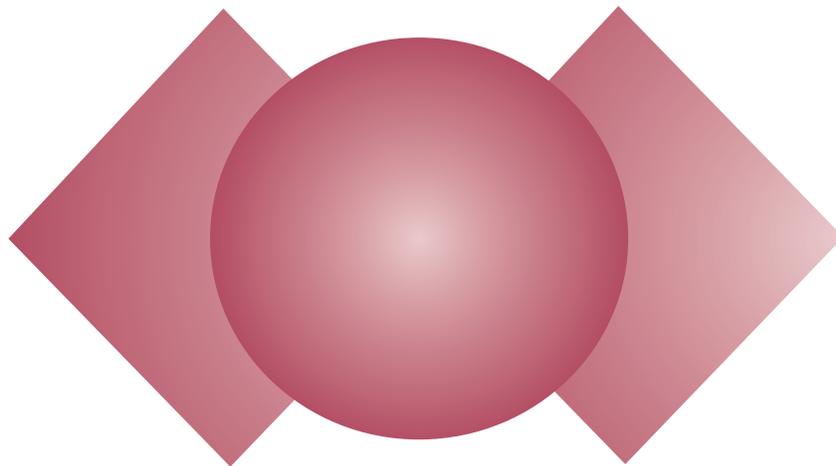


Oxford
Technology 3
Venture Capital Trust plc



Financial Statements

For the year ended 28 February 2005

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Financial highlights

	Year ended 28 February 2005 per ordinary share	Period ended 29 February 2004 per ordinary share
Net asset value at year end after distributions	108p	101p
Revenue return	(1.92)p	(1.24)p
Cumulative dividend (gross) from incorporation	0p	0p
Share price at year end	74.0p	70.0p

Statement on behalf of the Board

Investment Portfolio

Net Assets per share in Oxford Technology 3 VCT (OT3VCT) at 28 February 2005 were £1.08 compared to £1.01 on 28 February 2004 and £1.12 on 31 August 2004.

The Oxford Technology VCTs exist to invest in early-stage and start-up technology companies, most of which have no revenue and some not even a product at the time of the initial investment. The risks associated with such companies are high and real, and it is to be expected that there will be failures, and that these failures may occur quite quickly. The other side of the coin is the hope that there will also be some successes, and although these may take longer to come through, the gains from these successes may be substantial. In the jargon of the industry, lemons ripen before plums. The theoretical expectation is therefore that the Net Asset Value will show a J curve over time, with early failures resulting in a fall in net asset values, with later successes causing a rise, one hopes a large rise, in net asset values later on.

In the case of OT3VCT, there was a relatively early rise in Net Asset Value caused by the substantial increase in the value of Ixaris. At 31 August 2004, there were 27 investments in the portfolio, but in the last six months three of these have failed, in the sense that their value has been written down to nothing or very close to nothing.

Novarc was unable to prevent cracking and thermal distortion as it scaled up its spray moulding technology, so that it failed to win the contract from Ford in the US which would have come with technical success. It was decided that it would not be sensible to invest more and the company is therefore being liquidated.

While IFM made some good technical progress, and also secured its first significant order for clocks to be used externally on railway station platforms, the emergence of bright LEDs and the large fall in the price of these devices and other technologies which compete with IFM reduced the upside potential and made IFM a less attractive investment opportunity. The headcount was therefore reduced to nil, and the company put into a dormant state. The value of the investment has been written down to £6,000 (being that proportion of the net cash which would accrue to OT3VCT).

Although Datasoft Medical did achieve its first significant sales to hospitals in the UK and the US, these sales were judged to be too little too late, and shareholders were unwilling to provide further capital to the business. The value of the investment has been written down to zero, and at the time of writing a purchaser is being sought.



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.

Armstrong Healthcare failed to achieve its sales projections, required additional capital and raised this by means of a discounted rights issue, so that the value of this investment also fell.

The reduction in the Net Asset Value caused by these events has been partially offset by a rise in the value of other investees during the period.

On balance, the Board is pleased with the development of the portfolio as a whole.

