

Oxford Technology 3 Venture Capital Trust Plc



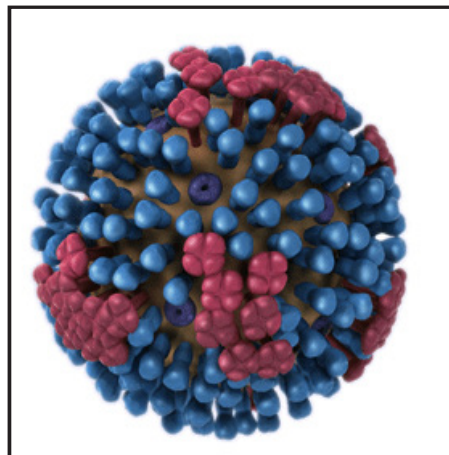
SCANCEL



IXARIS



GLIDE TECHNOLOGIES



IMMBIO

Annual Financial Statements For the Year Ended 29 February 2016

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About Oxford Technology 3 VCT Plc

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

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

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

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

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

Financial Headlines

| | Year Ended 29 February 2016 | Year Ended 28 February 2015 |
|--|--------------------------------|--------------------------------|
| Net Assets at Year End | £6.89m | £6.48m |
| Net Asset Value per Share | 101.6p | 95.6p |
| Cumulative Dividend | 17.0p | 10.0p |
| NAV + Cumulative Dividend Paid from Incorporation | 118.6p | 105.6p |
| Dividend Paid May 2016 | 15.0p | - |
| Share Price at Year End | 62.5p | 72.5p |
| Earnings Per Share (Basic & Diluted) | 13.0p | (2.7)p |

Strategic Report

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

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

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

Chairman's Statement

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

Overview

There have been significant movements within the portfolio during the year. Telegesys was sold for £3.3m, a £1.2m (65%) uplift over last year's carrying value. The weakness in Scancell's share price, after the company failed to find a buyer or complete a licensing deal, was driven by the anticipation of a placing and led to a reduction of £0.6m (42%) from last year's carrying value.

Two follow on investments were made into ImmBio (£100k) and Orthogem (£20k). Some profits were taken on AIM listed Abzena and one company, Concurrent Thinking, failed. Several other companies have achieved significant milestones which should enhance value. Net asset value rose by 6.0p during the year, while total return rose by 13.0p.

Portfolio Review

The net asset value per share on 29 February 2016 was 101.6p compared to 95.6p on 28 February 2015 after paying a dividend of 7.0p on 19 February 2016. Total dividends paid are now 17.0p per share. Earnings per share in the year to 29 February 2016 were 13.0p and total return now stands at 118.6p.

The Company's portfolio still contains 16 holdings, which continue to develop at different rates. Whilst not all may ultimately be successful, some are reaching significant value inflection points which will allow realisations to occur.

One portfolio company was realised in the year. In November 2015 Telegesys was sold to Silicon Laboratories UK Ltd at a multiple of 23 times historic investment. This provided a high degree of liquidity for dividends and follow-on investments.

Your company continues to invest in support of its portfolio as companies develop. In addition to the two investments mentioned above, a further four investments have been made post year end.

£34k was invested in the Scancell placing; the maximum we could make under VCT rules. Thus our equity stake has been diluted a little. An opportunity arose to convert our Ixaris warrants on attractive terms and we invested £425k.

A further £50k has been invested into ImmBio to support the first in human trial for its novel Pneumococcal Vaccine, PnuBioVax. The trial began in December 2015, and read out is expected in Q2 2016. If successful, this will be an extremely important milestone for the company.

We chose to support our investment in Plasma Antennas with £200k at a lower price than previous rounds to enable the new CEO to continue the development work and prepare for a major funding round to commercialise its products.

Also of note is the pleasing uplift in Select Technology as its profitability increased leading to its maiden dividend.

Further details on the other major investments are contained within the Investment Manager's Portfolio Review, and on our website.

Last year, we flagged that we were pressing the Manager to find profitable exits for as many as possible by the end of 2017. Hence we were delighted to announce the sale of Telegesic and to take some profits on our holding in Abzena. Whilst we continue to seek opportune moments to maximise value from our portfolio, we do not currently foresee any further major liquidity events in the near future.

Dividends

The ongoing strategy is to seek to crystallise value from the portfolio and distribute cash to shareholders via dividend payments subject to retaining sufficient funds to pay ongoing running costs of the VCT and to support existing investee companies. As already stated, dividends totalling 7p were paid during the year. After year-end we announced a further dividend of 15p which was paid on 13 May 2016.

Management and Performance Fees

Shareholders will recall the changes announced during the year at the time of the announcement of the 2015 results. Management fees were reduced to 1% per annum with effect from the start of this financial year, with an annual cost cap of 3% (excluding directors' fees) to cover all of the running costs incurred by the VCT. The threshold at which a performance fee would also become payable escalates at 6% per annum from the 10th anniversary of the formation of the VCT. The threshold therefore now stands at a return to shareholders in cash of 117.2p per share. A small accrual of £23k to reflect the potential liability has been made but no payment has been triggered under this scheme to date.

Your directors continue to believe that this lower level of management fees, together with a performance fee incorporating a challenging hurdle and payable only once shareholders have received back more than their original investment prior to any additional tax reliefs, makes this management arrangement market-leading and continues the principle always adopted by the VCT to keep its costs as low as possible.

Board Structure and VCT Management

Richard Vessey, my predecessor as Chairman, did not stand for re-election as a Director at the AGM in 2015. I would like to thank Richard for his long service to your VCT and for his support to me during the transition. I am pleased to see that he remains involved as an active private shareholder in some of our investee companies.

Shareholders will also be aware of the changes to the Board and Management arrangements that were implemented during the year, implementing a Common Board across the four Oxford Technology VCTs to coincide with the companies becoming 'self-managed'. I welcome David Livesley, Richard Roth and Alex Starling to the Board.

Lucius Cary and his team continue to be involved with the portfolio as OT3 Managers Ltd (the Company's investment manager) sub-contracts services from Oxford Technology Management. The new Common Board structure has worked well since implementation.

