

Oxford Technology 3 Venture Capital Trust Plc

Unaudited Half-Yearly Report

For the period

1 March 2019 to 31 August 2019

Financial Headlines

	6 Months Ended 31 August 2019	Year Ended 28 February 2019
Net Assets at Period End	£6.64m	£6.07m
Net Asset Value per Share	97.8p	89.5p
Cumulative Dividend per Share	36.0p	36.0p
Total NAV Return per Share	133.8p	125.5p
Share Price at Period End (Mid-Market)	47.5p	62.5p
Earnings per Share	8.3p	3.3p



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 2019.

Results and Dividend

The Company's net asset value (NAV) per share has increased from 89.5p at 28 February 2019 by 8.3p (9.3%) to 97.8p at 31 August 2019. This is primarily due a 20% increase in the valuation for Ixaris partially offset by a reduction for Orthogem.

Total return which includes net asset value and dividends paid per share increased from 125.5p to 133.8p over the same period - still just below the threshold where a performance fee may become payable.

During the period, your company made no disposals. A further investment of £20k was made into ImmBio to support the company before revenue is received from the Chinese licencing deal.

The Directors are not proposing a dividend at the present time.

Portfolio Review

During the period, with the exception of Ixaris and Orthogem as mentioned above, the portfolio has remained stable with steady progress being reported by most of our larger companies. The portfolio has become increasingly dominated by Ixaris which now represents over 70% of the net assets:

- Your company first invested £110k in Ixaris in 2002, when the company consisted of three founders with an idea for a transaction-based financial solution that would give anybody the ability to pay online. Today Ixaris is one of the leading companies in the field and its payments system is widely used by travel agents and tour operating companies worldwide who have to make thousands of payments in multiple different currencies on a daily basis. Ixaris enables them to do this very efficiently and at low cost. Sales are continuing to grow fast and prospects look good. One potential concern could be a chaotic Brexit, but Ixaris have set up an office in Brussels and plan to be able to sell in Europe from there.
- In March 2019 we invested a further £20k in ImmBio. This investment enables ImmBio to go through the process of technology transfer of PnuBioVax vaccine strains to the Chinese National Biotech Company as required by the license agreement. Discussions are also ongoing with pharma companies in other regions of the world.
- Arecor have started dosing in their Phase 1 clinical trial of rapid action insulin. They have also signed multiple development agreements to develop room temperature liquid formulations with global pharma companies.
- Scancell, the Company's only quoted investment, continues to make progress. It has received approval to start the UK Phase 2 melanoma combination trial of SCIB1 and has begun screening potential patients in Nottingham. It has also started the first joint programme on its new AvidiMab anti-glycan antibody technology, having partnered with a large unnamed pharma. AvidiMab antibodies target sugars rather than proteins on the cell surface.

Scancell raised £3.9 million through the issue of new shares at 5p per share, a significant discount to previous placings, to Vulpes Life Science Fund in June. The money will support the transition of Modi-1 to the clinic. Vulpes now owns 16.67% of Scancell and Martin Diggle from Vulpes was appointed to the Scancell board, which we believe will increase the chance of a successful outcome for them. The Scancell share price has risen following the Vulpes investment and our investment has been valued at 6.8p, the AIM share price at 31 August.

- Orthogem have agreed terms with a new UK distributor, TRB Chemica. The valuation of Orthogem has been reduced to reflect that sales of the putty product have been slow to arrive. Overseas regulatory approval has been much slower than anticipated, significantly in Australia which has been a leading market for Orthogem.

Liquidity

Your company has £167k of cash which adequately balances future operating cost cover and unexpected investee support requirements.

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. The Directors are closely assessing the implications of meeting the new 80% qualifying holding limit, required to be in place by 29 February 2020. Whilst the Company currently exceeds this limit, as qualifying investments are realised and distributions made to shareholders maintaining compliance will require close and regular scrutiny.

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 their potential impact on both the VCT and its investee companies. Recent rule changes to tax efficient investment schemes are not causing any material impact on the current portfolio or to current investors as your 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. Ixaris has the greatest exposure due to its European activities but, we understand, has robust plans in place.

The Board continues to review the future structure and cost base of your Company, with particular focus on the impact of the reduction of the asset base as funds are returned to shareholders. We continue to believe your VCT is an appropriate structure to hold your Company's investments, albeit it would be preferable to have a larger asset base to share the operating costs.

As foreshadowed in the annual report, your Board has continued to have detailed conversations with potential parties who may be interested in increasing the asset base. Although these discussions are encouraging, they are not currently sufficiently far enough advanced to be able to announce terms. Your Board has always made clear that there is no certainty such a deal can be reached but will continue to seek and actively progress suitable opportunities.

Meanwhile your Board and Investment Manager continue to work together so as to best position your VCT such that, when valuations and opportunities allow, holdings can be exited. Subject to ongoing liquidity requirements, proceeds will then be distributed to shareholders.

Finally, I would like to take this opportunity to thank shareholders, many of whom we were able to welcome to our AGM in July, for their continued support.

Robin Goodfellow
Chairman
18 September 2019

Investment Portfolio as at 31 August 2019

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/19 £'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	4,744	798	7.2	7.2	71.5
ImmBio	Novel vaccines	482	523	3	6.7	22.2	7.9
Arecor	Protein stabilisation	443	501	-	3.1	10.5	7.5
Scancell (bid price 6.8p)	Cancer therapeutics	409	349	(10)	1.1	2.7	5.3
Select – STL Management Ltd	Photocopier interfaces	47	172	9	2.8	58.6	2.6
Orthogem	Bone graft material	317	94	(145)	11.2	29.8	1.4
Insense	Wound healing	333	60	-	2.3	6.8	0.9
Invro	Low power electronics	40	10	(10)	33.1	33.1	0.2
Plasma Antennas	Directional antennas	358	3	-	12.4	48.8	-
Inaplex	Data Integration	58	1	(4)	13.3	34.8	-
Metal Nanopowders	Production of metal powders	153	-	-	20.0	36.7	-
Superhard Materials	Production of hard materials	11	-	-	21.8	40.0	-
Microarray	Insense spinout	2	-	-	0.2	0.2	-
Total Investments		3,188	6,457	641			97.3
Other Net Assets			179				2.7
Net Assets			6,636				100

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
18 September 2019

Income Statement

	Six months to 31 Aug 2019			Six months to 31 Aug 2018			Year to 28 Feb 2019		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gain/(loss) on disposal of fixed asset investments	-	-	-	-	10	10	-	(8)	(8)
Unrealised gain on valuation of fixed asset investments	-	620	620	-	-	-	-	344	344
Investment income	-	-	-	-	-	-	2	-	2
Investment management fees	(7)	(23)	(30)	(7)	(22)	(29)	(15)	(44)	(59)
Other expenses	(26)	-	(26)	(28)	-	(28)	(54)	-	(54)
Return on ordinary activities before tax	(33)	597	564	(35)	(12)	(47)	(67)	292	225
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(33)	597	564	(35)	(12)	(47)	(67)	292	225
Earnings per share – basic and diluted	(0.5)p	8.8p	8.3p	(0.5)p	(0.2)p	(0.7)p	(1.0)p	4.3p	3.3p

There was no other Comprehensive Income recognised during the year.

The ‘Total’ column of the Income Statement 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 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.

Balance Sheet

	As at 31 Aug 2019		As at 31 Aug 2018		As at 28 Feb 2019	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments (At fair value through profit and loss)		6,457		5,221		5,816
Current assets:						
Debtors	18		20		2	
Creditors: Amounts falling due within one year	(6)		(10)		(12)	
Cash at Bank	167		569		266	
Net current assets		179		579		256
Net assets		6,636		5,800		6,072
Called up equity share capital		679		679		679
Share premium		718		718		718
Unrealised capital reserve		3,269		2,061		2,649
Profit and Loss account reserve		1,970		2,342		2,026
Total equity shareholders' funds		6,636		5,800		6,072
Net asset value per share		97.8p		85.5p		89.5p

Statement of Changes in Equity

	Share Capital		Share Premium	Unrealised Capital Reserve	Profit & Loss Reserve	Total
	£'000	£'000				
As at 1 March 2018	679	718	2,061	2,389	5,847	
Revenue return on ordinary activities after tax	-	-	-	(35)	(35)	
Expenses charged to capital	-	-	-	(22)	(22)	
Current period gains on disposal	-	-	-	10	10	
Balance as at 31 August 2018	679	718	2,061	2,342	5,800	
As at 1 March 2018	679	718	2,061	2,389	5,847	
Revenue return on ordinary activities after tax	-	-	-	(67)	(67)	
Expenses charged to capital	-	-	-	(44)	(44)	
Current period loss on disposal	-	-	-	(8)	(8)	
Current period gains on fair value of investments	-	-	344	-	344	
Prior period unrealised losses now realised	-	-	244	(244)	-	
Balance as at 28 February 2019	679	718	2,649	2,026	6,072	
As at 1 March 2019	679	718	2,649	2,026	6,072	
Revenue return on ordinary activities after tax	-	-	-	(33)	(33)	
Expenses charged to capital	-	-	-	(23)	(23)	
Current period gains on fair value of investments	-	-	620	-	620	
Balance as at 31 August 2019	679	718	3,269	1,970	6,636	

Statement of Cash Flows

	Six months to 31 Aug 2019 £'000	Six months to 31 Aug 2018 £'000	Year to 28 Feb 2019 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	564	(47)	225
Adjustments for:			
(Increase)/decrease in debtors	(16)	3	21
(Decrease)/increase in creditors	(6)	-	2
(Gain)/loss on disposal of fixed asset investments	-	(10)	8
Gain on valuation of fixed asset investments	(620)	-	(344)
Movement in investment debtors and creditors	-	(20)	(20)
Outflow from operating activities	(78)	(74)	(108)
Cash flows from investing activities			
Purchase of fixed asset investments	(21)	(30)	(332)
Sale of fixed asset investments	-	29	62
Outflow from investing activities	(21)	(1)	(270)
Cash flows from financing activities			
Dividends paid	-	-	-
Total cash flows from financing activities	-	-	-
(Decrease)/increase in cash and cash equivalents	(99)	(75)	378
Opening cash and cash equivalents	266	644	644
Closing cash and cash equivalents	167	569	266

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2019 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 2019 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 2019 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 2019. 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. Copies of this statement are available from Oxford Technology Management, Magdalen Centre, Oxford Science Park, Oxford OX4 4GA and on the Company's website.

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/vct/vct3.html