

# Oxford Technology 3 Venture Capital Trust Plc

## Unaudited Half-Yearly Report

For the period

1 March 2018 to 31 August 2018

### Financial Headlines

	6 Months Ended 31 August 2018	Year Ended 28 February 2018
Net Assets at Period End	£5.80m	£5.85m
Net Asset Value per Share	85.5p	86.2p
Cumulative Dividend per Share	36.0p	36.0p
Total NAV Return per Share	121.5p	122.2p
Share Price at Period End (Mid-Market)	52.5p	52.5p
Earnings per Share	(0.7)p	7.7p



Ixaris – Payment Solutions

## **Statement on behalf of the Board**

I am pleased to present the unaudited results for the six month period ended 31 August 2018.

### **Results and Dividends**

The Company's net asset value (NAV) per share has decreased from 86.2p at 28 February 2018 by 0.7p to 85.5p at 31 August 2018. The decrease is primarily due to a reduction of the Scancell share price during the period following a placing. No dividends were paid or declared in the period.

### **Portfolio Review**

The companies within the portfolio continue to develop, and where required and permitted under VCT rules your company continues to invest to support that development. During the period, an additional investment was made into ImmBio (£30k) and post balance sheet investments were made into Orthogem (£83k) and Arecor (£171k).

Ixaris, our largest holding, has had a mixture of good and bad news. The good news is that overall the business has been generating cash and the free cash balance stood at c £11m in August. Also, the Ixaris Systems side of the business has been growing very fast and approximately doubling in size each year. The bad news is that a change in regulations by Visa has meant that Entropay has had to cease allowing customers outside Europe to use Entropay cards for gambling. This will have quite a severe impact on EBITDA in the short term, but the expectation is that the gap will quite quickly be filled by the continuing rapid growth of Ixaris Systems.

We were unable to invest in the recent Scancell placing due to the 15% VCT rule. They are continuing to develop a number of exciting new potential breakthrough cancer treatments and have a number of active initiatives. In the last few months, they have established a manufacturing agreement for Moditope, extended the Trichor delivery mechanism deal for SCIB1 and are busy preparing for the clinical trials which were signed up earlier in the year.

ImmBio is in negotiations with pharma partners regarding PnuBiovax, and during the period, an additional investment of £30k was made to enable the first deals to be closed.

Arecor continues to make encouraging technical and commercial progress, and has now secured a £6m funding round, led and 80% funded by 3 VCT groups; Calculus, Downing and Albion. We take this as a strong third party vote of confidence in the company, its technology and its business plan. After period end we also invested £171k in the first tranche and committed around a further £50k in the second tranche.

Select Technology, a photocopier (or more generally Multi Function Device, or MFD) software company, suffered a setback with the loss of a master distributorship for Europe with one product in 2017, which led to the company becoming loss-making for a period. Since then Select has been making good progress with IDEA - the International Document Evolution Alliance. This is a global network of distributors who all understand software, networks and the document management business, and who can offer a one stop global distribution network which is attractive to developers. Sales and profit margins have been increasing and the prospects for the future are encouraging.

After the period end, £83k was invested in Orthogem, which has now got CE approval and started distributing its putty product and is signing up new distributors as a result.

Abzena have recently agreed a cash offer of 16.0p per share following a bid from Astro BidCo Limited.

The Directors along with the Investment Adviser continue to take an active interest in the remaining companies within the portfolio, both to support their management teams to achieve company development, but also to prepare companies for realisation at the appropriate time. It should be noted that the current portfolio is highly concentrated with Ixaris representing 62% and Scancell 10% of net assets and the VCT's NAV is very sensitive to changes in these valuations.

## **Liquidity**

At period end we had net current assets of £579k which continues to provide us with flexibility to make follow-on investments if attractive.

## **VCT qualifying status**

The Board has procedures in place to ensure that the Company continues to comply with the conditions laid down by HMRC for maintaining approval as a VCT.

