

Oxford Technology 3 Venture Capital Trust PLC

OT3 owns 20% of **Metal Nanopowders** (MNL) which was founded to develop better methods of making metal nanopowders and to develop applications. It had been near-dormant for some years, but made better progress during 2011. In 2012 the Company won a significant grant to develop a particular nanopowder for defence applications. It is now using this grant to scale up production to 1-2Kg per day, and is also working on one contract to make powdered metal for a non-defence application.

Superhard Materials was spun out of Metal Nanopowders to exploit the potential of a very hard material (believed to be harder than anything except diamond itself) which was discovered by an employee of Metal Nanopowders. Superhard Materials has now partnered with Precision Ceramics in Birmingham to exploit the commercial potential of this material, named Superduride. Precision Ceramics will pay all the costs and Superhard Materials will receive a share of the gross profit earned. At the time of writing samples are being made for potential customers.

OT3 first invested in **Telegesis** in 2003 when the company was a start up and it now owns 27.6%. The company designs and manufactures Zigbee modules. ZigBee, like Bluetooth, is a communications protocol and is for transmitting low volumes of data with very low energy consumption over distances of up to 1km. Crucially each ZigBee chip can communicate with up to 64,000 other ZigBee devices, and the chips automatically form themselves into a mesh network, ideal for communicating with multiple devices in the home or, for example, controlling multiple light fittings in commercial buildings. If one node goes down another route is established automatically. While many companies are involved with ZigBee, it is believed that Telegesis is the only company in the world which does nothing else apart from ZigBee. This has meant that Telegesis is rightly perceived as expert in this field and this has brought benefits as large companies have chosen to work with Telegesis rather than with others to develop their ZigBee applications.

Major uses for Telegesis modules have been for smart metering, for monitoring solar panels in real time so as to switch out panels which develop faults, and which would otherwise degrade the performance of the whole array, and for lighting. There is no longer a need for a wire to run from a switch in a wall to a light in the ceiling.

Telegesis continues to make steady progress and is now profitable, and generating cash. There are many customers who have indicated that they will be placing very much larger orders in future, so that a major increase in sales may occur at some point, but so far growth has been steady. Approximately 80% of sales are exports. Sales have grown from just under £1m in the year to March 2010 to just over £4m in the year to March 2014.

OT3 owns a 33% stake in **Invro**, a very small company whose only employee is Dr Duncan Grant. Dr Grant is a specialist in both very high power and very low power electronics. The purpose of the original investment of £30,000 in 2004 was to make a prototype of the world's lowest power radio - something which would run for months on a battery which had been discarded as exhausted. It was hoped that if this objective were achieved, a manufacturer would be found to make the radio for use in Africa and other poor countries where the cost of a battery represents a significant proportion of a monthly wage. The objective was achieved (the radio consumed approximately 1/10 of the power of the next best alternative), but in the end, despite interest from various UN agencies no manufacturer was found to take it on.

Invro Ltd has since grown its activities to incorporate a number of technologies that are key to power electronics. Amongst these are low-voltage high-current converters, current sensing and process instrumentation related to power electronics. The "sales" related to these technologies have up to this point been delivered through service contracts and participation in state-funded research and innovation awards. Invro is working closely with a mining equipment company to enhance the performance of smelting operations. By controlling the large currents used very precisely, it is possible to secure significant improvements in efficiency, so saving very large amounts of electricity. Invro is also a partner in a €6m European R&D programme to develop ultra-conductive wire. The partners in that project include Cambridge University and PSA Peugeot Citroën.

Oxford Technology 3 Venture Capital Trust PLC

Invro is looking for growth wherever opportunities occur. Invro is investigating the potential for securing R&D funding in the area of power electronics within the new European H2020 programme. The mining sector, which is a very large user of energy, is also being explored for opportunities. Renewable energy sources also offer potential for development and discussions are in progress with potential partners.