Results for the year

Interest on gilts, bank deposits and other interest produced gross revenue of £56,000 (2004: £91,000) in the year. Net revenue after taxation and management expenses was a loss of £104,000 (2004: loss of £66,000) and revenue return for the period was a loss of 1.92p (2004: loss of 1.24p) per share. Capital return was 9.14p (2004: gain of 5.26p) 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

Oxford Technology 3 Venture Capital Trust plc

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 Friday 10th June 2005, at the Magdalen Centre, Oxford Science Park, starting at 12.00 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 2005 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	195	5.4
Avidex Ltd	Jul 02	50	0.2
BioAnaLab Ltd	Nov 02	189	17.4
Caretek Medical Ltd	Nov 03	150	15.3
Ciphergrid Ltd	Oct 03	50	10.3
Commerce Decisions Ltd	July 03	100	2.2
Coraltech Ltd	May 02	135	13.9
Dataflow Ltd	Jul 02	70	11.4
Datasoft Medical Ltd	Oct 02	250	49.6
Equitalk.co.uk Ltd	Jan 03	102	16.1
The IFM Company International Ltd	Jun 02	286	17.2
Immunobiology Ltd	May 03	150	10.0
Im-Pak Technologies Ltd	Mar 03	589	18.4
InaPlex Ltd	Mar 03	45	10.7
Insense Ltd	May 03	250	6.9
Insentinel Ltd	Mar 04	60	21.9
Invro Ltd	Apr 04	15	24.0
Ixaris Systems Ltd	Aug 02	110	15.6
Membrane Extraction Technology Ltd	May 02	75	7.0
Metal Nanopowders Ltd	Nov 02	150	30.0
Novarc Ltd	July 03	163	25.6
Orthogem Ltd	Dec 04	50	4.4
Oxford Sensor Technology Ltd	Jun 03	45	6.6
PC Help Centre Ltd	Sep 03	75	26.3
Prolysis Ltd	Nov 02	75	1.1
Scancell Ltd	Dec 03	150	2.4
STL Management Ltd	Nov 04	27	1.5
Streamline Computing Ltd	Mar 03	50	3.7
Telegesis (UK) Ltd	Oct 03	180	33.7
Warwick Effect Polymers Ltd	Nov 02	200	10.7
		<u>4,036</u>	

John Jackson
Chairman
6 May 2005

Board of Directors

John Jackson, 75, 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 four Oxford Technology VCTs, as well as the non-solicitor Chairman of Mishcon de Reya. He is a director of Brown & Jackson plc and a number of unlisted companies. In autumn of 2004, he retired as a director of WPP Group plc whilst continuing as a member of its advisory board. 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, 58, 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 first 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, 58, 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, 58, 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 remained a non-executive director until 2004. 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 and is joint director of the Hamilton Maths and Reading Projects.

Sir Martin Wood, 77, 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 28 February 2005.

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 £390,000 (2004: £214,000) made up of a net capital gain on the value of investments of £494,000 (2004: £280,000) and a revenue return of a loss of £104,000 (2004: loss of £66,000). The revenue account comprises income of £56,000 (2004: £91,000) less management and other expenses of £160,000 (2004: £157,000). No dividends were recommended.

Directors

The present membership of the board, and their beneficial interests in the ordinary shares of the company at 28 February 2005 and at 29 February 2004, are set out below:

	2005	2004
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	59,500	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 investments in Armstrong Healthcare Ltd and Im-Pak Ltd, M W Wood was an existing investor and took up some or all of his rights; in the case of the investment in Caretek Medical Ltd, M W Wood co-invested on terms no more favourable than those by which Oxford Technology 3 VCT invested; in the case of the investment in Oxford Sensor Technology Ltd both J B H Jackson and M R H J O'Regan were existing investors, and took up some or all of their rights.

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 Higgs 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

Oxford Technology 3 Venture Capital Trust plc

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 28 February 2005 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.

Policy for Payment of Creditors

The Company's policy is to pay creditors within the normal terms of the invoice, which usually means immediately.

Auditors

James & Cowper 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 2005

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 2005 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, CJ Breese and MRHJ O'Regan 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 28 February 2005 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.

