Technology VCT plc (OT1) / Oxford Technology 2 VCT plc (OT2).

Most recent published accounts:

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. For the year ended 31 December 2002 2. For the year ended 31 March 2003 3. For the year ended 31 October 2003 4. Not yet produced audited accounts 5. For the year ended 31 July 2003 6. For the year ended 31 March 2003 7. For the year ended 31 July 2002 8. For the year ended 28 February 2003 9. Not yet produced audited accounts 10. For the year ended 31 March 2003 11. For the year ended 30 June 2003 12. For the year ended 31 May 2003 13. Not yet produced audited accounts | <ol style="list-style-type: none"> 14. For the year ended 30 September 2003 15. For the year ended 31 December 2002 16. For the year ended 31 December 2003 17. For the year ended 31 July 2003 18. Not yet produced audited accounts 19. For the year ended 30 April 2002 20. For the year ended 31 March 2003 21. Not yet produced audited accounts 22. For the year ended 31 December 2003 23. For the year ended 31 August 2003 24. For the year ended 31 January 2003 25. For the year ended 31 March 2003 26. For the year ended 31 March 2003 |
|---|---|

Oxford Technology 3 Venture Capital Trust plc

6 Investments (continued)

Name of undertaking	Brief description of business	Net cost of investment £000	Value of investment £000
Armstrong Healthcare Ltd	Medical robots.	170	152
Avidex Ltd	Monoclonal T-cell receptors.	50	50
BioAnaLab Ltd	Contract therapeutic antibody testing.	175	175
Caretek Medical Ltd	Novel drug delivery device.	100	100
Cipherware Ltd	Secure access to all database types with a universal driver.	25	25
Commerce Decisions Ltd	Complex procurement software.	100	100
Coraltech Ltd †	Lightweight and strong foamed plastic moulded components.	75	80
Dataflow Ltd	Mid-range accountancy software.	70	70
Datasoft Medical Ltd	Image handling for dermatologists.	170	170
Equitalk.co.uk Ltd	Internet-related telecoms.	102	70
The IFM Company International Ltd	Innovative displays that work in all light conditions.	261	125
Immunobiology Ltd	Heat shock protein-based vaccines.	150	150
Im-Pak Technologies Ltd †	Novel injection moulding technology.	339	676
InaPlex Ltd	Architecture to improve the accuracy of information in databases.	45	45
Insense Ltd	Wound healing and clinical diagnostics.	250	250
Ixaris Ltd	Small internet payments and elimination of junk email.	110	126
Membrane Extraction Technology Ltd	Environmentally-friendly technology to remove toxic organic molecules.	75	75
Metal Nanopowders Ltd	Production of uniform metal nano-powders.	150	150
Novarc Ltd	Development of spray formed moulds.	155	155
Oxford Sensor Technology Ltd	Sensors for improving production line efficiency.	20	16
PC Help Centre Ltd	Hardware to allow remote management of PCs.	75	160
Prolysis Ltd	High throughput screening of novel antibiotic candidates.	75	75
Scancell Ltd	Antibody-based cancer therapeutics.	150	150
Streamline Computing Ltd	Cluster supercomputer software.	50	50
Telegesis (UK) Ltd	Active, long range RF-ID technology.	130	111
Warwick Effect Polymers Ltd	Designer polymers from 'living, controlled radical polymerisation' technology.	200	298
		3,272	3,604
		=====	=====
	Investments in unlisted equity shares	2,972	3,304
	Investments in unlisted preference shares	226	226
	Loans	74	74
		3,272	3,604
		=====	=====

The company made additional investments totalling £99,000 in Oxford Sensor Technology Ltd (£24,000), Datasoft Medical Ltd (£50,000) and Inscentinel Ltd (£25,000) shortly after the year end.

† See Statement on behalf of the Board for further details on the Coraltech Ltd / Im-Pak Technologies Ltd demerger.

Oxford Technology 3 Venture Capital Trust plc

7 Debtors	2004	2003
	£000	£000
Prepayments and accrued income	19	71
	=====	=====
8 Creditors: amounts falling due within one year		
	£000	£000
Other creditors	5	53
	=====	=====
9 Share capital		
	£000	£000
Authorised		
10,000,000 ordinary shares of 10p each	1,000	1,000
	=====	=====
Allotted, called up and fully paid		
5,406,480 (2003: 4,515,287) ordinary shares of 10p each	541	452
	=====	=====

The company issued 891,193 ordinary shares of 10p each during the period to subscribers to the company's offer for subscription. 545 of these shares were issued as a result of subscribers reinvesting commission. All shares were issued at £1 each including share premium of 90p per share.