OT3 owns 1.3% of **Plasma Antennas**. This company began by designing and supplying specialist antennae, which can be priced at up to £50,000 each for certain specialist applications. In the last few years, Plasma Antennas has been transitioning from an R&D company into an R&D and production company. More of its sales now go to civilian customers (mainly for mobile phone network applications). Before, most of the output was for government security applications. Margins on the civilian applications are lower, but the volumes are very much larger and manufacture is all outsourced.

Also, the company is continuing to work on its plasma antenna (the purpose of the original investment). It now has a working device which demonstrates the technology, but at the moment the insertion losses are too high to make this useful. But the company has what it believes will be a viable technical solution to this problem and will continue working on this. It also has potential customers waiting to use this antenna in their networks if its performance can be improved.

The next generation of communications are likely to be at 30GHz and above since higher frequencies carry more information and the current 3GHz networks are becoming overloaded. The atmosphere is quite opaque to signals at these frequencies so that communication has to be by means of beams (like a searchlight as opposed to a light bulb). At the moment this is achieved either by phased arrays (which are very expensive) or by metal reflectors (which are fixed). The plasma antenna will provide a steerable beam, whose direction can be changed in microseconds. So, for example, such an antenna could remain in communication with a car travelling down a motorway.

OT3 also owns 0.7% of **Arecor** which has been making encouraging progress.

Board of Directors



Richard Vessey, age 65, Chairman

Richard joined the Board of Oxford Technology 3 Venture Capital Trust on 13 July 2006. His education is as a chemical engineer from Imperial College and MBA from Harvard, and his early career was in manufacturing companies, becoming Sales and Marketing Director of Plastic Engineers Ltd. In 1984 he left the conventional career path and founded Bell Plastics Ltd, a specialist plastics manufacturing business which was sold in 2004 to Plastics Capital Plc which is now listed on the London Stock Exchange. Richard is currently a director and the company is building a portfolio of niche plastic companies. Richard is an active member of the UK Shareholders Association and is also an investor in Telegesis, Plasma Antennas, Glide Pharma, Polytherics and Select Technology from the OT3 portfolio.



Lucius Cary OBE, age 67, Director

Lucius is the founder and managing director of Oxford Technology Management Ltd (OTM), 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 OTM’s investment activities.

By 2005, OTM had managed or advised ten seed capital funds, including the Oxford Technology VCTs which, between them, have made some 100 investments in early stage and start-up technology companies. In 2003, he was awarded an OBE for services to business and in 2004 was awarded the Judges Award at Investors Allstars, for his contribution over many years to early stage investing. Lucius Cary is an investor in Select Technology from the OT3 portfolio. He is also a Director of Oxford Technology VCT, Oxford Technology 2 VCT and Oxford Technology 4 VCT which have some shared investments with OT3. He is a Director of Superhard Materials Ltd.

Conflicts of Interest

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

The Board keeps the position of the Investment Manager under review. The Chairman has the casting vote and Lucius Cary as a Director of Oxford Technology Management is not involved in the decision.

Report of the Directors

The Directors present their report together with financial statements for the year ended 28 February 2014.

Principal Activity

The Company commenced business in April 2000. The Company invests in start-up and early stage technology companies in general located within 60 miles of Oxford.

Directors

The present membership of the board, and their beneficial interests in the ordinary shares of the company at 28 February 2014 and at 28 February 2013, are set out below:

Name	2014	2013
R C Vessey	226,050	226,050
J L A Cary	64,096	64,096

Except as disclosed in notes 2 & 3 and set out above, 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. No Director or their families have sold shares during the year.

Corporate Governance

The Company has complied throughout the period with the provisions in Section 1 of the Combined Code on Corporate Governance (the "Code"), except that the Board as a whole performs the functions of both the Audit Committee (Code B.2.1) and the Nomination Committee (Code A.3.3). The Directors do not have formalised service contracts with the company, whereas the recommendation is for fixed term renewable contracts. The Board confirms that procedures to implement the Turnbull guidance were in place throughout the year ended 28 February 2014. The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board will now consist of two non-executive directors. Lucius Cary represents the Investment Manager and Richard Vessey is the independent 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 Code.