## **Change of Auditor**

James Cowper Kreston, our auditors for the last 13 years, have decided to withdraw from auditing Public Interest Entities for the time being due to the increasing regulatory landscape and associated costs. Unfortunately, this includes VCTs. The Board would like to thank them for all their support and constructive feedback during their period in office. Shareholders will recall that last year, we carried out a tender for the audit. The Audit Committee was also impressed by one of the other firms who responded, and on its recommendation, the Board is therefore pleased to appoint UHY Hacker Young LLP ("UHY") to fill the casual vacancy that has arisen. UHY will audit the Company's 2019 annual results, and shareholders will be asked to reappoint them at next year's AGM for the following year's audit.

## **Presentation of half-yearly report**

In order to reduce the length of this report, we have omitted details of the Company's objectives and investment strategy, its Advisers and Registrar and how to buy and sell shares in the Company. These details are all included in the Annual Reports, which together with previous half-yearly reports, are available for viewing on the Oxford Technology website.

## **Outlook**

Your Directors continue to monitor changes to VCT legislation, and its potential impact on both the VCT and its investee companies. Recent rule changes to tax efficient investment schemes are not expected to have any material impact on our current portfolios; nor on current investors as the VCT is fully invested. Likewise, whilst the impact of Brexit remains unclear, your Directors do not expect its eventual outcome to have a material impact on portfolio valuations.

Your Board continues to explore long term strategic options for this small VCT. Should discussions prove successful we will bring them to shareholders as soon as practicable. However, there can be no certainty that any of these discussions will lead to a concrete proposal at this time or in the future.

We were pleased to welcome a large number of shareholders to our AGM in July where there were presentations from three of our investee companies: Ixaris, Select and Scancell. The presentations for Select and Scancell are on the Oxford Technology website.

The Directors' view remains that the portfolio, while concentrated, still holds significant potential over the medium term but is not without risk. Finally, I would like to take this opportunity to thank shareholders for their continued support.

**Robin Goodfellow - Chairman**  
**23 October 2018**

## Investment Portfolio as at 31 August 2018

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/18 £'000	Change in value for the 6 month period £'000	% Equity held OT3	% Equity held All OTVCTs	% Net assets
Ixaris Group Holdings	Internet payments	535	3,601	69	7.2	7.2	62.1
Scancell (bid price 11.5p)	Antibody based cancer therapeutics	409	590	(128)	1.3	3.3	10.2
ImmBio	Novel vaccines	461	308	72	6.3	20.9	5.3
Arecor	Protein stabilisation	224	282	25	2.5	12.1	4.9
Select Technology	Photocopier interfaces	47	147	12	2.8	58.6	2.5
Orthogem	Bone graft material	234	142	-	7.5	19.9	2.4
Insense	Wound healing	333	60	-	2.3	6.8	1.0
Invro	Low power electronics	40	41	-	33.1	33.1	0.7
Abzena (bid price 15.2p)	Protein & peptide based drugs	69	30	(20)	0.1	0.1	0.5
Inaplex	Data Integration	58	11	-	13.3	34.8	0.2
Metal Nanopowders	Production of metal powders	153	5	-	20.0	36.7	0.1
Plasma Antennas	Directional antennas	358	3	-	12.4	48.8	0.1
Superhard Materials	Production of hard materials	11	1	-	21.8	40.0	-
Microarray	Insense spinout	2	-	-	0.2	0.2	-
Glide Technologies	Needle free injector	225	-	-	3.2	8.8	-
<b>Total Investments</b>		<b>3,159</b>	<b>5,221</b>	<b>30</b>			<b>90.0</b>
Other Net Assets			<b>579</b>				<b>10.0</b>
<b>Net Assets</b>			<b>5,800</b>				<b>100</b>

## Responsibility Statement of the Directors in respect of the half-yearly report

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Interim Financial Reporting” issued by the Financial Reporting Council;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
  - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.
  - a description of the principal risks and uncertainties for the remaining six months of the year.
  - a description of related party transactions that have taken place in the first six months of the current financial year that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board:

