

# Oxford Technology 3 Venture Capital Trust Plc

## Unaudited Half-Yearly Report

For the period

1 March 2016 to 31 August 2016

### Financial Headlines

	6 Months Ended 31 August 2016	Year Ended 29 February 2016
Net Assets at Period End	£5.92m	£6.89m
Net Asset Value per Share	87.3p	101.6p
Cumulative Dividend per Share	32.0p	17.0p
Total NAV Return per Share	119.3p	118.6p
Share Price	57.5p	62.5p
Earnings per Share	0.7p	13.0p



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 2016.

### **Results and dividends**

The Company's net asset value per share has reduced from 101.6p at 29 February 2016 by 14.3p to 87.3p at 31 August 2016. The underlying NAV per share rose by 0.7p but was offset by the payment of a 15.0p interim dividend per share on 13 May 2016. Further dividends are likely to require a profitable investee company exit.

### **Portfolio review**

The new VCT rules have not prevented us from investing £709k to support our existing portfolio companies. We exercised our warrants in Ixaris for £425k along with the major shareholder in advance of their expiry date at an attractive discount, thereby not only preventing dilution but also slightly increasing our equity percentage. The valuation of our share of Ixaris has been increased by £529k. We invested £200k in Plasma Antennas to position them for a further funding round. £50k was invested in ImmBio at attractive terms at the end of their successful trials. Finally we invested £34k in Scancell's placing and open AIM offer, the maximum we could make under VCT rules.

The Directors have reviewed the valuations of each investee company in the unquoted portfolio but have made only minor changes. In the AIM portfolio the Scancell price remained flat and the Abzena price declined from 49p to 41p per share. Based on the revised NAV at 31 August 2016, the performance fee accrual at 29 February 2016 of £23k has been reversed as the revised escalating performance fee threshold has now just increased above the current NAV.

Shareholders should remain aware that the portfolio is very concentrated with just three holdings representing about 65% of NAV. The value of the portfolio is thus very sensitive to changes in valuations of these three holdings: Ixaris, Glide and Scancell. The directors continue to take an active interest in the investee companies and look forward to continuing to work with OTM to maximise shareholder value and to secure profitable exits from these investee companies at the appropriate time and to enable further dividends to be paid.

### **Liquidity**

At period end we had net current assets of £1.03m. Post period end we have committed to invest in Arecor, Orthogem and Glide.

### **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.

### **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 Registrars 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**

The last six months has seen a number of changes to qualification conditions for VCTs. However, as we are not looking to invest in new companies we do not believe that these changes will give rise to any issues for our Company. Likewise any uncertainties surrounding the departure from the EU are unlikely to affect us directly. We were pleased to welcome a large number of shareholders to our AGM in July. Three of our investee companies made presentations: Scancell, Ixaris and Plasma Antennas. These presentations are on the Oxford Technology website. The directors' view remains that the portfolio 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**  
**19 October 2016**

## Investment Portfolio as at 31 August 2016

Company	Description	Net Cost of investment £'000	Carrying value at 31/8/16 £'000	Change in value for the 6 month period £'000	% Equity held OT3	% Equity held All OT	% of fund investment value
Ixaris	Internet payments	643	2,202	529	7.6	7.6	44.8
Glide Technologies	Needle free injector	225	814	-	3.3	9.0	16.5
Scancell (bid price 17.5p)	Antibody based cancer therapeutics	359	810	35	1.8	4.4	16.5
Plasma Antennas	Directional antennas	308	277	200	12.3	45.1	5.6
ImmBio	Novel vaccines	400	237	50	4.4	13.9	4.8
Select Technology	Photocopier interfaces	47	147	3	2.8	58.5	3.0
Allinea Software	Parallel computing	15	146	(16)	1.9	1.9	3.0
Abzena (bid price 41p)	Protein & peptide based drugs	69	82	(16)	0.2	0.3	1.7
Arecor	Protein stabilisation	24	56	9	0.7	7.3	1.1
Insense	Wound healing	333	44	-	4.1	12.1	0.9
Orthogem	Bone graft material	134	42	-	4.0	14.6	0.9
Inaplex	Data transformation software	58	22	-	13.3	34.8	0.5
Invro	Low power electronics	40	20	-	33.1	33.1	0.4
Metal Nanopowders	Production of metal powders	153	13	-	20.0	36.7	0.3
Superhard Materials	Production of hard materials	11	5	-	21.8	40.0	0.1
<b>Total Investments</b>		<b>2,918</b>	<b>4,917</b>	<b>794</b>			<b>100%</b>
Other Net Assets			1,005				
<b>Net Assets</b>			<b>5,922</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**  
**19 October 2016**

## Income Statement

	Six months to 31 Aug 2016			Six months to 31 Aug 2015			Year to 29 February 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	-	-	-	-	3	3	-	1,333	1,333
Gain/(Loss) on valuation of fixed asset investments	-	85	85	-	659	659	-	(414)	(414)
Performance fee credit	-	23	23	-	70	70	-	72	72
Other income	-	-	-	3	-	3	19	-	19
Investment management fees	(9)	(26)	(35)	(8)	(24)	(32)	(16)	(49)	(65)
Other expenses	(27)	-	(27)	(28)	-	(28)	(62)	-	(62)
<b>Return on ordinary activities before tax</b>	<b>(36)</b>	<b>82</b>	<b>46</b>	<b>(33)</b>	<b>708</b>	<b>675</b>	<b>(59)</b>	<b>942</b>	<b>883</b>
Taxation on loss on ordinary activities	-	-	-	-	-	-	-	-	-
<b>Return on ordinary activities after tax</b>	<b>(36)</b>	<b>82</b>	<b>46</b>	<b>(33)</b>	<b>708</b>	<b>675</b>	<b>(59)</b>	<b>942</b>	<b>883</b>
<b>Earnings per share – basic and diluted</b>	<b>(0.5)p</b>	<b>1.2p</b>	<b>0.7p</b>	<b>(0.5)p</b>	<b>10.4p</b>	<b>9.9p</b>	<b>(0.9)p</b>	<b>13.9p</b>	<b>13.0p</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 2016		As at 31 Aug 2015		As at 29 February 2016	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments *		4,917		7,077		4,123
<b>Current assets:</b>						
Debtors	17		118		2	
<b>Creditors:</b>						
Amounts falling due within one year	(52)		(59)		(55)	
Cash at Bank	1,064		119		2,894	
Net current assets		1,029		178		2,841
<b>Creditors:</b>						
Amounts falling due in more than one year		(24)		(71)		(47)
Provision for performance fee		-		(24)		(23)
<b>Net assets</b>		<b>5,922</b>		<b>7,160</b>		<b>6,894</b>
Called up equity share capital		679		679		679
Share premium		719		719		719
Unrealised capital reserve		1,998		4,912		1,913
Profit and Loss account reserve		2,526		850		3,583
<b>Total equity shareholders' funds</b>		<b>5,922</b>		<b>7,160</b>		<b>6,894</b>
<b>Net asset value per share</b>		<b>87.3p</b>		<b>105.5p</b>		<b>101.6p</b>

\* At fair value through profit and loss

## Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Unrealised Capital Reserve £'000	Profit & Loss Reserve £'000	Total £'000
<b>As at 1 March 2015</b>	<b>679</b>	<b>719</b>	<b>4,315</b>	<b>773</b>	<b>6,486</b>
Revenue return on ordinary activities after tax	-	-	-	(33)	(33)
Expenses credited to capital	-	-	-	46	46
Current period gains on disposal	-	-	-	3	3
Current period gains on fair value of investments	-	-	659	-	659
Prior years' unrealised gains now realised	-	-	(62)	62	-
<b>Balance as at 31 August 2015</b>	<b>679</b>	<b>719</b>	<b>4,912</b>	<b>850</b>	<b>7,160</b>
<b>As at 1 March 2015</b>	<b>679</b>	<b>719</b>	<b>4,315</b>	<b>773</b>	<b>6,486</b>
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)
Prior years' unrealised gains now realised	-	-	(1,913)	1,913	-
Dividends paid	-	-	-	(475)	(475)
Movement in reserves	-	-	(75)	75	-
<b>Balance as at 29 February 2016</b>	<b>679</b>	<b>719</b>	<b>1,913</b>	<b>3,583</b>	<b>6,894</b>
<b>As at 1 March 2016</b>	<b>679</b>	<b>719</b>	<b>1,913</b>	<b>3,583</b>	<b>6,894</b>
Revenue return on ordinary activities after tax	-	-	-	(36)	(36)
Expenses charged to capital	-	-	-	(3)	(3)
Current period gains on disposal	-	-	-	-	-
Current period gains on fair value of investments	-	-	85	-	85
Dividends paid	-	-	-	(1,018)	(1,018)
<b>Balance as at 31 August 2016</b>	<b>679</b>	<b>719</b>	<b>1,998</b>	<b>2,526</b>	<b>5,922</b>

## Statement of Cash Flows

	Six months to 31 Aug 2016 £'000	Six months to 31 Aug 2015 £'000	Year to 29 February 2016 £'000
<b>Cash flows from operating activities</b>			
Return on ordinary activities before tax	46	675	883
Adjustments for:			
Decrease/(increase) in debtors	(15)	(116)	(1)
(Decrease)/increase in creditors	(49)	(91)	(119)
Gain on disposal of fixed asset investments	-	(3)	(1,333)
Loss/(gain) on valuation of fixed asset investments	(85)	(659)	414
<b>Net cash generated from operating activities</b>	<b>(103)</b>	<b>(194)</b>	<b>(156)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments	(709)	-	(120)
Sale of fixed asset investments	-	110	3,442
<b>Total cash flows from investing activities</b>	<b>(709)</b>	<b>110</b>	<b>3,322</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(1,018)	-	(475)
<b>Total cash flows from financing activities</b>	<b>(1,018)</b>	<b>-</b>	<b>(475)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(1,830)</b>	<b>(84)</b>	<b>2,691</b>
<b>Opening cash and cash equivalents</b>	<b>2,894</b>	<b>203</b>	<b>203</b>
<b>Closing cash and cash equivalents</b>	<b>1,064</b>	<b>119</b>	<b>2,894</b>

## Notes to the Half-Yearly Report

### 1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2016 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 2016 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 29 February 2016 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 29 February 2016. 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, 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)