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

All other matters are reserved for the approval of the Board. The Board ensures the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the company, seeking to balance objectivity and value for money. None of the directors has a service contract with the company. The Articles of Association require that one third of the directors (or the number nearest one third) on a rotation basis will be subject to re-election procedures at subsequent Annual General Meetings.

Oxford Technology 3 Venture Capital Trust PLC

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as described in Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors and Officers Insurance

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

Whistleblowing

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

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Manager has established policies and procedures to prevent bribery within its organisation. The Directors are closely involved in the day-to-day management of the Company, thus ensuring that they learn of any questionable practices as and when they arise.

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 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 2014, the company has been notified of two investors whose interest exceeds three percent of the company's issued share capital (Richard Vessey (Chairman), 3.3%; Oxfordshire County Council Pension Fund 8.7%, Hargreaves Lansdown (Nominees) Ltd 3.1%). The company has several investors, all individuals, who with their families have invested £100,000 or more in the shares of the company. The Directors shareholdings are listed above.

Auditors

James Cowper LLP offer themselves for reappointment in accordance with Section 489 of the Companies Act 2006.

On behalf of the Board

JLA Cary

Director

22 May 2014

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 2006. 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 two non-executive directors. Lucius Cary represents the Investment Manager and Richard Vessey is the independent chairman. Since the company is a Venture Capital Trust with no executive directors, there are certain relaxations of the Code permitted to the company under the Listing Rules of the Financial Conduct 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.

The company's investment manager is Oxford Technology Management Ltd, a company of which JLA Cary is a director and the controlling shareholder. The Investment Management fee is laid out in the prospectus dated 12 February 2002 and in the more recent Investment Memorandums and the fee payments for the years ended 28 February 2014 and 28 February 2013 are laid out in note 2 to the financial statements. As detailed in the company prospectus dated 12 February 2002 and in the more recent Investment Memorandums, once investors have received a return of 100% of the gross sums invested by way of dividends 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 Manager collectively and 5 per cent of such distributions to the directors collectively.

Directors' Rights of Tenure

No Director has a service contract with the company. At each AGM one of the directors is obliged to retire and offer themselves for re-election by shareholders. At the AGM for the current year, Lucius Cary will retire and offer himself for re-election. There is no notice period and no provision for compensation upon early termination of the appointment of any director.

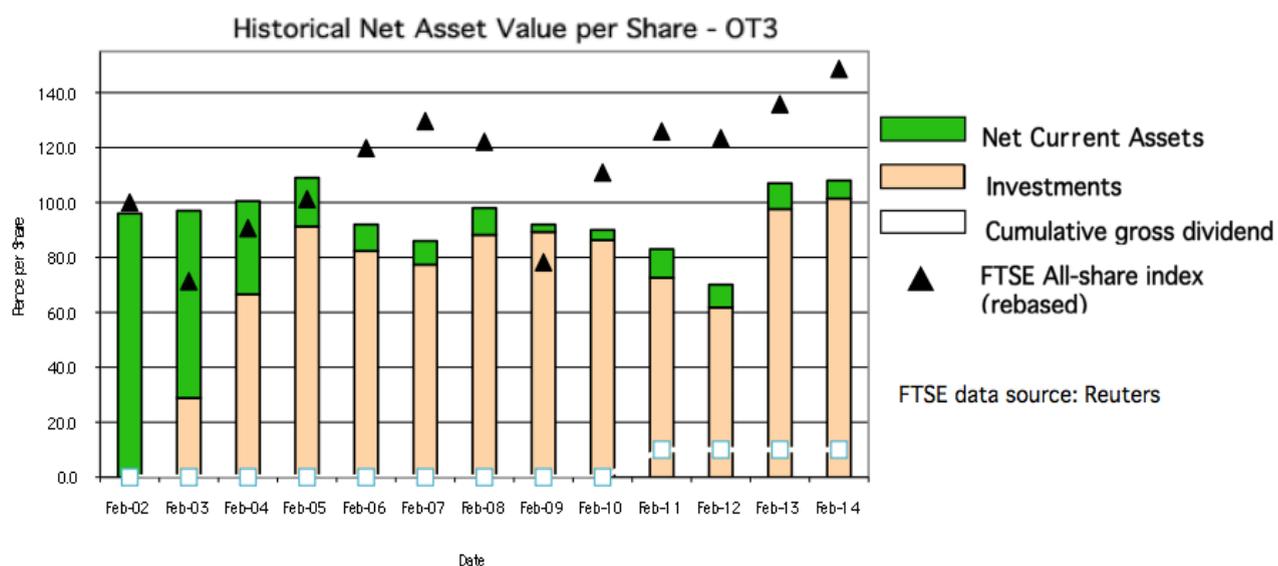
Company's Performance Compared to a Suitable Index