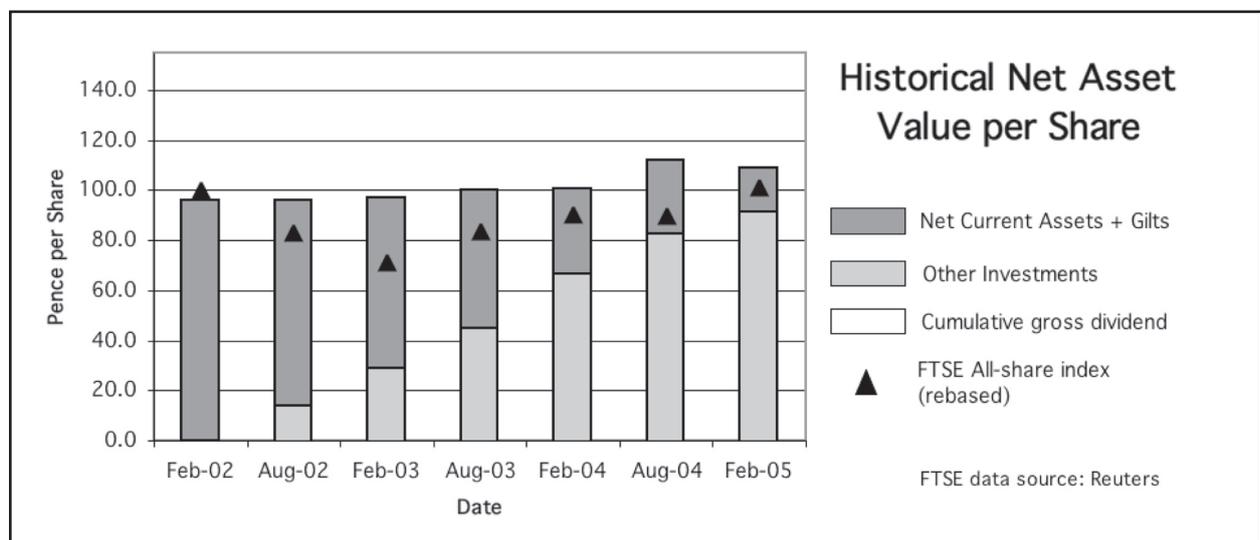
The Directors who served in the year received the following emoluments in the form of fees:

	2005	2004
	£000	£000
J B H Jackson (Chairman)	6	6
J L A Cary	5	5
C J Breese	5	5
M R H J O'Regan	5	5
Sir Martin Wood	5	5
	26	26
	26	26

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 2005



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 28 February 2005 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 28 February 2005 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.

James & Cowper
Registered Auditor and Chartered Accountants
Oxford
6 May 2005

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

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 28 February 2005

		2005			2004		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments	6	-	494	494	-	280	280
Income	1	56	-	56	91	-	91
Investment advisory fee	2	(105)	-	(105)	(99)	-	(99)
Other expenses	3	(55)	-	(55)	(58)	-	(58)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net return / (loss) on ordinary activities before taxation		(104)	494	390	(66)	280	214
Tax on net return / (loss) on ordinary activities	4	-	-	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Return / (loss) attributable to equity shareholders and transfers to / (from) reserves	10	(104)	494	390	(66)	280	214
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Return / (loss) per ordinary share	5	(1.92)p	9.14p	7.22p	(1.24)p	5.26p	4.02p
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

* 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 28 February 2005

		28 February 2005		29 February 2004	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	6		4,880		4,908
Current assets					
Debtors	7	5		19	
Cash at bank		958		527	
		<u>963</u>		<u>546</u>	
Creditors: amounts falling due within one year	8				
		<u>(4)</u>		<u>(5)</u>	
Net current assets			959		541
Net assets			<u>5,839</u>		<u>5,449</u>
Capital and reserves					
Called up share capital	9		541		541
Share premium account	10		4,658		4,658
Other reserves:	10				
Capital reserve - realised			(4)		-
Capital reserve - unrealised			828		330
Revenue reserve	10		(184)		(80)
Shareholders' funds	11		<u>5,839</u>		<u>5,449</u>
Net asset value per share			<u>108p</u>		<u>101p</u>

These financial statements were approved by the directors on 6 May 2005.

