

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your Shares in Core VCT III plc (“the Company”), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which comprises a prospectus relating to the Company dated 12 June 2009, has been prepared in accordance with the prospectus rules made under Part VI of the Financial Services and Markets Act 2000.

The Company and the Directors, whose names appear on page 12 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

I: 1.1  
I: 1.2  
III: 1.1  
III: 1.2

Howard Kennedy, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with any matters referred to herein.

III: 10.1  
I: 1.2  
III: 1.1  
III: 1.2

The existing Shares issued by the Company are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange’s market for listed securities. Application has been made to the UK Listing Authority for all of the New Shares to be issued as described herein to be listed on the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its market for listed securities. It is expected that such admission will become effective and that trading in the New Shares will commence within three days of the allotment of such New Shares.

III: 4.1  
III: 6.1  
III: 6.2

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# **CORE VCT III PLC**

*(Registered in England and Wales with registered number 05572561)*

## **Prospectus**

I: 5.1.1

### **relating to the issue of New Shares in connection with the schemes of reconstruction of Core VCT I plc and Core VCT II plc**

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The attention of Shareholders of the Company who are resident in, or citizens of, territories outside the United Kingdom is drawn to the information under the heading “Overseas Shareholders” in paragraph 5 of Part IX of this document. In particular, the New Shares to be issued pursuant to the Schemes have not and will not be registered under the United States Securities Act 1933 or the United States Investment Company Act 1990.

Persons receiving this document should carefully consider the risk factors on pages 7 and 8 of this document.

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## SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision to invest in the transferable securities of the Company should be based on consideration of the Prospectus as a whole by the investors. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### Background

The Core VCTs were established in order to invest in established private companies. As a single VCT can only complete investments, within certain periods, of up to £1 million, the Core VCTs were launched as parallel VCTs in order to facilitate investment in larger transactions.

The Core VCTs each have an innovative incentive structure for the Investment Manager, Core Capital LLP, which provides for no annual management fee and a 30 per cent. share in distributions above 60p per ordinary share. This incentive operates in materially the same way for each of the Core VCTs, and will continue to do so following completion of the merger.

Each of the Core VCTs has completed its initial three year investment period, and they have each invested above 70 per cent. of their assets in VCT qualifying investments in compliance with VCT legislation. Accordingly, there is no need to retain three separate listed vehicles, and this merger is therefore being recommended by the Board to achieve savings in annual operating costs and thereby enhance the level of dividends that can be paid to shareholders in the future.

### Reasons for combining the Company, VCT I and VCT II

The Company, VCT I and VCT II have the same investment objectives and policies, the same advisers and common investments. All three companies are required to be listed on the Official List, which involves a significant level of cost in listing and related fees and in ensuring that they comply with all relevant legislation. A larger VCT will have lower proportionate costs and is, therefore, able to pay a higher level of dividends to shareholders over its life.

The Board considers that this merger will bring significant benefits to all three groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the three separate companies;
- creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration and management costs;
- the Company being able to pay the Special Dividend as a result of the larger size and lower anticipated proportionate running costs of the Company (this also applies to the VCT I Special Dividend and the VCT II Special Dividend);
- the ability to pay larger distributions in the future due to the increased size and the reduced proportionate running costs; and
- the creation of a single VCT with a greater capital base resulting in an increased flexibility in meeting the various requirements for qualifying VCT status and providing greater investment flexibility.

As the funds raised have now predominantly been invested alongside VCT I and VCT II, there no longer remains a need to keep the companies separate in order to access larger transactions.

Following detailed consideration of the portfolio and financial position of VCT I and VCT II, the Board has reached an agreement with the VCT I Board and the VCT II Board to merge with these companies (subject to the conditions set out below). The merger will be completed on a relative net asset value basis and will be subject to both the Schemes becoming unconditional.

Although any of the three companies could have acquired the assets and liabilities of the other under such schemes, the Company was selected as the acquirer, because of its marginally greater size in

relation to VCT I (and, therefore, a lower stamp duty cost would be incurred on the transfer of the assets and liabilities from VCT I).

### The Schemes

The Schemes provide for each of VCT I and VCT II to be placed into members' voluntary liquidation and for their assets and liabilities to be transferred to the Company in consideration for New Shares being issued directly to the shareholders of VCT I and VCT II.

The VCT I Ordinary Shares and VCT II Ordinary Shares will effectively be merged into the Ordinary Shares of this Company on a relative net asset basis. The number of New Ordinary Shares to be issued to the shareholders of VCT I and VCT II will be calculated by reference to the relative net asset values of the ordinary class of share in each company, such New Shares allocable to each of VCT I and VCT II to be issued *pro rata* to the respective shareholdings in each of VCT I and VCT II.

The VCT I B Shares and VCT II B Shares will effectively be merged into the B Shares of the Company by issuing New B Shares which will represent, together with the existing B Shares in issue, 40 per cent. of the Share capital of the Enlarged Company immediately following the issue of New Shares pursuant to the Schemes. The New B Shares will be issued between VCT I and VCT II proportionally by reference to the New Ordinary Shares allocable to their respective shareholders and then, in respect of VCT I, *pro rata* to holdings of VCT I B Shares and, in respect of VCT II, 75 per cent. to the Nominees and the balance *pro rata* to the other holdings of VCT II B Shares.

Following the transfer, the listing of the VCT I Shares and VCT II Shares will be cancelled and VCT I and VCT II will be wound up.

Dissenting VCT I and VCT II shareholders' holdings will be purchased for cash at the 'break value' of the relevant class, this being an estimate of the amount a shareholder of VCT I or VCT II would receive in an ordinary winding-up of the relevant company if all the assets of that company had to be realised.

### Special Dividend

Further, the Board, the VCT I Board and the VCT II Board have all recommended, conditional on the merger being effected, the payment of a special dividend of capital, as follows:

	Proposed special dividend <sup>(1)</sup>	Cumulative dividends since inception <sup>(2)</sup>	Cumulative dividends including initial income tax relief <sup>(3)</sup>
Company	12p	16.5p	56.5p
VCT I	10p	18.1p	58.1p
VCT II	12p	16.5p	56.5p

(1) The proposed special dividends are conditional on the merger being effected

(2) The cumulative distributions made to shareholders, which include the proposed special dividends and the proposed income dividend of 1p per company, which are subject to shareholder approval at the annual general meetings of the relevant companies on 18 June 2009 and are not subject to the merger, are those paid, declared and recommended since the inception of each VCT

(3) Based on an initial income tax relief of 40p per share

### The Board

The Company currently has the same three non-executive directors as that of VCT I and VCT II. As a consequence, following completion of the Schemes the future composition of the Board will remain the same.

The Board has overall responsibility for the Company's affairs.

### Change of name

A resolution has been proposed that, subject to the Schemes becoming effective, the name of the Company be changed to Core VCT plc.

## **The Investment Manager**

The Company's investment manager is Core, the same investment manager as that of both VCT I and VCT II, which will continue to provide investment management services to the Enlarged Company.

## **Investment Manager incentives**

At the time of the launch of the Company, the Investment Manager was issued with such number of B Shares so that it would receive 30 per cent. of distributions but only after the holders of Ordinary Shares have received their Effective Initial Cost (60p) and subject to the Hurdle Rate Return being achieved. This was provided for by the B Shares representing 60 per cent. of the issued Share capital, 50 per cent. of which was issued to Core (now held by the Nominees). This mechanism was mirrored in VCT II, but achieved in VCT I through the VCT I B Shares representing 40 per cent. of the issued share capital but with Core having been issued with 75 per cent. of the VCT I B Shares (now held by the Nominees).

This carried interest right in the three Core VCTs will be combined for the Enlarged Company using the VCT I structure (ie the B Shares will, following the merger, represent 40 per cent. of the aggregate issued share capital, 75 per cent. of which will be attributable to Core (through the holdings in the Nominees).

As a result of the merger and to amalgamate the B share mechanisms from the three Core VCTs, adjustments will need to be made to the B Share mechanism in the Company. This will be achieved by adjusting the existing number of B Shares in issue so that it will represent the Company's relevant proportion of B Shares in the Enlarged Company following the merger and to achieve Core (through its holding in the Nominees) holding 75 per cent. of this number of B Shares.

Whilst these adjustments may have the affect of marginally accelerating the potential date of receipt of the Investment Manager's incentive during the period of the equalisation payment, it will not affect the amount of the total payment once the hurdle rate has been fully achieved.

## **Investment objectives summary**

The Company's objective is to achieve long-term capital and income growth and to distribute tax free dividends comprising realised gains and investors' capital investment.

The Company's policy, in summary, is to invest in a diversified portfolio of unquoted growth-orientated companies across a broad range of industries, with a particular emphasis on management buy-outs and development capital for expansion or acquisition funding for established companies.

## **Dividend policy**

The Company has a policy to distribute all proceeds from the realisation of investments. The Company has no fixed life but intends to naturally liquidate and distribute assets over time.

## **Share buy-backs**

Although the Company has had the authority to repurchase its own Shares for cancellation (such authority to be renewed at the Extraordinary General Meeting), it has not historically utilised this authority. The Board may consider implementing a buy-back programme in the Enlarged Company if it believes it prudent to do so and subject to the maintenance of adequate working capital, investment requirements and maintenance of VCT status.

## **Risk factors**

An investment in the Company is subject to a number of risks, which could materially and adversely affect its value and a summary of the material risks is set out below:

- Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and both the VCT I Scheme and the VCT II Scheme becoming effective.
- The value of Shares can fluctuate and Shareholders may not get back the amount they invested.
- Although the existing Shares have been (and it is anticipated that the New Shares to be issued pursuant to the Schemes will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

- The past performance of the Company, VCT I, VCT II and/or Core is no indication of future performance.
- The Company's investments may be difficult, and take time, to realise.
- It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values.
- Investment in AIM-traded, PLUS markets-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List.
- Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences.
- If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed.
- If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.
- The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively.
- The B Shares only have a value when, through either income or capital distributions, or a combination of both, holders of Ordinary Shares have had returned to them the Effective Initial Cost and the Hurdle Rate Return. Accordingly, the market value of the B Shares can be expected to be more volatile than that of the Ordinary Shares.
- Any purchaser of existing Shares in the market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.
- Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT I and/or VCT II or made by the Company, which may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT I and/or VCT II to the Company (as well as the investments of the Company).
- Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from VCT I and/or VCT II, or the investments of the Company, are or become unable to meet VCT requirements.
- Those VCT II and VCT III shareholders who hold B shares in the relevant Core VCT but who do not now hold any ordinary shares in the relevant company (because, for example, they have sold them or have had their shares bought back) or do not now hold all the ordinary shares in the relevant company which they originally acquired will suffer a modest loss as a result of the proposed adjustment to the proposed B share mechanism in the Enlarged Company.

### **Taxation**

The implementation of the Schemes should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Schemes so as to continue to qualify as a VCT.

## RISK FACTORS

I: 4  
III: 2

**Shareholders and prospective Shareholders should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. References to the Company in this section should be taken as including the Enlarged Company.**

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and both the VCT I Scheme and the VCT II Scheme becoming effective. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company.

The value of Shares can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New Shares to be issued pursuant to the Schemes will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally very illiquid and, therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the market and because VCT shares usually trade at a discount to NAV) and Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT I, VCT II and/or Core is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments. The value of such investments and dividends therefrom may rise or fall.

Although the Company may receive conventional venture capital rights in connection with some of its unquoted investments, as a minority investor it may not be in a position to fully protect its interests.

The Company's investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Company.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in AIM-traded, PLUS markets-traded and unquoted companies, by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals. In addition, the market for securities in smaller companies is often less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Proper information for determining their value or the risks to which they are exposed may also not be available. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

Whilst it is the intention of the Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company lose its VCT status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New Shares issued pursuant to the Schemes will be the original date of issue of the VCT I Shares and VCT II Shares in respect of which such New Shares are issued.

If at any time VCT status is lost for the Company, dealings in its Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in the Company and/or the rates of tax may change during the life of the Company and may apply retrospectively.

The B Shares only have a value when, through either income or capital distributions, or a combination of both, holders of Ordinary Shares have had returned to them the Effective Initial Cost and the Hurdle Rate Return. Accordingly, the market value of the B Shares can be expected to be more volatile than that of the Ordinary Shares.

It is a term of the B Shares that they will be redesignated into Deferred Shares with no real value if the investment management agreements with Core (as described on page 62) are terminated for any of the reasons set out in paragraph 6.1.1.1 to 6.1.1.5 of Part IX. If the B Shares are so redesignated, any assets attributable to them in excess of their par value of 0.01p immediately prior to such redesignation, would accrue for the benefit of the holders of Ordinary Shares.

Any purchaser of existing Shares in the market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.

Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT I and/or VCT II or made by the Company. The performance of the investments in VCT I and/or VCT II, as well as the investments of the Company, may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT I and/or VCT II to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company will, following the merger with VCT I and VCT II, be shared amongst the holders of all Shares (including New Shares) then in issue to the extent that such gains or losses do not occur in the same proportions as the Merger Values, the existing shareholders in VCT I, VCT II or the Company may gain or lose accordingly.

Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from VCT I and/or VCT II, or the investments of the Company, are or become unable to meet VCT requirements.

Those VCT II and VCT III shareholders who hold B shares in the relevant Core VCT but who do not now hold any ordinary shares in the relevant company (because, for example, they have sold them or have had their shares bought back) or do not now hold all the ordinary shares in the relevant company which they originally acquired will suffer a modest loss as a result of the proposed adjustment to the proposed B share mechanism in the Enlarged Company.