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 Manager, as described in the prospectus dated 12 February 2002.

The graph below compares the performance of the company with the performance of the FTSE All-Share index over the period from 28 February 2002 to 28 February 2014. 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.

Oxford Technology 3 Venture Capital Trust PLC



Directors' emoluments for the year

The information in this part of the report has been audited by the company's auditors. The Directors' fees for the year were £10,000 (2013: £10,000):

	2014	2013
	£000	£000
RC Vessey (Chairman)	7.5	7.5
JLA Cary	2.5	2.5
	10	10

The directors are not eligible for pension benefits, share options or other benefits.

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code and describes the work of the Audit Committee in discharging its responsibilities. The Audit Committee has identified and considered the key areas of risk in relation to the business activities and financial statements of the company, reviewing and making recommendations to the Board. Any issues arising are discussed with the Manager and the auditor.

The Audit Committee's terms of reference include the following responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements.
- to challenge where necessary, the actions and judgments of management in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements
- to monitor the integrity of the company's internal financial controls
- to ensure that the auditors have direct access to the Board Chairman and Audit Committee
- to consider and make recommendations on the appointment, reappointment and removal of the external auditor; to approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided and to assess the effectiveness of the audit

As part of the process of working with the Board to maximise effectiveness, meetings of the Committee usually take place immediately prior to the Board meeting and a report is provided on relevant matters to enable the Board to carry out their duties.

Reviewing the Audit plan during this financial year the Committee has reviewed the non audit services provided by the external auditor, James Cowper LLP and is happy to recommend their reappointment. Once the Committee has made a recommendation to the Board in relation to the appointment of the external auditor, this is then ratified at the AGM through an Ordinary Resolution.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board.

The Audit Committee has reviewed the Manager's statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks. The Compliance Procedure of the Company is also reviewed on a quarterly basis. In light of the fact that there is only has one independent non-executive Director, the committee also takes advice from external sources. Methuen Consulting is used as an advisor for Financial Services Compliance. Beaumont Cornish is used as Corporate and Regulatory advisor for the London Stock Exchange and a Chartered Management Accountant team at Positive Outlook for financial advice.

The Directors have met quarterly to assess the appropriateness of the estimates and judgements made by the Manager in the investment valuations. The Company's investments are predominantly in unlisted securities which can be difficult to value and requires the application of skill, knowledge and judgement by the Board and Audit Committee. The methodologies used are those set out in the international Private Equity and Venture Capital Valuation guidelines. It is recommended that the Manager now prepares a document confirming that all VCT rules are met before making any new investments.

The Committee have considered the whole report and accounts for the year ended 28 February 2014 and have reported to the Board that they consider them to be fair, balanced and understandable providing the information necessary for shareholders to assess the Company's performance.

Richard Vessey

Audit Committee Chairman

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 adequate 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Strategic Report, The Directors' Report, The Remuneration Report and Financial Statements are prepared in accordance with company law in the United Kingdom. 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. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct 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.

On behalf of the Board
Richard Vessey
Chairman
22 May 2014

Report of the Independent Auditors

We have audited the financial statements of Oxford Technology 3 Venture Capital Trust Plc for the year ended 28 February 2014 which comprise the profit and loss account, balance sheet, cash flow statement, accounting policies and related notes. We have also audited the information set out in the Directors' Remuneration Report that is described as having been audited. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/ukp.

Auditor Commentary

An Overview of the Scope of our Audit

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

Our Application of Materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission.