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 28 February 2005

	Note	2005 £000	2004 £000
Net cash outflow from operating activities	12	(91)	(6)
Capital expenditure and financial investment			
Purchase of investments		(778)	(3,342)
Disposal / redemption of investments		1,300	1,800
		<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment		522	(1,542)
		<hr/>	<hr/>
Net cash outflow before financing		431	(1,548)
Financing			
Issue of shares		-	891
Expenses paid in connection with share issue		-	(27)
		<hr/>	<hr/>
Net cash inflow from financing		-	864
		<hr/>	<hr/>
Increase / (decrease) in cash		431	(684)
		<hr/> <hr/>	<hr/> <hr/>

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

Notes to the financial statements for the year ended 28 February 2005

	2005	2004
	£000	£000
1 Income		
Gilt interest	17	73
Other interest receivable	39	18
	<hr/>	<hr/>
	56	91
	<hr/> <hr/>	<hr/> <hr/>
2 Investment advisory fee		
	£000	£000
Investment advisory fee (see below)	94	89
Social security costs	11	10
	<hr/>	<hr/>
	105	99
	<hr/> <hr/>	<hr/> <hr/>

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 to J L A Cary and to other employees of Seed Capital Ltd (the Investment Adviser). 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	2005	2004
	£000	£000
Directors' remuneration (see report on page 6)	26	26
Social security costs	1	1
Auditors' remuneration: audit services	4	5
: non-audit services	2	2
Other	22	24
	<u>55</u>	<u>58</u>

The employees during the year were the directors.

4 Tax	£000	£000
UK Corporation tax	-	-
	<u>-</u>	<u>-</u>

The tax charge for the year is different to the standard rate of corporation taxation in the UK of 19% (2004: 20%). The differences are explained below:

	£000	£000
Net revenue loss on ordinary activities before taxation	(104)	(66)
At standard rate of taxation	(20)	(13)
Excess management expenses carried forward	20	13
Current tax credit for year	-	-
	<u>-</u>	<u>-</u>

Unrelieved management expenses of £173,000 (2004: £80,000) 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 £104,000 (2004: loss of £66,000) for the financial period divided by the weighted average number of ordinary shares of 5,406,480 (2004: 5,324,714) in issue during the period.

The calculation of capital return per share is based on the net capital return for the financial period of £494,000 (2004: £280,000) divided by the weighted average number of ordinary shares of 5,406,480 (2004: 5,324,714) in issue during the period.

6 Investments	2005			2004		
	Gilts	Others	Total	Gilts	Others	Total
	£000	£000	£000	£000	£000	£000
Valuation at 1 March	1,304	3,604	4,908	1,848	1,294	3,142
Purchases at cost	-	778	778	1,323	2,019	3,342
Amortisation of book costs	-	-	-	(56)	-	(56)
Redeemed/disposed during the year	(1,304)	-	(1,304)	(1,800)	-	(1,800)
Unrealised appreciation / (depreciation)	-	498	498	(11)	291	280
Valuation at 28 February	<u>-</u>	<u>4,880</u>	<u>4,880</u>	<u>1,304</u>	<u>3,604</u>	<u>4,908</u>
Unrealised appreciation			498			280
Gain / (loss) on disposal of investments			(4)			-
Gains on investments			<u>494</u>			<u>280</u>

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/OT4* %	Capital and reserves £000	Profit/(loss) before tax for year £000	Retained profit/(loss) for year £000
Armstrong Healthcare Ltd ¹	Ordinary	5.4	9.2 / 10.9 / -	281	(518)	(449)
Avidex Ltd ²	Ordinary	0.2	4.6 / - / -	10,623	(6,205)	(5,378)
BioAnaLab Ltd ³	Ordinary	17.4	- / - / -	208	(318)	(318)
Caretek Medical Ltd ²	Ordinary	15.3	- / - / 4.3	-	-	-
Ciphergrid Ltd ⁴	Ordinary	10.3	- / 39.7 / -	(12)	(109)	(109)
Commerce Decisions Ltd ²	Ordinary	2.2	- / 5.9 / -	481	(116)	(72)
Coraltech Ltd ⁴	Ordinary	13.9	12.0 / 18.4 / -	1,513	(29)	(29)
Dataflow Ltd ⁵	Ordinary and Preference	11.4	5.5 / - / -	445	(74)	(74)
Datasoft Medical Ltd ¹	Ordinary and Preference	49.6	- / - / -	-	-	-
Equitalk.co.uk Ltd ⁶	Ordinary	16.1	6.3 / 24.1 / -	66	(331)	(331)
The IFM Company International Ltd ⁷	Ordinary	17.3	- / - / -	197	(458)	(458)
Immunobiology Ltd ⁸	Ordinary	10.0	- / 10.0 / -	163	(194)	(194)
Im-Pak Technologies Ltd ¹	Ordinary	18.4	7.4 / 11.3 / -	-	-	-
InaPlex Ltd ⁹	Ordinary	10.7	- / 17.4 / -	(38)	(124)	(124)
Insense Ltd ¹	Ordinary	6.9	- / 7.4 / -	67	(268)	(268)
Insentinel Ltd ⁸	Ordinary	21.9	- / 21.8 / 30.0	48	(4)	(4)
Invro Ltd ¹⁰	Ordinary	24.0	- / - / -	-	-	-
Ixaris Systems Ltd ¹	Ordinary	15.6	- / - / -	139	(84)	(84)
Membrane Extraction Technology Ltd ¹¹	Ordinary	7.0	20.3 / 7.0 / -	238	(155)	(142)
Metal Nanopowders Ltd ¹²	Ordinary	30.0	- / - / -	-	-	-
Orthogem Ltd ¹	Ordinary	4.4	- / 34.3 / -	-	-	-
Oxford Sensor Technology Ltd ²	Ordinary	6.6	16.9 / 5.0 / -	80	(504)	(469)
PC Help Centre Ltd ⁷	Ordinary	26.3	- / - / -	-	-	-
Prolysis Ltd ¹³	Ordinary	1.1	- / 3.2 / -	1,741	(2,059)	(1,855)
Scancell Ltd ¹⁴	Ordinary	2.4	10.6 / - / -	694	(716)	(601)
Streamline Computing Ltd ¹⁵	Ordinary	1.5	- / - / -	314	(33)	(16)
Telegesis (UK) Ltd ⁶	Ordinary and Preference-	33.7	- / 3.8 / -	(270)	(279)	(279)
Warwick Effect Polymers Ltd ²	Ordinary	10.7	- / - / -	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) / Oxford Technology 4 VCT plc (OT4).

Most recent published accounts:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. For the year ended 31 December 2003 2. For the year ended 31 March 2004 3. For the year ended 31 October 2004 4. For the year ended 31 July 2003 5. For the year ended 28 February 2004 6. For the year ended 31 March 2003 7. For the year ended 30 June 2003 8. For the year ended 31 May 2004 | <ol style="list-style-type: none"> 9. For the year ended 30 September 2003 10. Not yet produced audited accounts 11. For the year ended 31 July 2004 12. For the year ended 31 October 2003 13. For the year ended 31 December 2004 14. For the year ended 31 August 2004 15. For the year ended 31 January 2004 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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.	195	86
Avidex Ltd	Monoclonal T-cell receptors.	50	50
BioAnaLab Ltd	Contract therapeutic antibody testing.	189	189
Caretek Medical Ltd	Novel drug delivery device.	150	358
Ciphergrid Ltd	Secure access to all database types with a universal driver.	50	38
Commerce Decisions Ltd	Complex procurement software.	100	100
Coraltech Ltd	Lightweight and strong foamed plastic moulded components.	135	100
Dataflow Ltd	Mid-range accountancy software.	70	70
Datasoft Medical Ltd	Image handling for dermatologists.	250	0
Equitalk.co.uk Ltd	Internet-related telecoms.	102	70
The IFM Company International Ltd	Innovative displays that work in all light conditions.	286	6
Immunobiology Ltd	Heat shock protein-based vaccines.	150	150
Im-Pak Technologies Ltd	Novel injection moulding technology.	589	1,201
InaPlex Ltd	Architecture to improve the accuracy of information in databases.	45	45
Insense Ltd	Wound healing and clinical diagnostics.	250	333
Inscentinel Ltd	Very sensitive detection of vapours.	60	60
Invro Ltd	Low power radios.	15	15
Ixaris Systems Ltd	Internet payment systems.	110	898
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.	163	0
Orthogem Ltd	Better artificial bone.	50	50
Oxford Sensor Technology Ltd	Sensors for improving production line efficiency.	45	56
PC Help Centre Ltd	Hardware to allow remote management of PCs.	75	75
Prolysis Ltd	High throughput screening of novel antibiotic candidates.	75	75
Scancell Ltd	Antibody-based cancer therapeutics.	150	75
STL Management Ltd	Specialist photocopiers.	27	27
Streamline Computing Ltd	Cluster supercomputer software.	50	50
Telegesis (UK) Ltd	Active, long range RF-ID technology.	180	180
Warwick Effect Polymers Ltd	Designer polymers from 'living, controlled radical polymerisation' technology.	200	298
		<u>4,036</u>	<u>4,880</u>
	Investments in unlisted equity shares	3,741	4,585
	Investments in unlisted preference shares	187	187
	Loans	108	108
		<u>4,036</u>	<u>4,880</u>

Oxford Technology 3 Venture Capital Trust plc

7 Debtors	2005	2004		
	£000	£000		
Prepayments and accrued income	5	19		
	<u> </u>	<u> </u>		
8 Creditors: amounts falling due within one year				
	£000	£000		
Other creditors	4	5		
	<u> </u>	<u> </u>		
9 Share capital				
	£000	£000		
Authorised				
15,000,000 ordinary shares of 10p each	1,500	1,500		
	<u> </u>	<u> </u>		
Allotted, called up and fully paid				
5,406,480 (2004: 5,406,480) ordinary shares of 10p each	541	541		
	<u> </u>	<u> </u>		
10 Reserves				
	Share premium account £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
At 1 March 2004	4,658	-	330	(80)
Realised loss on disposal of investment	-	(4)	-	-
Unrealised appreciation on valuation of investments	-	-	498	-
Result for the year	-	-	-	(104)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 28 February 2005	4,658	(4)	828	(184)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
11 Reconciliation of movements in shareholders' funds	2005	2004		
	£000	£000		
Result for the year	(104)	(66)		
Issue of shares, net of expenses	-	864		
Other recognised gains	494	280		
	<u> </u>	<u> </u>		
Net increase in shareholders' funds	390	1,078		
Shareholders' funds at beginning of year	5,449	4,371		
	<u> </u>	<u> </u>		
Shareholders' funds at end of year	5,839	5,449		
	<u> </u>	<u> </u>		

Oxford Technology 3 Venture Capital Trust plc

12 Reconciliation of net revenue return before taxation to net cash outflow from operating activities	2005	2004
	£000	£000
Net revenue loss before taxation	(104)	(66)
Decrease in creditors	(1)	(48)
Decrease in debtors	14	52
Amortisation of gilt premium	-	56
Net cash outflow from operating activities for the year	<u>(91)</u>	<u>(6)</u>

13 Financial instruments

Apart from its investments in unquoted companies, 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. 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 28 February 2005 or 29 February 2004.

15 Contingent liabilities

The company had no contingent liabilities at 28 February 2005 or 29 February 2004.

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 12.00pm on Friday 10th June 2005 for the following purposes:

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

- (1) That the report and accounts for the year to 28 February 2005 be approved.
- (2) That CJ Breese, 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 Director.
- (3) That MRHJ O'Regan, 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 James & Cowper, 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 2006. 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 12.00pm on Friday 10th June 2005**

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 Friday 10th June 2005 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 CJ Breese as Director.		
3. Re-appointment of MRHJ O’Regan as Director.		
4. Approval of the appointment of James & Cowper 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....., 2005

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

James & Cowper
Buxton Court
3 West Way
Botley, Oxford
OX2 0JB

Company Registration Number: 4351474