**EXPECTED TIMETABLES****EXPECTED TIMETABLE FOR THE COMPANY**III: 5.1.3  
III: 5.2.3(g)

Latest time for receipt of forms of proxy for the Extraordinary General Meeting	4.10 pm on 5 July 2009
Latest time for receipt of forms of proxy for the Ordinary Share Class Meeting	4.20 pm on 5 July 2009
Latest time for receipt of forms of proxy for the B Share Meeting	4.25 pm on 5 July 2009
Extraordinary General Meeting	4.10 pm on 7 July 2009
Ordinary Share Class Meeting	4.20 pm on 7 July 2009
B Share Class Meeting	4.25 pm on 7 July 2009
Special Dividend Record Date	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Effective Date for the transfer of the assets and liabilities of VCT I and VCT II to the Company and the issue of New Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Admission of and dealings in the New Shares to commence	17 July 2009
Certificates for the New Shares despatched	28 July 2009
Special Dividend Payment Date	28 July 2009

III: 4.7  
III: 5.2.4  
III: 5.1.9  
III: 5.2.4  
III: 5.1.8

**EXPECTED TIMETABLE FOR VCT I**III: 5.1.3  
III: 5.2.3(g)

Date from which it is advised that dealings in VCT I Shares should only be for cash settlement and immediate delivery of documents of title	26 June 2009
Latest time for receipt of forms of proxy for the VCT I First Extraordinary General Meeting	3.30 pm on 5 July 2009
Latest time for receipt of forms of proxy for the VCT I B Share Class Meeting	3.40 pm on 5 July 2009
VCT I First Extraordinary General Meeting	3.30 pm on 7 July 2009
VCT I B Share Class Meeting	3.40 pm on 7 July 2009
VCT I Special Dividend Record Date	15 July 2009
Record Date for VCT I shareholders' entitlements under the VCT I Scheme	15 July 2009
VCT I register of members closed	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Dealings in VCT I Shares suspended	7.30 am on 16 July 2009
VCT I Second Extraordinary General Meeting	9.00 am on 16 July 2009
Effective Date for the transfer of the assets and liabilities of VCT I and VCT II to the Company and the issue of New Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Cancellation of the VCT I Shares' listings	17 July 2009
VCT III New Shares despatched	28 July 2009
VCT I Special Dividend payment date	28 July 2009

III: 4.7  
III: 5.2.4  
III: 5.1.9

**EXPECTED TIMETABLE FOR VCT II**III: 5.1.3  
III: 5.2.3(g)

Date from which it is advised that dealings in VCT II Shares should only be for cash settlement and immediate delivery of documents of title	26 June 2009
Latest time for receipt of forms of proxy for the VCT II Extraordinary General Meeting	3.50 pm on 5 July 2009
Latest time for receipt of forms of proxy for the VCT II B Share Class Meeting	4.00 pm on 5 July 2009
VCT II First Extraordinary General Meeting	3.50 pm on 7 July 2009
VCT II B Share Class Meeting	4.00 pm on 7 July 2009
Latest time for receipt of forms of proxy for the VCT II Second Extraordinary General Meeting	9.10 am on 14 July 2009
VCT II Special Dividend Record Date	15 July 2009
Record Date for VCT II shareholders' entitlements under the VCT II Scheme	15 July 2009
VCT II register of members closed	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Dealings in VCT II Shares suspended	7.30 am on 16 July 2009
VCT II Second Extraordinary General Meeting	9.10 am on 16 July 2009
Effective Date for the transfer of the assets and liabilities of VCT I and VCT II to the Company and the issue of New Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Cancellation of the VCT II Shares' listings	17 July 2009
VCT III New Share certificates despatched	28 July 2009
VCT II Special Dividend payment date	28 July 2009

III: 4.7  
III: 5.2.4  
III: 5.1.9

**CORPORATE INFORMATION****Directors**

Peter Menzies Smail (Chairman)  
 Lord Peter Edward Walker  
 John Mark Brimacombe  
 (all of the registered office)

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 Website: www.core-cap.com

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I: 1.1  
 I: 14.1  
 I: 23.1  
 III: 1.1

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I: 5.1.4  
 I: 2.1  
 I: 23.1  
 III: 10.3

**Reporting Accountant**

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XV: 3.4

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## DEFINITIONS

<b>“Admission”</b>	the date on which the New Shares allotted pursuant to the Schemes are listed on the Official List of the UK Listing Authority and	
<b>“AIM”</b>	AIM, the market of that name operated by the London Stock Exchange	
<b>“Annual General Meeting”</b>	the annual general meeting of the Company to be held on 18 June 2009	
<b>“Articles”</b>	the articles of association of the company, as amended from time to time	
<b>“B Share Class Meeting”</b>	the separate meeting of the holders of B Shares to be held on 7 July 2009	
<b>“B Shares”</b>	B ordinary shares of 0.01p in the capital of the Company (and each a B Shares)	III: 4.4
<b>“B Shares Merger Value”</b>	the value of the B Shares calculated in accordance with Part I of this document	
<b>“Board” or “Directors”</b>	the board of directors of the Company	
<b>“Business Days”</b>	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling	
<b>“CA 1985”</b>	Companies Act 1985, as amended	
<b>“CA 2006”</b>	Companies Act 2006, as amended	
<b>“Calculation Date”</b>	the date on which the Merger Values will be calculated, this being 15 July 2009	
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited	
<b>“Catch-up Period”</b>	as defined on page 34	
<b>“Companies Acts”</b>	CA 1985 and CA 2006	
<b>“Company” or “VCT III”</b>	Core VCT III plc	
<b>“Core” or “Investment Manager”</b>	Core Capital LLP, the investment manager to the Company VCT I and VCT II of 103 Baker Street, London W1U 6LN	
<b>“Core VCTs”</b>	together the Company, VCT I and VCT II (and each a “Core VCT”)	
<b>“Deferred Shares”</b>	deferred shares, of 0.01p each in the capital of the Company (and each a “Deferred Share”)	
<b>“Disclosure &amp; Transparency Rules”</b>	the disclosure and transparency rules of the FSA	
<b>“EEA States”</b>	the member states of the European Economic Area	
<b>“Effective Date”</b>	the date on which the Schemes will be completed, anticipated as being 16 July 2009	
<b>“Effective Initial Cost”</b>	an amount equal to the deemed initial cost of 60p per Ordinary Share, taking into account the initial 40 per cent. income tax relief received on the 100p paid per Ordinary Share	
<b>“Enlarged Company”</b>	the Company, following implementation of the Schemes	
<b>“Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company to be held on 7 July 2009	
<b>“FSA”</b>	the Financial Services Authority	
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs	

<b>“Howard Kennedy”</b>	Howard Kennedy, which is authorised and regulated by the Financial Services Authority, is a UKLA registered sponsor and is a member of the London Stock Exchange
<b>“Hurdle Rate Return”</b>	an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares
<b>“IA 1986”</b>	Insolvency Act 1986, as amended
<b>“ICTA 1988”</b>	Income and Corporation Taxes Act 1988, as amended
<b>“IPEVC Guidelines”</b>	the International Private Equity and Venture Capital Valuation Guidelines
<b>“IPO”</b>	initial public offering
<b>“ITA 2007”</b>	Income Tax Act 2007, as amended
<b>“Liquidators”</b>	William Duncan and Jonathan Paul Philmore of Tenon Limited Unit 1, Calder Close, Calder Park, Wakefield, WF4 3BA, being the proposed liquidators for VCT I and VCT II
<b>“Listing Rules”</b>	the listing rules of the UKLA
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Maven”</b>	Maven Capital Partners UK LLP
<b>“Meetings”</b>	the Extraordinary General Meeting, the Ordinary Share Class Meeting and the B Share Class Meeting (and each a “Meeting”)
<b>“Memorandum”</b>	the memorandum of association of the Company
<b>“Merger Regulations”</b>	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
<b>“Merger Values”</b>	the VCT I Ordinary Shares Roll-Over Value, VCT I B Shares Roll-Over Value, VCT II Ordinary Shares Roll-Over Value, VCT II B Shares Roll-Over Value, Ordinary Shares Merger Value and B Shares Merger Value
<b>“NAV” or “net asset value”</b>	net asset value
<b>“New B Shares”</b>	the new B Shares to be issued to VCT I shareholders and VCT II shareholders in accordance with the Schemes (and each a “New B Share”)
<b>“New Ordinary Shares”</b>	the new Ordinary Shares to be issued to VCT I shareholders and VCT II shareholders in accordance with the Schemes (and each a “New Ordinary Share”)
<b>“New Shares”</b>	New Ordinary shares and New B Shares (and each a “New Share”)
<b>“Nominee Holdings”</b>	means the B shares in the relevant Core VCT transferred by Core to the relevant Nominees
<b>“Nominees”</b>	the nominees to which Core transferred its holding in B Shares in the relevant Core VCT
<b>“Official List”</b>	the official list of the UKLA
<b>“Ordinary Share Class Meeting”</b>	the separate meeting of the holders of Ordinary Shares to be held on 7 July 2009
<b>“Ordinary Shares”</b>	ordinary shares of 0.01p each in the capital of the Company (and each an “Ordinary Share”)
<b>“Ordinary Shares Merger Value”</b>	the value of the Ordinary Shares calculated in accordance with Part I of this document

<b>“Proposals”</b>	the proposals to effect the merger by way of the Schemes, and pass the resolutions to be proposed at the Extraordinary General Meeting
<b>“Prospectus Rules”</b>	the prospectus rules of the UKLA
<b>“Prospectus”</b>	this prospectus issued by the Company dated 12 June 2009
<b>“Qualifying Company”</b>	a company satisfying the requirements of Chapter 4 of Part 6 of ITA 2007
<b>“quoted”</b>	quoted on the London stock Exchange’s market for listed securities, AIM or PLUS Markets
<b>“Record Date”</b>	15 July 2009
<b>“Schemes”</b>	the VCT I Scheme and the VCT II Scheme
<b>“Shareholder”</b>	a holder of Shares
<b>“Shares”</b>	the Ordinary Shares and B Shares (and each a “Share”)
<b>“Special Dividend”</b>	the special dividend of the Company of 12p per Ordinary Share payable subject to the Schemes becoming effective
<b>“Special Dividend Payment Date”</b>	the payment date for the Special Dividend, this being 28 July 2009
<b>“Special Dividend Record Date”</b>	the record date for the Special Dividend, this being 15 July 2009
<b>“Statutes”</b>	means every statute (including any orders, regulations or other subordinate legislation made under it ) from time to time in force concerning companies insofar as it applies to the Company
<b>“TCGA 1992”</b>	Taxation of Chargeable Gains Act 1992, as amended
<b>“Transfer Agreements”</b>	the agreement between the Company and VCT I (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT I by the Liquidators to the Company pursuant to the VCT I Scheme and the agreement between the Company and VCT II (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT II by the Liquidators to the Company pursuant to the VCT II Scheme
<b>“UK”</b>	the United Kingdom
<b>“UKLA” or “UK Listing Authority”</b>	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
<b>“unquoted”</b>	private or public companies not quoted on any market or exchange
<b>“VCT” or “venture capital trust”</b>	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
<b>“VCT I”</b>	Core VCT I plc, registered in England and Wales under number 05258348, whose registered office as at One Bow Churchyard, London EC4M 9HH
<b>“VCT I B Share Class Meeting”</b>	the separate meeting of the holders of VCT I B Shares to be held on 7 July 2009
<b>“VCT I B Shares”</b>	B ordinary shares of 1p shares each in the capital of VCT I (and each an “VCT I B Share”)
<b>“VCT I B Shares Roll-Over Value”</b>	the value of the VCT I B Shares calculated in accordance with Part I of this document
<b>“VCT I Board”</b>	the board of directors of VCT I
<b>“VCT I Circular”</b>	the circular to VCT I shareholders dated 12 June 2009

III: 4.4

<b>“VCT I First Extraordinary General Meeting”</b>	the first extraordinary general meeting of VCT I to be held on 7 July 2009
<b>“VCT I Meetings”</b>	the VCT I First Extraordinary General Meeting, the VCT I B Share Class Meeting and the VCT I Second Extraordinary General Meeting
<b>“VCT I Ordinary Shares”</b>	ordinary shares of 1p each in the capital of VCT I (and each an “VCT I Ordinary Share”)
<b>“VCT I Ordinary Shares Roll-Over Value”</b>	the value of VCT I Ordinary Shares calculated in accordance with Part I of this document
<b>“VCT I Scheme”</b>	the proposed merger of the Company with VCT I by means of placing VCT I into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of VCT I assets and liabilities in consideration for New Shares as set out in Part I of this document
<b>“VCT I Second Extraordinary General Meeting”</b>	the second extraordinary general meeting of VCT I to be held on 16 July 2009
<b>“VCT I Shares”</b>	the VCT I Ordinary Shares and VCT I B Shares (and each a VCT I Share)
<b>“VCT I Special Dividend”</b>	the special dividend of 10p per VCT I Ordinary Share payable subject to the Schemes becoming effective
<b>“VCT II”</b>	Core VCT III plc, registered in England and Wales under company number 05572545, whose registered office is One Bow Churchyard, London EC4M 9HH
<b>“VCT II B Share Class Meeting”</b>	the separate meeting of the holders of VCT II B Shares to be held on 7 July 2009
<b>“VCT II B Shares”</b>	B ordinary shares of 0.01p each in the capital of VCT II (and each a “VCT II B Share”)
<b>“VCT II B Shares Roll-Over Value”</b>	the value of the VCT II B Shares calculated in accordance with Part I of this document
<b>“VCT II Board”</b>	the board of directors of VCT II
<b>“VCT II Circular”</b>	the circular to VCT II shareholders dated 12 June 2009
<b>“VCT II First Extraordinary General Meeting”</b>	the first extraordinary general meeting of VCT II to be held on 7 July 2009
<b>“VCT II Meetings”</b>	the VCT II First Extraordinary General Meeting, the VCT II B Share Class Meeting and the VCT II Second Extraordinary General Meeting
<b>“VCT II Ordinary Shares”</b>	ordinary shares of 0.01p each in the capital of VCT II (and each a “VCT II Ordinary Share”)
<b>“VCT II Ordinary Shares Roll-Over Value”</b>	the value of VCT II Ordinary Shares calculated in accordance with Part I of this document
<b>“VCT II Scheme”</b>	the proposed merger of the Company with VCT II by means of placing VCT II into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of VCT II assets and liabilities in consideration for New Shares as set out in Part I of this document
<b>“VCT II Second Extraordinary General Meeting”</b>	the second extraordinary general meeting of VCT II to be held on 16 July 2009
<b>“VCT II Shares”</b>	the VCT II Ordinary Shares and VCT II B Shares (and each an “VCT II” Share)

<b>“VCT II Special Dividend”</b>	the special dividend of 12p per VCT II Ordinary Share payable subject to the Schemes becoming effective
<b>“VCT Value”</b>	the value of an investment calculated in accordance with Section 279 of ITA 2007

## PART I – MERGER OF THE COMPANY, VCT I AND VCT II

### Introduction

III: 3.4

This document has been published in connection with the issue by the Company of New Shares pursuant to the Schemes. Your Board, the VCT I Board and the VCT II Board consider that the interests of the companies' shareholders will be better served by an enlarged single company with a more diverse investment portfolio, reduced annual costs and an increased level of funds available for investment. To achieve this, it is necessary to place VCT I and VCT II into members' voluntary liquidations and for their assets and liabilities to be transferred into the Company in exchange for the issue of New Shares to VCT I and VCT II shareholders. The New Shares are not being offered to the existing Shareholders of the Company or the public, save as may be the case in connection with the Schemes.