Oxford Technology 3 Venture Capital Trust PLC

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £133,000, which is 2% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the profit and loss account to be £3,000.

Our Assessment of Risk

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

Valuation of Unquoted Investments

Investments are the largest asset in the financial statements, and they are designated as being at fair value through profit or loss in accordance with FRS 26, "Financial instruments: recognition and measurement". Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as a risk that has the greatest effect on the overall audit strategy.

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

Revenue Recognition

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

Our audit work included, but was not restricted to a detailed review of those sources of income recorded in the financial statements and further consideration of other potential sources of income. The Company's accounting policy on income is included in the statement of principal accounting policies and its disclosures about income are included in note 1.

Management Override of Financial Controls

The Company operates a system of financial controls to mitigate its vulnerability to fraud and its financial statements to material error and is reliant upon the efficacy of these controls to ensure that its financial statements present a true and fair view. The financial statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the completion of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in note a statement on page 23.

Oxford Technology 3 Venture Capital Trust PLC

Compliance with Laws and Regulations

The company is required to observe the conditions laid down by the Income Tax Act 2007 for the maintenance of approved VCT status. Our audit work included but was not restricted to a review of those rules central to the Company's ongoing status as a VCT and review of all correspondence with HMRC.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in note 16 to the financial statements concerning the withdrawal of the Company's VCT status after the year end and the existence of a potential liability that has arisen from this event. It is the opinion of the directors that any liability arising from the withdrawal of VCT status is unlikely and therefore they have made no provision in respect of it.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report, comprising the Statement on behalf of the Board and the Review of the Investment Portfolio and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance statement with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules we are required to review:

- the information given in the Report of the Directors in relation to going concern; and
- the part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Alan Poole BA(Hons) FCA Senior Statutory Auditor

For and on behalf of

James Cowper LLP

Chartered Accountants and Statutory Auditors - Oxford

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 and with the Statement of Recommended Practice 'Financial statements of investment trust companies' issued in 2009. The principal accounting policies of the company are set out below.

Investments

The Company invests in financial assets with a view to profiting from their total return through income and capital growth. These investments are managed and their performance is evaluated on a fair value basis. Accordingly as permitted by Financial Reporting Standard 26 (FRS 26) the investments are designated as fair value through profit and loss. Unrealised gains or losses on valuation are recognised through the profit and loss account.

Valuation of Investments

Quoted investments are stated at the bid price. Unquoted investments are stated at fair value, where fair value is estimated after following the guidelines laid down by the International Private Equity and Venture Capital Guidelines. The Directors' policy is to initially state investments at cost and then to review the valuation every three months. The Directors' may then apply an appropriate methodology which, as far as possible, draws on external, objective market data such as where fair value is indicated by:

- a material arms length transaction by a third party in the shares of the company, with discounting for more junior asset classes, and reviewed for impairment; or
- a suitable revenue or earnings multiple where the company is well established and generating maintainable profits. The multiple will be based on comparable listed companies but may be discounted to reflect a lack of marketability; or
- the net assets of the business.

Where such objective data is not available the Directors' may choose to maintain the value of the company as previously stated or to discount this where indicated by underperformance against plan.

Income

Income represents realised gains on the disposal of investments along with interest receivable on cash deposits. 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.

Oxford Technology 3 Venture Capital Trust PLC

Expenses

All expenses are accounted for on an accruals basis. All expenses are charged through the profit and loss 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.

Deferred Tax

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the company was approved as a Venture Capital Trust during the current year. HMRC has approved the company as a Venture Capital Trust for the purpose of Section 259 of the Income Tax Act 2007. The approval was given in the financial period ended 28 February 2003. Following the change of status on 7th March 2014 further to notification from HMRC this may change in the forthcoming financial year.