VCT Regulation Changes

Shareholders may be aware of some significant changes to the VCT rules that have been introduced during the year. These changes have been introduced by the UK Government, but were directed by the EU to make VCTs conform to "State Aid" rules.

The rules introduce new restrictions on the type of investments which can be made by VCTs, specifically prohibiting VCT funds from being used to finance management buy-outs or for the acquisition of existing businesses. The rules also impose a maximum lifetime amount a company can receive from VCTs, as well as imposing a maximum age for companies which receive VCT funding.

The new restrictions, which apply to non-qualifying holdings as well as VCT qualifying holdings, took effect for investments made on or after 18 November 2015. The potential penalty for breach of these regulations is withdrawal of VCT status.

The new legislation is designed to target more VCT money towards the sorts of companies that OT3 has always invested in, and is not expected to have a significant impact on your Company. However the changes have impacted on HMRC response times. The Directors will remain alert to the additional requirements of these latest rules with any further investments OT3 may make. We are studying the recently issued HMRC guidelines.

I will forbear from commenting on the wider implications of "Brexit" on sovereignty and the economy. Suffice it to say that in the parochial VCT world, the EU's micro-management of State Aid to small companies adds a double layer of bureaucracy, adds costs and delays and does little to level the macroeconomic playing field.

Change of Registrar

As part of our ongoing focus on costs, we appointed Neville Registrars in place of Capita as our Registrars. Details of the new contact details are set out on the back page of this report. We would also remind you that Annual Reports, notices of shareholder meetings and other documents that are also required to be sent to Shareholders are published on our website at www.oxfordtechnology.com as well as any other announcements the Company makes.

Share Buy Backs

The Company has the ability to buy back shares. To date this authority has never been exercised and the Directors have no current intention to do so, preferring instead to preserve resources to support our investees and pay dividends to all shareholders. It is, however, a useful facility to have available should circumstances change and the Company therefore wishes to maintain this capability. At the AGM, Shareholders will be asked to confirm their ongoing approval for the Company to be able to buy back its own shares.

AGM

Shareholders should note that the AGM for the Company will be held on Friday 8 July 2016 at the Magdalen Centre, Oxford Science Park, starting at 11am and will include presentations by Oxford Technology Management and some of the companies in which the Oxford Technology VCTs have invested. A formal Notice of the AGM has been enclosed with these Financial Statements together with a Form of Proxy for those not attending. We appreciate the input of our shareholders and look forward to welcoming as many of you as possible on the day.

Outlook

The Board's outlook has not changed from a year ago. Last year we realised one investment and took some profits on another with what appears to have been excellent timing. This has provided us with the ability to continue supporting the remaining portfolio and to pay significant dividends. Following the sale of Telegesis and the two recent dividends the size of the fund has decreased. The portfolio is still very concentrated with three large holdings and thirteen smaller ones. Overall they continue to mature and individual investments will be realised at appropriate times. We continue to work to maximise value for shareholders and will, as per our stated strategy, seek to crystallise this value and distribute to shareholders via dividend payments when valuations and liquidity allow.

Robin Goodfellow
Chairman
25 May 2016

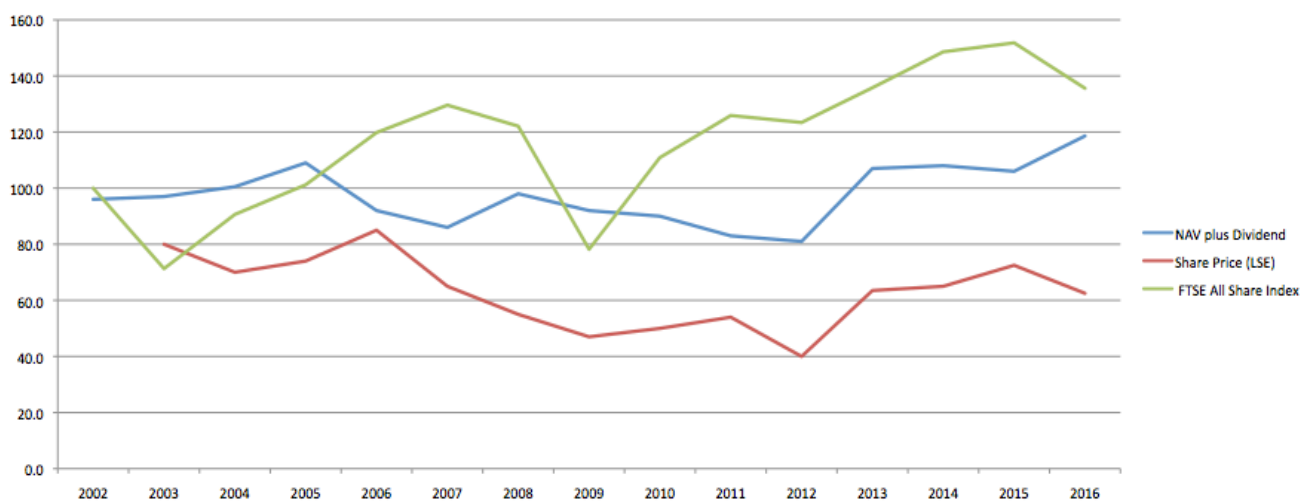
Business Review

Company Performance

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

There was a net profit for the period after taxation amounting to £883,000 (2015: loss of £185,000). The income statement comprises income of £19,000 (2015: nil) received from investee companies, realised gains of £1,333,000 (2015: £2,000), unrealised losses on fair value of investments of £414,000 (2015: gain of £94,000) less management and other expenses of £127,000 (2015: £186,000) and performance fee accruals giving a gain of £72,000 (2015: loss of £95,000).

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



Key Performance Indicators

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

Viability Statement

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

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

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

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

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 28 February 2019.

Risk Management Objectives and Policies

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

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

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

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

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

Internal Control

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

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

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

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

Gender and Diversity

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

Environmental Policy, Greenhouse Gas Emissions and Human Rights Issues

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

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

Robin Goodfellow
Chairman
25 May 2016

Investment Portfolio Review

OT3 was formed in 2002 and invested in a total of 38 companies, all start-up or early stage technology companies. Some of these companies failed with the loss of the investment. Some have succeeded and have been sold. Dividends paid to shareholders to date are 17p. The table on page 13 shows the companies remaining in the portfolio. A more detailed analysis is given of the top 5 investments.

