

C O R E

CORE VCT III PLC

**Annual Report and Accounts
for the year ended 31 December 2007**

Performance Summary

	As at 31 December 2007		As at 31 December 2006	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Net asset value per share	102.59 pence	0.01 pence	97.17 pence	0.01 pence
Total return per share ¹	104.09 pence	0.01 pence	97.17 pence	0.01 pence
Share price (mid-market)	80.00 pence	3.50 pence	100.00 pence	3.50 pence

	Year ended 31 December 2007		Period ended 31 December 2006	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Revenue return per share	2.10 pence	–	1.65 pence	–
Increase in total return since inception ²	10.15%	–	2.83%	–
Cumulative Dividends paid per share	1.50 pence	–	Nil pence	–
Total expense ratio ³	1.30%	–	1.76%	–

¹ Total return per share comprises closing net asset value per share plus cumulative dividends per share paid to date.

² Increase in total return since inception compares total return per share to opening net asset value per share.

³ Total expense ratio has been calculated using total operating costs divided by closing net assets.

The Directors are recommending a final dividend of 2p per Ordinary Share in respect of the year ended 31 December 2007.

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Investment Objective

Core VCT III plc ("Core VCT III") is a tax efficient listed company which aims to achieve long-term capital and income growth and to distribute tax free dividends comprising realised gains and investors' capital investment.

Investment Approach

We invest management buyout and development capital, typically in:

- Established, private companies, which show:
 - sufficient operating critical mass, with an established economic model
 - quality management teams with the key skills in place to deliver a well-defined business model
- Amounts of £3 - £8 million in companies valued at £5 - £25 million.

Fund Structure

Core VCT III is structured as follows:–

- **No Annual Management fees**

Only when Shareholders have received the first 60 pence of distributions, which together with an assumed 40 pence of initial tax relief will have realised them 100 pence, will the Manager start to be entitled to 30% of distributions from the Fund (for further information please see Note 3 to the Accounts on page 27).
- **Maximise distributions of income and capital**

Core VCT III has a policy to distribute all proceeds from realised investments. The Company has no fixed life but intends to naturally liquidate and distribute its assets over time. The Manager's incentives are structured to align their interests in delivering this liquidity for Shareholders as well as maximising overall investment performance.

Investment Policy

Core VCT III intends to achieve its overall Investment Objective, consistent with maintaining its qualifying status as a VCT, by pursuing the following Investment Policy:–

Asset Allocation

The Company may invest all of its assets into private companies. These investments are unquoted, and include, but are not limited to, Management Buy-Outs (MBOs) and Development Capital for expansion or acquisition funding for established companies. After 31 December 2008, the Company must have in excess of 70% of its assets invested in Qualifying Investments as defined for VCT purposes.

However, due to the nature of completing and realising such investments, and the need to maintain some liquid reserves, there will inevitably be periods when a proportion of its assets are not held in Unquoted Investments.

Risk Management

The Company's Asset Allocation includes a potentially large proportion of the Company's assets to be held in Unquoted Investments. These investments are not publicly traded and there is not a liquid market for them, and therefore these investments may be difficult to realise.

The Company manages its investment risk within the restrictions of maintaining its qualifying VCT status by using a number of methods commonly used in the Private Equity industry, including:–

- The active monitoring of its investments by the Manager;
- Seeking the agreement of various rights associated with each investment, such as board representation, information rights, and veto rights;
- Seeking to hold larger investment stakes by co-investing with other funds managed by the Manager, so as to gain more significant influence in the investment and to facilitate investing in larger companies which may reduce the risk compared to investing in smaller companies;
- Ensuring a spread of investments is achieved.

The Company has no fixed life but intends to realise its assets over time, and distribute all proceeds (net of costs) from its realised investments. This process will naturally result in each retained investment representing an increased proportion of the remaining net assets of the Company.

Gearing

The Company has the authority to borrow up to the amount paid on the issued share capital and the amount standing to the credit of the reserves of the Company but does not ordinarily take advantage of this authority.

As is common in the Private Equity industry, in many cases the Company makes investments into Unquoted Companies which have, or may have, substantial borrowings from third party lenders.

Chairman's Statement

Results

The Total Return per Ordinary Share was 104.09p as at 31 December 2007, comprising a Net Asset Value (NAV) per Ordinary Share of 102.59p and cumulative dividends paid of 1.50p per Ordinary Share. This is an increase over the Total Return to 31 December 2006 of 7.12%, and an increase of 3.05% since 30 June 2007. A surplus of £1,161,486 was earned during the twelve month period.

Dividends

Core VCT III is structured to maximise distributions of both capital and income to Shareholders over the life of the Company. A final dividend of 2p per share is being recommended by the Directors, comprising a substantial proportion of the income earned in the year. This distribution brings the cumulative distributions to shareholders since inception to 3.5p per share, which is in addition to the 40p per share tax relief shareholders may have received following their initial subscription.

Future dividends will be derived from the distribution of the remaining cash assets after the end of the financial year ending 31 December 2008, when prudent to do so, and from income received from the unquoted investments and investment realisations as they arise.

VCT Qualifying Status

At 31 December 2007, 45.09% of the Fund's total investments were represented by VCT qualifying investments in respect of the required 70% threshold for VCT purposes. This means that the Fund will need to invest approximately £4.3m in further investments by 31 December 2008.

Investments

The Manager's Review refers in more detail to the prospects of the investment portfolio. Whilst there are reductions as well as increases in the valuations of individual companies, the net increase in the value of the qualifying Portfolio was £1.1m, or some 16.3% over the total initial cost.

Change in Directors

As referred to in the Interim Report, Helen Bagan retired from the Board in August due to increasing demands on her time outside of the Company and we welcomed John Brimacombe as a non-executive director.

Information for Shareholders

The Board supports open communication with investors and welcomes any comments or questions you may have. Company contact information is provided at the back of this Report.

Share Price and Secondary Market

Both the Ordinary Shares (CR3) and the B Shares (CR3B) are fully listed shares. Prices are available on www.londonstockexchange.com and the Ordinary Share price is published daily in the Financial Times. Shares can be bought and sold using a stockbroker, as with shares in other listed companies. Shareholders are reminded that they must hold their shares for at least 3 years in order to retain tax reliefs obtained. Shareholders should take advice before acquiring or disposing of shares and that their holding of B Shares forms an integral part of their investment along with their holding of Ordinary Shares.

For shareholders considering selling their shares, however, we recommend that you contact the Company Secretary, Matrix-Securities Limited, in the first instance.

Outlook

We are well on the way to building an investment portfolio of established private companies of the required quantum and scale, from which we anticipate realising attractive returns over the medium term. The economic outlook has become more uncertain over the last few months, and we anticipate this continuing. Your Manager will be looking to benefit from new opportunities during the year, which may be negotiated at more attractive prices.

We look towards 2008 to complete our new investment programme, and then move towards the planning and executing realisations which would enable the Company to make attractive distributions of proceeds to shareholders.

Peter Smail

Chairman

29 April 2008

Manager's Review

Investment Highlights

- Investment Portfolio comprises 7 investments with a cost of £6.8 million and a value of £7.9 million, an increase of 16.3% over cost;
- Completed two new investments totalling over £3 million at cost.

New Investments

We completed two new investments in the full year ended 31 December 2007, as follows:-



Pureleaf Limited (Baxters International)

Cost £1,631,000
Valuation: £1,041,000

We completed the management buy in (MBI) of Baxters in January with total funding of £8 million, in which the Core Funds collectively invested £4.35 million. Core VCT III invested £1.631 million.

Baxters is a long established removals and storage business with substantial freehold property and a long-standing relationship with the Ministry of Defence, for whom Baxters carries out a significant amount of long term storage.

As reported in the Interim accounts, since the completion of the investment we uncovered a number of areas where we anticipated pursuing claims against the vendors. We made a provision for the financial effects of what we discovered (including the anticipated costs of these actions) notwithstanding our confidence in recovering the sums due.

We are pleased to report that, since the year end, we have successfully settled our claims without the need for litigation, and we will re-examine the valuation of this investment before or at the time of the interim accounts.



SPL Services Limited

Cost £1,124,000
Valuation £1,124,000
Undrawn Commitment: £375,000

SPL Services is a specialist logistics provider, focussed on the pharmaceutical and particularly clinical trial markets which are growing globally.

Since the date of our investment, short term trading has been adversely affected by dollar currency movements and some major studies closing earlier than anticipated. However, we have recruited additional experienced sales personnel and established a new entity in India to take advantage of the significant market opportunity available to us. We anticipate making a further investment into this business to give the company the additional resources to achieve this growth and to take full advantage of the long term opportunities available in the market.

Existing Portfolio

kelway® Kelway Holdings Limited

Cost £1,875,000
Valuation: £2,917,000

Kelway is a fast growing IT reseller targeting organisations with 250 to 1,000 employees. The company has made good progress since our investment last year, and completed a substantial acquisition in June, acquiring Elcom. This brings the combined forecast revenues to over £90 million and has been completed without requiring senior debt and utilising only trade finance, so this business remains relatively ungeared.

The increase in valuation compared to cost reflects the adoption of an earnings multiple as was used in the interim accounts.

Manager's Review



Blanc Brasseries Holdings plc

Cost £1,000,000
Valuation: £1,172,000

Blanc Brasseries currently operates 7 units in the premium casual dining market. The business model has been successfully re-worked and whilst finding new sites on attractive economic terms has taken longer than originally expected, there is now a strong contracted pipeline of sites in place. The new sites opened, at Leeds and Milton Keynes, are trading significantly ahead of expectations, which bodes well for the future trading of the group as a whole. In addition, Blanc has now secured the £3.5 million of debt funding required to complete the roll out of the site pipeline identified to date.

The increase in the valuation of this investment reflects the adoption of an earnings multiple applied to a full year's performance for the sites actually operated.



Colway Limited (trading as London Graphic Centre and Red Box)

Cost £1,000,000
Valuation: £1,444,000

London Graphic Centre is a long established office and graphic supplies business. Since our original investment, the business has rebranded its core B2B activities as Red Box, and completed 3 acquisitions, including the acquisition of a £5 million turnover business called JPS, which required additional funding provided by other Core funds as mezzanine funding. With further acquisitions identified, we see this business growing to over £30 million in turnover compared to the £15.5 million at the date of our original investment in 2006, placing it firmly as one of the largest independent stationery and office supplies businesses serving the London market.