Earnings per Share

The calculation of earnings per share for the period is based on the profit attributable to shareholders divided by the weighted average number of shares in issue during the period

Profit and Loss Account for the year ended 28 February 2014

		Year ended 28 February 2014	Year ended 28 February 2013
	Note	£000	£000
Gain on disposal of investments held at fair value	1	73	3
Unrealised gain on fair value of investments	7,11	167	1,913
Other income	1	2	16
Investment management fees	2	(132)	(96)
Other expenses	3	(40)	(42)
		<hr/>	<hr/>
Profit on ordinary activities before tax	4	70	1,794
Taxation on profit on ordinary activities	5	-	-
		<hr/>	<hr/>
Profit on ordinary activities after tax		70	1,794
		<hr/>	<hr/>
Earnings per share (basic and diluted)	6	1.0p	26.7p
		<hr/> <hr/>	<hr/> <hr/>

Historic Cost Profits and Losses Note

	2014	2013
	£000	£000
Profit for the year	70	1,794
Unrealised (gain) on fair value of investments	(167)	(1,913)
(Profit) on disposal of investments held at fair value	(73)	(3)
(Loss) on disposal of investments held at historical value	(336)	(78)
	<hr/>	<hr/>
Historical cost (loss) before tax	(506)	(200)
	<hr/>	<hr/>
Historical cost (loss) after tax	(506)	(200)
	<hr/> <hr/>	<hr/> <hr/>

Oxford Technology 3 Venture Capital Trust PLC

Balance Sheet at 28 February 2014

		28 February 2014		28 February 2013	
	Note	£000	£000	£000	£000
Fixed assets					
Investments at fair value	7		6,515		6,337
Current assets					
Other debtors & prepayments	8	2		2	
Cash at bank		267		342	
		<u>269</u>		<u>344</u>	
Creditors: amounts falling due within one year	9				
		<u>(114)</u>		<u>(81)</u>	
Net current assets			155		263
Net assets			<u>6,670</u>		<u>6,600</u>
			=====		=====
Capital and reserves					
Called up share capital	10		679		679
Share premium	11		718		718
Profit and loss account	11		1,049		1,555
Unrealised capital reserve	11		4,224		3,648
Shareholders' funds	12		<u>6,670</u>		<u>6,600</u>
			=====		=====
Net asset value per share			<u>98p</u>		<u>97p</u>
			=====		=====

These financial statements were approved by the directors on 22 May 2014.

JLA Cary
Director
22 May 2014

Cash Flow Statement for the period ended 28 February 2014

		2014	2013
	Note	£000	£000
Net cash (outflow) from operating activities	13	(137)	(97)
Capital expenditure and financial investment			
Purchase of investments		(160)	(233)
Sale of investments		222	62
		-----	-----
Net cash inflow/(outflow) from capital expenditure and financial investment		62	(171)
Net cash outflow		(75)	(268)
		-----	-----
(Decrease) in cash		(75)	(268)
		=====	=====

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 2014

	2014	2013
	£000	£000
1 Income		
Interest receivable	1	15
Profit on disposal of investments	73	3
Dividend	-	1
	-----	-----
	74	19
	=====	=====
2 Investment Management Fees		
	£000	£000
Investment management fee (see below)	132	96
	-----	-----
	132	96
	=====	=====

Related Party disclosure - JLA Cary is a Director of Oxford Technology Management Ltd and of Oxford Technology 3 Venture Capital Trust Plc. OTM is the Investment Manager to the company. During the year OTM charged management fees of £132,000. Under the original agreement, OTM is entitled to charge a fee of 2% of net assets for managing the fund. This is the £132,000 figure. However, OTM has voluntarily deferred 0.5% (£33,000), note 9, to be paid at some future date as investments are realised. There were no employees during the year except for the Directors.

Oxford Technology 3 Venture Capital Trust PLC

3 Other Expenses

	2014	2013
	£000	£000
Directors' remuneration (see report on page 16)	10	10
Auditors' remuneration: audit services	5	5
Other expenses	25	27
	40	42
	40	42

4 Operating Profit

	2014	2013
	£000	£000
The operating profit is stated after charging:		
Auditors' remuneration - audit services	5	5
Directors' remuneration	10	10
	15	15
	15	15

5 Tax

No liability to UK corporation tax arose during the year.