One of the investees was Telegesis in which OT3 first invested in 2003, when the company was started. Telegesis specialised exclusively in Zigbee, a strategy which proved to be very successful. When large companies wish to incorporate Zigbee communications (for example to enable smart electricity meters to send and receive data wirelessly) they frequently turned to Telegesis to do the detailed design and then to supply the Zigbee modules, which were manufactured in China. In November 2015, Telegesis was sold for £13m to Silicon Laboratories UK. OT3 received cash proceeds of £3.33m for its shares. OT3 paid a dividend of 7p per share on 19 February 2016, and announced a further dividend of 15p per share with payment on 13 May 2016 ie after the year end. This will bring the cumulative dividends paid to date to 32p.

The portfolio contains several other investees which are showing promise and which have the potential to deliver significant returns. However, in some cases some significant technical risks remain. Scancell has a vaccine for Melanoma (skin cancer) which is in clinical trials. Almost four years ago, the vaccine was given to 16 patients with stage 4 melanoma, meaning they had a life expectancy of only a few months. All 16 patients with resected Stage 3/4 melanoma (in other words the adjuvant melanoma setting) are still alive a median of 43 months from starting the trial and only 5 have had a recurrence of the disease.

New Investments in the year

There were two follow on investments during the year of £100,000 into ImmBio and £20,000 into Orthogem. All new investments have complied with both EU State Aid rules and HMRC VCT rules.

Disposals during the year

Telegesis was sold during the year and OT3 received £3,328k from its original investment of £147k. Some Abzena shares were sold yielding £106k and the final tranche payment from Dataflow was received of £4k.

Valuation Methodology

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

VCT Compliance

Compliance with the main VCT regulations as at 29 February 2016 and for the year then ended is summarised as follows:

| Type of Investment By HMRC Valuation Rules | Actual | Target |
|---|--------|---------------------------------|
| VCT Qualifying Investments | 96.7% | Minimum obligation of: 70.0% |
| Non-Qualifying Investments | 3.3% | Maximum allowed: 30.0% |
| Total | 100.0% | 100.0% |

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

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

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

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

Table of Investments held by Company at 29 February 2016

| Company | Description | Date of initial investment | Net cost of investment £'000 | Carrying value at 29/02/16 £'000 | Change in value for the year £'000 | % equity held |
|----------------------------------|-------------------------------|----------------------------|---------------------------------|--|--|---------------|
| Ixaris | Internet payments | Aug 2002 | 218 | 1,672 | 211 | 7.1 |
| Glide Technologies | Needle free injector | Nov 2003 | 225 | 814 | - | 3.3 |
| Scancell <i>Quoted on AIM</i> | Cancer therapeutics | Dec 2003 | 325 | 775 | (575) | 2.0 |
| ImmBio | Novel vaccines | May 2003 | 350 | 187 | 100 | 4.1 |
| Allinea Software | Parallel computing | May 2009 | 15 | 162 | 31 | 2.3 |
| Select Technology | Photocopier Interfaces | Nov 2004 | 47 | 144 | 54 | 2.8 |
| Abzena <i>Quoted on AIM</i> | Protein & peptide based drugs | Nov 2002 | 69 | 98 | (170) | 0.2 |
| Plasma Antennas | Directional antennas | Sep 2004 | 108 | 77 | (32) | 5.3 |
| Arecor | Protein stabilisation | Jul 2007 | 24 | 46 | - | 0.7 |
| Insense | Wound healing | May 2003 | 333 | 44 | - | 4.1 |
| Orthogem | Bone graft material | Dec 2004 | 134 | 42 | 20 | 4.0 |
| Inaplex | Data transformation software | Mar 2003 | 58 | 22 | (8) | 13.3 |
| Invro | Low power electronics | Apr 2004 | 40 | 20 | - | 33.1 |
| Metal Nanopowders | Production of metal powders | Nov 2002 | 153 | 13 | - | 20.0 |
| Superhard Materials | Production of hard materials | Feb 2012 | 11 | 5 | (6) | 21.8 |
| Microarray | Insense spinout | Dec 2013 | 2 | 2 | - | 0.3 |
| Concurrent Thinking | Cluster computing | Nov 2009 | 97 | - | (24) | 2.5 |
| Total | | | 2,209 | 4,123 | (399) | |
| Other Net Assets | | | | 2,770 | | |
| NET ASSETS | | | | 6,893 | | |

Number of shares in issue: 6,785,233
 Net Asset Value per share at 29 February 2016: 101.6p

Dividends paid to date: 17.0p
 An additional 15.0p dividend was paid on 13 May 2016.

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

Ixaris
www.ixaris.com

| | First Investment | Net Cost | Carrying Value 29/02/2016 | Change in Value for the Year | % Equity Held |
|--------|------------------|--------------------------|---------------------------|------------------------------|---------------|
| Ixaris | August 2002 | £218,038 (Loan £108k) | £1,672,570 | £211,400 | 7.1% |

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

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

Since 2012, the company also started offering business-focused payment solutions on a Platform as a Service basis to enable enterprises to remove inefficiencies in their payments processes, reducing cost, increasing controls and enhancing convenience. Ixaris is trading satisfactorily with a number of deployments in progress with 25% of its revenues now arising from the business segment mostly within the travel, insurance and financial services sectors.

Last year Ixaris was awarded an EU grant of €2.5 million to help fund the existing platform technology roadmap which highlights the innovative nature of the Payment System.

OT3 also took its share of a venture loan to Ixaris, investing a further £108k in summer 2011. In April 2016, so after the year end, OT3 exercised its rights which came with the venture loan, to purchase an additional 48,600 shares in Ixaris for £425k.

The company is valued at a revenue multiple.

Glide Technologies
www.glide-technologies.com

| | First Investment | Net Cost | Carrying Value 29/02/2016 | Change in Value for the Year | % Equity Held |
|-----------------------|------------------|----------|------------------------------|---------------------------------|------------------|
| Glide Technologies | November 2003 | £224,995 | £813,621 | - | 3.3% |

Glide has developed a novel device and drug delivery technology for the self-administration of injectable therapeutics and the delivery of vaccines in a solid dosage form. This enables an injection without a needle, and tests have shown that this is significantly preferred by patients when compared to a conventional needle and syringe. Drugs are also more stable in solid form, giving a longer shelf life and greater convenience for patients.

A clinical trial of Glide's technology began in May 2016 and is expected to report before the end of August. If the results are positive, then Glide will raise additional capital to carry on with the development and launch of its technology.

The Company is currently working on several new development projects including:

1. Parathyroid hormone (PTH) which requires a daily self-injection and is for treatment of osteoporosis. In November 2012 the UK BioMedical Catalyst (managed jointly by the Medical Research Council and the Technology Strategy Board) awarded Glide £2.3m to support this development.
2. Anthrax vaccine. This is a development with Pfenex Inc, based in California, as a partner with funding from NIAID (National Institute for Allergy and Infectious Diseases) in the US. At present the US government stockpiles anthrax vaccine in liquid form but in the event of a major attack it will be very difficult to inject a large population (New York, say) with needle and syringe, especially considering all the support logistics of cold chain requirements and needle disposal. With the Glide SDI, the population may be vaccinated more easily and safely for healthcare personnel. Additionally, removal of the requirements for cold storage will greatly reduce the long term stockpile maintenance costs.
3. Glide flu vaccine. Feasibility studies are being undertaken on the use of solid dose flu vaccines.

The company is valued at the price of the last fundraising round, discounted by 10% to reflect the preferential rights of some other shareholders.

Scancell

www.scancell.co.uk

| | First Investment | Net Cost | Carrying Value 29/02/2016 | Change in Value for the Year | % Equity Held |
|----------|------------------|----------|---------------------------|------------------------------|---------------|
| Scancell | August 1999 | £324,999 | £774,536 | (£575,370) | 2.0% |

Scancell is an AIM listed biotechnology company in which Oxford Technology 3 VCT was one of the original investors in 1999 when Professor Lindy Durrant, Scancell's founder was based in a university lab in Nottingham.

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

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

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

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

In April 2016, Scancell announced that it had raised gross proceeds of £6.2m through a placing and open offer. This capital raising will allow Scancell to prepare for further clinical studies on both SCIB1 and Moditope®. OT3 invested a further £34,000, post year end, in this funding round.

The bid price as at 29 February 2016 used for this Scancell valuation was 17.5p (2015: 30.5p).

| | First Investment | Net Cost | Carrying Value 29/02/2016 | Change in Value for the Year | % Equity Held |
|--------|------------------|----------|---------------------------|------------------------------|---------------|
| ImmBio | May 2003 | £350,000 | £187,353 | £100,000 | 4.1% |

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

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

PnuBioVax not only protects against a larger number of strains, it also provides protection against the toxins produced by the bacteria. This has been demonstrated in animal models and is now being tested in a Phase I study. The study will primarily test safety of the vaccine and whether the vaccine creates antibodies against a wide range of strains. The study will further investigate whether the multiple protection mechanisms shown in animals is also found in man. The Phase I study will complete in June at which point the company will seek to sell or partner the product.

ImmBio is valued at the price of the last fundraising round. £200,000 was invested in August 2015 to fund the clinical trials and a subsequent £50,000 has been invested post year end in March 2016 to support the commercialisation of the results.

| | First Investment | Net Cost | Carrying Value 29/02/2016 | Change in Value for the Year | % Equity Held |
|---------|------------------|----------|---------------------------|------------------------------|---------------|
| Allinea | May 2009 | £14,929 | £162,275 | £30,603 | 2.3% |

Allinea create powerful development and performance analysis tools that enable developers and users of software in high performance computing to create and deploy applications that achieve the most efficient use of their systems. Their software includes debugging tools, performance analysis tools and reporting tools aimed at computers with many parallel processors.

Owners of 80% of the world's largest supercomputers and clusters rely on Allinea tools for their missions. Allinea's customers are leaders in government supercomputing, such as the US Department of Energy, NOAA, NASA and CEA, major Fortune 500 companies including Shell, Emerson, Oracle and Corning, and research groups and educators at universities such as Princeton, Stanford, Cambridge and Edinburgh.

The business has been growing steadily over the past years and due to the nature of the business there is good visibility of future revenue.

Allinea is valued at a sales multiple.

Lucius Cary
Director
OT3 Managers Ltd
Investment Manager
25 May 2016

Board of Directors

Robin Goodfellow



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

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

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

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

Alex Starling



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

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

David Livesley



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

Between 1999 and 2012 he worked for the YFM Group, a Venture Capital Fund Manager where he specialised in investments in early stage technology companies. He currently works as an independent Non-Executive director for a number of early stage technology businesses. David is also a Director of OT3 Managers Ltd, OT4 Managers Ltd, Oxford Technology VCT Plc, Oxford Technology 2 VCT Plc and is the Chairman of Oxford Technology 4 VCT Plc.

Richard Roth



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

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

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

Directors' Report

The Directors present their report together with financial statements for the year ended 29 February 2016.

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

Principal Activity

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

Directors

The Directors of the Company are required to notify their interests under Disclosure and Transparency Rule 3.12R. The present and previous membership of the board and their beneficial interests in the ordinary shares of the company at 29 February 2016 and at 28 February 2015 are set out below:

| Name | 2016 | 2015 |
|--------------|-------------|-------------|
| R Goodfellow | 35,000 | 35,000 |
| D Livesley* | Nil | N/A |
| R Roth* | 38,149 | N/A |
| A Starling * | Nil | N/A |
| R Vessey** | N/A | 226,050 |

* Appointed 3 July 2015

At 3 July 2015, the date of Richard Roth's appointment he held 38,149 shares in OT3.

** Resigned 26 August 2015

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

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

The Directors note that the workload related to the four OT funds is less than it would be for four totally separate and larger funds, and are satisfied that Richard Roth has the time to focus on the requirements of each OT fund.

Investment Management Fees

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

Directors' and Officers' Insurance

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

Ongoing Review

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

Whistleblowing

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

Bribery Act 2010

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

Relations with Shareholders

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

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

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

Going Concern

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

Substantial Shareholders

At 29 February 2016, the Company has been notified by Neville Registrars of three investors whose interest exceeds three percent of the Company's issued share capital (Oxfordshire County Council Pension Fund 8.75%; Richard Vessey, 3.48%; and Hargreaves Lansdown Nominees Ltd, 3.19%).

Auditors

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

On behalf of the Board

Robin Goodfellow

Chairman

25 May 2016

Directors' Remuneration Report

Introduction

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006. The Company's independent auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report. This report includes a statement regarding the Directors' Remuneration Policy. Resolutions to approve the Directors' Remuneration Report will be proposed at the Annual General Meeting on 8 July 2016.

The Remuneration Policy was approved at the AGM on 26 August 2015, together with the resolution regarding the Directors' Remuneration Report for the year ended 28 February 2015, on a unanimous show of hands, which reflected overwhelming support amongst proxies submitted.

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

Directors' Terms of Appointment

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

Directors' Remuneration Policy

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

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

| | <u>per annum</u> |
|--------------------------|------------------|
| Director Base Fee | £3,500 |
| Chairman's Supplement | £2,000 |
| Audit Committee Chairman | £3,000 |
| Audit Committee Member | £1,500 |

Robin Goodfellow chairs the Company. Richard Roth chairs the Audit Committee, with Robin Goodfellow as a member of the Committee. As the VCT is self-managed, the Audit Committee

carries out a particularly important role for the VCT and has played a greater part in the production of the annual accounts compared to recent years.

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

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

The performance incentive fee is described in the Chairman's Statement. As mentioned there, current Directors are entitled to benefit from any payment made, subject to a formula driven by relative lengths of service. The performance fee becomes payable if a certain cash return threshold to shareholders is exceeded – the excess is then subject to a 20% carry that is distributed to Oxford Technology Management, past Directors and current Directors; the remaining 80% is returned to shareholders. At 29 February 2016 a performance fee of £23,069 in total was accrued for.

Should any performance fee be payable at the end of the year to 28 February 2017, Alex Starling, Robin Goodfellow, and Richard Roth would each receive 0.14% of any amount over the threshold and David Livesley 0.63%. No performance fee will be payable for the year ending 28 February 2017 unless original shareholders have received back at least 122.5p in cash for each 100p (gross) invested.

Relative Spend on Directors' Fees

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

Loss of Office

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

Directors' Emoluments

| Directors' Fees | Year End 28/02/17 (unaudited) | Year End 29/02/16 (audited) | Year End 28/02/15 (audited) |
|------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Alex Starling | £3,500 | £2,333 | - |
| Richard Roth | £6,500 | £4,333 | - |
| Richard Vessey | - | £3,750 | £7,500 |
| Lucius Cary | - | - | £1,041 |
| Robin Goodfellow | £7,000 | £7,167 | £4,375 |
| David Livesley | £3,500 | £2,333 | - |
| Total | £20,500 | £19,916 | £12,916 |

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

Corporate Governance Report

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

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

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

- 1 The Board has no nominated Senior Independent Director (Code A4.1);
- 2 The Board as a whole performs the functions of the Nomination Committee (Code B.2.1) and no formal terms of reference for such a Committee have been adopted;
- 3 The Directors are not appointed for a specified term (Code B2.3);
- 4 The Board as a whole performs the functions of the Remuneration Committee (Code D2.1).

The Company is committed to maintaining high standards in corporate governance. The Board acknowledges that it is responsible for the Company’s system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

| Director Name | Board Meetings Attended 6 Held in year | Audit Committee Meetings Attended 2 Held in year |
|----------------------|---|---|
| Robin Goodfellow | 6 | 2 |
| Alex Starling | 4 | - |
| Richard Roth | 4 | 1 |
| David Livesley | 4 | - |
| Richard Vessey | 2 | 1 |

All Directors attended all Board and Audit Committee meetings during their terms of office.

The Investment Manager prepares a written report on the performance of the fund in advance of Board meetings and this is circulated to all members of the Board. In addition, the Directors are

free to seek any further information they consider necessary.

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

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

None of the Directors has a service contract with the Company, but they do have letters of appointment (copies of which may be obtained by shareholders on request). The Articles of Association require that one third of the Directors (or the number nearest one third) on a rotation basis will be subject to re-election procedures at subsequent Annual General Meetings.

Conflicts of Interest

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

Audit Committee

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

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

Financial Reporting

The Committee is responsible for reviewing, and agreeing, the half-yearly and annual accounts (including those figures presented within) before they are presented to the Board for final approval. In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager, for presentation within the half-yearly and annual accounts. The Committee also takes into careful consideration, comments on matters regarding valuation, revenue recognition and disclosures arising from the external auditors' report to the Audit Committee as part of the finalisation process for the Annual Accounts.

Audit and Control

The Committee reviews and agrees the audit strategy and plan in advance of the audit, and has assessed the effectiveness of the audit after its conclusion. The Committee has also reviewed the non audit services provided by the external auditor, James Cowper Kreston, and on both counts is happy to recommend their reappointment. 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 Committee seeks to satisfy themselves that there is a proper system and allocation of responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Manager.

Significant Risks

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

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

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

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the Shareholders in respect of the audit of the financial statements for the year ended 29 February 2016.

Nomination Committee

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

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

Performance Evaluation

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

Compliance Statement

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

James Gordon
Company Secretary
25 May 2016

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

On behalf of the Board

Robin Goodfellow
Chairman
25 May 2016

Report of the Independent Auditor

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

We have audited the financial statements of Oxford Technology 3 VCT plc for the year ended 29 February 2016 which comprise the income statement, the statement of changes in equity, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Auditor Commentary

An overview of the scope of our audit

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

Our application of materiality

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

aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £138,000, which is 2% of the value of the Company's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £2,000.

Our assessment of risk

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

Valuation of Unquoted Investments

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

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

Revenue Recognition

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

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

Management Override of Financial Controls

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

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

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the completion

of the financial statements. We also reviewed material journal entries processed by management during the period. The Company's principal accounting policies are included in Note 1.

Compliance with Laws and Regulations

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

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 February 2016 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other Reporting Responsibilities

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

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

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

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

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

Under the Listing Rules we are required to review:

- the Directors' Report, set out on page 21, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the provisions of the 2014 UK Corporate Governance Code specified for our review; and
- certain elements of the report on Directors' Remuneration.

**Alan Poole BA (Hons) FCA
Senior Statutory Auditor
For and on behalf of James Cowper Kreston, Oxford
Chartered Accountants
25 May 2016**

Income Statement

| | Note Ref. | Year Ended 29 February 2016 | | | Year Ended 28 February 2015 | | |
|---|--------------|--------------------------------|------------------|----------------|--------------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gain on disposal of fixed asset investments | | - | 1,333 | 1,333 | - | 2 | 2 |
| Unrealised (loss)/gain on valuation of fixed asset investments | | - | (414) | (414) | - | 94 | 94 |
| Other income | 2 | 19 | - | 19 | - | - | - |
| Performance fees | | - | 72 | 72 | - | (95) | (95) |
| Investment management fees | 3 | (16) | (49) | (65) | - | (133) | (133) |
| Other expenses | 4 | (62) | - | (62) | (53) | - | (53) |
| Return on ordinary activities before tax | | (59) | 942 | 883 | (53) | (132) | (185) |
| Taxation on return on ordinary activities | 5 | - | - | - | - | - | - |
| Return on ordinary activities after tax | | (59) | 942 | 883 | (53) | (132) | (185) |
| Return on ordinary activities after tax attributable to equity shareholders | | (59) | 942 | 883 | (53) | (132) | (185) |
| Earnings per share – basic and diluted | 6 | (0.9)p | 13.9p | 13.0p | (0.8)p | (1.9)p | (2.7)p |

There was no other Comprehensive Income recognised during the year.

The 'Total' column of the income statement and statement of comprehensive income is the profit and loss account of the Company, the supplementary revenue and capital return columns have been prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

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

The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Statement of Changes in Equity

| | Share Capital £'000 | Share Premium £'000 | Unrealised Capital Reserve £'000 | Profit & Loss Reserve £'000 | Total £'000 |
|--|---------------------------|---------------------------|--|--------------------------------------|----------------|
| As at 1 March 2014 | 679 | 718 | 4,223 | 1,049 | 6,669 |
| Revenue return on ordinary activities after tax | - | - | - | (53) | (53) |
| Expenses charged to capital | | | | (228) | (228) |
| Current period gains on disposal | - | - | | 3 | 3 |
| Current period gains on fair value of investments | - | - | 94 | - | 94 |
| Prior years' unrealised gains/losses now realised | - | - | (2) | 2 | - |
| Balance as at 28 February 2015 | 679 | 718 | 4,315 | 773 | 6,485 |
| Revenue return on ordinary activities after tax | - | - | - | (59) | (59) |
| Expenses credited to capital | | | | 23 | 23 |
| Current period gains on disposal | - | - | - | 1,333 | 1,333 |
| Current period losses on fair value of investments | - | - | (414) | - | (414) |
| Dividends paid | | | | (475) | (475) |
| Prior years' unrealised gains now realised | - | - | (1,913) | 1,913 | - |
| Movement in reserves (Note 11) | - | - | (75) | 75 | - |
| Balance as at 29 February 2016 | 679 | 718 | 1,913 | 3,583 | 6,893 |

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

Balance Sheet

| | Note Ref. | Year Ended | |
|--|-----------|------------------|------------------|
| | | 29 February 2016 | 28 February 2015 |
| | | £'000 | £'000 |
| Fixed Asset Investments At Fair Value | 7 | 4,123 | 6,525 |
| Current Assets | | | |
| Debtors | 8 | 2 | 1 |
| Cash At Bank | | 2,894 | 203 |
| Creditors: Amounts Falling Due Within 1 Year | 9 | (55) | (55) |
| Net Current Assets | | 2,841 | 149 |
| Creditors: Amounts Falling Due After 1 Year | 9 | (47) | (94) |
| Provisions – Performance Fee | 9 | (23) | (95) |
| Net Assets | | 6,893 | 6,485 |
| Called Up Equity Share Capital | 10 | 679 | 679 |
| Share Premium | | 718 | 718 |
| Unrealised Capital Reserve | 11 | 1,913 | 4,315 |
| Profit and Loss Account Reserve | 11 | 3,583 | 773 |
| Total Equity Shareholders' Funds | 11 | 6,893 | 6,485 |
| Net Asset Value Per Share | | 101.6p | 95.6p |

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

The statements were approved by the Directors and authorised for issue on 25 May 2016 and are signed on their behalf by:



Statement of Cash Flows

| | Year Ended 29 February 2016 £'000 | Year Ended 28 February 2015 £'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Return on ordinary activities before tax | 883 | (185) |
| Adjustments for: | | |
| Gain on disposal of investments | (1,333) | (2) |
| Loss/(gain) on valuation of investments | 414 | (94) |
| (Increase)/decrease in debtors | (1) | 75 |
| (Decrease)/increase in creditors | (119) | 130 |
| Outflow from operating activities | (156) | (76) |
| Cash flows from investing activities | | |
| Purchase of investments | (120) | - |
| Disposal of investments | 3,442 | 12 |
| Dividends paid | (475) | - |
| Increase/(decrease) in cash at bank | 2,691 | (64) |
| Opening cash and cash equivalents | 203 | 267 |
| Cash and cash equivalents at year end | 2,894 | 203 |

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

Notes to the Financial Statements

This is the first year in which the financial statements have been prepared under Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). The main changes are primarily presentational and related to the fixed asset investments' fair value hierarchy, and the primary statements and associated reconciliations. The accounting policies have not materially changed from last year.

A review of any required changes to comparative figures has taken place and it has been deemed that no such restatements are necessary.

1. Principal Accounting Policies

Basis of Preparation

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

The principal accounting policies have remained materially unchanged from those set out in the Company's 2015 Annual Report and financial statements. There have been no changes to the measurement of the assets and liabilities as a result of the transition to FRS 102. A summary of the principal accounting policies is set out below.

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

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

Going Concern

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

Key Judgements and Estimates

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

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEVC valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples,

forecast results of investee companies, asset values of investee companies and liquidity or marketability of the investments held.

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

Functional and Presentational Currency

The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

Cash and Cash Equivalents

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

Fixed Asset Investments

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

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

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

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

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple, revenue multiple, discounted cash flows and net assets. These are consistent with the International Private Equity and Venture Capital (IPEVC) guidelines which can be found on their website at www.privateequityvaluation.com.

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

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

Fair Value Hierarchy

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

For Quoted Investments:

Level a: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet

date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the bid price at the Balance Sheet date.

Level b: where quoted prices are not available (or where a stock is normally quoted on a recognised stock exchange that no quoted price is available), the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place. The Company holds no such investments in the current or prior year.

For investments not quoted in an active market:

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

There have been no transfers between these classifications in the year (2015: none). The change in fair value for the current and previous year is recognised in the income statement.

Income

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

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to capital and 25% to revenue. (In 2015, the investment management fees were all charges to capital.) Any applicable performance fee will be charged 100% to capital.

Revenue and capital

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

Taxation

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

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

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

Financial instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

The Company does not have any externally imposed capital requirements.

Reserves

Called up equity share capital – represents the nominal value of shares that have been issued.

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

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

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

Dividends Payable

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

2. Income

| | Year Ended 29 February 2016 £'000 | Year Ended 28 February 2015 £'000 |
|--------------------|---|---|
| Dividends received | 19 | - |
| Total | 19 | - |

3. Investment Management Fees

Expenses are charged wholly to revenue with the exception of the investment management fee which has been charged 75% to capital in line with industry practice. In 2015, these fees were allocated all to capital.

| | Year Ended 29 February 2016 £'000 | Year Ended 28 February 2015 £'000 |
|---------------------------|---|---|
| Investment management fee | 65 | 133 |
| Total | 65 | 133 |

In the year to 29 February 2016 the manager received a fee of 1% of the net asset value as at the previous year end (2015: 2%). Oxford Technology Management is also entitled to certain monitoring fees from investee companies and the Board monitors the amounts.

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

A performance fee is payable to the Investment Manager once original shareholders have received a specified threshold in cash for each 100p (gross) invested. As reported in last year's accounts, the original threshold of 100p has now been increased by compounding that portion that remains to be paid to shareholders by 6% per annum with effect from 1 March 2013, resulting in the remaining required threshold rising to 100.2p at 29 February 2016, corresponding to a total shareholder return of 117.2p after taking into account the 17p already paid out (17p + 100.2p = 117.2p). After this amount has been distributed to shareholders, each extra 100p distributed goes 80p to the shareholder and 20p to the beneficiaries of the performance incentive fee, of which Oxford Technology Management receives 15p. A performance fee of £23k has been accrued to date. Any applicable performance fee will be charged 100% to capital.

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

4. Other Expenses

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

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

| | Year Ended 29 February 2016 £'000 | Year Ended 28 February 2015 £'000 |
|--|---|---|
| Directors' remuneration | 20 | 13 |
| Auditors' remuneration | 6 | 6 |
| Legal and professional expenses | 16 | 10 |
| Accounting and administration services | 3 | 4 |
| Other expenses | 17 | 20 |
| Total | 62 | 53 |

5. Tax on Ordinary Activities

Corporation tax payable at 20% (2015: 21%) is applied to profits chargeable to corporation tax, if any. The corporation tax charge for the period was £nil (2015: £nil).

| | Year Ended 29 February 2016 £'000 | Year Ended 28 February 2015 £'000 |
|--|---|---|
| Return on ordinary activities before tax | 883 | (185) |
| Current tax at standard rate of taxation | 177 | (39) |
| Unrecognised tax losses | (177) | 39 |
| Total current tax charge | - | - |

Unrelieved management expenses of £1,823,440 (2015: £1,716,092) remain available for offset against future taxable profits.

6. Earnings per Share

The calculation of earnings per share (basic and diluted) for the period is based on the net profit of £883,000 (2015: loss of £185,000) attributable to shareholders divided by the weighted average number of shares 6,785,233 (6,785,233) in issue during the period.

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

7. Investments

| | AIM quoted investments Level a £'000 | Unquoted investments Level c(ii) £'000 | Total investments £'000 |
|---|---|---|----------------------------|
| Valuation and net book amount: | | | |
| Book cost as at 28 February 2015 | 440 | 1,846 | 2,286 |
| Cumulative revaluation | 1,178 | 3,061 | 4,239 |
| Valuation at 28 February 2015 | 1,618 | 4,907 | 6,525 |
| Movement in the year: | | | |
| Purchases at cost | - | 120 | 120 |
| Disposals - cost | (46) | (151) | (197) |
| Disposals - revaluation | (61) | (1,851) | (1,912) |
| Revaluation in year | (639) | 226 | (413) |
| Valuation at 29 February 2016 | 872 | 3,251 | 4,123 |
| Book cost at 29 February 2016 | 394 | 1,815 | 2,209 |
| Cumulative revaluation to 29 February 2016 | 478 | 1,436 | 1,914 |
| Valuation at 29 February 2016 | 872 | 3,251 | 4,123 |

Subsidiary Company

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

Results of the subsidiary undertaking for the year ended 29 February 2016 are as follows:

| | Country of Registration | Nature of Business | Turnover | Retained profit/loss | Net Assets |
|---------------------|----------------------------|-----------------------|----------|-------------------------|------------|
| OT3 Managers Ltd | England and Wales | Investment Manager | £43,239 | £0 | £1 |

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

8. Debtors

| | 29 February 2016 £'000 | 28 February 2015 £'000 |
|---|---------------------------|---------------------------|
| Prepayments, accrued income & other debtors | 2 | 1 |
| Total | 2 | 1 |

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

| | 29 February 2016 £'000 | 28 February 2015 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Other creditors | 8 | 8 |
| Investment management fee accrual | 47 | 47 |
| Total | 55 | 55 |

Creditors - amounts falling due in more than 1 year

| | 29 February 2016 £'000 | 28 February 2015 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Investment management fee accrual | 47 | 94 |
| Provision - performance fee | 23 | 95 |
| Total | 70 | 189 |

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

Based on the net asset value per share and cumulative dividends paid to date it is more likely that the performance incentive fee will become due. The Directors assessed that the costs should be included in the accounts. The value of the liability arising to date can be estimated, however the timing of the future payment is uncertain.

10. Share Capital

| | 29 February 2016 £'000 | 28 February 2015 £'000 |
|---|---------------------------|---------------------------|
| Authorised: | | |
| 15,000,000 ordinary shares of 10p each | 1,500 | 1,500 |
| Total Authorised | 1,500 | 1,500 |
| Allotted, called up and fully paid: 6,785,233 (2015: 6,785,233) ordinary shares of 10p each | 679 | 679 |

11. Reserves

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

The transfer between the unrealised capital reserve and the profit and loss reserve is the result of the correction of historic misclassifications between the two reserves. The historic misclassifications are immaterial as they had no impact on reported returns or net assets and had no bearing on any distributions.

Distributable reserves are £3,583,000 as at 29 February 2016.

Reconciliation of Movement in Shareholders' Funds

| | 29 February 2016 £'000 | 28 February 2015 £'000 |
|---|---------------------------|---------------------------|
| Shareholders' funds at start of year | 6,485 | 6,670 |
| Return on ordinary activities after tax | 883 | (185) |
| Dividends paid | (475) | - |
| Shareholders' funds at end of year | 6,893 | 6,485 |

The Company paid a dividend of 7p per ordinary share on 19 February 2016. The Company has also paid an interim dividend for 2017 of 15p per ordinary share on 13 May 2016.

12. Financial Instruments and Risk Management

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

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

13. Capital Commitments

The company had no commitments at 29 February 2016 or 28 February 2015.

14. Related Party Transactions

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

15. Events after the Balance Sheet Date

An additional investment of £34,000 has been made into Scancell – March 2016.

An additional investment of £50,000 has been made into ImmBio – March 2016.

An additional investment of £200,000 has also been made into Plasma Antennas – April 2016.

Warrants have been exercised in Ixaris and an additional investment of £425,000 has been made – May 2016.

The Directors have declared an interim dividend for 2017 of 15p which was paid on 13 May 2016.

Oxford Technology 3 Venture Capital Trust Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Oxford Technology 3 Venture Capital Trust Plc will be held at the Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 11am on Friday 8 July 2016 for the following purposes:

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

Ordinary Resolutions

1. That the Annual Report and Accounts for the period to 29 February 2016 be approved.
2. That the Directors' Remuneration Report be approved.
3. That Mr David Livesley who retires at the Annual General Meeting by rotation in accordance with Article 139 of the Company's Articles of Association, be re-appointed as a Director.
4. That Mr Richard Roth who retires at the Annual General Meeting by rotation in accordance with Article 139 of the Company's Articles of Association, be re-appointed as a Director.
5. That James Cowper Kreston, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
6. That the Company continue in being as a Venture Capital Trust.
7. In accordance with section 551 of the Companies Act 2006 (the "2006 Act"), that the Directors generally and unconditionally be 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 £1,500,000 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.

Special Resolutions

8. That the Company is generally and unconditionally authorised (pursuant to Article 23 of the Company's Articles of Association) to make market purchases (within the meaning of s693(4) of the Companies Act 2006 ("the Act") of ordinary shares of 10 pence each in the share capital of the Company ("Shares") provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased is 678,523 (representing approximately 10 per cent of the issued number of Shares),

- (b) the minimum price which may be paid for a share is 10 pence (which amount shall be exclusive of expenses); and
 - (c) the maximum price which may be paid for a Share is 5% above the average market value of the Company's equity shares for the 5 business days prior to the day purchase is made (exclusive of expenses).
9. Subject to the passing of the resolution 7 and in accordance with section 570 of the 2006 Act, that 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 9, as if section 561(1) of the 2006 Act did not apply to any such allotment.

By Order of the Board
James Gordon
Company Secretary

Notes:

1. A member who is entitled to vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company. To be valid, a proxy card must be lodged with the Company's Registrar, **Neville Registars, Neville House, 18 Laurel Lane, Halesowen B63 3DA**, at least 48 hours before the meeting. A proxy card for use by members is enclosed. Completion of this proxy card will not prevent a member from attending the meeting and voting in person.
2. Resolutions 1 to 7 will be proposed as ordinary resolutions. Resolutions 8 and 9 will be proposed as special resolutions.

Shareholder Information

Financial Calendar

The Company's financial calendar is as follows:

| | |
|---------------|---|
| 8 July 2016 | - Annual General Meeting |
| November 2016 | - Half-yearly results to 31 August 2016 published |
| June 2017 | - Annual results for year to 28 February 2017 announced |

Dividends

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

Share Price

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

Buying and selling shares

The Company's Ordinary shares, which are listed on the London Stock Exchange, can be bought and sold in the same way as any other company quoted on a recognised stock exchange via a stockbroker. Whilst the Company has a buy back policy, it is not actively used, and so if you wish to trade in the secondary market and do not have a stockbroking relationship, you may wish to contact:

Redmayne Bentley – York Office 0800-5420055 / 01904-646362

Paul Lumley paul.lumley@redmayne.co.uk

Chris Steward chris.steward@redmayne.co.uk

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

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

Notification of change of address

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

Other information for Shareholders

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

Company Information – Directors and Advisers

Board of Directors

Robin Goodfellow (Chairman)
Alex Starling
David Livesley
Richard Roth

Company Number

4351474

Company Secretary

James Gordon
Gordons Partnership LLP
22 Great James Street
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Investment Manager & Registered Office

OT3 Managers Ltd
The Magdalen Centre
Oxford Science Park
Oxford OX4 4GA

Accountants

Wenn Townsend
30 St Giles
Oxford OX1 3LE

Independent Auditor

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

Bankers

NatWest
121 High Street
Oxford OX1 4DD

Registrars

Neville Registrars
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Tel: 0121 585 1131

Financial Adviser & LSE Sponsor

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Compliance & FCA Advisor

Methuen Consulting LLP
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Website

www.oxfordtechnology.com