**Robin Goodfellow – Chairman**  
**23 October 2018**

## Income Statement

	Six months to 31 Aug 2018			Six months to 31 Aug 2017			Year to 28 Feb 2018		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gain on disposal of fixed asset investments	-	10	10	-	9	9	-	9	9
Unrealised gain on valuation of fixed asset investments	-	-	-	-	247	247	-	615	615
Investment income	-	-	-	9	-	9	10	-	10
Investment management fees	(7)	(22)	(29)	(7)	(21)	(28)	(14)	(42)	(56)
Other expenses	(28)	-	(28)	(28)	-	(28)	(55)	-	(55)
<b>Return on ordinary activities before tax</b>	<b>(35)</b>	<b>(12)</b>	<b>(47)</b>	<b>(26)</b>	<b>235</b>	<b>209</b>	<b>(59)</b>	<b>582</b>	<b>523</b>
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
<b>Return on ordinary activities after tax</b>	<b>(35)</b>	<b>(12)</b>	<b>(47)</b>	<b>(26)</b>	<b>235</b>	<b>209</b>	<b>(59)</b>	<b>582</b>	<b>523</b>
<b>Earnings per share – basic and diluted</b>	<b>(0.5)p</b>	<b>(0.2)p</b>	<b>(0.7)p</b>	<b>(0.4)p</b>	<b>3.5p</b>	<b>3.1p</b>	<b>(0.9)p</b>	<b>8.6p</b>	<b>7.7p</b>

- The ‘Total’ column of this statement is the profit and loss account of the Company; the supplementary Revenue return 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 half-yearly report.
- The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

The Company has no recognised gains or losses other than the results for the period as set out above. Accordingly, a Statement of Comprehensive Income is not required.

## Balance Sheet

	As at 31 Aug 2018		As at 31 Aug 2017		As at 28 Feb 2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments (At fair value through profit and loss)		5,221		4,822		5,190
<b>Current assets:</b>						
Debtors	20		226		23	
Creditors: Amounts falling due within one year	(10)		(29)		(10)	
Cash at Bank	569		514		644	
Net current assets		579		711		657
<b>Net assets</b>		<b>5,800</b>		<b>5,533</b>		<b>5,847</b>
Called up equity share capital		679		679		679
Share premium		718		718		718
Unrealised capital reserve		2,061		1,596		2,061
Profit and Loss account reserve		2,342		2,540		2,389
<b>Total equity shareholders' funds</b>		<b>5,800</b>		<b>5,533</b>		<b>5,847</b>
<b>Net asset value per share</b>		<b>85.5p</b>		<b>81.6p</b>		<b>86.2p</b>

## Statement of Changes in Equity

	Share Capital		Unrealised Capital Reserve £'000	Profit & Loss Reserve £'000	Total £'000
	£'000	Share Premium £'000			
<b>As at 1 March 2017</b>	<b>679</b>	<b>718</b>	<b>1,349</b>	<b>2,849</b>	<b>5,595</b>
Revenue return on ordinary activities after tax	-	-	-	(26)	(26)
Expenses charged to capital	-	-	-	(21)	(21)
Current period gains on disposal	-	-	-	9	9
Current period gains on fair value of investments	-	-	247	-	247
Dividends paid	-	-	-	(271)	(271)
<b>Balance as at 31 August 2017</b>	<b>679</b>	<b>718</b>	<b>1,596</b>	<b>2,540</b>	<b>5,533</b>
<b>As at 1 March 2017</b>	<b>679</b>	<b>718</b>	<b>1,349</b>	<b>2,849</b>	<b>5,595</b>
Revenue return on ordinary activities after tax	-	-	-	(59)	(59)
Expenses charged to capital	-	-	-	(42)	(42)
Current period gains on disposal	-	-	-	9	9
Current period gains on fair value of investments	-	-	615	-	615
Prior period unrealised losses now realised	-	-	97	(97)	-
Dividends paid	-	-	-	(271)	(271)
<b>Balance as at 28 February 2018</b>	<b>679</b>	<b>718</b>	<b>2,061</b>	<b>2,389</b>	<b>5,847</b>
<b>As at 1 March 2018</b>	<b>679</b>	<b>718</b>	<b>2,061</b>	<b>2,389</b>	<b>5,847</b>
Revenue return on ordinary activities after tax	-	-	-	(35)	(35)
Expenses charged to capital	-	-	-	(22)	(22)
Current period gains on disposal	-	-	-	10	10
<b>Balance as at 31 August 2018</b>	<b>679</b>	<b>718</b>	<b>2,061</b>	<b>2,342</b>	<b>5,800</b>

## Statement of Cash Flows

	Six months to 31 Aug 2018 £'000	Six months to 31 Aug 2017 £'000	Year to 28 Feb 2018 £'000
<b>Cash flows from operating activities</b>			
Return on ordinary activities before tax	(47)	209	523
Adjustments for:			
Decrease/(increase) in debtors	3	(124)	80
Decrease in creditors	-	(25)	(45)
Gain on disposal of fixed asset investments	(10)	(9)	(9)
Gain on valuation of fixed asset investments	-	(247)	(615)
Movement in investment debtors and creditors	(20)	(10)	(10)
<b>Outflow from operating activities</b>	<b>(74)</b>	<b>(206)</b>	<b>(76)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments	(30)	(131)	(131)
Sale of fixed asset investments	29	127	127
<b>Total cash flows from investing activities</b>	<b>(1)</b>	<b>(4)</b>	<b>(4)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-	(271)	(271)
<b>Total cash flows from financing activities</b>	<b>-</b>	<b>(271)</b>	<b>(271)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(75)</b>	<b>(481)</b>	<b>(351)</b>
<b>Opening cash and cash equivalents</b>	<b>644</b>	<b>995</b>	<b>995</b>
<b>Closing cash and cash equivalents</b>	<b>569</b>	<b>514</b>	<b>644</b>

## Notes to the Half-Yearly Report

### 1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2018 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting ('FRS 104') and the Statement of Recommended Practice (SORP) for Investment Companies re-issued by the Association of Investment Companies in November 2014. Details of the accounting policies and valuation methodologies are included in the Annual Report.

### 2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 August 2018 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 28 February 2018 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

### 3. Earnings per share

The calculation of earnings per share for the period is based on the return attributable to shareholders divided by the weighted average number of shares in issue during the period. There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant.

### 4. Net asset value per share

The net asset value per share is based on the net assets at the period end divided by the number of shares in issue at that date (6,785,233 in each case).

### 5. Principal risks and uncertainties

The Company's assets consist of equity and fixed interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a Venture Capital Trust, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 28 February 2018. The Company's principal risks and uncertainties have not changed materially since the date of that report.

### 6. Related party transactions

OT3 Managers Ltd, a wholly owned subsidiary, provides investment management services to the Company for a fee of 1% of net assets per annum.

### 7. Events after the Balance Sheet Date

In September 2018, OT3 invested £83,000 in Orthogem Limited and £170,530 in Arecor Limited. A further commitment of approximately £50,000 has been made to Arecor, the exact amount to be determined by the application of the VCT rules at the time of investment.

8. Copies of this statement are available from Oxford Technology Management, The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and on the Company's website – [www.oxfordtechnology.com/vct3](http://www.oxfordtechnology.com/vct3).

**Board Directors:** Robin Goodfellow, Richard Roth, Alex Starling and David Livesley

**Investment Manager:** OT3 Managers Ltd with services contracted to Oxford Technology Management Ltd

**Website:** [www.oxfordtechnology.com/vct3](http://www.oxfordtechnology.com/vct3)