	£000	£000
UK Corporation tax	-	-
	-	-

The tax charge for the year is different to the small companies rate of corporation taxation in the UK of 20.0% (2013: 20.0%). The differences are explained below:

	£000	£000
Profit on ordinary activities before taxation	70	1,794
	70	1,794
At standard rate of taxation	14	359
(Income)/costs not chargeable to corporation tax	(14)	(359)
	-	-
Current tax credit for year	-	-
	-	-

Unrelieved management expenses of £1,435,542 (2013: £1,264,700) remain available for offset against future taxable profits.

If the company is unable to successfully appeal against the removal of VCT status there would be a deferred tax liability of £829,779. This has been calculated as the difference between the cost and the carrying value of the current investments at a tax rate of 20%.

6 Earnings Per Share

The calculation of earnings per share (basic and diluted) is based on the net profit for the financial year of £70,000 (2013: £1,794,000) divided by the number of shares of 6,785,233 (2013: 6,785,233) in issue during the year. There are no potentially dilutive capital instruments in issue and therefore no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

Oxford Technology 3 Venture Capital Trust PLC

7 Investments

	2014	2013
Cost	£000	£000
As at 1 March 2013	2,765	2,663
Purchases at cost	160	241
Redeemed / disposed during the year	(558)	(139)
	-----	-----
As at 28 February 2014	2,367	2,765
	=====	=====
Revaluation		
As at 1 March 2013	3,572	1,579
Revaluation movement	576	1,993
	-----	-----
As at 28 February 2014	4,148	3,572
	=====	=====
Net book value		
As at 1 March 2013	6,337	4,242
	-----	-----
As at 28 February 2014	6,515	6,337
	=====	=====

Details of unlisted investments in which OT3 owns more than 20% are set out below with reference to their most recent published accounts. All companies are incorporated and operate in the UK.

Name of undertaking	Class of shares held	Percentage of voting rights held by company %	Percentage of voting rights held by other OT Funds %	Capital and reserves £000	Retained profit/(loss) for year £000
Telegesis ¹	Ordinary	27.6	16.4	1,031	222
Invro ¹	Ordinary	33.1	-	7	26
Metal Nanopowders ²	Ordinary	20.0	16.7	18	5
Superhard Materials ¹	Ordinary	21.8	18.2	6	(14)

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.

Most recent published accounts:

1. For the year ended 31 March 2013.
2. For the year ended 31 October 2012.

Oxford Technology 3 Venture Capital Trust PLC

8 Debtors		2014	2013
		£000	£000
Prepayments and accrued income		2	2
		=====	=====
9 Creditors: amounts falling due within one year			
		£000	£000
Other creditors		6	6
Investment Management Fee Accrual – note 2		108	75
		-----	-----
		114	81
		=====	=====
10 Share Capital			
		£000	£000
Authorised			
15,000,000 ordinary shares of 10p each		1,500	1,500
Allotted, called up and fully paid			
6,785,233 (2012: 6,785,233) ordinary shares of 10p each		679	679
		=====	=====
11 Reserves			
	Share Premium	Unrealised	Profit and
	Account	Capital Reserve	Loss Account
	£000	£000	£000
At 1 March 2013	718	3,648	1,555
Profit for the year	-	-	70
Unrealised (losses)/gains	-	167	(167)
Transfer between reserves	-	409	(409)
	-----	-----	-----
As at 28 February 2014	718	4,224	1,049
	=====	=====	=====
12 Reconciliation of movements in shareholders' funds			
		2014	2013
		£000	£000
Result for the year		70	1,794
		-----	-----
Net increase in shareholders' funds		70	1,794
Shareholders' funds at beginning of year		6,600	4,806
		-----	-----
Shareholders' funds at end of year		6,670	6,600
		=====	=====

Oxford Technology 3 Venture Capital Trust PLC

13 Reconciliation of net profit/(loss) before taxation to net cash outflow from operating activities

	2014	2013
	£000	£000
Operating profit	70	1,794
Increase in creditors	33	25
Decrease in debtors	-	8
Unrealised (gain) on investments	(167)	(1,913)
Realised (gain) on investments	(73)	(3)
Investment debtor movement	-	(8)
Net cash (outflow) from operating activities for the year	<u>(137)</u>	<u>(97)</u>
	=====	=====

14 Financial Instruments

Other than its investments in unquoted companies, the company has 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.