### Background

The Core VCTs were established in order to invest in established private companies. As a single VCT can only complete investments, within certain periods, of up to £1 million, the Core VCTs were launched as parallel VCTs in order to facilitate investment in larger transactions. The Core VCTs have now completed 10 investments with an average investment size above £3 million, and a number of investments having been completed of close to or above £5 million.

The Core VCTs each have an innovative incentive structure for the Investment Manager, Core Capital LLP, which provides for no annual management fee and a 30 per cent. share in distributions above 60p per ordinary share, as more fully explained on pages 33-34 of this document. This incentive operates in materially the same way for each of the Core VCTs and following the merger will continue to do so, as more fully explained in on pages 34-35 of this document.

Each of the Core VCTs has completed its initial three year investment period, and they have each invested above 70 per cent. of their assets in VCT qualifying investments in compliance with VCT legislation. Accordingly, there is no need to retain three separate listed vehicles, and this merger is therefore being recommended by the Directors to achieve savings in annual operating costs and thereby enhance the level of dividends that can be paid to shareholders in the future.

### Reasons for combining the Company, VCT I and VCT II

The Company, VCT I and VCT II have the same investment objectives and policies, the same advisers and common investments. All three companies are required to be listed on the Official List, which involves a significant level of fixed costs in listing and related fees and in ensuring that they comply with all relevant legislation. A larger VCT will have lower proportionate costs and is, therefore, able to pay a higher level of dividends to shareholders over its life.

The Board considers that this merger will bring significant benefits to all three groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the three separate companies;
- creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration and management costs;
- the Company being able to pay the Special Dividend as a result of the larger size and lower anticipated proportionate running costs of the Company (this also applies to the VCT I Special Dividend and the VCT II Special Dividend);
- the ability to pay larger distributions in the future due to the increased size and the reduced proportionate running costs; and
- the creation of a single VCT with a greater capital base resulting in an increased flexibility in meeting the various requirements for qualifying VCT status and providing greater investment flexibility.

The merger will be completed on a relative net asset value basis and will be subject to both the Schemes becoming unconditional.

Further, the Board, the VCT I Board and the VCT II Board have all recommended, conditional on the merger being effected, the payment of a special dividend of capital, as follows:

I: 20.7.1

	<b>Proposed special dividend <sup>(1)</sup></b>	<b>Cumulative dividends since inception <sup>(2)</sup></b>	<b>Cumulative dividends including initial income tax relief <sup>(3)</sup></b>
Company	12p	16.5p	56.5p
VCT I	10p	18.1p	58.1p
VCT II	12p	16.5p	56.5p

(1) The proposed special dividends are conditional on the merger being effected

(2) The cumulative distributions made to shareholders, which include the proposed special dividends and the proposed income dividend of 1p per company, which are subject to shareholder approval at the annual general meetings of the relevant companies on 18 June 2009 and are not subject to the merger, are those paid, declared and recommended since the inception of each VCT

(3) Based on an initial income tax relief of 40p per share

The Company was launched in 2005 with the objective of achieving long-term capital and income growth and to distribute tax-free dividends comprising realised gains and investors' capital investment, the policy being to maximise distributions. The investment approach has been to invest capital into management buy-outs and development capital in established private companies alongside VCT I and VCT II. This syndication has allowed the Company to access larger transactions than would otherwise have been the case had it invested independently.

As the funds raised have now predominantly been invested alongside VCT I and VCT II, there no longer remains a need to keep the companies separate in order to access larger transactions.

Following detailed consideration of the portfolio and financial position of VCT I and VCT II, the Board has reached an agreement with the VCT I Board and the VCT II Board to merge with these companies (subject to the conditions set out below). The basis of the merger has been simplified significantly as all three VCTs are managed by Core, have the same investment objectives and policies as the Company, have the same board and advisers and hold common investments.

Although any of the three companies could have acquired the assets and liabilities of the other under such schemes, the Company was selected as the acquirer, because of its marginally greater size in relation to VCT I (and, therefore, a lower stamp duty cost would be incurred on the transfer of the assets and liabilities from VCT I).

The merger of the three companies should result in cost savings and enhanced administrative efficiency. Due to their common features, this is achievable without major additional costs in terms of amalgamating the constitution of the boards and the investment and administrative arrangements of the three companies for the Enlarged Company.

## Merger

The Schemes provide for each of VCT I and VCT II to be placed into members' voluntary liquidation and for their assets and liabilities to be transferred to the Company in consideration for New Shares being issued directly to the shareholders of VCT I and VCT II. Shareholders should note that the merger will be outside the provisions of the City Code on Takeovers and Mergers.

III: 4.1  
III: 4.5  
III: 5.1.2

The VCT I Ordinary Shares and VCT II Ordinary Shares will effectively be merged into the Ordinary Shares of this Company on a relative net asset basis. The number of New Ordinary Shares to be issued to the shareholders of VCT I and VCT II will be calculated by reference to the relative net asset values of the ordinary class of share in each company, such New Shares allocable to each of VCT I and VCT II to be issued *pro rata* to the respective shareholdings in each of VCT I and VCT II.

The VCT I B Shares and VCT II B Shares will effectively be merged into the B Shares of the Company by issuing New B Shares which will represent, together with the existing B Shares in issue, 40 per cent. of the Share capital of the Enlarged Company immediately following the issue of New Shares pursuant to the Schemes. The New B Shares will be issued between VCT I and VCT II proportionally by reference to the New Ordinary Shares allocable to their respective shareholders and then, in respect of VCT I, *pro rata* to holdings of VCT I B Shares and, in respect of VCT II, 75 per cent. to the Nominees and the balance *pro rata* to the other holdings of VCT II B Shares.

Details of the terms of the Schemes are set out below.

Following the transfer, the listing of the VCT I Shares and VCT II Shares will be cancelled and VCT I and VCT II will be wound up.

A brief summary of the VCT I and VCT II investment portfolio as at 30 April 2009 is as follows:

Net asset value	VCT I		VCT II	
	Number of investments	Value (£'000)*	Number of Investments	Value (£'000)*
Unquoted portfolio	8	8,507	10	13,216
Other investments	10	1,151	13	1,825

(\*As extracted from the unaudited management accounts of VCT I and VCT II to 30 April 2009)

### Investment Manager Incentives

Shareholders will be aware that a principal feature of the Company is its innovative capital structure, ensuring that Core is only rewarded once shareholders have been returned all of their effective initial capital, including income tax relief. This is achieved through a unique performance only structure achieved by the issue of the B Shares, whereby the Investment Manager's rewards are based only on distributions to Shareholders, and only start once Shareholders have received all their original capital back, (taking into account the initial 40 per cent. income tax relief), and subject to a hurdle rate of 5 per cent. per annum.

The B Shares issued represent 60 per cent. of the issued share capital of the Company; 50 per cent. of which were issued to the Investment Manager (now being held by the Nominees) with the balance being issued to the subscribers of Ordinary Shares.

The holders of B Shares are currently entitled to receive 60 per cent. of all income and capital distributions once 60p per share has been returned to the holders of Ordinary Shares. This is achieved through the following mechanism:

- first, the holders of Ordinary Shares are entitled to all distributions until such time as the Effective Initial Cost has been returned per Ordinary Share in addition to the Hurdle Rate Return;
- then, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 150 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p per share (i.e. an equalisation payment ("Catch-up Period") in order to give the holders of B Shares 60 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 40 per cent. being distributed to the holders of Ordinary Shares and 60 per cent. being distributed to the holders of B Shares.

This mechanism effectively provides Core with a carried interest right to receive 30 per cent. of all distributions above 60p but only after the holders of Ordinary Shares have received their Effective Initial Cost and subject to the Hurdle Rate Return being achieved.

This mechanism is mirrored in VCT II. This is achieved in a similar way in VCT I through the VCT I B Shares representing 40 per cent. of the issued share capital but with Core having been issued with 75 per cent. of the VCT I B Shares (now held by the Nominees).

This carried interest right in the three VCTs will be combined for the Enlarged Company using the VCT I structure (ie the B Shares will, following the merger, represent 40 per cent. of the aggregate issued share capital, 75 per cent. of which will be attributable to Core (through the holdings of the Nominees).

As a result of the merger and to amalgamate the B share mechanisms from the three companies, adjustments will need to be made to the B Share mechanism in the Company.

Firstly and, at the same time as the Schemes are implemented, an adjustment to the existing number of B Shares will be made so that such remaining number represents the same proportion as the existing Ordinary Shares will represent of the aggregate Ordinary Shares in the Enlarged Company. The existing holdings in B Shares will then be adjusted to achieve 75 per cent. of the B Shares being attributable to

Core (through the holdings of the Nominees) and the balance being held by the other holders of B Shares.

These adjustments will be effected by redesignating the relevant proportion of each holding of B Shares into Deferred Shares having nominal rights and being capable of being bought back by the Company for a nominal sum. This will take place immediately following the re-designation into Deferred Shares.

Secondly, amendments to the definitions of 'Catch-up Period', the 'Effective Initial Cost' and 'Hurdle Rate Return' in the Articles are required to reflect the combined structure and performance to date as follows:

- an amount of the Effective Initial Cost will be deemed to have been distributed per Ordinary Share in issue after the merger (this being an amount equal to the weighted average per share distribution (by reference to the net assets of the companies as at the Effective Date) of all distributions paid, declared or recommended by each company, including the special dividends detailed herein ("Average Weighted Per Share Distribution");
- the Hurdle Rate Return will be amended to an amount arrived at by (i) applying the existing 5 per cent. hurdle in each company taking into account distributions paid, declared and recommended (including the special dividends detailed herein) and the number of Ordinary Shares in issue following the merger, in each case on the Effective Date ("Existing Hurdle"), plus (ii) an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares; and
- the Catch-up Period will be amended so that all income and capital shall be distributed or returned to the holders of B Shares until they have received an amount equal to 66.667 per cent. of the amount distributed to the holders of Ordinary Shares.

The B Share mechanism for the Company will as a result, following the merger, apply as follows;

- first, the holders of Ordinary Shares will be entitled to all distributions until such time as 60p has been returned per Ordinary Share (of which the Average Weighted Per Share Distribution will be deemed to have been satisfied), plus an amount equal to the Existing Hurdle plus 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares in excess of 60p share;
- second, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 66.6667 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p share (i.e. an equalisation payment in order to give the holders of B Shares 40 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 60 per cent. being distributed to the holders of Ordinary Shares and 40 per cent. being distributed to the holders of B Shareholders.

An announcement will be made detailing the amount by which the Effective Initial Cost is deemed met and the revised Hurdle Rate Return following the Schemes being effected. Whilst these adjustments may have the affect of marginally accelerating the potential date of receipt of the Investment Manager's incentive during the period of the equalisation payment, it will not affect the amount of the total payment once the hurdle rate has been fully achieved.

The Board believes that the above represents an appropriate and fair incentive scheme for the Enlarged Company and preserves the fundamental economics of the existing incentive schemes currently in place for each of VCT I, VCT II and the Company, namely that the Investment Manager is entitled to 30 per cent. of distributions in excess of 60p subject to achieving the Hurdle Rate Return.

## Conditionality

The Schemes are conditional upon:

- the passing of Resolution 1 to be proposed at the Extraordinary General Meeting and the resolutions to be proposed at the Ordinary Share Class Meeting and the B Share Class Meeting;
- notice of dissent not having been received from shareholders of each of VCT I and VCT II holding more than 2 per cent. in nominal value of the issued share capital of their relevant company under Section 111 IA 1986 (this condition may be waived by the board of the relevant company, as necessary);
- the passing of the resolutions to be proposed at the VCT I Meetings and the VCT II Meetings; and
- both the VCT I Scheme and the VCT II Scheme becoming unconditional.

III: 5.2.3(g)  
III: 5.1.1

## Terms of the Scheme

On or immediately prior to the Effective Date, Maven (on the instruction of the Liquidators) shall calculate the Merger Values as set out below.

III: 5.3.1  
III: 5.3.2

On the Effective Date, the Liquidators will receive all the cash, undertakings and other assets and liabilities of VCT I and VCT II will deliver to the Company in respect of each of VCT I and VCT II:

- particulars of all of the assets and liabilities;
- a list certified by the registrars of the names and addresses of, and the number of shares of each class held by, each of the shareholders on the register at 5.00 p.m. on the Record Date;
- an estimate of the winding-up costs which will form part of the costs of the Schemes; and
- the amount estimated to be required to purchase the holdings of any dissenting shareholders.

On the Effective Date, the Company shall enter into the Transfer Agreements (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators shall procure the transfer of all of the assets and liabilities of VCT I and VCT II to the Company in exchange for the issue of New Shares (fully paid) to the shareholders of VCT I and VCT II on the basis set out below.

In further consideration of such transfer of assets and liabilities of VCT I and VCT II to the Company, the Company will, pursuant to the Transfer Agreements, undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Schemes, the winding-up of VCT I and VCT II and the purchase for cash of any holdings of dissenting VCT I and VCT II shareholders.

For the purposes of calculating the Merger Values and the number of New Shares to be issued, the following provisions shall apply:

### VCT I

The VCT I Ordinary Shares Roll-Over Value shall be calculated as:

$$\frac{(A + B + C) - (D + E)}{F}$$

where:

- A = the unaudited net asset value of the VCT I Ordinary Shares as at 30 April 2009, calculated in accordance with VCT I's normal accounting policies;
- B = any increase/decrease in the valuations of: (i) quoted investments held by VCT I in securities listed on a recognised stock exchange (including AiM and the PLUS markets) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by VCT I where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by VCT I following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment;

- C = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the VCT I Ordinary Shares (including dividends declared but not paid) and/or to reflect the merger being completed on a fair and equitable basis;
- D = VCT I's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes plus £15,000 (representing an amount of contingency to cover any unforeseen additional costs incurred by the Company, which will indemnify the Liquidators in respect of all costs of VCT I following the transfer on the Effective Date);
- E = the amount estimated to be required to purchase the holdings of VCT I Ordinary Shares from dissenting VCT I shareholders; and
- F = the number of VCT I Ordinary Shares in issue following close of business on the Record Date (save for any VCT I Ordinary Shares held by dissenting VCT I shareholders).

The VCT I B Shares Roll-Over Value shall be the nominal value thereof.

### **VCT II**

The VCT II Ordinary Shares Roll-Over Value shall be calculated as:

$$\frac{(G + H + I) - (J + K)}{L}$$

where:

- G = the unaudited net asset value of the VCT II Ordinary Shares as at 30 April 2009, calculated in accordance with VCT II's normal accounting policies;
- H = any increase/decrease in the valuations of: (i) quoted investments held by VCT II in securities listed on a recognised stock exchange (including AiM and the PLUS markets) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by VCT II where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by VCT II following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment;
- I = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the VCT II Ordinary Shares (including dividends declared but not paid) and/or to reflect the merger being completed on a fair and equitable basis;
- J = VCT II's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes plus £15,000 (representing an amount of contingency to cover any unforeseen additional costs incurred by the Company, which will indemnify the Liquidators in respect of all costs of VCT II following the transfer on the Effective Date);
- K = the amount estimated to be required to purchase the holdings of VCT II Ordinary Shares from dissenting VCT II shareholders; and
- L = the number of VCT II Ordinary Shares in issue following close of business on the Record Date (save for any VCT II Ordinary Shares held by dissenting VCT II shareholders).

The VCT II B Shares Roll-Over Value shall be the nominal value thereof.

**The Company**

The Ordinary Shares Merger Value shall be calculated as follows:

$$\frac{(M + N + O) - (P)}{Q}$$

where:

- M = the unaudited net asset value of the Ordinary Shares as at 30 April 2009, calculated in accordance with the Company's normal accounting policies;
- N = any increase/decrease in the valuations of: (i) quoted investments held by the Company in securities listed on a recognised stock exchange (including AiM and the PLUS markets) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by the Company where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by the Company following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment;
- O = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the Company's Ordinary Shares (including any dividends declared or announced but not paid) and/or to reflect the merger being completed on a fair and equitable basis;
- P = the Company's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes; and
- Q = the number of the Company's Ordinary Shares in issue following close of business on the Record Date.

The B Shares Merger Value shall be the nominal value thereof.

**New Ordinary Shares**

The number of New Ordinary Shares to be issued to VCT I shareholders (save for any VCT I Ordinary Shares held by dissenting VCT I shareholders) shall be calculated as follows:

$$\left(\frac{R}{S}\right) \times T$$

Where:

- R = the VCT I Ordinary Shares Roll-Over Value;
- S = the Ordinary Shares Merger Value; and
- T = the number of VCT I Ordinary Shares in issue as at close of business on the Record Date (save for any VCT I Ordinary Shares held by dissenting VCT II shareholders).

The number of New Ordinary Shares to be issued to VCT II shareholders (save for any VCT II Ordinary Shares held by dissenting VCT I shareholders) shall be calculated as follows:

$$\left(\frac{U}{V}\right) \times W$$

Where:

- U = the VCT II Ordinary Shares Roll-Over Value;
- V = the Ordinary Shares Merger Value; and
- W = the number of VCT II Ordinary Shares in issue as at close of business on the Record Date (save for any VCT II Ordinary Shares held by dissenting VCT I shareholders).

**New B Shares**

The number of New B Shares ("Z") to be issued shall be calculated as follows:

$$X \times 0.6667$$

where:

X = the Ordinary Shares in issue on the Record Date plus the New Ordinary Shares to be issued pursuant to the Schemes

The New Shares to be issued pursuant to the Schemes shall be issued directly to VCT I and VCT II shareholders (save for any dissenting shareholders in VCT I or VCT II) on instruction of the Liquidators as follows:

- (i) in respect of the New Ordinary Shares to be issued to VCT I shareholders, *pro rata* to the holders (other than dissenting shareholders in VCT I) of VCT I Ordinary Shares (for these purposes disregarding the VCT I Ordinary Shares held by dissenting shareholders in VCT I) on the Record Date;
- (ii) in respect of the New Ordinary Shares to be issued to VCT II shareholders, *pro rata* to the holders (other than dissenting shareholders in VCT II) of VCT II Ordinary Shares (for these purposes disregarding the VCT II Ordinary Shares held by dissenting shareholders in VCT II) on the Record Date;
- (iii) in respect of the New B Shares to be issued:
  - (a) ZA of the New B Shares shall be issued to the holders of VCT I B Shares (other than dissenting shareholders in VCT I) *pro rata* to their holdings of VCT I B Shares (for these purposes disregarding the VCT I B Shares held by dissenting shareholders in VCT I) on the Record Date; and
  - (b) ZB of the New B Shares shall be issued to the holders of VCT II B Shares (other than dissenting shareholders of VCT II) as follows:-
    - 75 per cent. to the relevant Nominees in VCT I (*pro rata* to their relevant Nominee Holdings in VCT I as at close of business on the day before the Effective Date); and
    - 25 per cent. to the holders of VCT II B Shares (other than the relevant Nominees in VCT II in respect of the relevant Nominee Holdings in VCT II and the dissenting shareholders of VCT II) *pro rata* to their holdings of VCT II B Shares (for these purposes disregarding the relevant Nominee Holdings in VCT II and the VCT II B Shares held by dissenting shareholders in VCT II) on the Record Date

and for those purposes ZA and ZB shall be calculated as follows:

$$ZA = Z \times \left( \frac{RA}{UA} \right)$$

$$ZB = Z \times \left( \frac{TA}{UA} \right)$$

where:

Z = the number of B Shares in issue following completion of the merger;

RA = the number of New Ordinary Shares issued to holders of VCT I Ordinary Shares;

TA = the number of New Ordinary Shares issued to holders of VCT II Ordinary Shares; and

UA = the total number of Ordinary Shares in issue following completion of the merger.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

The New Shares will be issued in registered form. New Shares are eligible for electronic settlement and can be held within the CREST system. If, following issue, recipients of New Shares pursuant to the Schemes should wish to hold their New Shares in uncertificated form they should contact their stockbroker.

Application has been made to the UKLA for the New Shares to be listed on the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its market for listed securities. The New Shares will rank *pari passu* with the existing issued Ordinary Shares and B Shares (as applicable) from the date of issue.

III: 6.1  
III: 6.2  
III: 4.5

### Effect of the Schemes

As at 30 April 2009, the unaudited NAV of the Ordinary Shares (taken from the management accounts of the Company to 30 April 2009) was £16.6 million and the Ordinary Shares Merger Value (this being the unaudited NAV of the Ordinary Shares as at 30 April 2009 plus adjustments in relation to the dividends to be paid and the Schemes less its *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £174,000), had the Schemes been implemented on that date, would have been 86.8p. The B Shares Merger Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of Ordinary Shares in the Company for any value to be attributable to the B Shares.

As at 30 April 2009, the unaudited NAV of the VCT I Ordinary Shares (taken from the management accounts of VCT I to 30 April 2009) was £9.9 million and the VCT I Ordinary Shares Roll-Over Value (this being the unaudited NAV of the VCT I Ordinary Shares as at 30 April 2009 plus adjustments in relation to dividends to be paid and the Schemes less VCT I's *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £119,000), had the Schemes been implemented on that date, would have been 79.6p (assuming no dissenting VCT I Shareholders). The VCT I B Shares Merger Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of VCT I Ordinary Shares for any value to be attributable to the VCT I B Shares.

As at 30 April 2009, the unaudited NAV of the VCT II Ordinary Shares (taken from the management accounts of VCT II to 30 April 2009) was £16.7 million and the VCT II Ordinary Shares Roll-Over Value (this being the unaudited NAV of the VCT II Ordinary Shares as at 30 April 2009 plus adjustments in relation to dividends to be paid and the Schemes less VCT II's *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT II as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £190,000), had the Schemes been implemented on that date, would have been 87.3p (assuming no dissenting VCT II Shareholders). The VCT II B Shares Merger Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of VCT II Ordinary Shares for any value to be attributable to the VCT II B Shares.

The number of New Ordinary Shares to be issued to the shareholders of VCT I and VCT II will be calculated by reference to the relative values of the ordinary class of shares in each company. Such New Shares will be issued *pro-rata* to shareholders on the register of members of VCT I and VCT II on the Record Date (other than dissenting shareholders in VCT I and VCT II).

The number of New B Shares will represent 40 per cent. of the Share capital of the Enlarged Company immediately following the issue of New Shares pursuant to the Schemes. The New B Shares will be issued as to 75 per cent. to the Investment Manager and the balance *pro rata* to holders of VCT I Ordinary Shares and VCT II Ordinary Shares on the Record Date (other than dissenting shareholders in VCT I and VCT II) in the same proportions as the Ordinary Shares under the Schemes are to be issued to each of them.

Further information on the expected financial position of the Enlarged Company following implementation of the Schemes is set out in Part V of this document.

### Taxation

The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice. The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities.

The implementation of the Schemes should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares. It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Schemes so as to continue to qualify as a VCT.

The redesignation of B Shares to Deferred Shares and subsequent repurchase by the Company shall not constitute a disposal of such shares for UK capital gains tax purposes. Shareholders should, for UK tax purposes, effectively be able to treat the remaining B Shares as representing the original holding in full, such shares continue to be regarded as VCT qualifying shares for qualifying shareholders. Clearances to this effect have been obtained from HMRC.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

### ***Receipt by VCT I and VCT II shareholders of New Shares under the Schemes***

The effective exchange of existing VCT I Shares and VCT II Shares for New Shares will not constitute a disposal of the existing VCT I Shares and VCT II Shares for the purposes of UK taxation. Instead, the new holding of New Shares will be treated as having been acquired at the same time and at the same cost as the existing VCT I Shares and VCT II Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing VCT I and/or VCT II Shares will not, therefore, be crystallised but will be transferred to the New Shares. Existing VCT I Share certificates and VCT II Share certificates will no longer be valid and VCT I and VCT II shareholders will receive a New Share certificate in respect of the New Shares issued pursuant to the Schemes.

For VCT I and VCT II shareholders holding (together with their associates) more than 5 per cent. in either of the VCT I Shares in issue or VCT II Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the VCT I Shares in issue or VCT II Shares in issue will also apply to them.

Shareholders in the Company, as a VCT, will be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders will continue to receive tax-free dividends and will not be subject to UK taxation on any capital gains on the disposal of Shares.

### ***Dissenting VCT I and VCT II Shareholders***

Dissenting VCT I and VCT II shareholders' holdings will be purchased for cash at the 'break value' of the relevant class, which will be an estimate of the amount a shareholder of VCT I or VCT II would receive in an ordinary winding-up of the relevant company if all the assets of that company had to be realised. The break value is expected to be significantly below the estimated relevant Merger Values.

Dissenting VCT I and VCT II shareholders whose respective VCT I Shares and VCT II Shares are purchased shall be treated as having disposed of their existing VCT I Shares and VCT II Shares. VCT I and VCT II will still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations and the dissenting VCT I and VCT II shareholders will not be subject to any UK taxation in respect of any capital gains arising on disposal under the Schemes. However, the purchase will constitute a disposal of the existing holding in VCT I Shares and VCT II Shares and a dissenting VCT I and VCT II shareholder will be liable to pay any capital gains tax deferred by such dissenting VCT I and VCT II shareholder on the original subscription.

### ***The Company***

The implementation of the Schemes should not affect the status of the Company as a VCT or the tax reliefs obtained by Shareholders on subscription of existing Shares.

### ***Clearances***

Clearance has been obtained from HMRC in respect of the Schemes under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New Shares will not, except in the case of dealers, be regarded as an income receipt for the purposes of UK taxation.

Clearance has been received from HMRC that the Schemes meets the requirements of the Merger Regulations and as such the receipt by VCT I and VCT II shareholders of New Shares will not prejudice tax reliefs obtained by VCT I and VCT II shareholders on existing VCT I Shares and VCT II Shares.

***Stamp Duty and Stamp Duty Reserve Tax***

No UK stamp duty or stamp duty reserve tax will be payable by VCT I and VCT II shareholders as a result of the implementation of the Schemes.

## PART II – INFORMATION ON THE COMPANY

I: 6.1.1

### Constitution and Status

The Company was incorporated and registered in England and Wales on 23 September 2005 with limited liability as a public limited company under CA 1985 with the name Core VCT III plc and with registered number 05572561. A resolution has been proposed that, subject to the Schemes becoming effective, the name of the Company be changed to Core VCT plc.

The Company was issued with a trading certificate under section 117 of CA 1985 on 11 October 2005.

The Company operates under the Companies Acts and the regulations made thereunder.

VCTs are unregulated but are required to manage their affairs to obtain and maintain approval as a VCT under the provisions of chapter 3 of Part 6 of ITA 2007. HMRC has granted approval of the Company as a VCT under section 259 of ITA 2007 for the period ended 31 December 2008.

The business of the Company has been, and it is intended will be, carried on so as to continue to comply with that section to maintain full approval.

The Company is not authorised and/or regulated by the FSA or an equivalent overseas regulator. The Company's Shares are listed on the Official List.

### Selected Financial Information

Certain selected financial information is set out below:

I: 3.1  
I: 9.1

	Period from 23 September 2005 to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008
Investment Income and deposit interest	£513,457	£481,618	£443,681
Revenue return on ordinary activities before taxation	£317,095	£364,230	£221,491
Revenue return per Ordinary Share	1.65p	2.10p	1.08p
Revenue return per B Share	—	—	—
Dividends per Ordinary Share*	—	1.5p	2.0p
Dividends per B Share	—	—	—
Net assets	£16,026,755	£16,940,878	£13,071,589
NAV per Ordinary Share	97.17p	102.59p	79.15p
NAV per B Share	0.01p	0.01p	0.01p

I: 20.7.1

XV: 8.3

\*paid this year

As at 30 April 2009, the unaudited NAVs of the Ordinary Shares and B Shares (taken from the management accounts of the Company to 30 April 2009) were 100.8p and 0.01p respectively.

### Board of Directors

I: 14.1

The Company has the same three non-executive directors as that of VCT I and VCT II. As a consequence, following completion of the Schemes the future composition of the Board will remain the same.

The Board has overall responsibility for the Company's affairs, including approving valuations and NAVs (determined by Core and Maven respectively), and, together, its members have significant relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies.

The Directors are:

#### Peter Smail (Chairman)

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 through 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 plc, an innovative international investment business, and was appointed a director of Fairfax Investment Management Limited.

### **The Rt. Hon. Lord Walker of Worcester**

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, Caparo Group Limited and 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.

### **John Brimacombe**

John is managing director of Jobstream Group plc and an operating partner of Sussex Place Ventures LLP. 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 Company, VCT I and VCT II.

### **Corporate Governance and Board Committees**

The Board has adopted the Association of Investment Companies Code of Corporate Governance ("AIC Code") for the year ended 31 December 2008. The AIC Code addresses all principles set out in the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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; and
- 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 Core and Maven, and 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.

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

I: 16.4  
I: 16.3

with the requirements of the Companies Acts, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a public company. 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 whole. The Board, through Core, 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 AIC 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 (Peter Smaill) and the Board are involved at an early stage in the process of structuring the launch of any offers that may be agreed by the Board.

### **Investment Manager**

The Company's investment manager is Core, the same investment manager as that of both VCT I and VCT II, which will continue to provide investment management services to the Enlarged Company. The Investment Manager has substantial experience in identifying, investing in, monitoring and subsequently exiting from companies of the size and type qualifying for VCT investment.

XV: 3.4

The Enlarged Company will continue to be managed by Core under the Company's existing management arrangement (which are in all material respects the same as those with VCT I and VCT II).

Core, formerly Core Growth Capital LLP, (telephone 0207 317 0155) was incorporated and registered in England and Wales on 17 March 2004 as a limited liability partnership with registered number OC307285. Core's registered office is at Caparo House, 103 Baker Street, London W1U 6LN and it is authorised and regulated by the FSA to provide investment management services. The principal legislation under which it operates is the Limited Liability Partnership Act 2000 and the provisions of the Companies Acts relevant to limited liability partnerships (and regulations made thereunder).

XV: 4.1

### **Investment Objective**

The Company's objective is to achieve long-term capital and income growth and to distribute tax free dividends comprising realised gains and investors' capital investment.

XV: 1.1

### **Investment Policy**

The Company's policy is to invest in a diversified portfolio of unquoted growth-orientated companies across a broad range of industries, with a particular emphasis on management buy-outs and development capital for expansion or acquisition funding for established companies.

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 Core;
- 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 Core so as to gain more significant influence in the investment and to facilitate investment in larger companies which may reduce the risk compared to investing in smaller companies; and
- 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.

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.

The Company's portfolio, as with VCT I's and VCT II's portfolio, is managed in order to meet the investment requirements of section 274 ITA that, *inter alia*, require at least 70 per cent. of the investments to be qualifying holdings, of which 30 per cent. must be in eligible shares. Subject to maintaining a prudent margin of safety over the 70 per cent. level, the Company's remaining assets may be invested in cash or money market deposits, fixed interest securities, unit trusts or UK listed securities without regard to the market capitalisation of such companies. The Enlarged Company will not invest more than 15 per cent. of its assets in any one company.

The investment policy of the Enlarged Company will be the same as it is for the Company.

I: 5.2.3

### **Custody Arrangements**

The Company's unquoted assets are held in the Company's own name, and in this capacity, is responsible for ensuring safe custody and dealing and settlement arrangements.

XV: 5.1

The Company has appointed Credit Suisse, a private limited company registered (and domiciled) in England & Wales and incorporated on 11 April 1986, with registered number 02009520, having its registered office at Five Cabot Square London E14 4QR (telephone 0207 888 1000) with the principle legislation under which it operates being the Companies Acts and regulations made thereunder and being authorised and regulated by the FSA as custodian in relation to such cash assets and fixed interest securities.

I: 20.7

### **Dividend Policy**

VCTs, unlike other collective investment vehicles, are able to distribute both income and realised capital profits to shareholders by way of tax free dividends.

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

### **Special Dividend**

The Board has declared a Special Dividend of 12p per Ordinary Share, subject to the Schemes becoming effective. This Special Dividend will, if it becomes payable, be paid, to Shareholders on the register on 15 July 2009, (the Special Dividend Record Date) on 28 July 2009 (the Special Dividend Payment Date).

The VCT I Board and the VCT II Board have declared the VCT I Special Dividend and the VCT II Special Dividend on the same basis.

### **Investment Portfolios**

As at 30 April 2009 (the most recent practicable date prior to the publication of this document), the investment portfolio of the Company comprised 22 investments in with a value of £15.0 million, details of which can be found in the unaudited information contained in Part VI of this document.

As at 30 April 2009 (the most recent practicable date prior to the publication of this document), the investment portfolio of VCT I comprised 18 investments with a value of £9.7 million, details of which can be found in the unaudited information contained in Part VI of this document.

As at 30 April 2009 (the most recent practicable date prior to the publication of this document), the investment portfolio of VCT II comprised 23 investments with a value of £15.0 million, details of which can be found in the unaudited information contained in Part VI of this document.

## Fees and Expenses

In October 2005, Core entered into a management agreement to provide investment management services to the Company in respect of its portfolio of qualifying investments for an initial period of four years.

The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial four year period. The management agreement will be terminable by Core in the event of, *inter alia*, the Company committing a material breach of the management agreement and if the breach is capable of remedy and the Company fails to rectify the same within 30 days of being requested to do so and, by Core, if the Company fails to become or ceases to be a VCT for tax purposes or if the Company goes into liquidation or has a receiver or administrator appointed over it or any of its undertakings and assets. The management agreement may also be terminated for cause.

If the management agreement is terminated for cause then the B Shares shall be re-designated into Deferred Shares. This is to ensure that the members of Core effectively lose the right to receive any carried interest/performance incentive and would provide funds out of which the Board could employ alternative managers. Any assets attributable to the Deferred Shares in excess of their par value of 0.01p immediately prior to such resignation, would accrue to the Ordinary Shares.

No fees are payable by the Company to Core in respect of the management of the portfolio of qualifying investments. Core will in place receive a management performance fee through the B Shares as described below.

The Investment Manager has also agreed to limit the operating costs, excluding trail commission and professional and advisers' fees relating to any transaction which does not proceed to completion, to an amount not to exceed 1.5 per cent. of gross funds raised (this to be gross funds raised across the Core VCTs post merger).

However, in line with common practice in the private equity industry, Core retains the right to charge arrangement fees, for example, when Core acts on behalf of a VCT it manages as the leading or sole institutional investor, and monitoring fees, where appropriate, from portfolio companies in which its VCTs invest. The Company is responsible for any external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion – such fees are payable in addition to the administration expenses of the Company. The management agreement also contains provisions indemnifying Core against any liability, not due to its default, in respect of any negligence or fraud.

Maven provide company secretarial and administration services to the Company for a fee of £55,000 per annum inclusive of VAT. Maven have agreed to a revised fee of £115,000 per annum inclusive of VAT for the Enlarged Company representing a reduction in the current fees paid across the Company, VCT I and VCT II of £32,000 per annum.

The remuneration payable to the Board will, following the merger, increase from £19,500 to £58,500, however, this will represent a reduction in the aggregate fees payable across the boards of the Core VCTs from £78,000 to £58,500.

## Investment Manager Incentives

Shareholders will be aware that a principal feature of the Company is its innovative capital structure, ensuring that Core is only rewarded once shareholders have been returned all of their effective initial capital, including income tax relief. This is achieved through a unique performance only structure achieved by the issue of the B Shares, whereby the Investment Manager's rewards are based only on distributions to Shareholders, and only start once Shareholders have received all their original capital back, (including the initial 40 per cent. income tax relief), and subject to a hurdle rate of 5 per cent. per annum.

The B Shares issued represent 60 per cent. of the issued share capital of the Company; 50 per cent. of which were issued to the Investment Manager (now being held by the Nominees) with the balance being issued to the subscribers of Ordinary Shares.

The holders of B Shares are currently entitled to receive 60 per cent. of all income and capital distributions once 60p has been returned to the holders of Ordinary Shares. This is achieved through the following mechanism:

- first, the holders of Ordinary Shares are entitled to all distributions until such time as the Effective Initial Cost has been returned per Ordinary Share in addition to the Hurdle Rate Return;

- then, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 150 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p per share (i.e. an equalisation payment (“Catch-up Period”) in order to give the holders of B Shares 60 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 40 per cent. being distributed to the holders of Ordinary Shares and 60 per cent. being distributed to the holders of B Shares.

This mechanism effectively provides Core with a carried interest right to receive 30 per cent. of all distributions above 60p but only after the holders of Ordinary Shares have received their Effective Initial Cost and subject to the Hurdle Rate Return being achieved.

This mechanism is mirrored in VCT II. This is achieved in a similar way in VCT I through the VCT I B Shares representing 40 per cent. of the issued share capital but Core having been issued with 75 per cent. of the VCT I B Shares (now held by the Nominees).

This carried interest right in the three VCTs will be combined for the Enlarged Company using the VCT I structure (ie the B Shares will, following the merger, represent 40 per cent. of the aggregate issued share capital, 75 per cent. of which will be attributable to Core (through the holdings of the Nominees).

As a result of the merger and to amalgamate the B share mechanisms from the three companies, adjustments will need to be made to the B Share mechanism in the Company.

Firstly and, at the same time as the Schemes are implemented, an adjustment to the existing number of B Shares will be made so that such remaining number represents the same proportion as the existing Ordinary Shares will represent of the aggregate Ordinary Shares in the Enlarged Company. The existing holdings in B Shares will then be adjusted to achieve 75 per cent. of the B Shares being held attributable to Core (through the holdings of the Nominees) and the balance being held by the other holders of B Shares.

These adjustments will be effected by redesignating the relevant proportion of each holding of B Shares into Deferred Shares having nominal rights and being capable of being bought back by the Company for a nominal sum. This repurchase will take place immediately following the re-designation into Deferred Shares.

Secondly, amendments to the definitions of ‘Catch-up Period’, the ‘Effective Initial Cost’ and ‘Hurdle Rate Return’ in the Articles are required to reflect the combined structure and performance to date as follows:

- an amount of the Effective Initial Cost will be deemed to have been distributed per Ordinary Share in issue after the merger (this being an amount equal to the weighted average per share distribution (by reference to the net assets of the companies as at the Effective Date) of all distributions paid, declared or recommended by each company, including the special dividends detailed herein (“Average Weighted Per Share Distribution”);
- the Hurdle Rate Return will be amended to an amount arrived at by (i) applying the existing 5 per cent. hurdle in each company taking into account distributions paid, declared and recommended (including the special dividends detailed herein) and the number of Ordinary Shares in issue following the merger, in each case on the Effective Date (“Existing Hurdle”), plus (ii) an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares; and
- the Catch-up Period will be amended so that all income and capital shall be distributed or returned to the holders of B Shares until they have received an amount equal to 66.667 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p per share.

The B Share mechanism for the Company will as a result, following the merger, apply as follows;

- first, the holders of Ordinary Shares will be entitled to all distributions until such time as 60p has been returned per Ordinary Share, of which the Average Weighted Per Share Distribution will be deemed to have been satisfied, plus an amount equal to the Existing Hurdle plus 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares;

- second, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 66.6667 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p per share (i.e. an equalisation payment in order to give the holders of B Shares 40 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 60 per cent. being distributed to the holders of Ordinary Shares and 40 per cent. being distributed to the holders of B Shareholders.

An announcement will be made detailing the amount by which the Effective Initial Cost is deemed met and the revised Hurdle Rate Return following the Schemes being effected.

Whilst these adjustments may have the affect of marginally accelerating the potential date of receipt of the Investment Manager's incentive during the period of the equalisation payment, it will not affect the amount of the total payment once the hurdle rate has been fully achieved.

The Board believes that the above represents an appropriate and fair incentive scheme for the Enlarged Company and preserves the fundamental economics of the existing incentive schemes currently in place for each of VCT I, VCT II and the Company, namely that the Investment Manager is entitled to 30 per cent. of distributions in excess of 60p.

### **Cost Savings**

For the year ended 31 December 2008, total administrative expenditure for the Company was £230,000 (representing 1.76 per cent. of the Company's net asset value as at that date) and for all three entities was £680,000 (representing approximately 2.02 per cent. of their combined net asset value as at the same date).

For the year to 31 December 2009, total administrative expenditure for the separate entities is forecast to be approximately £254,000 for the Company, £218,000 for VCT I and £261,000 for VCT II if the companies were to continue to operate as separately listed legal entities. The Board, VCT I Board and VCT II Board consider that this level of administrative expenditure would not provide good value to any group of shareholders.

The aggregate anticipated cost of undertaking the Schemes is approximately £453,000, including VAT, legal and professional fees, stamp duty and the costs of winding up VCT I and VCT II. The costs of the Schemes will be split proportionally between the Company, VCT I and VCT II by reference to their relative unaudited NAVs as at 30 April 2009. Following completion of the Schemes, annual cost savings for the Enlarged Company of at least £187,000 per annum (representing 0.50 per cent. per annum of the expected net assets of the Enlarged Company) are anticipated to be achieved. On this basis, the Board believes that the costs of the merger would be recovered within three years.

### **VCT Status Monitoring**

PricewaterhouseCoopers LLP is the Company's VCT status adviser. It carries out reviews of the Company's investment portfolios to ensure continuing compliance and, when requested to do so by the Board or Core, reviews prospective investments to ensure that they are VCT qualifying investments.

The VCT tax implications of the Schemes have been advised upon by Martineau.

### **Duration of the Company**

The Articles provide for a resolution to be proposed for the continuation of the Company as a VCT to be reviewed at the tenth annual general meeting of the Company and at every fifth annual general meeting thereafter.

### **Investor Communications**

The Board recognises the importance of maintaining regular communications with Shareholders and supports open communication with Shareholders. In addition to the announcement and publication of the annual report and accounts and the interim results for the Company as detailed below, the Company also publishes quarterly interim management statements through a regulatory information service.

I: 23.1

**Reporting Dates**

Year end	31 December
Announcement and publication of annual report and accounts to Shareholders	April
Announcement and publication of interim results	September

**Share Buy-Backs**

Although the Company has had the authority to repurchase its own Shares for cancellation (such authority to be renewed at the Extraordinary General Meeting), it has not historically utilised this authority. As part of the transaction the Company will renew the authority to buy-back Shares and the Board may consider implementing a buy-back programme in the Enlarged Company if it believes it prudent to do so and subject to the maintenance of adequate working capital, investment requirements and maintenance of VCT status. Any such repurchases will be made in accordance with guidelines established by the Board from time to time and will be subject to the Company having the appropriate authorities from its shareholders and sufficient funds available for this purpose. In pursuing any buy-back policy, the Board's priority will be to ensure that it is acting prudently and in the interests of the remaining shareholders of the Company.

Any Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market will ordinarily be cancelled.

**Valuation Policy**

All unquoted investment valuations will be approved by the Directors, on the recommendation of Core in accordance with IPEVC Guidelines under which investments are valued at fair value, as defined in those guidelines. Any AIM or other quoted investment will be valued at the bid price of its shares, in accordance with generally accepted accounting practice. The net asset value of the Company's Shares is calculated quarterly and published on an appropriate regulatory information service.

XV: 6.1  
XV: 3.4

**CREST**

The Shares are in registered form and are eligible for electronic settlement. The Shares can be held within the CREST system so that, should they so wish, Shareholders are able to hold their Shares in uncertificated form. The New Shares issued pursuant to the Schemes will be in registered form. If, following issue, recipients of New Shares pursuant to the Schemes should wish to hold their New Shares in uncertificated form they should contact their stockbroker.

III: 4.3

## PART III – THE INVESTMENT MANAGER

I: 14:1  
XV: 4.2  
XV: 4.1

Core is a limited liability partnership established by Stephen Edwards, Wallid Fakhry and Caparo plc to bring together a combination of investment, entrepreneurial, and commercial skills to take advantage of the investment opportunity within the small to mid-size private equity market. The Investment Manger also is the investment manager for VCT I and VCT II.

Core invests both equity and mezzanine finance in smaller-middle market UK companies, typically with an enterprise value between £5 million and £30 million, which are both profitable and growing.

Core co-invests from the VCTs it manages in amounts ranging between £3 million to £8 million in companies valued at £5 million to 325 million.

Core invests in a wide range of sectors, focussing on working with strong management teams rather than in any particular transaction type, in particular:

- Management Buyouts (MBO's)
- Management Buyins (MBI's)
- Development Capital
- Recapitalisations
- Acquisition Capital

Core is a supportive investor, managing a relatively small portfolio of investments at any given point. This allows them to be responsive to both new enquiries and existing portfolio companies alike. It also means Core is able to offer management teams meaningful assistance in specific areas, such as:

- Corporate Strategy
- Acquisitions
- International Expansion
- Refinancing

The key personnel within Core are Stephen Edwards and Walid Fakhry. They will be supported by Caparo and in particular the Hon. Angad Paul and David Dancaster, both directors of Caparo plc, in securing, evaluation and negotiating potential investment opportunities. Caparo is obliged to refer all VCT qualifying investment opportunities that are not part of its own core steel and steel engineering activities to Core.

Caparo is one of the United Kingdom's leading privately held group of companies, which operates through a devolved management structure with autonomous operating units supported by strong centralised reporting systems. As a member of Core, Caparo will primarily provide its resources to assist in due-diligence and post acquisition support on arms length terms and on a normal commercial basis.

### **Stephen Edwards**

Stephen has 19 years experience of private equity investment knowledge having worked with Grosvenor Venture Managers Limited, the private equity division of Mercury Asset Management and ProVen Private Equity Limited. Over this period, he has actively led, managed or arranged 22 investments with a total cost of £43 million, and producing an annualised IRR exceeding 33 per cent.

From 2000- 2002, he was the managing director of ProVen Private Equity Limited and during this time was responsible for the launch and management of ProVen VCT plc (which raised £22 million) and ProVen Media VCT plc (which raised £7.1 million).

### **Walid Fakhry**

Walid is an entrepreneur and private equity investor, with a particular focus on small to mid-sized companies. He has over ten years of corporate finance experience and investing on his own account, having gained substantial advisory experience, initially in operational consultancy at Gemini Consulting in Boston, and subsequently in corporate finance at JP Morgan in London where he specialised in the TMT group, advising major clients such as AT&T.

He moved into private equity in 2000, at eVolution Global Partners and subsequently as a partner at Lago Partners Limited, before co-founding Core Capital. He is an active investor in a number of private companies in his personal capacity.

**Hon. Angad Paul**

Angad is the Chief Executive of Caparo plc. After graduating from Massachusetts Institute of Technology (MIT), Angad joined the business founded by his father, Lord Paul, and gained operating experience in various parts of the group, before becoming responsible for Caparo Engineering Limited and Caparo Hotels. He led the group's re-entry into India with the formation of the Caparo Maruti joint venture and the establishment of Caparo Engineering India, before becoming CEO of Caparo plc in 2002.

**David Dancaster**

David is the Group Finance Director of Caparo plc. Having joined Caparo in 1996, he played a major role in an extensive acquisition, disposal, and debt reduction programme. He oversees the financial management of the 63 businesses and their management teams spread across the different geographies in which Caparo operates.

David also has 15 years advisory experience, initially at Coopers & Lybrand, and subsequently in corporate finance at UK merchant bank Charterhouse. Here he also worked closely with the private equity division and was a member of the Advisory Committee of Charterhouse Capital Partners V fund.

**Caparo**

The Caparo group was established in 1968, and is one of the United Kingdom's leading privately held companies. It has grown organically and through a mixture of acquisitions and disposals of small to medium-sized businesses and the development of greenfield operations.

Caparo has a devolved management structure, with highly autonomous operating units supported by strong centralised reporting systems. Caparo's central team, where Angad Paul and David Dancaster have leading roles, oversees the activities of 63 businesses and their management teams. These businesses operate on 73 sites across the UK, USA, India, Poland and Spain, with nearly 9,000 employees, generating a turnover of £840 million.

## PART IV FINANCIAL INFORMATION ON THE COMPANY, VCT I AND VCT II

I: 9.1  
I: 20.4.1  
I: 3.1  
I: 20.2

Audited financial information on the Company, VCT I and VCT II is published in the annual reports for the years/periods ended 31 December 2006, 2007 and 2008 for each company respectively.

The annual reports for the years/periods ended 31 December 2006, 2007 and 2008 for each company respectively were audited by Ernst & Young LLP of 1 More London Place, London SE1 2AF and were reported on without qualification and contained no statements under section 237(2) or (3) of the CA 1985.

The annual reports referred to above were prepared in accordance with UK generally accepted accounting practice (GAAP), the fair value rules of the Companies Acts and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' and contain a description of the Company's financial condition, changes in financial condition and results of operation for each relevant financial year and are being incorporated by reference and can be accessed at the following website:

I: 9.1  
I: 20.1

[www.core-cap.com](http://www.core-cap.com)

and are available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

Such information includes the following:

### The Company

Description	2006 Annual Report	2007 Annual Report	2008 Annual Report
Balance Sheet	Page 20	Page 23	Page 23
Income Statement (or equivalent)	Page 19	Page 22	Page 22
Statement showing all changes in equity (or equivalent note)	Page 21	Page 24	Page 24
Cash Flow Statement	Page 21	Page 24	Page 24
Accounting Policies and Notes	Pages 22–32	Pages 25–38	Pages 25–38
Auditors' Report	Page 18	Page 21	Page 21

I: 3.1

I: 10.2

This information has been prepared in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>2006 Annual Report</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>
Objective	Page 2	Page 2	Page 2
Performance Summary	Page 1	Page 1	Page 1
Results and Dividend	Page 3	Page 4	Page 4
Investment Policy/Objectives	Page 2	Page 3	Page 3
Outlook	Page 3	Page 4	Page 5
Manager's Review	Pages 4–6	Pages 5–7	Pages 6–8
Portfolio Summary	Page 7	Page 8	Page 9
Business Review	Page 9	Page 10	Page 11
Valuation Policy	Page 22	Page 25	Page 25

As at 31 December 2008, the date to which the most recent audited financial information on the Company has been drawn up, the Company had net assets of £13,071,589.

#### VCT I

<b>Description</b>	<b>2006 Annual Report</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>
Balance Sheet	Page 20	Page 23	Page 23
Income Statement (or equivalent)	Page 19	Page 22	Page 22
Statement showing all changes in equity (or equivalent note)	Page 21	Page 24	Page 24
Cash Flow Statement	Page 21	Page 24	Page 24
Accounting Policies and Notes	Pages 22–33	Pages 25–38	Pages 25–37
Auditors' Report	Page 18	Page 21	Page 21

This information has been prepared in a form consistent with that which will be adopted in VCT I's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>2006 Annual Report</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>
Objective	Page 2	Page 2	Page 2
Performance Summary	Page 1	Page 1	Page 1
Results and Dividend	Page 3	Page 4	Page 4
Investment Policy/Objectives	Page 2	Page 3	Page 3
Outlook	Page 3	Page 4	Page 5
Manager's Review	Pages 4–6	Pages 5–7	Pages 6–8
Portfolio Summary	Page 7	Page 8	Page 9
Business Review	Page 9	Page 10	Page 11
Valuation Policy	Page 22	Page 25	Page 25

As at 31 December 2008, the date to which the most recent audited financial information on VCT I has been drawn up, VCT I had net assets of £7,464,765.

**VCT II**

<b>Description</b>	<b>2006 Annual Report</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>	
Balance Sheet	Page 20	Page 23	Page 23	
Income Statement (or equivalent)	Page 19	Page 22	Page 22	I: 3.1
Statement showing all changes in equity (or equivalent note)	Page 21	Page 24	Page 24	
Cash Flow Statement	Page 21	Page 24	Page 24	I: 10.2
Accounting Policies and Notes	Pages 22–32	Pages 25–38	Pages 25–38	
Auditors' Report	Page 18	Page 21	Page 21	

This information has been prepared in a form consistent with that which will be adopted in VCT II's next published annual financial statements having regard to accounting standards and policies and legislation applicable to those financial statements.

Such information also includes operating/financial reviews as follows:

<b>Description</b>	<b>2006 Annual Report</b>	<b>2007 Annual Report</b>	<b>2008 Annual Report</b>	
Objective	Page 2	Page 2	Page 2	
Performance Summary	Page 1	Page 1	Page 1	
Results and Dividend	Page 3	Page 4	Page 4	I: 20.7.1
Investment Policy/Objectives	Page 2	Page 3	Page 3	
Outlook	Page 3	Page 4	Page 5	
Manager's Review	Pages 4–6	Pages 5–7	Pages 6–8	
Portfolio Summary	Page 7	Page 8	Page 9	
Business Review	Page 9	Page 10	Page 11	
Valuation Policy	Page 22	Page 25	Page 25	

As at 31 December 2008, the date to which the most recent audited financial information on VCT II has been drawn up, VCT II had net assets of £13,175,052.

**PART V – PRO FORMA FINANCIAL INFORMATION**  
**ACCOUNTANT’S REPORT ON THE PRO FORMA FINANCIAL INFORMATION**

The Directors  
Core VCT III plc  
One Bow Churchyard  
London  
EC4M 9HH

12 June 2009

Dear Sirs

**Core VCT III plc (“the Company”)**

We report on the pro forma financial information (“the pro forma financial information”) set out in Part V of the prospectus dated 12 June 2009 (“Prospectus”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2008. This report is required by paragraph 20.2 of Annex I of the Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I to the Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with item 20.2 of Annex I of the Commission Regulation (EC) 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

II: 7

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the Commission Regulation (EC) 809/2004.

I: 23.1

Yours faithfully

Scott-Moncrieff

## PRO FORMA FINANCIAL INFORMATION

I: 20.2  
II: 1-6

The following pro forma financial information of the Company has been prepared for illustrative purposes only, to show the impact of the Proposals on the Company's audited net assets as at 31 December 2008 on the basis that the Schemes and the acquisition of the investment portfolio and other assets and liabilities of VCT I and VCT II by the Company had been completed on that date.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

	Adjustments			
Company (as at 31 December 2008) (£'000)	Acquisition of the assets and liabilities of VCT I (£'000) (note 2)	Acquisition of the assets and liabilities of VCT II (£'000) (note 3)	Expenses of the transaction (£'000) (note 4)	Enlarged Company pro forma (as at 31 December 2008) (£'000)
<b>Non current assets</b>				
Investments at fair value	11,436	7,332	11,390	30,158
<b>Current assets</b>				
Debtors and prepayments	1,466	124	1,467	3,057
Cash at bank	301	92	461	854
	<b>1,767</b>	<b>216</b>	<b>1,928</b>	<b>3,911</b>
<b>Creditors (amounts falling due within one year)</b>				
Corporation tax	(31)	(16)	(27)	(74)
Accruals and others	(100)	(67)	(116)	(453)
	<b>(131)</b>	<b>(83)</b>	<b>(143)</b>	<b>(453)</b>
<b>Net assets</b>	<b>13,072</b>	<b>7,465</b>	<b>13,175</b>	<b>(453)</b>
	<b>33,259</b>			

**Notes:**

1. The financial information on the Company has been extracted without material adjustment from the audited financial statements of the Company for the year ended 31 December 2008.
2. The acquired assets and liabilities of VCT I are based on the assets and liabilities of VCT I as extracted without material adjustment from its audited accounts for the year ended 31 December 2008, save that the investments at fair value were classified as current assets rather than non-current assets in such accounts and the accruals and other creditors in the pro-forma statement has been aggregated.
3. The acquired assets and liabilities of VCT II are based on the assets and liabilities of VCT II as extracted without material adjustment from its audited accounts for the year ended 31 December 2008, save that the investments at fair value were classified as current assets rather than non-current assets in such accounts.
4. Total costs of approximately £453,000 (inclusive of VAT) are expected to be incurred in relation to the Scheme.
5. The pro forma statement of net assets of the Company does not take account of any transactions of the Company, VCT I or VCT II or other changes in the value of the assets and liabilities of the Company, VCT I or VCT II since 31 December 2008.
6. The Company is now proposing to acquire the investment portfolio and other assets and liabilities of VCT I and VCT II which, as set out on pages 40 and 41 of this document, and as at 31 December 2008 (being the date of the most recently published audited net asset value of VCT I and VCT II, taken from VCT I and VCT II's audited accounts to 31 December 2008), amount in aggregate to £20.64 million. The total merger costs associated with the Schemes and payable by the Company are estimated to be approximately £174,000 (inclusive of VAT). The earnings of the Company would not, other than being reduced by the amount of these costs, have otherwise been affected by the merger had it been completed on 1 January 2008.
7. The financial information relating to VCT I and VCT II in the pro forma statement has been extracted from the balance sheet on page 23 of VCT I's audited accounts for the year ended 31 December 2008 and page 23 of VCT II's audited accounts for the year ended 31 December 2008, both of which are being incorporated by reference and can be accessed at the following website:

[www.core-cap.com](http://www.core-cap.com)

and are available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

I: 20.2

I: 23.2

III: 10.4

**PART VI – INVESTMENT PORTFOLIOS AND PRINCIPAL INVESTMENTS OF THE COMPANY,  
VCT I, VCT II AND THE ENLARGED COMPANY**

XV: 8.2  
I: 5.2.1  
I: 20.4.3

The following unaudited information represents all the investments of the Company, VCT I and VCT II as at 30 April 2009, this being the most recent practicable date prior to the publication of this document, which are shown at the valuation included in the respective unaudited accounting records of the relevant company. As at the date of this document, there has been no material change in the figures set out in this Part VI since 30 April 2009.

<b>Investments</b>	<b>Company Value (£)</b>	<b>%</b>	<b>VCT I Value (£)</b>	<b>%</b>	<b>VCT II Value (£)</b>	<b>%</b>	<b>Enlarged Company Value (£)</b>	<b>%</b>
<b>Investee Companies</b>								
Kelway Holdings Limited	4,803,628	28.86	3,202,096	32.23	4,803,627	28.69	12,809,351	29.57
SPL Services Limited	2,634,642	15.83	1,824,568	18.36	2,634,642	15.74	7,093,852	16.37
Pureleaf Limited								
(Baxters International)	1,318,287	7.92	878,858	8.85	1,318,286	7.87	3,515,431	8.11
Blanc Brasseries								
Holdings Limited	799,857	4.81	799,857	8.05	799,857	4.78	2,399,571	5.54
BRG Trading Limited	1,000,000	6.01	–	–	1,000,000	5.97	2,000,000	4.62
Syncap Management Limited	1,000,000	6.01	–	–	1,000,000	5.97	2,000,000	4.62
CP Newco Limited	1,000,000	6.01	–	–	1,000,000	5.97	2,000,000	4.62
Adapt Group Limited	165,698	1.00	1,313,356	13.22	165,698	0.99	1,644,752	3.80
Colway Limited								
(trading as Red Box)	458,360	2.75	458,360	4.61	458,360	2.74	1,375,080	3.17
Augentius Fund								
Administration LLP	35,168	0.21	30,144	0.30	35,168	0.21	100,480	0.23
Ma Hubbards Limited*	–	–	0	0.00	–	–	0	0.00
<b>Other Investments</b>								
BGI Cash Selection Plc	480,000	2.88	624,000	6.28	535,000	3.20	1,639,000	3.78
Acencia Debt								
Strategies Limited	168,063	1.01	34,104	0.34	105,971	0.63	308,138	0.71
BSkyB 7.75% 9/7/09	257,733	1.55	92,071	0.93	265,807	1.59	615,611	1.42
GE Capital FRN 10/08/09	231,180	1.39	83,787	0.84	236,147	1.41	551,114	1.27
Euronext 5.125% 16/06/09	199,740	1.20	99,870	1.01	224,707	1.34	524,317	1.21
Aggregate Industries								
6.25% 8/7/09	99,860	0.60	74,895	0.75	99,860	0.60	274,615	0.63
Coca Cola Enterprises								
5.25% 19/05/09	99,950	0.60	49,975	0.50	99,950	0.60	249,875	0.58
Lehman Bros FRN 1/06/09	69,041	0.41	15,668	0.16	69,041	0.41	153,750	0.35
Speymill Deutsche								
Immobilien	71,267	0.43	–	–	52,790	0.32	124,057	0.29
JP Morgan International								
Derivatives 3 yr 14.3%								
14/09/10 indices	41,337	0.25	–	–	41,337	0.25	82,674	0.19
Tesco 5.125% 18/12/09	–	–	76,163	0.77	–	–	76,163	0.18
Gallaher Group 6.625%								
21/05/09	–	–	–	–	70,049	0.42	70,049	0.16
Advantage Property Trust	24,000	0.14	–	–	24,000	0.14	48,000	0.11
3i infrastructure Warrants	2,000	0.01	1,000	0.01	2,000	0.01	5,000	0.01
<b>Total portfolio investments</b>	<b>14,959,811</b>	<b>89.88</b>	<b>9,658,772</b>	<b>97.21</b>	<b>15,042,297</b>	<b>89.85</b>	<b>39,660,880</b>	<b>91.54</b>
Cash at bank	346,504	2.08	213,530	2.15	353,656	2.11	913,690	2.11
<b>Total investments</b>	<b>15,306,315</b>	<b>91.96</b>	<b>9,872,302</b>	<b>99.36</b>	<b>15,395,953</b>	<b>91.96</b>	<b>40,574,570</b>	<b>93.65</b>
Debtors	1,450,702	8.72	104,984	1.06	1,456,944	8.70	3,012,630	6.95
Creditors (falling due in less than 1 year)	(111,782)	(0.68)	(41,987)	(0.42)	(111,927)	(0.66)	(265,696)	(0.60)
<b>Net assets</b>	<b>16,645,235</b>	<b>100.00</b>	<b>9,935,299</b>	<b>100.00</b>	<b>16,740,970</b>	<b>100.00</b>	<b>43,321,504</b>	<b>100.00</b>

(\* the investment in Ma Hubbards Limited was impaired as at 30 April 2009)

### Ten largest investments of the Enlarged Company

I: 5.2.1  
I: 5.2.2

Set out below are further details of the ten largest investments of the Enlarged Company (including investments representing 5 per cent. of the expected gross assets of the Enlarged Company) by valuation as at 30 April 2009.

#### Kelway Holdings Limited

Kelway is a fast growing IT reseller based in London targeting organisations with 250 to 1,000 employees. Turnover was £104 million in the year ended 31 March 2009. The company repaid all its bank debt this year. Kelway has completed two major acquisitions in 2009 which are forecast to increase turnover to approximately £180 million.

<i>Accounts for the year ended</i>	
<i>31 March 2008</i>	
Profit/(loss) before tax	£249,223
Retained profit/(loss)	£(430,207)
Net assets/(liabilities)	£15,069,813

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis (earnings multiple)</i>	<i>Percentage of Net Assets (%)</i>
2,969,100 B ordinary shares	25.4	5,200,000	12,809,351	29.57
3,290,800 A2 ordinary shares				
£4,150,000 loan				

#### SPL Services Limited

SPL Services is a UK specialist logistics business servicing the pharmaceutical sector.

This investment required significant restructuring during 2008, during which a provision was made against the investment cost. However, the company has now made significant process, and is well positioned with a strengthened balance sheet, offices established in India and Singapore, and has won substantial new contracts. Current trading is now ahead of the original business plan and has significant further growth prospects. Accordingly we have moved the basis of valuation to an earnings based multiple, with a value now above cost.

<i>No accounts produced since incorporation</i>	
Profit/(loss) before tax	–
Retained profit/(loss)	–
Net assets/(liabilities)	–

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis (earnings multiple)</i>	<i>Percentage of Net Assets (%)</i>
647,000 A ordinary shares	70.0	5,695,000	7,093,852	16.37
370,000 B ordinary shares				
2,972,00 C ordinary shares				
£2,076,000 loan notes				

### Pureleaf Limited (Baxters International)

Baxters is a long established removals and storage business based in Aylesbury 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.

After a difficult start to this investment in 2007, substantial claims against the vendors were settled and Baxters now has a strong balance sheet with substantial net assets, unencumbered freehold assets and no senior bank debt. Substantial new commercial contracts have been won which will start to add to the profitability of the business, and a small acquisition was completed in 2008.

<i>Accounts for the year ended 31 May 2008 (consolidated)</i>	
Profit/(loss) before tax	£(135,555)
Retained profit/(loss)	£(1,294,746)
Net assets/(liabilities)	£(321,942)

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
441,000 ordinary shares	64.3	4,850,000	3,515,431	8.11
£4,339,688 loan			(provision to cost)	

### Blanc Brasseries Holdings plc

Brasserie Blanc now operates 9 UK units, with the most recent opening in Portsmouth in April. Despite the obvious risks to consumer spending, Blanc is trading ahead of expectations, and particularly well in the units opened or refurbished since the business was acquired in 2006. Bank gearing is modest, with substantial undrawn facilities. Whilst the pace of roll out has been slowed during the current climate, the company is being positioned to take advantage of accelerating this growth as new sites become available on better terms, or of better quality than has frequently been available over the last few years. This is likely to require further capital from shareholders. In the meantime, the business has now achieved the scale to be profitable and cash generative.

<i>Accounts for the year ended 29 June 2008 (consolidated)</i>	
Profit/(loss) before tax	£(2,094,539)
Retained profit/(loss)	£(3,005,727)
Net assets/(liabilities)	£2,653,343

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
2,727,273 ordinary shares	49.5	3,000,000	2,399,571	5.54
			(provision to cost)	

### BRG Trading Limited

This company has been established in order to invest into opportunities in the leisure sector, particularly targeted at food and drink businesses.

<i>No accounts produced since incorporation</i>	
Profit/(loss) before tax	—
Retained profit/(loss)	—
Net assets/(liabilities)	—

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
2,000,000 ordinary shares	99.9	2,000,000	2,000,000	4.62
			(cost)	

**CP Newco Limited**

This company has been established to hold the investment completed into Cordingland, a property investment and management business.

<i>No accounts produced since incorporation</i>	
Profit/(loss) before tax	–
Retained profit/(loss)	–
Net assets/(liabilities)	–

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
2,000,000 ordinary shares	99.9	2,000,000	2,000,000 (cost)	4.62

**Syncap Management Limited**

This company has been established in order to invest into alternative asset management businesses.

<i>No accounts produced since incorporation</i>	
Profit/(loss) before tax	–
Retained profit/(loss)	–
Net assets/(liabilities)	–

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
2,000,000 ordinary shares	99.9	2,000,000	2,000,000 (cost)	4.62

**Adapt Group Limited**

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

This business continues to grow turnover and EBITDA, and has significant further growth potential. The investment is structured as a high yielding investment adding income to the valuation increase over cost.

<i>Accounts for the year ended 31 June 2008 (consolidated)</i>	
Profit/(loss) before tax	£(1,711,806)
Retained profit/(loss)	£(3,884,553)
Net assets/(liabilities)	£(3,435,291)

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis</i>	<i>Percentage of Net Assets (%)</i>
14,628 B ordinary shares	4.55	1,227,000	1,644,752	3.80
£33,072,000 loan			(turnover multiple)	

**Colway Limited (trading as Red Box)**

Colway is a long established office and graphic supplies business, with three principal divisions – Business, Systems, and Retail. Turnover has grown from £15.5 million since the date of our first investment to approximately £20 million in the year ended 31 March 2009. The company has completed five acquisitions since we first invested, and we anticipate completing further acquisitions during 2009.

<i>Accounts for the year ended 31 March 2008 (consolidated)</i>	
Profit/(loss) before tax	£(633,000)
Retained profit/(loss)	£(1,222,000)
Net assets/(liabilities)	£420,000

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis (discounted earnings basis)</i>	<i>Percentage of Net Assets (%)</i>
900 ordinary shares	64.8	3,000,000	1,375,080	3.17
£2,100,000 loan notes				

**BGI Cash Selection Plc (fixed interest security)**

<i>Holding</i>	<i>Equity Percentage (%)</i>	<i>Cost (£)</i>	<i>Valuation (£) and Basis (market value)</i>	<i>Percentage of Net Assets (%)</i>
N/A	N/A	1,639,000	1,639,000	3.78

Note: Investment and portfolio information in this Part VI has been derived from VCT I's and VCT II's accounting records (taken from their respective management accounts to 30 April 2009) and, in respect of the information on investee companies' sales, profits and losses and net assets, from the latest financial year end accounts published by those investee companies as referred to in the above information. Such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by VCT I, VCT II and the investee companies, no facts have been omitted which would render the information inaccurate or misleading.

**Other Portfolio Information**

The aggregate holding between the Core VCTs in a number of investments is greater than 50 per cent. which, in the Enlarged Company, would breach VCT restrictions. Restructurings and further investments by third parties are currently in progress and should be completed prior to or on the Effective Date to reduce the holding for VCT purposes but retain the same economic value. If the Enlarged Company were not to meet the requirements for VCT status, the VCT I Second Extraordinary General Meeting and the VCT II Second Extraordinary General Meeting may be adjourned or the resolutions to be proposed withdrawn and the merger not completed.

## PART VII – TAX POSITION OF SHAREHOLDERS

The following paragraphs apply to the Company and to persons holding Shares as an investment who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice and is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

**If you are in any doubt about your position, or if you may be subject to a tax in a jurisdiction other than the UK, you should consult your independent financial adviser.**

The tax reliefs set out below are available to individuals aged 18 or over who receive Shares under the Scheme.

### The Company

The Company has obtained approval as a VCT under Chapter 3 of Part 6 ITA 2007.

The Board considers that the Company has conducted its affairs and will continue to do so to enable it to qualify as a VCT. The implementation of the Schemes will not affect the VCT status of the Company.

### Receipt by VCT I and VCT II shareholders of New Shares under the Scheme

The effective exchange of existing VCT I Shares and VCT II Shares for New Shares will not constitute a disposal of such shares for the purposes of UK taxation. Instead, the new holding of New Shares will be treated as having been acquired at the same time and at the same costs as the existing VCT I Shares and VCT II Shares from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing VCT I Shares and VCT II Shares will not, therefore, be crystallised for payment but will be transferred to the New Shares.

For VCT I and VCT II shareholders holding (together with their associates) more than 5 per cent. in either of the VCT I Shares in issue or VCT II Shares in issue, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own less than 5 per cent. of the VCT I Shares in issue or VCT II Shares in issue will also apply to them.

### B Shares adjustment

The redesignation of B Shares to Deferred Shares and subsequent repurchase by the Company shall not constitute a disposal of such shares for UK capital gains tax purposes. Shareholders should, for UK tax purposes, effectively be able to treat the remaining B Shares as representing the original holding in full, such shares continue to be regarded as VCT qualifying shares for qualifying shareholders. Clearances to this effect have been obtained from HMRC.

### Shareholders of the Company

Shareholders will continue to be afforded the usual tax reliefs as shareholders of a VCT including:

#### 1. Income Tax

##### 1.1 Dividend relief

An investor who acquires in any tax year VCT shares having a value of up to the annual limit (from 6 April 2004 a maximum of £200,000, previously £100,000) will not be liable to income tax on dividends paid on those shares.