10 Reserves

	Share premium account £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
At 1 March 2003	3,883	-	50	(14)
Premium on issue of share capital	802	-	-	-
Expenses paid in connection with issue	(27)	-	-	-
Unrealised appreciation on valuation of investments	-	-	280	-
Result for the year	-	-	-	(66)
At 29 February 2004	4,658	-	330	(80)
	=====	=====	=====	=====

11 Reconciliation of movements in shareholders' funds	2004	2003
	£000	£000
Result for the year	(66)	(14)
Issue of shares, net of expenses	864	4,335
Other recognised gains	280	50
Net increase in shareholders' funds	1,078	4,371
Shareholders' funds at beginning of year	4,371	-
Shareholders' funds at end of year	5,449	4,371
	=====	=====

Oxford Technology 3 Venture Capital Trust plc

12 Reconciliation of net revenue return before taxation to net cash (outflow) / inflow from operating activities	2004	2003
	£000	£000
Net revenue loss before taxation	(66)	(14)
(Decrease) / increase in creditors	(48)	53
Decrease / (increase) in debtors	52	(71)
Amortisation of gilt premium	56	85
Net cash (outflow) / inflow from operating activities for the year	<u>(6)</u>	<u>53</u>
	=====	=====

13 Financial instruments

Apart from its investments in unquoted companies, the company has gilts, cash and a small amount of debtors and creditors through which it finances its activities. 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 face value, except for the gilts which are valued at mid-market price. There is no difference between these values and the fair values of the financial instruments.

14 Capital commitments

The company had no capital commitments at 29 February 2004 or 28 February 2003.

15 Contingent liabilities

The company had no contingent liabilities at 29 February 2004 or 28 February 2003.

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 12.20pm on Monday 7 June 2004 for the following purposes:

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

- (1) That the report and accounts for the year to 29 February 2004 be approved.
- (2) That J B H Jackson, 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 Chairman.
- (3) That J L A Cary, 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 Grant Thornton, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
- (5) That the Directors' remuneration report be approved.
- (6) 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 s163(3) of the Companies Act 1985 ("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 500,000 (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
 - (c) the maximum price which may be paid for a Share is £5 (exclusive of expenses).

This authority shall expire at the Company's annual general meeting in 2005. Pursuant to s163(5) of the Act, the Company may make contracts for the purchase of Shares which would or might be executed wholly or partly after the expiry of the time limit referred to above.

By Order of the Board
James Gordon

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, Capita IRG plc, c/o Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at least 48 hours before the meeting. A proxy card for use by members is attached. Completion of this proxy card will not prevent a member from attending the meeting and voting in person.
- (2) No director has a contract of service with the Company.



Oxford Technology 3 Venture Capital Trust plc

**Form of Proxy
for the Annual General Meeting convened
for 12.20pm on Monday 7 June 2004**

I/We
(BLOCK LETTERS)

of

being a member of Oxford Technology 3 Venture Capital Trust plc (“the Company”) hereby appoint

the Chairman of the meeting or (note 2) as my proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on Monday 7 June 2004 and at any adjournment thereof.

I/We direct my/our proxy to vote as follows in respect of the ordinary resolutions set out in notice of meeting (note 1):

Resolution No.	For	Against
1. Approval of accounts.		
2. Re-appointment of J B H Jackson as Chairman.		
3. Re-appointment of J L A Cary as Director.		
4. Approval of the appointment of Grant Thornton and authorisation of Directors to fix remuneration.		
5. Approval of the Directors’ remuneration report.		
6. Approval of authority to make purchases of own shares.		

Date thisday of....., 2004

Signature.....

Notes

1. Please indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to use your vote on any particular matter, the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting. The proxy will act as he thinks fit in relation to any other business arising from the meeting (including any resolution to adjourn the meeting).
2. If you prefer to appoint some other person or persons as your proxy, strike out the words “the Chairman of the Meeting or ”, and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company.
3. In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted.
4. If the member is a corporation, this Form of Proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. To be effective, this Form of Proxy must be completed, signed and must be lodged (together with any power of attorney or duly certified copy thereof under which this Form of Proxy is signed) with the Company’s registrars, Capita IRG plc, c/o Oxford Technology 3 Venture Capital Trust plc, Magdalen Centre, Oxford Science Park, Oxford OX4 4GA, not less than 48 hours before the time appointed for the meeting.

Fold 1



PLEASE
AFFIX
STAMP
HERE

Capita IRG plc
c/o Oxford Technology 3 VCT plc
Magdalen Centre
Oxford Science Park
Oxford OX4 4GA

Fold 2

Fold in half along 'Fold 1'
Fold over flaps along 'Fold 2' and 'Fold 3'
Secure by tucking first flap into second flap:



Fold 3

Oxford Technology 3 Venture Capital Trust plc

Company Information

Directors

John Jackson (Chairman)
Charles Breese
Lucius Cary
Michael O'Regan
Sir Martin Wood

Investment Adviser and Registered Office

Seed Capital Ltd
Magdalen Centre
Oxford Science Park
Oxford OX4 4GA

Secretary

James Gordon

Solicitors

Gordons
22 Great James Street
London WC1N 3ES

Registrars

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Brokers

Cazenove & Co
12 Tokenhouse Yard
London EC2R 0UL

Auditors & VCT Compliance

Advisers

Grant Thornton
1 Westminster Way
Oxford OX2 0PZ

Company Registration Number: 4351474