15 Capital Commitments

The company had no commitments at 28 February 2014 or 28 February 2013.

16 Contingent Liabilities and Post Balance Sheet Events

At the meeting held on 28 April between HMRC and Oxford Technology and its legal advisers, it was agreed that certain detailed arguments in support of the VCTs' appeal would be submitted in writing to HMRC, who will consider them as urgently as possible.

Further to the Chairman's Statement contingent liabilities may arise should the appeal to revoke the withdrawal of VCT status not be successful. We refer to the deferred tax note in note 5 and there may be further liabilities which cannot be quantified at the current time.

Oxford Technology 3 Venture Capital Trust PLC

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 12.00 noon on Wednesday 9th July 2014 for the following purposes:

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

- (1) That the report and accounts for the period to 28 February 2014 be approved.
- (2) That Mr Lucius 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.
- (3) That James Cowper LLP, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
- (4) That the Directors' remuneration report be approved.
- (5) That the Company is generally and unconditionally authorised (pursuant to Article 23 of the Company's Articles of Association) to make market purchases (within the meaning of s693(4) of the Companies Act 2006 ("the Act")) of ordinary shares of 10 pence each in the share capital of the Company ("Shares") provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased is 500,000 (representing approximately 7.8 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 110% of the latest published NAV per share (exclusive of expenses).This authority shall expire at the Company's annual general meeting in 2015. Pursuant to s701(6) 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.
- (6) That the Company continue in being as a Venture Capital Trust, pending the outcome of the HMRC appeal. If it cannot continue as a Venture Capital Trust the resolution proposes that the Company adopts the status of an Investment Trust.
- (7) In accordance with section 551 of the Companies Act 2006 (the "2006 Act"), to authorise the Directors generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,000,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the fifth anniversary of the date of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.
- (8) Subject to the passing of the resolution 7 and in accordance with section 570 of the 2006 Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 7, as if section 561(1) of the 2006 Act did not apply to any such allotment.

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 Registrars plc, c/o Oxford Technology 3 VCT plc, 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.
- (3) Resolutions 1,2,3,4,6 & 7 will be proposed as ordinary resolutions. Resolutions 5 & 8 will be proposed as special resolutions.

Oxford Technology 3 Venture Capital Trust PLC

**Form of Proxy
for the Annual General Meeting convened
for 12.00 noon on Wednesday 9 July 2014**

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 Wednesday 9 July 2014 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	Withheld
1	Approval of accounts			
2	Re-appointment of Mr Lucius Cary as a Director			
3	Approval of the appointment of James Cowper LLP and authorisation of Directors to fix remuneration.			
4	Approval of the Directors remuneration report			
5	Approval of authority to make purchases of own shares			
6	Company to continue as a Venture Capital Trust/Investment Trust			
7	Approval of Directors authority to allot shares			
8	Approval of issues of shares on non-rights issue basis			

Date thisday of....., 2014

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. The 'Vote Withheld' option is to enable you to abstain on any particular resolution. Such a vote is not a vote in law and will not be counted in the votes 'For' and 'Against' a resolution.
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 Registrars 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.

Oxford Technology 3 Venture Capital Trust PLC

Please send your completed Proxy Form to:

**Capita Registrars
c/o Oxford Technology 3 VCT PLC
The Magdalen Centre
Oxford Science Park
Oxford OX4 4GA**

Oxford Technology 3 Venture Capital Trust PLC

Company Information

Directors

Richard Vessey (Chairman)
Lucius Cary

Investment Manager

Oxford Technology Management Ltd
Magdalen Centre
Oxford Science Park
Oxford OX4 4GA

Secretary

James Gordon

Solicitors

Gordons Partnership LLP
22 Great James Street
London WC1N 3ES

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Auditors

James Cowper LLP
2 Chawley Park
Cumnor Hill
Cumnor
Oxford OX2 9GG

Company Registration Number: 4351474
Registered Office: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA