

Oxford Technology 3 Venture Capital Trust Plc



UNAUDITED HALF-YEARLY REPORT For the period 1 March 2021 to 31 August 2021

	6 Months Ended 31 August 2021	Year Ended 28 February 2021
Net Assets At Period End	£3.19m	£2.86m
Net Asset Value (NAV) Per Share	47.0p	42.2p
Cumulative Dividend Per Share *	36.0p	36.0p
Total NAV Return Per Share	83.0p	78.2p
Share Price At Period End (Mid-Market)	35.0p	35.0p
Earnings Per Share	4.8p	(27.4)p

***Dividend of 6p per share declared and to be paid on 15 October 2021**

Statement on behalf of the Board

I am pleased to present the unaudited results for the six month period ended 31 August 2021. The period under review continues to be impacted by the implications of the Covid-19 pandemic and the subsequent actions of the UK government. Your Investment Adviser and the Directors have continued to manage the VCT and its portfolio effectively together via remote working during lockdown.

Results and Dividend

The Company's net asset value (NAV) per ordinary share has increased by 4.8p per share from 42.2p at 28 February 2021 to 47.0p per share as at 31 August 2021. The rise is primarily due to the increase of the valuation of Arecor Therapeutics plc (Arecor) following its successful flotation on AIM in June. On 31 August the sale of Ixaris Group Holdings (Ixaris) completed to Nium, a Singapore headquartered global B2B payments group, with a profitable exit for a cash payment of £679k and further contingent payments of up to £132k in total in subsequent years. Since the period end the Arecor bid share price has increased from 230p to 360p as at 7 October 2021. Had that price been in place at 31 August then the NAV would have been £591k higher or up by 8.7p per share to 55.7p per share.

The Directors have announced a 6p per share interim capital dividend to be paid on 15 October 2021 thereby returning a substantial portion of the Ixaris proceeds to shareholders. They are also pleased to have announced a small share buyback at a discount of 10% to the half year NAV adjusted for the dividend, the movement in the Arecor share price and any further major changes. This will allow shareholders to have an opportunity of an economic exit. **Shareholders who wish to participate should take their own financial advice and, if interested, register with Chris Lloyd at Panmure Gordon chris.lloyd@panmure.com.** It is anticipated that the buyback will occur in early November. In the event of a potential take up in excess of 10%, the Directors will agree an equitable scale back mechanism with Panmure Gordon.

Portfolio Review

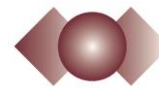
The portfolio now contains 8 active investments in total. No investments were made during this period. Due to invidious 15% VCT rules we were unable to participate in the Arecor fund raise. The flotation of Arecor and sale of Ixaris has now led to very significant portfolio concentration with just two AIM investments representing 65% of the net assets at 31 August 2021.

Arecor represents 33% of the NAV. After floating on AIM in June at a price of 226p per share and raising £20m, the share price remained firm and was 230p at 31 August 2021 (for these half year accounts). The £20m will fund its continued clinical trial programme, and the company has continued to provide excellent news flow regarding its technical and commercial progress. As noted in the Annual Report, the VCT is restricted from realising its holding for up to 2 years.

Scancell Holdings Plc (Scancell) represents 32% of the NAV. During the last 6 months it has made 2 significant announcements. Scancell's COVID-19 vaccine candidates aim to protect against all COVID-19 variants of concern. Its COVIDITY-001 study, including the use of the two PharmaJet needle-free injectors, has been approved by the South African regulatory authority. The trial has now started with the first subject dosed. The COVIDITY programme is a collaboration between Scancell and scientists in the newly established Centre for Research on Global Virus Infections and the new Biodiscovery Institute at the University of Nottingham, and Nottingham Trent University and has received funding from Innovate UK.

Scancell also announced that the UK's Medicines and Healthcare Products Regulatory Authority has approved the clinical trial application to initiate the first-in-human Phase I/II clinical study of Modi-1. The company expects to enrol patients into the study later this year, following ethics committee sign-off. Initial safety/tolerability data from the open label portion of the trial could be available from H1 22. The Modi-1 clinical trial will be a first-in-human clinical trial in patients with triple negative breast cancer, ovarian, head and neck or renal cancers.

The 6 unquoted investee companies are individually less than 4% of the NAV and collectively represent 8% in total. No significant changes in their valuation have occurred since 28 February 2021. Following the sale of Ixaris some 27% of the NAV is now in net current assets.



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The Directors, along with the Investment Adviser, continue to take an active interest in all the companies within the portfolio. However, the majority of attention is now on the unquoted investees, both to support their management teams to achieve company development, but also to prepare companies for realisation at the appropriate time. It should however be noted that approaches do occur at other times, and the ability of the Directors and Investment Adviser to be able to respond when such approaches occur is essential for maximising value.

VCT qualifying status

The decreasing size of the VCT means significant focus is required to ensure we retain sufficient working capital to manage the Company whilst meeting all the conditions laid down by HMRC for maintaining approval as a VCT. The Board has procedures in place to ensure that the Company continues to comply with these conditions, in particular the new 80% qualifying holding limit which has been in place since 1 March 2020. Apart from the change to investment qualifying levels, there have been no recent changes to VCT legislation, or their potential impact on both the VCT and its investee companies.

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. 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.

Shareholder Events

Your company held two shareholder events in July and August and an AGM to give shareholders an opportunity to discuss the Directors' plans for the VCT and returning cash to investors. We are very grateful to those shareholders who attended these meetings and gave the Board useful feedback.

Share Capital – Sub-division and Reclassification, and Reduction of Capital

Shareholders voted overwhelmingly in favour of the relevant resolution at the Annual General Meeting to facilitate the creation of more distributable reserves. As a result each ordinary share of 10p in the capital of the Company was sub-divided and reclassified such that each shareholder had one ordinary share of 1p and one deferred share of 9p in the capital of the Company for each ordinary share of 10p originally held. The Company subsequently repurchased and cancelled all of the deferred shares for the aggregate sum of 1p. The value of each ordinary share was unaffected by this change. The Company now has 6,785,233 ordinary shares of 1p each (and no deferred shares of 9p each). Existing share certificates remain valid.

Outlook

Following the shareholder events, the Directors have considered their plans for the ultimate realisation of the VCT, and are confident that such a realisation can be achieved. In the meantime, we continue to believe your VCT is an appropriate structure to hold your Company's investment, but it would be preferable to have a larger asset base to share the operating costs.

I have reported previously of our efforts to seek prospective parties who are potentially interested in entering the VCT industry. Detailed discussions are underway and a further announcement will be made if or when such discussions reach a suitable stage. We have always made clear that there is no certainty such a route can be achieved, but the Directors will continue seeking such opportunities when the future outlook has become clearer.

Your Board and Investment Adviser continue to work to best position your VCT such that, when valuations and liquidity allow, holdings can be exited and proceeds distributed to shareholders, whilst keeping a keen eye on maintaining costs as low as possible in the interim.

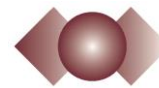
Finally, I would like to take this opportunity to thank shareholders for their continued support. We were delighted a significant number of you managed to attend our shareholder meetings and AGM, and we are considering holding other shareholder events in the future.

Robin Goodfellow
Chairman
8 October 2021

Investment Portfolio as at 31 August 2021

Company	Description	Net Cost of investment £'000	Carrying value at 31/08/21 £'000	Change in value for the 6 month period £'000	% Equity held OT3	% Equity held All OTVCTs	% Net assets
Arecor (bid price 230p)	Protein stabilisation	443	1,047	335	1.6	5.7	32.8
Scancell (bid price 22.5p)	Antibody based cancer therapeutics	362	1,021	-	0.6	1.5	32.1
Select – STL Management	Specialist Photocopier interfaces	47	99	5	2.8	58.6	3.1
ImmBio	Novel vaccines	483	80	-	6.5	22.6	2.5
Insense	Wound healing dressings	333	60	-	2.3	6.8	1.9
Invro	Low power electronics	40	10	-	33.1	33.1	0.3
Plasma Antennas	Solid state directional antennas	358	4	-	12.4	48.8	0.1
Inaplex	Data integration software	58	1	-	13.3	34.8	-
Microarray	Insense spinout	2	-	-	0.2	0.2	-
Total Investments		2,126	2,322	340			72.8
Other Net Assets			866				27.2
Net Assets			3,188				100.0

The sale of Ixaris was completed on 31 August 2021. OT3 received £679k cash on 31 August 2021 with contingent payments due post completion of up to £132k.



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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.
- The assets of the Company include cash and shares in two AIM quoted companies, one of which is quite liquid and readily accessible. After reviewing the forecast for the Company, 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 the half year accounts.

On behalf of the Board:

Robin Goodfellow
Chairman
8 October 2021

Income Statement

	Six months to 31 Aug 2021			Six months to 31 Aug 2020			Year to 28 Feb 2021		
	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	-	29	29	-	2	2	-	63	63
Unrealised gain/(loss) on valuation of fixed asset investments	-	340	340	-	(1,300)	(1,300)	-	(1,815)	(1,815)
Investment income	-	-	-	-	-	-	-	-	-
Investment management fees	(14)	-	(14)	(24)	-	(24)	(47)	-	(47)
Other expenses	(30)	-	(30)	(28)	-	(28)	(60)	-	(60)
Return on ordinary activities before tax	(44)	369	325	(52)	(1,298)	(1,350)	(107)	(1,752)	(1,859)
Taxation on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(44)	369	325	(52)	(1,298)	(1,350)	(107)	(1,752)	(1,859)
Earnings per share – basic and diluted	(0.6)p	5.4p	4.8p	(0.8)p	(19.1)p	(19.9)p	(1.6)p	(25.8)p	(27.4)p

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 2021		As at 31 Aug 2020		As at 28 Feb 2021	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments at fair value		2,322		3,294		2,748
Debtors	130		13		1	
Cash at Bank	755		74		130	
Creditors: amounts falling due within one year	(19)		(9)		(16)	
Net current assets		866		78		115
Net assets		3,188		3,372		2,863
Called up share capital		68		679		679
Capital redemption reserve		611		-		-
Share premium reserve		718		718		718
Unrealised capital reserve		552		432		443
Profit and Loss account		1,239		1,543		1,023
Total equity shareholders' funds		3,188		3,372		2,863
Net asset value per share		47.0p		49.7p		42.2p

Statement of Changes in Equity

	Share Capital £'000	Capital Redemption Reserve £'000	Share Premium Reserve £'000	Unrealised Capital Reserve £'000	Profit & Loss Account £'000	Total £'000
As at 1 March 2020	679	-	718	1,730	1,595	4,722
Revenue return on ordinary activities after tax	-	-	-	-	(52)	(52)
Current period gains on disposal	-	-	-	-	2	2
Current period losses on fair value of investments	-	-	-	(1,300)	-	(1,300)
Prior years' unrealised losses now realised	-	-	-	2	(2)	-
Balance as at 31 August 2020	679	-	718	431	1,543	3,372
As at 1 March 2020	679	-	718	1,730	1,595	4,722
Revenue return on ordinary activities after tax	-	-	-	-	(107)	(107)
Current period gains on disposal	-	-	-	-	63	63
Current period losses on fair value of investments	-	-	-	(1,815)	-	(1,815)
Prior period unrealised losses now realised	-	-	-	9	(9)	-
Permanent diminution in value now realised	-	-	-	519	(519)	-
Balance as at 28 February 2021	679	-	718	443	1,023	2,863
As at 1 March 2021	679	-	718	443	1,023	2,863
Revenue return on ordinary activities after tax	-	-	-	-	(44)	(44)
Current period gains on disposal	-	-	-	-	29	29
Current period gains on fair value of investments	-	-	-	340	-	340
Prior years' unrealised gains now realised	-	-	-	(231)	231	-
Share capital reclassification	(611)	611	-	-	-	-
Balance as at 31 August 2021	68	611	718	552	1,239	3,188

Statement of Cash Flows

	Six months to 31 Aug 2021 £'000	Six months to 31 Aug 2020 £'000	Year to 28 Feb 2021 £'000
Cash flows from operating activities			
Return on ordinary activities before tax	325	(1,350)	(1,859)
Adjustments for:			
Gain on disposal of fixed asset investments	(29)	(2)	(63)
(Gain)/loss on valuation of fixed asset investments	(340)	1,300	1,815
Increase/(decrease) in creditors	3	(12)	(5)
(Increase)/decrease in debtors	(129)	7	20
Movement in investment debtors and creditors	116	-	-
Outflow from operating activities	(54)	(57)	(92)
Cash flows from investing activities			
Purchase of fixed asset investments	-	-	-
Sale of fixed asset investments	679	10	101
Inflow/(outflow) from investing activities	679	10	101
Cash flows from financing activities			
Total cash flows from financing activities	-	-	-
Increase/(decrease) in cash and cash equivalents	625	(47)	9
Opening cash and cash equivalents	130	121	121
Closing cash and cash equivalents	755	74	130

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 August 2021 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) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2019)'. 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 2021 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 2021 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. Share Capital – Sub-division and Reclassification, and Reduction of Capital

As referred to in the Chairman's statement, each ordinary share of 10p in the capital of the Company was sub-divided and reclassified into one ordinary share of 1p and one deferred share of 9p, and then all of the deferred shares were repurchased and cancelled for the aggregate sum of 1p. The Company now has 6,785,233 ordinary shares of 1p each (and no deferred shares of 9p each).

6. 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 2021. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. 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.

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