Our valuation increase is based upon the adoption of an earnings based valuation, reflecting the good performance compared to plan and the company's increase in scale following the completion of the acquisitions.



Adapt Group Limited (formerly Highpitch Limited)

Cost £124,000
Valuation: £164,000

Adapt is a virtual network operator (VNO) providing telecoms solutions to small and medium sized businesses.

We first invested in Highpitch (formerly trading as MNet) in June 2006 as a small participant in the mezzanine debt of the £7.5 million Management Buy Out (MBO) of the business. Since then, the business has grown significantly, rebranded as Adapt, and in June this year acquired Centric Telecom.

The valuation increase reflects the adoption of a market based multiple of turnover.



Augentius Fund Administration LLP

Cost £35,000
Valuation: £35,000

Augentius is a leading onshore administrator of private equity funds and was formerly Ansbacher Fund Services. The business operates from London and Guernsey and provides out-sourced administration services to many leading private equity funds.

This small investment has a cash yield of 9.5%. The business is winning new clients rapidly, but we have made no increase in the valuation given its size and stage.

Future Investments

Core VCT III is required to invest some £4.3 million, consistent with completing four new investments, during 2008. Following the deterioration in credit markets in the second half of 2007, we chose to slow our investment rate in the expectation that we would see more attractive opportunities during 2008, and be able to take advantage of any downward pressure on the pricing of new opportunities. We believe this approach has placed the Fund in a strong position as it completes its investment programme throughout this year.

Investment Portfolio Summary

as at 31 December 2007

	Date of initial investment	Book cost £'000	Valuation £'000	% of equity held	% of net assets by value
Qualifying Investments (unquoted)					
Kelway Holdings Limited IT services	November 2006	1,875	2,917	9.4%	17.2%
Colway Limited (trading as Red Box) Office and graphics supplies	May 2006	1,000	1,444	16.4%	8.5%
Blanc Brasseries Holdings plc Premium casual dining brasseries	April 2006	1,000	1,172	11.9%	6.9%
Pureleaf Limited (Baxters International) Removal Company	January 2007	1,631	1,041	21.7%	6.1%
SPL Services Limited Specialist courier company focusing on the medical industry	July 2007	998	998	18.8%	5.9%
Adapt Group Limited Internet connections and co-location services	June 2006	124	164	0.3%	1.0%
Total qualifying investments		6,628	7,736		45.6%
Non-qualifying investments					
Listed securities		3,423	3,321		19.6%
Funds and Trusts		1,246	1,245		7.3%
Core Holdings I Limited ¹	March 2007	997	1,029		6.1%
Core Holdings II Limited ¹	March 2007	973	925		5.5%
Core Holdings III Limited ¹	March 2007	989	962		5.7%
SPL Services Limited	July 2007	125	125		0.8%
Augentius Fund Administration LLP Fund administrator	October 2006	35	35		0.2%
Total non-qualifying investments		7,788	7,642		45.2%
Total investments		14,416	15,379		90.8%
Other assets			1,694		10.0%
Current liabilities			(132)		(0.8%)
Net assets			16,941		100.0%

¹The Core Holdings companies have been set up for the purpose of acquiring future investments.

Book value of total qualifying investments represents 45% of the total book value of investments. The VCT investment tests are measured broadly on original cost of investments, including cash balances, and this gives the figure of 45.09% quoted in the Chairman's Statement on page 4 in relation to progress towards achieving a minimum of 70% of total investments invested in qualifying investments before 31 December 2008.

10 Largest investments

	Book cost £'000	Valuation £'000	% of net assets by value
Kelway Holdings Limited	1,875	2,917	17.2%
Colway Limited	1,000	1,444	8.5%
Blanc Brasseries Holdings plc	1,000	1,172	6.9%
SPL Services Limited	1,124	1,124	6.6%
Pureleaf Limited	1,631	1,041	6.2%
Core Holdings I Limited	997	1,029	6.1%
Core Holdings II Limited	989	925	5.5%
Core Holdings III Limited	973	962	5.7%
Harewood US Hedged Equity Fund	850	905	5.3%
Harewood Euro high income – structured investment	820	766	4.5%
Total of 10 largest investments	11,259	12,285	72.5%

Board of Directors

Peter Smaill

Status: Independent, non-executive Chairman

Age: 53

Date of appointment: 11 October 2005

Peter has pursued a career in private equity investment spanning more than 25 years, focusing on mid-market transactions of all types. He has been associated with many successful exits of buyouts, buyins and growth capital investments throughout the UK. A law graduate of Edinburgh University, Peter trained at 3i and had a period with Gresham Trust plc, specialising in Business Expansion Scheme financings, prior to developing his career at National Westminster Bank Plc. He was a Director of NatWest Equity Partners Limited (now Bridgepoint Capital Limited), and headed its Edinburgh office in 1989. He was Director of the NatWest IT Fund from 1996 to 2000, which achieved successful flotations for investments on AIM, Techmark and NASDAQ, as well as via trade sales. Subsequently he moved to LICA Development Capital Limited in London where he was Co Managing Director, developing information technology strategy and tax related products, before joining Dunedin Capital Partners Limited, where he was a Director from 2002 to 2004. He was non-executive chairman of Portman Holdings Limited, a MBO which he led in 1996 and successfully exited in February 2007. In January 2006 he joined Fairfax, an innovative international investment bank, and was appointed a director of Fairfax Investment Management Limited. Peter was appointed as Chairman of Core VCT I plc on 29 November 2004 and of Core VCT II plc in October 2005.

The Rt. Hon. The Lord Walker of Worcester, MBE, PC

Status: Non-executive Director

Age: 75

Date of appointment: 11 October 2005

Lord Walker has pursued both an active business career and a distinguished career in British politics. He was elected a Conservative Member of Parliament in 1961 for Worcester, and became the youngest member of the Shadow Cabinet in 1965 and the youngest Cabinet member in 1970. He remained a member of all Conservative Cabinets from 1970 to 1990. In 1990, he left the Cabinet and returned to his business activities and took on a series of executive and non-executive board positions including British Gas plc (1990-1996), and Tate & Lyle plc (1990-2001). He was Chairman of Allianz Cornhill Insurance plc until June 2006 and is Vice Chairman of Dresdner Kleinwort Limited. He is a non-executive Director of the London International Financial Futures and Options Exchange, a non-executive director of Caparo plc and Caparo Group Limited and a non-executive director of ITM Power plc. He is also a director of the International Tax and Investment Centre and is vice president of the German-British Chamber of Industry and Commerce. Lord Walker was appointed as a Director of Core VCT I plc on 29 November 2004 and of Core VCT II plc in October 2005.

John Brimacombe

Status: Independent, non-executive Director

Age: 38

Date of appointment: 9 August 2007

John is MD of Jobstream Group plc and an Operating Partner of Sussex Place Ventures. He was a co-founder of NGame Limited and was also President of Mforma Group Inc. John is a non-executive director and shareholder of Kelway Holdings Limited, one of the investee companies of the Core VCTs. John was appointed as a Director of Core VCT I plc and Core VCT II plc in August 2007.

Directors' Report

The Directors present the second Annual Report and Accounts of the Company for the year ended 31 December 2007.

Business and principal activities

The principal activity of the Company during the period under review was investment in a diverse selection of established unquoted companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Portfolio Summary on page 8 of this Report. A review of the Company's business during the period is contained in the Chairman's Statement and Manager's Review.

The Ordinary Shares of 0.01 pence each and the B Shares of 0.01 pence each in the capital of the Company were first admitted to the Official List of the UK Listing Authority (UKLA) and began trading on 10 March 2006.

The Company is an investment company as defined in section 266 of the Companies Act 1985 and has satisfied the requirements for provisional approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 (ITA). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

Future developments

The Company will continue to pursue its investment objective as set out at the beginning of this Report, in line with its Investment Policy.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on page 4 and the Manager's Review on pages 5-7. The Performance Summary on page 1 provides data on the Company's key performance indicators.

The Board reviews performance by reference to a number of measures, taking account of the long term nature of the assets in which the Company invests.

Total Return

The Total Return (Net Asset Value plus cumulative distributions) is the key measure of performance for the Company. The two principal components of this measure are:-

■ Net Asset Value (NAV)

Net Asset Value is calculated monthly, with a full valuation of the Unquoted investments carried out every six months in accordance with the International Private Equity Venture Capital Valuation guidelines.

■ Cumulative distributions

Cumulative distributions are since inception distributions of both income and capital. The Company has no fixed life, but intends to naturally liquidate and distribute all its assets over time. In particular, the Company has a policy to

distribute all proceeds from realised investments (the original capital invested plus realised profits less losses), as well as income after expenses. In addition, the Company intends to return cash assets after the initial 3 year investment period.

Share price

The Board monitors the share price of the Ordinary Shares and the B Shares through the Manager. There have been no transactions in the Company's shares or share buy backs by the Company.

Total expense ratio

The expenses of managing the Company, known as the Total Expense Ratio (TER), are reviewed by the Board at board meetings. Because the Company has no management fee payable to Core Capital, the Company is expected to have one of the lowest fixed costs of any VCT of comparable size.

Principal risks and uncertainties

For details on the principal risks and uncertainties of the Company, please see Note 18 to the Account on pages 35-38.

Issue of shares

The Company has not issued any new Ordinary Shares or B Shares during the year under review.

As at 31 December 2007 the issued Ordinary Share capital of the Company was £1,651 and the issued B Share capital of the Company was £2,474. The number of Shares in issue as at 31 December 2007 was 16,510,859 Ordinary Shares and 24,736,288 B Shares.

The Company has not bought back any shares during the period under review.

Results

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Capital return transferred to reserves	815,519	161,934
Revenue return after taxation for the period	345,967	261,638
Total return attributable to shareholders for the period	1,161,486	423,572

Dividend

The Directors will be recommending a final dividend of 2p per share to Shareholders at the Annual General Meeting to be held on 4 June 2008 which will be payable on 23 June 2008 to Shareholders who are on the Register on 30 May 2008.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 9 of this Annual Report. Peter Smaill, Helen Bagan and Lord Walker were all appointed to the Board on 11 October 2005 and subsequently re-elected at the AGM held on 2 November 2006. Helen Bagan resigned from the Board on 9 August 2007 due to her significant external time commitments and John Brimacombe was appointed to the Board on this date. In accordance with the Company's Articles of Association and the AIC Code of Corporate Governance ("the AIC Code"), Peter Smaill will retire by rotation, and being eligible will offer himself for re-election, at the Annual General Meeting of the Company to be held on 4 June 2008. Having been newly appointed by the Board during the year, John Brimacombe will also offer himself for re-election at the Annual General Meeting of the Company.

The Directors' interests (including holdings of connected persons) in the issued capital of the Company as at 31 December 2007 were:

	Shares held on 31 December 2007		Shares held on 31 December 2006	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Peter Smaill	30,900	23,175	30,900	23,175
Helen Bagan	15,600	11,700	15,600	11,700
Lord Peter Walker	31,200	23,400	31,200	23,400
John Brimacombe	–	–	–	–

There have been no further changes in the holdings of the Directors since 31 December 2007.

No options over the share capital of the Company have been granted to the Directors. No Director has a service contract with the Company. The Company does not have any employees.

Management

Core Growth Capital LLP was appointed Manager to the Company on 11 October 2005 and changed its name to Core Capital LLP on 3 October 2006. The Management Agreement is for an initial period of four years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period. The Manager receives no annual fee but instead has subscribed for 50% of the B Shares in issue. For further information please see note 3 to the accounts on page 27. The Directors regularly review the performance of the Manager and carry out an annual evaluation. They believe that the continuing appointment of the Manager on the terms agreed is in the interests of the

Shareholders as a whole. For further details of the review please see the Corporate Governance Statement on page 18.

Matrix-Securities Limited acts as both Administrator and Company Secretary to the Company under an Agreement dated 11 October 2005, which was subsequently revised on 21 September 2006. The appointment is for an initial period of three years and thereafter may be terminated by not less than six month's notice in writing to expire after the initial period. A fee of £24,325 was paid in respect of the year ended 31 December 2007 (2006: £20,335). There are no compensation provisions on termination of this agreement.

VCT status monitoring

The Company appointed PricewaterhouseCoopers LLP (PWC) to advise on its compliance with the legislative requirements relating to VCTs. PWC review new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Auditors

Ernst & Young LLP were reappointed as Auditors of the Company at the Annual General Meeting held on 19 April 2007 and resolutions to re-appoint Ernst & Young LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' right to information

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Financial instruments

The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in note 18 on pages 35-38.

Substantial interests

As at 29 April 2008 the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2007 the average credit period for creditors was 108 days (2006: 60 days) (these figures are exceptionally high due to the receipt of a large invoices just before the respective year-ends).

Directors' Report

Annual General Meeting

A notice for the Annual General Meeting of the Company to be held at 11.20 am on 4 June 2008 at the offices of Core Capital LLP, 103 Baker Street, London, W1U 6LN is set out on pages 40-43 of this Annual Report and a personalised proxy form is included with shareholders' copies of this Annual Report.

The notice of the meeting includes resolutions to re-appoint Peter Smail and John Brimacombe as Directors of the Company and brief biographical details of both Directors can be found on page 9 of this Annual Report. The Board supports the re-election of both directors and believes that both bring valuable skill, experience and expertise to the Company.

In addition to the ordinary business, the following resolutions will be considered at the Annual General Meeting:

Authorities for the Directors to allot shares (Resolution 8) and the disapplication of pre-emption rights (Resolution 9) under sections 80 and 95 of the Companies Act 1985 ("the Act").

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing shareholders in accordance with section 89 of the Act. Resolution 8 will enable the Directors to allot up to an aggregate nominal amount not exceeding £412.77 with regard to the Ordinary Shares and £618.41 with regard to the B Shares representing approximately 25% of the issued ordinary share capital of both classes. This resolution is proposed as an ordinary resolution and will require the approval of more than 50% of the votes cast at the meeting. This authority, unless previously renewed or revoked, will expire on the fifth anniversary of the date of the passing of this resolution.

Under section 89 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 9 will enable this requirement to be disappplied in the specific circumstances named in the Resolution. These are in relation to a rights issue, to fund a purchase of shares and also pursuant to any future 5 per cent. "top-up" offer. This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting.

This authority, unless previously renewed or revoked, will expire on the earlier of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which the relevant resolution is passed except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of the authority.

Both resolutions generally renew previous authorities approved on 19 April 2007 respectively. The Directors have no immediate intention of exercising these powers.

Authority to purchase the Company's own shares (Resolution 10)

This resolution authorises the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum number of 2,474,978 Ordinary Shares and 3,707,970 B Shares, equal to approximately 14.99% of the issued share capital at the date of the resolution, and will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share or, as the case may be, B Share, will be the amount equal to 105% of the average of the middle market quotations for the Company's Shares of that class as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase. The minimum price which may be paid is 0.01 pence per share, i.e. the nominal value of the shares.

As a consequence of the tax relief available to investors who purchase new VCT shares, market liquidity is restricted. The additional new reserve created by the cancellation of the share premium account may be used to off-set the effects of any future unrealised losses on the ability of the Company to pay future dividends in respect of the Ordinary Shares. In addition, the reserve created by the cancellation may also be used, to a limited extent, to purchase Ordinary Shares, or as the case may be, B Shares in the market. Such purchases may help to limit the discount at which the shares may trade to their underlying net asset value.

Shareholders should note that the Directors will not exercise this authority unless to do so would result in an increase in net assets per share and would be in the interests of Shareholders generally. This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting.

Procedures for the Directors to authorise conflicts of interest (Resolution 11)

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. From 1 October 2008 a director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a

director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. It is proposed to amend the Company's articles of association to give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

The existing article 19 contains a requirement to disclose interests in any contract, arrangement, transaction or proposal with the Company which closely follows the statutory requirement in section 317 of the Companies Act 1985 which is to be restated in sections 177 and 182 of the Companies Act 2006. As the requirements of the existing and future law apply in any event it is proposed that article 19 in its current form be deleted and replaced by a new article 19 and article 19A.

There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict. First, the proposed alteration to the Company's articles of association provides that only Directors who have no interest in the matter being considered will be able to take the relevant decision, and second, the general duties of directors apply including the duty on each Director in taking the decision to act in a way he or she considers, in good faith, will be most likely to promote the Company's success for the benefit of its members as a whole.

The proposed alteration to the Company's articles of association will allow the Directors to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed alteration to the Company's articles of association contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

This resolution is proposed as a special resolution and will require the approval of 75% of the votes of Ordinary Shareholders and B Shareholders cast at the meeting.

The Board also intends to keep the Company's articles of association under review and to recommend to Shareholders further changes following the full implementation of the Companies Act 2006.

By order of the Board

For Matrix-Securities Limited

Company Secretary

29 April 2008

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 4 June 2008. The Company's auditors are required to give their opinion on the specified information provided on Directors' emoluments and this is explained further in their report to Shareholders on page 21. The figures that are audited are detailed as such.

Remuneration policy

The remuneration policy and the remuneration of individual Directors is determined by the Board as a whole of which Peter Smaill and John Brimacombe are independent of the Manager. When considering the level of Directors' fees, the Board takes account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Board has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review.

It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. However, members of the Manager own 50% of the B Shares through which they effectively receive 30% of all income and capital after such time as the Ordinary Shareholders have received the effective initial cost of 60 pence plus a hurdle rate return of 5% per annum. Lord Peter Walker is a Director and shareholder of Caparo plc which is a partner in Core Capital LLP (for further information on the incentive fee and on Lord Walker's connection to the Caparo Group Limited please see Notes 3 and 21 respectively of the Notes to the Accounts on pages 27 and 38). Lord Walker was paid director's fees of £6,000 during the period under review.

The Directors do not have any plans to introduce any further incentive schemes at the present time and will seek Shareholder approval for any such schemes should they be proposed in the future.

The Company's Articles of Association limit the total amount that can be paid to the Directors in fees to £100,000 per annum. It is intended that this policy will continue for the year ending 31 December 2008 and subsequent years.

Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Act 1985, one third of the Directors (or if the number is not a multiple of three, the number nearest to one-third), shall retire from office by rotation at each AGM and the Director(s) retiring by rotation shall be the Director(s) who has been longest in office since their last election. Notwithstanding the above provision, each Director is required to submit himself for re-election in any period of three consecutive Annual General Meetings. Directors retiring by rotation are then eligible for re-election. In accordance with these provision, Peter Smaill and John Brimacombe will offer themselves for re-election at the Annual General Meeting to be held on 4 June 2008.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the fees pertaining to the appointment. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company.

Directors' emoluments (audited information)

The total emoluments in respect of qualifying services of each person who served as a Director during the period are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

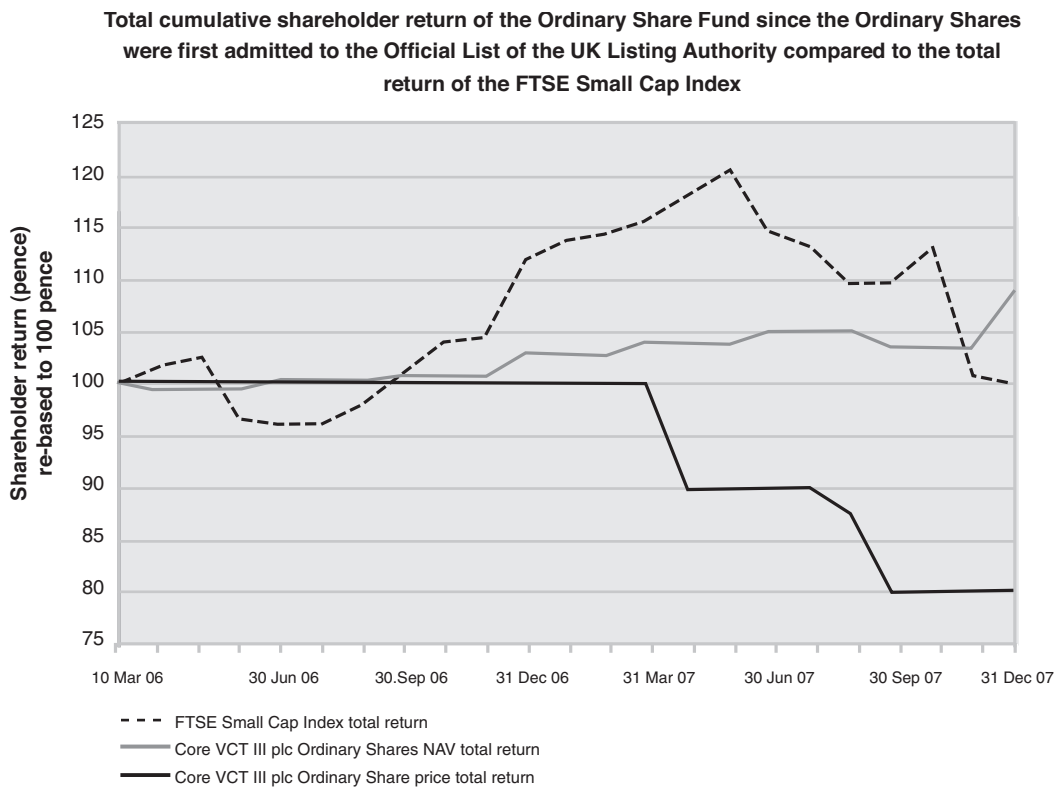
	Year ended 31 December 2007	Period ended 31 December 2006 £
Peter Smaill	7,500	7,355
Helen Bagan	3,669	5,885
Lord Peter Walker	6,000	5,885
John Brimacombe	2,331	N/A
	19,500	19,125

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors for the year ended 31 December 2007 amounted to £19,500.

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 10 March 2006 (assuming all dividends are re-invested) compared

to the total cumulative shareholder return of the FTSE SmallCap Index. This index represents a broad equity market index against which investors can measure the performance of the Company and is considered an appropriate index against which to measure the Company's performance. The total shareholder return has been re-based to 100 pence which is equivalent to the opening share price of the Company. An explanation of the performance of the Company is given in the Chairman's Statement and the Manager's Review.



The total return per share has been shown separately on the graph because the Directors believe that it represents a more accurate reflection of the Company's performance.

By order of the Board

Matrix-Securities Limited
Company Secretary
 29 April 2008

Corporate Governance Statement

The Directors of Core VCT III plc have adopted the Association of Investment Companies Code of Corporate Governance ("AIC Code") for the year ended 31 December 2007. The AIC Code addresses all principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

The Company believes that reporting against the principles of the AIC Code will provide more relevant information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code except where noted below. There are certain areas of the Combined Code that the AIC do not consider relevant to investment companies, and with which the Company does not specifically comply, for which the AIC Code provides dispensation. These areas are as follows:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

As an externally managed investment company, the Company does not employ a chief executive, nor any executive directors. The systems and procedures of the Manager and the Administrator, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, gives the Board full confidence that an internal audit function is not necessary. The Company is therefore not reporting further in respect of these areas.

The Board

The Board comprises three non-executive Directors. Each brings a range of relevant expertise, experience and judgement to the Board. The Company has not appointed a Senior Independent Director as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive Directors. The Directors believe that this structure is the most appropriate for the Company given its current size and the nature of its business.

The Chairman's other significant time commitments are disclosed on page 9.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the

Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

At least four formal Board meetings are scheduled every year and other meetings are held as necessary. There is a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc. The primary focus at each quarterly Board meeting is overall strategy and a review of investment performance, including but not limited to, asset allocation, investor relations, peer group information and issues affecting the investment industry as a whole. The Board, through the Manager, regularly monitors the level of the share price discount and, if necessary, takes action to reduce it.

Given the size and structure of the Company and the Board, the Board does not believe it is necessary to appoint an Audit Committee or a Nominations and Remuneration Committee. The roles and responsibilities of these Committees have been included in the schedule of matters specifically reserved for decision by the Board following the recommendations of the Combined Code where these are considered to be appropriate to the Company. The Board allocates separate sections of the Agendas for Board meetings for 'Audit matters', 'Nomination matters' and Remuneration matters'. Under 'Audit matters' the Board reviews the internal financial and non-financial controls, accounting policies and the contents of the Interim and Annual Reports to Shareholders and has full responsibility for the appointment and removal of the external auditors. The Company's external auditors are invited to attend meetings as appropriate.

The Chairman and Board are involved at an early stage in the process of structuring the launch of any Offers that may be agreed by the Board.

In the period under review the Board held seven formal meetings. The attendance of the Directors is summarised in the table below:

Director	Number of meetings (attended/held)
Peter Smaill	7/7
Lord Walker	5/7
Helen Bagan	6/6
John Brimacombe	1/1

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary are matters for the Board as a whole. Where Directors have concerns, which cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board. The Board has satisfied itself that it has sufficient resources to undertake its duties.

All of the Directors are subject to re-election by Shareholders at the first Annual General Meeting following their appointment and, subject to the provisions of the Companies Act 1985, one-third of the Directors shall retire from office by rotation at each AGM and this Director shall be the Director who has been longest in office since their last election. Notwithstanding the above provision, each Director is required to submit himself for re-election in any period of three consecutive Annual General Meetings. Peter Smaill will retire by rotation and being eligible offers himself for re-election at the Annual General Meeting of the Company to be held on 4 June 2008. Having been newly appointed by the Board during the year, the Board remains satisfied that John Brimacombe has recent and relevant financial experience and he will also offer himself for re-election at the Annual General Meeting of the Company.

	Date of appointment	Last re-election	Next retirement by rotation/re-election due
Peter Smaill	11 Oct 2005	AGM 2006	AGM 4 June 2008
John Brimacombe	9 Aug 2006	N/A	AGM 4 June 2008
Lord Walker	11 Oct 2005	AGM 19 Apr 2007	AGM 2009

In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of 9 years) may lead to the compromise of a director's independence. While the Company has not been in existence long enough for the Board to consider that this is an issue (having commenced trading in 2005), the overall matter of directors' independence is taken extremely seriously, as discussed below. If the matter becomes relevant in future years, the Board will consider length of tenure of directors at the appropriate time.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement and has concluded that all of the Directors, with the exception of Lord Walker, are independent of the Manager. John Brimacombe is a non-executive director and shareholder of Kelway Holdings Limited, in which the Core VCTs have invested. The Board considers that this relationship does not unduly affect Mr Brimacombe's independence from the Manager. All Directors have been appointed to the boards of Core VCT I plc and Core VCT II plc, which are also managed by the Manager. The AIC Code recommends that directors who sit on the boards of more than one company managed by the same manager should not be regarded as independent. The Board believes that these cross-directorships do not unduly affect their independence from the Manager due to the parallel investments the companies intend to, and are, making. Further, the Board rigorously reviews and monitors all investments made by the Manager, whether common to all three VCTs or not, to ensure they meet the Company's investment policy. The Board believes that this, along with the annual review of the Manager, is sufficient to ensure that they remain independent from the Manager. Independence provisions under Chapter 15 of the UKLA Listing Rules, in relation to directors' appointments to companies managed by the same Manager, are currently subject to transitional arrangements. The Board intends to keep this matter under review and will report on this in future years. For further details please see Note 21 of the Notes to the Accounts on page 38 on related party transactions. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments.

The Board aims to include a balance of skills, experience, ages and length of service that the Directors believe to be appropriate to the management of the Company. The Board reviews all candidates for new appointments and candidates are selected based on the skills and experience that the Board believes will fill any gaps that the Board may have. The Board offers an induction procedure to all new directors and all directors may choose relevant training as and when required. The performance of the Board and the Chairman is reviewed regularly as part of the internal control process. The Board does not therefore believe that a formal system of performance evaluation of the Board and its Chairman is appropriate to the Company at the current time. The Board however intends to develop protocols to review the performance of the Board and Directors in 2008.

Corporate Governance Statement

The Manager

Under the terms of a Management Deed dated 11 October 2005, the Company has appointed Core Capital LLP (formerly Core Growth Capital LLP) as Manager of the Company. The Manager will manage and advise the Company so that it will ensure that the Company will satisfy and continue to satisfy the conditions for approval as a venture capital trust as set out in section 274 of ITA (previously section 842AA of the Income and Corporation Taxes Act 1988) and the rules of the UKLA. The Board and Manager operate in a supportive, co-operative and open environment and the Board regularly reviews the performance of the Manager. Details of the principal investments made by the Company are given in the Manager's Review on pages 5-7. There are no management fees payable to the Manager. Details of the management incentive structure whereby members of the Manager have subscribed for B shares in the Company are set out in Note 3 to the accounts on page 27.

The continued appointment of Core Capital LLP as Investment Manager to the Company on the existing terms was approved by the Board on 15 January 2008. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a review is conducted annually.

As part of this review the Board considers the quality of management, the levels of staffing, the investment process and the results achieved to date. From time to time the Board makes suggestions as to the development of processes and considers the changes proposed by management as to the ownership and operation of the management contract. The Board continues to put emphasis on the achievement as a result of the key test of 70% of your Company's assets being in qualifying assets for VCT purposes by the time of the third anniversary of subscription.

The Board reviews performance data for other VCTs whose capital was raised at the same time as your Company was capitalised. However, it is considered as too early to determine whether any detectable early variances in net asset performance are significant or meaningful in the context of the objectives of the investor in this type of company.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement, and where relevant those of companies in the same peer group, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager, with the principal economic

reward to the Manager consisting of the capital growth potential of their B Shares of the Company in the event that investor-focused hurdles are met.

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors are responsible for the internal control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of published financial information and the information used for business making decisions and that the assets of the Company are safeguarded.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers and controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. Investment risk is managed to the Board's satisfaction by the Manager, primarily through the medium of a balanced and diversified portfolio; this approach is described in more detail in the Manager's Report.

The Board has delegated contractually to third parties the management of the investment portfolio, the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board. The annual review includes a consideration of the risks associated with the Company's contractual arrangements with third party suppliers.

This procedure for the review of control systems has been in place and operational throughout the period under review. The last review took place on 20 February 2008. The Board has identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

The remuneration of the Directors is determined by the Board, in accordance with the Company's Articles of Association. The Articles currently stipulate a maximum total Board remuneration of £100,000 per annum. The Board as a whole reviews the remuneration policy of the Company. Further details can be found in the Directors' Remuneration Report on pages 14-15.

Relations with Shareholders

Communication with Shareholders is given a high priority. All Shareholders receive a copy of the Annual and Interim Reports. There is an opportunity to question the Directors at the Annual General Meeting to which all Shareholders are invited. Shareholders also receive a Newsletter in respect of the quarters in which they do not receive either the Annual or the Interim Reports. The Company invites communications from Shareholders and contact details are provided on page 39.

The Board as a whole approves the contents of the Chairman's Statement and Manager's Review which form part of the Annual and Interim Reports to Shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

The Company counts all proxy votes and indicates to Shareholders at each General Meeting the balance for and against each resolution and the number of abstentions, after it

has been dealt with on a show hands. The details of proxy votes for each resolution are published on the Manager's website after each General Meeting.

The Notice of the Annual General Meeting is included in this Annual Report and is normally sent to Shareholders at least 20 working days before the meeting.

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 continue to adopt the going concern basis in preparing the financial statements.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 20 of this report.

The Report of the Auditors is set out on page 21 of this report.

The non-audit services provided by the auditors for the period ended 31 December 2007 related to the review of the interim report. The Board regularly reviews and monitors the external auditor's independence and objectivity. As part of this it reviews the nature and extent of services supplied by the auditors to ensure that independence is maintained.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing such statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure

that the financial statements comply with the Companies Act 1985. They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements may be published on a website that is managed by an organisation other than the Managers or the Board of Directors. The Auditors have represented to your Board that their work does not involve any consideration of the maintenance and integrity of such websites and accordingly the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were approved. Visitors to any website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdictions.



Independent Auditors' Report to the Shareholders of Core VCT III plc

We have audited the financial statements of Core VCT III plc for the year ended 31 December 2007 which comprise the Income Statement, Balance Sheet, Reconciliation of Movement in Shareholders' Funds and Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the

Performance Summary, the Investment Objective, Investment Policy, the Chairman's Statement, the Manager's Review, the Investment Portfolio Summary, Board of Directors, the Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance Statement, and the Statement of Directors' Responsibilities, Shareholder Enquiries, Notice of the Annual General Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its Net Return for the year then ended;
- the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor, London

29 April 2008

Income Statement

		Year ended 31 December 2007			Period from 23 September 2005 to 31 December 2006		
	Notes	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Unrealised gains on investments	9	–	841,644	841,644	–	268,878	268,878
Realised gains/(losses) on investments	9	–	57,988	57,988	–	(37,184)	(37,184)
Income	2	481,618	–	481,618	513,457	–	513,457
Transaction costs and investment management expense	3	(5,760)	(102,182)	(107,942)	(7,742)	(86,124)	(93,866)
Other expenses	4	(111,628)	–	(111,628)	(188,620)	–	(188,620)
Return on ordinary activities before taxation		364,230	797,450	1,161,680	317,095	145,570	462,665
Tax on ordinary activities	6	(18,263)	18,069	(194)	(55,457)	16,364	(39,093)
Return attributable to equity shareholders		345,967	815,519	1,161,486	261,638	161,934	423,572
Return per Ordinary Share	8	2.10p	4.94p	7.04p	1.65p	1.02p	2.67p

There were no other gains or losses in the year ended 31 December 2007.

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

No operations were acquired or discontinued in the year.

The notes on pages 25-38 form part of these financial statements.

Balance Sheet

as at 31 December 2007

	Notes	31 December 2007		31 December 2006	
		£	£	£	£
Investments at fair value	9		15,378,919		14,224,838
Current assets					
Debtors and prepayments	11	1,569,273		1,483,692	
Cash at bank	17	125,464		489,783	
			1,694,737		1,973,475
Creditors: amounts falling due within one year	12				
Corporation tax		–		39,093	
Other creditors		67,172		24,167	
Accruals		65,606		108,298	
			(132,778)		(171,558)
Net current assets			1,561,959		1,801,917
Net assets			16,940,878		16,026,755
Capital and reserves					
Called up Ordinary Share capital	13		1,651		1,651
Called up B Share capital	13		2,474		2,474
Share premium account	14		7,799,528		7,799,528
Capital reserve - realised	14		14,903		(106,944)
Capital reserve - unrealised	14		962,550		268,878
Special distributable reserve	14		7,799,530		7,799,530
Revenue reserve	14		360,242		261,638
Total equity shareholders' funds			16,940,878		16,026,755
Net asset value per 0.01p Ordinary Share	15		102.59p		97.17p
Net asset value per 0.01p B Ordinary Share	15		0.01p		0.01p

The notes on pages 25-38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 29 April 2008 and were signed on its behalf by:

Peter Smail

Chairman

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £	Period from 23 September 2005 to 31 December 2006 £
Opening Shareholders' funds		16,026,755	–
Net share capital subscribed for in the year		–	15,603,183
Profit for the year		1,161,486	423,572
Dividends paid in year	7	(247,363)	–
Closing Shareholders' funds at 31 December 2007		16,940,878	16,026,755

Cash Flow Statement

for the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £		Period from 23 September 2005 to 31 December 2006 £	
Operating activities					
Investment income received		403,434		742,349	
Investment management fees paid		(28,921)		(39,810)	
Other cash payments		(199,030)		(422,795)	
Net cash inflow from operating activities	16		175,483		279,744
Taxation					
UK Corporation tax paid			(39,991)		–
Investing activities					
Acquisition of investments	9	(7,544,175)		(26,142,877)	
Disposal of investments	9	7,291,727		12,149,733	
			(252,448)		(13,993,144)
Equity Dividends paid			(247,363)		–
Cash outflow before financing			(364,319)		(13,713,400)
Financing					
Issue of ordinary shares	14	–		15,049,858	
Issue costs	14	–		(846,675)	
Net cash inflow from financing			–		14,203,183
(Decrease)/increase in cash for the year	17		(364,319)		489,783

The notes on pages 25-38 form part of these Financial Statements.

Notes to the Accounts

for the year ended 31 December 2007

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year, is set out below:

a) Basis of accounting

The accounts have been prepared under the fair value rules of the Companies Act 1985, and in accordance with applicable accounting standards and, to the extent that it does not conflict with the Companies Act 1985 and UK accounting standards, the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies', revised December 2005.

b) Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the total column. The Net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

c) Investments

All investments held by the Company are classified as at "fair value through profit and loss". For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date.

Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines published in 2005:

- (i) Investments which have been made in the last 12 months are at fair value, which unless another methodology gives a better indication of fair value, will be at cost.
- (ii) Investments in companies at an early stage of their development are also valued at fair value, which unless another methodology gives a better indication of fair value, will be at cost.
- (iii) Where investments have gone beyond the stage in their development in (ii) above, the shares may be valued, in the absence of overriding factors, by applying a suitable price-earnings ratio to that company's maintainable earnings (the ratio used being based on a comparable listed company or sector but the resulting value being discounted to reflect lack of marketability). Where overriding factors apply, alternative methods of valuation will be used. These may include the application of a material arms length transaction by an independent third party, cost, cost less provision for impairment, discounted cash flow, or a net asset basis.
- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of a company, this value will be used.
- (v) Where a company's underperformance against plan indicates a permanent diminution in the value of the investment, this amount is transferred to the realised reserve from the unrealised reserve.

d) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on financial liabilities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Notes to the Accounts

for the year ended 31 December 2007

e) Transaction costs and investment management expense

The Company is responsible for any external costs such as legal or accounting fees incurred on transactions that do not proceed to completion. Such transaction costs are charged 100% against capital.

The Board has considered the intrinsic value of the B shares allotted to the Manager at the year end, as the valuation should be considered over the period of the Manager's service. The resulting valuation, less the amount subscribed by the Manager for these shares, is spread over the estimated investing period.

75% of the investment management expense is charged against capital. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are charged to the capital column of the Income Statement.

g) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital reserve – realised and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

h) Comparatives

The comparative figures are for the period from 23 September 2005 to 31 December 2006.

2 Income

	2007 £	2006 £
Income from investments		
– from loan stock	145,827	41,485
– from dividends	281,178	35,208
– from fixed and variable interest securities	29,613	263,153
– from money market funds	–	7,560
	456,618	347,406
Interest income		
Bank interest	25,000	166,051
	25,000	166,051
Total income	481,618	513,457
Total income comprises		
Dividends	281,178	42,768
Interest	200,440	470,689
	481,618	513,457
Income from investments comprises		
Listed UK securities	205,580	305,921
Unlisted UK securities	251,038	41,485
	456,618	347,406

Loan interest provided for and not recognised was £80,815 (2006: nil)

3 Transaction costs and investment management expense

	Revenue 2007 £	Capital 2007 £	Total 2007 £	Revenue 2006 £	Capital 2006 £	Total 2006 £
Third Party – transaction costs	–	81,812	81,812	–	59,501	59,501
Core Capital LLP – management fees	–	–	–	–	–	–
Credit Suisse – transaction costs	–	3,090	3,090	–	3,398	3,398
Credit Suisse – management fees	5,760	17,280	23,040	7,742	23,225	30,967
Total	5,760	102,182	107,942	7,742	86,124	93,866

Core Capital LLP advise the Company on investments in qualifying companies under an agreement dated 11 October 2005. The agreement is for an initial period of four years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

The Manager has subscribed for 12,368,144 B Shares of 0.01 p each, being 50% of the B Shares of 0.01 p each that have been issued. This effectively provides them with a carried interest of 30 per cent of the distributions of income and capital after the Ordinary shareholders have received back:–

- i) their Effective Initial Cost of investment of 60p per share, and
- ii) the Hurdle Rate Return, being an amount equal to 5% of the Effective Initial Cost that remains to be repaid, compounded annually.

Given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the value of the B Shares) the Board consider that the fair value of these shares at the year end is £1,237, being 0.01 p per share. This is the subscription price paid by the Manager, and as the Manager has paid this value in cash, there is no investment management expense in the current year.

Third party transaction costs arose from aborted transactions where such costs were not otherwise recoverable. Under the agreement with the Manager, these costs are to be borne by the Company and by the other VCTs managed by Core Capital. The amount of such costs for the year ended 31 December 2007 is £81,812 (2006: £59,501).

4 Other expenses

	2007 £	2006 £
Directors' remuneration (including NIC) (see note 5)	20,043	19,918
IFA trail commission	(4,489)	58,273
Administration fees	24,325	20,335
Broker's fees	8,813	6,609
Auditors' fees – audit	14,100	17,625
– other services	1,998	1,998
Taxation services	2,938	2,938
Registrar's fees	7,281	4,009
Printing	8,179	4,435
Legal and professional fees	7,167	28,404
Directors' insurance	6,210	12,310
Subscriptions	13,580	9,989
Sundry	1,483	1,777
	111,628	188,620

Charges for non-audit services provided by the auditors for the year ended 31 December 2007 relate to the provision of the review of the interim report. The Directors consider the auditors were best placed to provide this service. The Board Committee reviews the nature and extent of non audit services to ensure that independence is maintained.

Notes to the Accounts

for the year ended 31 December 2007

5 Directors' remuneration

	2007 £	2006 £
Directors' emoluments		
Peter Smaill	7,500	7,355
Lord Peter Walker	6,000	5,885
Helen Bagan (to 9 August 2007)	3,669	5,885
John Brimacombe (from 9 August 2007)	2,331	–
	19,500	19,125
Employer's NIC	543	793
	20,043	19,918

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees.

6 Taxation on ordinary activities

	2007 £	2006 £
a) Analysis of charge in the year		
Revenue charge	18,069	55,457
Credited to capital return	(18,069)	(16,364)
Under provision in prior year	194	–
Current tax charge for year	194	39,093
b) Factors affecting tax charge for the year		
Total return on ordinary activities before tax	1,161,680	462,665
Less: unrealised gains	(841,644)	(268,878)
(Less)/Add: non-taxable realised (gains)/losses	(57,988)	37,184
Add: capitalised transaction costs and investment management expense	102,182	86,124
Revenue return on ordinary activities before taxation	364,230	317,095
Corporation tax @ 19.75% (2006: 19%)	71,935	60,248
Non-taxable UK dividend income	(53,866)	(6,689)
Non-taxable expenses	–	1,898
Underprovision in prior year	194	–
Taxation on revenue return	18,263	55,457
Capitalised expenditure allowable and credited to capital return	(19,571)	(16,364)
Additional losses carried forward	1,502	–
Credited to capital return	(18,069)	(16,364)
Current tax charge for year	194	39,093

Investment trust companies are exempt from tax on capital gains if they meet the HM Revenue & Customs criteria set out in section 274 Income Tax Act 2007 for a given year. Therefore, any capital return is not included in the above reconciliation.

Deferred taxation

There is no unrecognised deferred tax asset recognised on surplus management expenses carried forward. At present it is not envisaged that any tax will be recovered in the foreseeable future. The amount not recognised is £1,502 (2006: £nil).

7 Dividends and other appropriations

Amounts recognised as distributions to equity holders in the year:

	2007 £	2006 £
Ordinary Shares – final dividend for the period ended 31 December 2006 of 1.5p (2005: nil p) per share	247,363	–

Any proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Previously dividends were recognised in respect of the year to which they related.

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of Section 274 of the ITA 2007 are considered.

	2007 £	2006 £
Revenue available for distribution by way of dividends for the year	345,967	261,638
Proposed final dividend of 2 pence per Ordinary Share for the year ended 31 December 2007 (2006: 1.5p)	330,217	247,386

No dividends have been paid, or are proposed, on the B Shares.

8 Return per Ordinary Share

	Year ended 31 December 2007 £	Period from 23 September 2005 to 31 December 2006 £
Total earnings after taxation:	1,161,486	423,572
Basic earnings per share (note a)	7.04p	2.67p
Net revenue from ordinary activities after taxation	345,967	261,638
Revenue return per share (note b)	2.10p	1.65p
Net unrealised capital gains	841,644	268,878
Net realised capital losses	57,988	(37,184)
Capital expenses	(84,113)	(69,760)
Total capital return	815,519	161,934
Capital return per share (note c)	4.94p	1.02p
Weighted average number of shares in issue in the year	16,510,859	15,834,219

Notes

a) Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.

b) Revenue return per share is net revenue after taxation divided by the weighted average number of shares in issue.

c) Capital return per share is total capital return divided by the weighted average number of shares in issue.

None of the returns are considered to be attributable to the B Shares, by the Board, at this stage of the Company's development.

Notes to the Accounts

for the year ended 31 December 2007

9 Investments

	Fully listed	Unlisted ordinary shares	Loan stock	Investments in associated companies	Fixed and variable interest securities	Funds and trusts	Total
	£	£	£	£	£	£	£
Cost at 31 December 2006	3,766,719	1,356,252	1,751,607	–	2,376,117	4,705,265	13,955,960
Unrealised gains/(losses) at 31 December 2006	180,435	–	–	–	(2,467)	90,910	268,878
Valuation at 31 December 2006	3,947,154	1,356,252	1,751,607	–	2,373,650	4,796,175	14,224,838
Purchases at cost	2,123,501	487,048	3,266,715	2,958,605	836,391	830,522	10,502,782
Sale proceeds	(2,632,800)	(1,400)	(70,934)	–	(3,204,791)	(4,338,408)	(10,248,333)
Realised gains/(losses)	68,907	(357)	–	–	(5,250)	(5,312)	57,988
Increase/(decrease) in unrealised appreciation	(185,922)	1,463,969	(356,000)	(42,838)	–	(37,565)	841,644
Closing valuation at 31 December 2007	3,320,840	3,305,512	4,591,388	2,915,767	–	1,245,412	15,378,919
Cost at 31 December 2007	3,422,572	1,841,543	4,947,388	2,958,605	–	1,246,261	14,416,369
Unrealised losses/(gains) at 31 December 2007	(101,732)	1,463,969	(356,000)	(42,838)	–	(849)	962,550
Valuation at 31 December 2007	3,320,840	3,305,512	4,591,388	2,915,767	–	1,245,412	15,378,919

Within the above analysis, the following assets have been treated as impaired at the balance sheet date:

	Cost £	Impairment £
Loan stock in Pureleaf Limited	959,925	(265,926)

Interest due on these loan stocks totalling £51,119 (2006: nil) has also been treated as impaired, and has not been recognised in the accounts.

Reconciliation of cash movement to investment transactions

The associated companies are Core Holdings I Limited, Core Holdings II Limited and Core Holdings III Limited.

Purchases above of £10,502,782 include non-cash transactions being investments made in Core Holdings I Limited of £996,700, Core Holdings II Limited of £972,847 and Core Holdings III Limited of £989,058. There was also a trade outstanding at 31 December 2007 of £2. Deducting these amounts leaves purchase of £7,544,175 as shown in the cash flow statement.

Sale proceeds above of £10,248,333 include non-cash transactions being disposals of fixed and variable securities for £2,956,606. Deducting these amounts leaves sale proceeds of £7,291,727 as shown in the cash flow statement.

10 Significant interests

At 31 December 2007 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (ordinary shares) £	Investment in loan stock £	Total investment (at cost) £	Percentage of investee company's total equity
Core Holdings I Limited	1	996,699	996,700	33.3%
Core Holdings II Limited	1	972,846	972,847	33.3%
Core Holdings III Limited	1	989,057	989,058	33.3%
Pureleaf Limited	191,363	1,439,887	1,631,250	21.7%
SPL Services Limited	148,875	975,000	1,123,875	18.8%
Colway Limited (trading as Red Box)	300,002	700,000	1,000,002	16.4%
Blanc Brasseries Holdings plc	1,000,000	–	1,000,000	11.9%
Kelway Holdings Limited	187,500	1,687,500	1,875,000	9.4%

The above companies are incorporated in the United Kingdom.

Whilst the Company has significant interests as set out above, it has not equity accounted for its investment. Instead, the investment is accounted for at market value. As the Company is an investment fund, this treatment is permitted under FRS 9: Associates and Joint Ventures.

Core Capital LLP also advises Core VCT I plc, Core VCT II plc, Core VCT IV plc and Core VCT V plc that have made investments to 31 December 2007 in the following companies:

	Core VCT I plc £	Core VCT II plc £	Core VCT IV plc £	Core VCT V plc £	Total at cost £	% of equity held by funds managed by Core Capital LLP
Core Holdings I Limited	500,808	996,700	–	–	2,494,208	100%
Core Holdings II Limited	1	972,847	–	–	1,945,696	100%
Core Holdings III Limited	502,310	989,058	–	–	2,480,426	100%
Pureleaf Limited	1,087,500	1,631,250	–	–	4,350,000	57.8%
Colway Limited (trading as Red Box)	1,000,002	1,000,002	1,000,000	1,000,000	5,000,006	55.0%
SPL Services Limited	1,102,250	1,123,875	–	–	3,350,000	50.0%
Kelway Holdings Limited	1,250,000	1,875,000	–	–	5,000,000	25.0%
Blanc Brasseries Holdings plc	1,000,000	1,000,000	–	–	3,000,000	11.9%
Adapt Group Limited	980,040	123,635	–	–	1,227,310	4.6%

11 Debtors

	2007 £	2006 £
Amounts due within one year:		
Accrued income	154,879	55,080
Prepayments	8,690	4,996
Called up share capital unpaid	1,400,000	1,400,000
Other debtors	5,704	23,616
	1,569,273	1,483,692

Called up share capital unpaid is in accordance with the arrangements set out in the prospectus.

Notes to the Accounts

for the year ended 31 December 2007

12 Creditors: amounts falling due within one year

	2007 £	2006 £
UK Corporation tax	–	39,093
Trade creditors	64,909	22,379
Other creditors	2,263	1,788
Accruals	65,606	108,298
	132,778	171,558

13 Called up share capital

	2007 £	2006 £
Authorised:		
Ordinary Shares of 0.01 p each: 22,020,000	2,202	2,202
B Shares of 0.01 p each: 33,030,000	3,303	3,303
	5,505	5,505
Allotted, called-up and fully paid:		
Ordinary Shares of 0.01 p each: 16,510,859 (2006: 16,510,859)	1,651	1,651
B Shares of 0.01 p each: 24,736,288	2,474	2,474

The Ordinary Shares are entitled to all of the income and capital of the Company until they have received back:

- (i) their Effective Initial Cost of investment of 60p per share, and
- (ii) the Hurdle Rate Return, being an amount equal to 5% of the Effective Initial Cost that remains to be repaid, compounded annually.

After that point, the B Shares are entitled to 60% of the future income and remaining capital for distribution to all Shareholders.

In the event of liquidation before that date, the Ordinary Shares are entitled to 40%, and the B Shares to 60%, of the assets remaining after:

- (i) the Ordinary Shares have received back their Effective Initial Cost of investment of 60p per share, and
- (ii) the Hurdle Rate Return, being an amount equal to 5% of the Effective Initial Cost that remains to be repaid, compounded annually, and
- (iii) after the B Shares have received two thirds of the Hurdle Rate Return due to the Ordinary Shareholders.

Ordinary Shares have one vote per share. Until such time as the Ordinary Shares have received 60p per share and the Hurdle Rate Return, the B Shares will only be entitled to vote in the event that the resolution being put to the meeting is one to amend any provision of the Company's Articles.

14 Share capital and reserves

	Called up Ordinary Share capital £	Called up B Share capital £	Share premium account £	Capital reserve (realised) £	Capital reserve (unrealised) £	Special distributable reserve £	Revenue reserve £	Total £
At 1 January 2007	1,651	2,474	7,799,528	(106,944)	268,878	7,799,530	261,638	16,026,755
Realisation of previously unrealised appreciation	–	–	–	147,972	(147,972)	–	–	–
Realised gains	–	–	–	57,988	–	–	–	57,988
Unrealised gains	–	–	–	–	841,644	–	–	841,644
Capitalised management fees less tax	–	–	–	(84,113)	–	–	–	(84,113)
Dividends paid	–	–	–	–	–	–	(247,363)	(247,363)
Return for the year	–	–	–	–	–	–	345,967	345,967
At 31 December 2007	1,651	2,474	7,799,528	14,903	962,550	7,799,530	360,242	16,940,878

The cancellation of 50% of the Company's Share Premium Account (as approved at the Annual General Meeting held on 7 October 2005 and by order of the Court dated 23 August 2006) has provided the Company with a special distributable reserve. The purpose of the reserve is to fund market purchases of the Company's shares, and to write off existing and future losses, should the Company revoke its investment company status and be obliged to take into account capital losses determining distributable reserves.

15 Net asset values per share

The net asset values per share, as disclosed in the balance sheet, are based on attributable assets at the date of the balance sheet and assume that no break-up of the Company will occur – the "attributed basis". The Board considers that the Articles basis reflects the attribution of assets between the two classes of shares that would occur in the event that a liquidation of the Company took place. On liquidation, B Shareholders could be entitled to up to 60% of the assets remaining after Ordinary Shareholders first recover their effective initial cost of 60 pence per share plus the annual hurdle rates due to both share classes, achieved up to the date of liquidation.

At this early stage in the Company's life, the Board considers that liquidation is unlikely, and that attributing to the B Shares purely the capital contributed of 1 penny per share reflects the Board's best estimate at 31 December 2007 of the B Shares' entitlement to assets at 31 December, given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the B Shares' entitlement to the Company's assets).

The net asset values per share have been calculated by reference to the numbers of shares in issue at 31 December 2007, being 16,510,859 Ordinary Shares of 0.01 p each and 24,738,288 B Shares of 0.01 p each.

Notes to the Accounts

for the year ended 31 December 2007

	Total attributable net assets 2007 £	Net asset value (pence per share) 2007 £
Ordinary Shares of 0.01p each In accordance with the Articles	13,286,733	80.47 p
Additional entitlement to assets on the attributed basis	3,651,671	22.12 p
Attributed basis	16,938,404	102.59 p
B Shares of 0.01p each In accordance with the Articles	3,654,145	14.77 p
Reduced entitlement to assets on the attributed basis	(3,651,671)	(14.76)p
Attributed basis	2,474	0.01 p

16 Reconciliation of net revenue before taxation to net cash inflow from operating activities

	2007 £	2006 £
Net revenue before taxation	364,230	317,095
Investment management fees charged to capital	(102,182)	(86,124)
Increase in debtors	(84,878)	(83,692)
Increase in creditors and accruals	313	132,465
Non cash movement	(2,000)	–
Net cash inflow from operating activities	175,483	279,744

17 Analysis of changes in net funds

	2007 £	2006 £
At beginning of year	489,783	–
Cash flows	(364,319)	489,783
At 31 December 2007 – cash at bank (net funds)	125,464	489,783

18 Financial Instruments

The Company's financial instruments in both years comprised:

- Equity and fixed and floating rate interest securities that are held in accordance with the Company's investment objective.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 December 2007:

	2007 (Book value) £	2007 (Fair value) £	2006 (Book value) £	2006 (Fair value) £
Assets at fair value through profit and loss				
Investments managed by Core Capital LLP	10,812,667	10,812,667	3,107,859	3,107,859
Investments managed by Credit Suisse	4,566,252	4,566,252	11,116,979	11,116,979
Cash at bank	125,464	125,464	489,783	489,783
Loans and receivables				
Called up share capital unpaid	1,400,000	1,400,000	1,400,000	1,400,000
Accrued income	154,879	154,879	55,080	55,080
Other debtors	14,394	14,394	28,612	28,612
Other creditors	(132,778)	(132,778)	(171,558)	(171,558)
	16,940,878	16,940,878	16,026,755	16,026,755

The Core Capital investment portfolio consists of unquoted investments representing 63.8% (2006: 19.4%) of net assets. This portfolio has a 100% (2006:100%) concentration of risk towards small UK based, £ denominated companies. The Credit Suisse portfolio comprises a range of ready realisable equity linked investments, representing 27.0% (2006: 69.4%) of net assets.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), credit risk and interest rate risk, although liquidity risk and currency risk are also discussed below. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These have been in place throughout the current and preceding periods.

Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential gain or loss that the Company might benefit or suffer from through holding market positions in the face of market movements.

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities. As, in a number of cases, the unquoted investments are valued by reference to price earnings ratios prevailing in quoted comparable sectors, their valuations are exposed to changes in the price earnings ratios that exist in the quoted markets.

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's investment objective, as set out on page 2. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Board meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. In the case of the Credit Suisse portfolio, derivative instruments are often used to hedge against market risk.

Market price risk sensitivity

The Board believes that the Company's assets are mainly exposed to market price risk, as the Company is required to hold most of its assets in the form of sterling denominated investments in small companies, and holds the remainder in a portfolio of equity instruments managed by Credit Suisse.

All of the investment made by the Investment Manager in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets,

Notes to the Accounts

for the year ended 31 December 2007

The Board considers that the values of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 15% movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares and loan stocks) held by the Company produces a movement overall of 15% and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation. Where unquoted investments have been valued on an earnings basis, the sensitivity has been calculated by assuming a fall of 15% in the price earnings ratio used to value that investment. Where investments are valued at cost, adjustments have been made to their implied enterprise value.

	2007 £	2006 £
	Return and net assets	Return and net assets
If overall share prices fell by 15%, with all other variables held constant – decrease	(1,969,505)	(863,009)
Decrease in earnings, and net asset value, per Ordinary share (in pence)	(11.93)p	(5.23)p

	2007 £	2006 £
	Return and net assets	Return and net assets
If overall share prices increase by 15%, with all other variables held constant – increase	1,617,084	1,435,131
Increase in earnings, and net asset value, per Ordinary share (in pence)	9.79p	8.69p

The impact of a change of 15% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk is:

	2007 £	2006 £
Financial assets		
Securities	–	2,376,117
Loan stock investments	7,475,302	1,751,606
Called up share capital unpaid	1,400,000	1,400,000
Accrued income	154,879	55,080
Other debtors (excluding prepayments)	5,000	23,616
Cash and cash equivalents	125,464	489,783
Total	9,160,645	6,096,202

The Company has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe. £40,614 the accrued income shown above was due within 2 months of the year-end. The balance of £92,993 is due upon repayment of the loans, which could be in up to 5 years time.

The following table shows the maturity of the loan stock investment referred to above.

	2007 £	2006 £
Repayable within		
3 to 4 years	888,000	–
4 to 5 years	4,899,802	805,934
More than 5 years	1,687,500	945,673
Total	7,475,302	1,751,607

These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to loan stock investments have already been set out under market price risk above.

Called up share capital unpaid is supported by bank guarantees, so is considered to be low credit risk.

There could also be a failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered. This risk is considered to be small as most of the Company's investment transactions are in unquoted investments, where investments are conducted through solicitors, to ensure that payment matches delivery. In respect of any quoted investment transactions that are undertaken, the Company uses brokers with a high credit quality, and these trades usually have a short settlement period. Accordingly, counterparty risk is considered to be relatively low.

Interest rate risk

The Company's fixed and floating rate interest securities, its equity investments and net revenue may be affected by interest rate movements. Investments are often in relatively small businesses, which are relatively high risk investments sensitive to interest rate fluctuations.

Due to the short time to maturity of some of the Company's floating rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

The Company's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk above.

The interest rate profile of the Company's financial net assets at 31 December 2007 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Floating rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity	7,903,617	–	–	7,903,617		
Loan stocks	–	7,475,302	–	7,475,302	5.47	5.6
Cash	–	–	125,464	125,464		
Debtors	1,569,273	–	–	1,569,273		
Creditors	(132,778)	–	–	(132,778)		
Total	9,340,112	7,475,302	125,464	16,940,878		

Notes to the Accounts

for the year ended 31 December 2007

The interest rate profile of the Company's financial net assets at 31 December 2006 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Floating rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity	10,099,581	–	–	10,099,581		
Securities	–	722,283	1,651,367	2,373,650	5.4	
Loan stocks	–	1,751,607	–	1,751,607	3.84	7.4
Cash	–	–	489,783	489,783		
Debtors	1,483,692	–	–	1,483,692		
Creditors	(171,558)	–	–	(171,558)		
Total	11,411,715	2,473,890	2,141,150	16,026,755		

Floating rate cash earns interest based on LIBOR rates.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

Interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not believe that the income of these instruments is interest rate sensitive, as they all carry fixed rates of interest. The Board does not consider that the impact of interest rate changes materially affects the value of the loan portfolio in isolation, other than the consequent impact that interest rate changes have upon movements in share prices, discussed under equity price risk above.

Liquidity risk

The investment in equity and fixed interest stocks of unquoted companies that the Company holds are not traded. They are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realisable until dates up to 5 years or more from the year-end.

To counter these risks to the Company's liquidity, the Manager maintains sufficient ready realisable investments within the Credit Suisse portfolio to meet running costs and other commitments.

All creditors and accruals are all due within one year and are comfortably covered by the funds within the Credit Suisse portfolio and short-term debtors.

Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk.

19 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

20 Segmental analysis

The operations of the Company are wholly in the United Kingdom.

21 Related party transactions

Lord Walker is also a Director of Caparo plc, which is a member of the Manager, Core Capital LLP. No amounts have been paid or are payable to Caparo plc. £nil (2006: £10,554) were due to the manager at 31 December 2007. Details of the carried interest arrangements between the Company and the Manager are set out in Note 3 which also discloses amounts paid and payable to the Manager.

Shareholder enquiries:

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita IRG plc, Northern House, Woodsome Park, Fennay Bridge, Huddersfield HD8 0LA (Tel: 0871 664 0300 (calls cost 10p per minute plus network extras), if calling from overseas dial +44 208 639 3399) or should you prefer visit their website at www.capitaregistrars.com.

For enquiries concerning the performance of the Company, please contact the Investment Manager at Core Capital LLP:

Stephen Edwards on 020 7317 0150 or by e-mail on Stephen.Edwards@Core-Cap.com

Walid Fakhry on 020 7317 0145 or by e-mail on Walid.Fakhry@Core-Cap.com

For Shareholders considering selling their shares, please contact the Company Secretary, Matrix-Securities Limited, One Jermyn Street, London SW1Y 4UH or by telephone on 020 7925 3300 and ask for Robert Brittain or Ross Lacey.

CORE VCT III PLC

(Registered in England and Wales No. 5572561)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the Company will be held at 11.20 am on 4 June 2008 at the offices of Core Capital LLP, 103 Baker Street, London W1U 6LN for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2007, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2007 as set out in the Annual Report and Accounts of the Company for the year ended 31 December 2007.
3. To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF as Auditors.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Peter Smaill as a Director of the Company.
6. To re-elect John Brimacombe as a Director of the Company.
7. To declare a final dividend for the year ended 31 December 2007 of 2.00p per share, payable on 23 June 2008 to the holders of ordinary shares of 0.01 p each ("Ordinary Shares") registered at close of business on 30 May 2008.

SPECIAL BUSINESS

8. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act") the Directors be generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 ("the Act"), to allot Ordinary Shares up to the maximum nominal amount of £412.77 and B ordinary shares of 0.01 pence each ("B Shares") up to a maximum of £618.40 being approximately 25% of the issued share capital of each class, this authority to expire on the fifth anniversary of the date of the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting). The Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly as if the authority conferred thereof had not expired.

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

9. THAT in substitution for any existing authorities pursuant to section 95 of the Act the Directors be and they are hereby empowered to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred upon them by resolution 8 above as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities in connection with:
 - (i) The allotment of equity securities having a nominal value not exceeding 10% of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which this resolution is passed in connection with a rights issue in favour of the holders of relevant securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to the respective holdings but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws or any territory, or of the requirements of any generally recognised body or stock exchange in any territory; and
 - (ii) the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) having a nominal value not exceeding 10% of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which this resolution is passed where the proceeds of the allotment may be used in whole or in part to purchase the Company's Ordinary Shares and/or B Shares in the market;
 - (iii) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (i) and (ii) above) from time to time with an aggregate nominal value of up to 5% of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which this resolution is passed.

and shall expire on the earlier of the Annual General Meeting of the Company to be held in 2009 or the date which is fifteen months after the date on which this resolution is passed (unless previously renewed, varied or revoked by the Company in General Meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. THAT the Company be and is hereby authorised in accordance with section 166 of the Act to make one or more market purchases (within the meaning of section 163 of the Act) of the Ordinary Shares and/or B Shares in the Company provided that:
- (i) the maximum aggregate number of Ordinary Shares and B Shares authorised to be purchased is 2,474,978 and 3,707,970 respectively;
 - (ii) the minimum price which may be paid for an Ordinary Share or, as the case may be, B Share is 0.01 pence per share, the nominal value thereof;
 - (iii) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share or, as the case may be, B Share shall be an amount which is 105% of the average of the middle market prices as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which that Ordinary Share or, as the case may be, B Share, is purchased;

and this authority shall expire on the earlier of the Annual General Meeting of the Company to be held in 2009 and the date which is fifteen months after the date on which this resolution is passed save that the Company may prior to such expiry, enter into a contract to purchase Ordinary Shares or, as the case may be, B Shares which will or may be completed or expected wholly or partly after such expiry and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 274 of the Income Tax Act 2007 ("ITA"), the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the ITA .

To consider and, if thought fit, to pass the following as a Special Resolution:

11. THAT the articles of association of the company be altered by deleting article 19 (Directors' Interests) and substituting for that article the following new articles 19 and 19A:

19 Director's interests

19.1 Subject to the provisions of the Act, a Director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may act by himself or through his firm in a professional capacity (other than that of auditor) for the Company or any other body corporate promoted by the Company or in which the Company is otherwise interested; and
- (c) may be a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any power of appointment.

19.2 The Directors may establish, maintain, participate in or contribute to, or procure the establishment and maintenance of, participation in or contribution to, any pension, annuity, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances, benefits and emoluments to, any persons who are or were at any time in the employment or service of the Company, or any of its predecessors in business, or of any company which is a subsidiary undertaking of the Company or is allied to or associated with the Company, or with any such subsidiary undertaking, or who may be or have been Directors or officers of the Company, or of any such other company as aforesaid, and the wives, widows, families and dependants of any such persons, and also establish, subsidise and subscribe to any institutions, associations, societies, clubs, trusts or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid, or of any such persons as aforesaid, and make payments for or towards the insurance of any such persons as aforesaid, and (subject to the provisions of the Act) establish and contribute to any scheme for the acquisition of shares in the Company or its holding company (whether or not an employees' share scheme) and (subject as aforesaid) lend money to the Company's employees to enable them to acquire such shares, and subscribe or guarantee money for charitable or benevolent objects, or for any exhibition or for any public, general or useful object, and do any of the matters aforesaid either alone or in conjunction with others. Subject always, if the Act shall so require, to particulars with respect to the proposed payment being disclosed to the members of the Company and to the proposal being approved by Ordinary Resolution, any Director shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance, benefit or emolument.

NOTICE of the ANNUAL GENERAL MEETING

19.3 Subject to the provisions of the Act, the Company may by Special Resolution suspend or relax the provisions of Articles 19 and 19A to any extent either generally or in respect of any particular matter, or ratify any transaction not duly authorised by reason of a contravention of Articles 19 or 19A.

19A Director's duty to avoid conflicts of interest - power of Board to authorise matters

19A.1 If there is a situation (a "Relevant Situation") in which a Director is or may be either at the time or at some time in the future (or a person who if he was to be appointed as a director of the Company would or might be either at the time or at some time in the future) in breach of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest (but for any authorisation of the relevant matter(s) by the Board), the Board (other than the Director, and any other Director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may authorise the matter or matters on such terms as it may determine, including terms regulating the continuing performance by the relevant Director of his duties as a director of the Company. Any authorisation of a matter pursuant to this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised. It is the responsibility of the Director who is or may be in breach or the other person who would or might be in breach of his duty under section 175 of the Companies Act 2006 to raise the matter(s) for consideration by the Board.

19A.2 Any terms determined by the Board under Article 19A.1 may be imposed at the time of authorisation or may be imposed or varied subsequently and may be terminated by the Board at any time, and may include (without limitation):

- (a) subject always to these Articles, whether the relevant Director(s) may vote (or be counted in the quorum at a meeting) in respect of any resolution connected with or relating to the relevant matter(s);
- (b) that relevant Director(s) should not receive from the Company information or participate in discussion by the Board or otherwise within the Company connected with or relating to the relevant matter(s); and
- (c) (without prejudice to any other obligations of confidentiality) the application to the relevant Director(s) of a strict duty of confidentiality to the Company in respect of any confidential information of the Company or any company in its group connected with or relating to the relevant matter(s).

19A.3 Except as specified in Article 19A.1, any proposal made to the Board and any authorisation by the Board in relation to a Relevant Situation shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the Board.

19A.4 Any authorisation of a Relevant Situation given by the Board under Article 19A.1 may provide that, where the relevant Director obtains (other than through his position as a Director or employee of the Company or any member of its group) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence or of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest.

19A.5 A Director, by reason of his holding office as a Director (or of the fiduciary relationship established by holding that office), shall not be liable to account to the Company for any remuneration, profit or other benefit connected with or resulting from:

- (a) any matter authorised under Article 19A.1; or
- (b) any interest permitted under Article 19;

and no contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any matter authorised under Article 19A.1 or the Director having any interest permitted under Article 19.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

29 April 2008

NOTES:

(i) A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his place. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras – if calling from overseas please dial +44 208 639 3399) to request additional copies of the proxy form.

(ii) In accordance with section 325 of the Companies Act 2006 ("the 2006 Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act.

Persons nominated to receive information rights under section 146 of the 2006 Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

(iii) To be valid the enclosed form of proxy for the Annual General Meeting together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited no less than 48 hours (excluding weekends) prior to the time fixed for the holding of the meeting or any adjournment of the said meeting at the offices of the Company's registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR.

(iv) Completion and return of the form of proxy will not prevent you from attending and voting in person at the Annual General Meeting.

(v) As at 29 April 2008, the Company's issued share capital comprised 16,497,230 Ordinary Shares and 23,738,570 B Shares. Each Ordinary Share carries one vote at a general meeting of the Company and each B Share shall only be entitled to one vote in the event that the resolution being put to the meeting is one to amend the Articles of Association or where a takeover offer has been made and remains open for acceptance. After such time as the Ordinary Shareholders have received from the Company by way of dividends, return of capital or otherwise in aggregate, an amount equal to 60p per Ordinary Share and the Hurdle Rate Return (an amount equal to 5% pa, compounded annually and calculated on a daily basis on such part of the Effective Initial Cost (60p being the 100p subscription price less 40% income tax relief) that remains to be repaid to the Ordinary Shareholders) the B Shares shall carry the same voting rights as the Ordinary Shares, provided that any B Shares issued for cash (rather than by way of a bonus issue) shall not entitle the holders in respect of such shares to more than 29.9% of the votes at any general meeting of the Company. The total number of voting rights attached to the Ordinary Shares and B Shares would be 41,235,800 in aggregate.

(vi) The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at midnight on 2 June 2008 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the Register of Members after midnight on 2 June 2008 or, in the event that the meeting is adjourned, in the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vii) The Register of Directors' Interests shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

Corporate Information

Directors

Peter Smail (Chairman)
Lord Walker
Helen Bagan (resigned 9 August 2007)
John Brimacombe (appointed 9 August 2007)

All of whom are non-executive and of:

One Jermyn Street
London
SW1Y 4UH

Company Secretary and administrator

Matrix-Securities Limited
One Jermyn Street
London
SW1Y 4UH

Investment Manager

Core Capital LLP
103 Baker Street
London
W1U 6LN

VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Receiving Agent

Matrix Registrars Limited
One Jermyn Street
London
SW1Y 4UH

Cash Assets Investment Manager

Credit Suisse
Private Banking, London Branch
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London E14 4QJ

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Solicitors

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London
EC4R 1BE

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

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PO Box No. 39900 Level 7
Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

Sponsor and Stockbroker

Brewin Dolphin Securities Limited
PO Box 512
National House
36 St Ann Street
Manchester M60 2EP

Registrar

Capita Registrars
Northern House
Woodsome Park
Fennay Bridge
Huddersfield HD8 0LA

Promoter

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5 Giltspur Street
London
EC1A 9BD

Company No : 5572561