##### 1.2 Purchasers in the market

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief (as described in paragraph 1.1 above).

##### 1.3 Withdrawal of relief

Relief from income tax on a subscription for VCT shares will be withdrawn if the VCT shares are disposed of (other than between spouses) within five years of issue (or three years if issued after 5 April 2000 but before 6 April 2006) or if the VCT loses its approval within this period. Dividend

relief ceases to be available once the investor ceases to own the VCT shares in respect of which it has been given.

## **2. Capital Gains Tax**

### **2.1 Relief from capital gains tax on the disposal of VCT shares.**

A disposal by a shareholder of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the annual limit (£200,000 from 6 April 2004, previously £100,000) for any tax year.

### **2.2 Purchasers in the market**

An individual purchaser of existing VCT shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 2.1 above).

### **Withdrawal of Approval**

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval as a VCT, approval may be withdrawn or treated as never having been given. In these circumstances, reliefs from income tax on the initial investment are repayable unless loss of approval occurs more than five years after the issue (three years if issued after 5 April 2000 but before 6 April 2006) of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in an accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

### **Shareholders not resident in the UK**

Shareholders not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

## PART VIII – TAX POSITION OF THE COMPANY

The Company has to satisfy a number of tests to continue to qualify as a VCT. A summary of these tests is set out below. The following information is based on current UK law and practice and is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

### Qualification as a VCT

XV: 2.1

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- not be a close company;
- have each class of its ordinary share capital quoted on the London Stock Exchange;
- derive its income wholly or mainly from shares or securities;
- have at least 70 per cent. by VCT Value of its investments in shares or securities in qualifying holdings, of which 30 per cent. by VCT Value must be in ordinary shares carrying no preferential rights to dividends, voting, or assets on a winding-up and no rights to be redeemed;
- have at least 10 per cent. by VCT Value of each qualifying holding in ordinary shares which carry no preferential rights to dividends, voting or assets on a winding-up and no rights to be redeemed;
- not have more than 15 per cent. by VCT Value of its investments in a single company at the time of investment (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and
- not retain more than 15 per cent. of its income derived from shares and securities in any accounting period.

### Qualifying Holdings

A qualifying holding consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying certain conditions and for which not more than £1 million was subscribed in any one tax year (nor more than £1 million in, broadly, any period of six months straddling two tax years). The conditions are detailed but include for funds raised before 6 April 2006, that the company must be a qualifying company, that it has gross assets not exceeding £15 million immediately before and not exceeding £16 million immediately after the investment and £7 million and £8 million immediately after the investment for funds raised thereafter), applies the money raised for the purposes of a qualifying trade within certain time periods and that it is not controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

### Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on AIM and the PLUS Markets) and must carry on a qualifying trade. For this purpose certain activities are excluded such as dealing in land or shares or providing financial services. The qualifying trade must be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter). The trade must be carried on wholly or mainly in the UK but the company need not be a UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must be more than 50 per cent. owned.

For the investment of funds raised after 5 April 2007 a Qualifying Company is one with less than 50 full-time equivalent employees and has not had more than £2 million of VCT funds raised after 5 April 2007 (together with funds under the Enterprise Incentive Scheme and the Corporation Venturing Scheme) in any rolling 12 month period.

### Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the

accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such funds need to meet the relevant tests.

**Withdrawal of Approval**

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from time to time when notice is given to the VCT but, in relation to capital gains tax of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

## PART IX – ADDITIONAL INFORMATION

### 1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 23 September 2005, with registered number 05572561. The principal legislation under which the Company operates is the Companies Acts and regulations made thereunder. The name of the Company is Core VCT III plc. The Company is not regulated by the FSA. I: 5.1.1  
I: 5.1.2  
I: 5.1.3  
I: 5.1.4  
III: 4.2  
XV: 1.3
- 1.2 On 11 October 2005, the Registrar of Companies issued the Company with a trading certificate under section 117 of CA 1985 entitling it to commence business.
- 1.3 The Company's registered office and principal place of business is at One Bow Churchyard, London EC4M 9HH. The Company is domiciled in England and does not have, nor has it had since incorporation, any subsidiaries or employees.
- 1.4 The Company revoked its status as an investment company under section 266 of CA 1985 on 7 May 2009.
- 1.5 The International Securities Identification Number of the Ordinary Shares is GB00B0K4B088 and the B Shares is GB00B0K5CW07. III: 4.1

### 2. SHARE CAPITAL

- 2.1 The authorised share capital of the Company on incorporation was £50,000, divided into 50,000 ordinary shares of £1 each. On incorporation, two ordinary shares of £1 each in the capital of the Company were issued nil paid by the Company to the subscribers to its Memorandum. These shares have subsequently been paid up in full in cash. III: 4.6  
I: 21.1.7
- 2.2 By ordinary and special resolutions of the Company, passed on 7 October 2005:
- 2.2.1 the authorised share capital of the Company was increased to £55,005 by the creation of 5,005 ordinary shares of £1 each in the capital of the Company; and
- 2.2.2 50,000 of the unissued ordinary shares of £1 were redesignated into 50,000 non voting redeemable preference shares of £1 each in the capital of the Company and that each of the two issued shares and each of the remaining 5,003 unissued shares of £1 each in the Company were subdivided into 50,050,000 Ordinary Shares of 0.01p each and that 30,030,000 of the 50,050,000 Ordinary Shares of 0.01p each be redesignated into B Shares of 0.01p each.
- 2.3 On 7 October 2005 Core was allotted 50,000 redeemable preference shares of £1 each in the Company paid up as to one-quarter, so as to enable the Company to obtain a certificate under Section 117 of CA 1985. The redeemable preference shares were redeemed by the Company out of the proceeds of the offer for subscription dated 24 October 2005 and, thereupon, the unissued share capital thereby created was automatically sub-divided into and redesignated as 200,000,000 Ordinary Shares and 300,000,000 B Shares pursuant to the Articles.
- 2.4 On 7 October 2005 the Company also passed a special resolution approving, subject to the sanction of the High Court, the reduction of its share premium account (created on the issue of Ordinary Shares under the offer for subscription dated 24 October 2005) by 50 per cent. of the amount standing to the credit thereof immediately following the issue of Ordinary Shares pursuant to such offer (such cancellation being subsequently confirmed by the High Court on 26 September 2006 and registered with the Registrar of Companies on 28 September 2006).
- 2.5 On 11 October 2005 the Company granted an option to Core entitling it to subscribe for such number of B Shares at par in the Company that will entitle it in aggregate to such number of B Shares that represent 30 per cent. of the aggregate number of B Shares and Ordinary Shares from time to time in accordance with and subject to the terms of the option agreement referred to at paragraph 6.1.5 below. No options have been exercised under this agreement. There are no other shares or loan capital in the Company under option or has been agreed, conditionally or unconditionally, to be put under option nor did the Company hold any share capital in treasury. I: 21.1.4  
I: 21.1.6

2.6 The following resolutions of the Company were passed at the annual general meeting of the Company on 4 June 2008:

2.6.1 That, in substitution for any existing authorities pursuant to section 80 of the CA 1985, the Directors were generally and unconditionally authorised, in accordance with section 80 of the CA 1985, to allot Ordinary Shares up to the maximum nominal amount of £41,277 and B Shares up to a maximum of £61,840, this being approximately 25 per cent. of the issued share capital of each class, such authority to expire on the fifth anniversary of the date of the passing of the resolution (unless previously renewed, varied or revoked by the Company in general meeting). The Directors are entitled under this 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.

2.6.2 That, in substitution for any existing authorities pursuant to section 95 of the CA 1985, the Directors were empowered to allot equity securities (as defined in section 94 of the CA 1985) for cash pursuant to the authority conferred upon them by resolution set out at paragraph 2.6.1 above as if section 89(1) of the CA 1985 did not apply to any such allotment, provided that the power conferred by the resolution is limited to the allotment of equity securities in connection with:

- (i) the allotment of equity securities having a nominal value not exceeding 10 per cent. of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which the resolution was 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 such 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 per cent. of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which the resolution was 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 per cent. of the issued Ordinary Share capital and/or issued B Share capital of the Company at the date on which the resolution was 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 the 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 had not expired.

2.6.3 The Company was authorised in accordance with section 166 of the CA 1985 to make one or more market purchases (within the meaning of section 163 of the CA 1985) 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 for purchase 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 0.01p 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 per cent. 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 such authority to 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 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 ITA 2007, the use to which money raised pursuant to a share issued is put, for the purposes of complying with the 70 per cent. test and the 30 per cent. test, as those terms are defined in the ITA 2007.

2.7 The following resolutions of the Company will be proposed at the Extraordinary General Meeting of the Company to be held on 7 July 2009 (subject to, in respect of the resolution set out at paragraph 2.7.1, the approval of resolutions to be proposed at the separate meetings of the holders of Ordinary Shares and B Shares to be held on the same day):

2.7.1 That:

2.7.1.1 the acquisition of the assets and liabilities of VCT I on the terms set out in the circular to shareholders dated 12 June 2009 be and hereby is approved;

2.7.1.2 the acquisition of the assets and liabilities of VCT II on the terms set out in the circular to shareholders dated 12 June 2009 be and hereby is approved;

2.7.1.3 on the Effective Date, subject to the Schemes becoming effective and at the same time as they are implemented: (i) X of the Nominee Holdings (rounded down to the nearest whole number) held by the Nominees as at close of business on the day before the Effective Date be and hereby are redesignated as Deferred Shares of 0.01p each (such redesignation to be pro-rata to their Nominee Holdings as at close of business on the day before the Effective Date); and (ii) Y of the B Shares (rounded down to the nearest whole number) held by each of the other holders of B Shares on the Effective Date be and hereby are redesignated as Deferred Shares of 0.01p each, each such Deferred Share having the rights and being subject to the restrictions set out in article 3.8 of the articles of association of the Company (as amended pursuant to paragraph 2.7.1.5 of this resolution), and for these purposes "X" and "Y" shall be calculated as follows:

$$"X" = BC - (B \times 0.75)$$

$$"Y" = BM - \left( (B \times 0.25) \times \left( \frac{BM}{BI} \right) \right)$$

where:

$$"B" = ((OI + ON) \times 0.6667) \times \left( \frac{OI}{OI + ON} \right)$$

and where:

BC = the number of B Shares held by the Nominees in respect of the Nominee Holdings as at close of business on the day before the Effective Date;

OI = the number of Ordinary Shares in issue as at close of business on the day before the Effective Date and immediately prior to the implementation of the Schemes;

ON = the number of Ordinary Shares to be issued on the Effective Date pursuant to the Schemes;

BM = the number of B Shares held by the relevant shareholder as at close of business on the day before the Effective Date and immediately prior to the implementation of the Schemes;

BI = the number of B Shares in issues as at close of business on the day before the Effective Date and immediately prior to the implementation of the Schemes;

Nominee means the nominee to which Core transferred its holding in B Shares

Nominee Holdings mean the B Shares transferred by Core to the Nominees

2.7.1.4 in substitution for existing authorities, the Directors be authorised to exercise all of the powers of the Company to allot relevant securities (which expression shall have the meaning ascribed to it in Section 80 of the CA 1985) up to an aggregate nominal value of £7,000 in connection with the Schemes, provided that the authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting;

2.7.1.5 the following amendments to the Articles be made:

(i) the following definition be inserted into Article 1.2:

“Deferred Shares deferred shares of 0.01p each in the capital of the Company;”

(ii) Article 3.4(e) shall be deleted and replaced by the following Article 3.4(e):

“the Deferred Shares shall be capable of being purchased by the Company at any time for an aggregate consideration of 1p (and for such purposes the Directors may authorise any person to execute on behalf of and as attorney for the holders of deferred shares any and all documents necessary to give effect to such purchase and may deliver it or them on their behalf) and each deferred share so purchased or then unissued shall thereafter be redesignated as an ordinary share of 1p each without any further resolution or consent.”

(iii) subject to the Schemes becoming effective:

(i) the following be adopted as new Article 3.8:

“The Deferred Shares resulting from the redesignation of B Shares pursuant to a special resolution passed on 7 July 2009 (“Merger Deferred Shares”) shall have the same rights and be subject to the same restrictions as the Deferred Shares referred to in Article 3.4 and, following the repurchase of all of such Merger Deferred Shares by the Company the provisions of this Article be deleted from these Articles.”;

(ii) the definition of ‘Trigger Event’ in Article 1.2 be deleted and replaced with:

“in the event that the holders of Ordinary Shares have received from the Company, in respect of such shares, by way of dividends, return of capital or otherwise, in aggregate, an amount equal to:

(a) 60p per Ordinary Share issued at any time by the Company (an amount of which being deemed to have been distributed, such amount calculated as the weighted average per share distribution (by reference to the net assets of the Company, Core VCT I plc and Core VCT II plc as at the Effective Date) of all distributions paid, declared or recommended by each such company, including the special dividends of 12p per Ordinary Share of the Company, 12p per ordinary share of 0.01p in Core VCT II plc and 10p per ordinary share of 1p in Core VCT I plc, such dividends declared on 12 June 2009 and to be paid on 28 July 2009); and

(b) an amount arrived at by (i) applying the existing Hurdle Rate Return in each of the Company, Core VCT I plc and Core VCT II plc, taking into account distributions paid, declared and recommended (including the special dividends detailed in (a) above) and the number of Ordinary Shares in issue, in each case on the Effective Date following the merger and (ii) 5 per cent. per annum (compounded annually and calculated on a daily basis from 28 July 2009) on such part of the said 60p that remains to be paid to the holder of the Ordinary Share”;

(iii) the definition of ‘Catch-up Period’ in Article 1.2 be amended by replacing “150 per cent.” with “66.6667 per cent.” in line 5 and inserting “(for the avoidance of doubt, an amount of which being deemed to have been distributed, such amount calculated as the weighted average per share distribution (by reference to the net assets of the Company, Core VCT I plc and Core VCT II plc as at the Effective Date) of all distributions paid, declared or recommended by each such company, including the special dividends of 12p per Ordinary Share of the Company, 12p per ordinary share of 0.01p in Core VCT II plc and 10p per ordinary share of 1p in Core VCT I plc, such dividends declared on 12 June 2009 and to be paid on 28 July 2009)”;

- (iv) Article 3.6 be deleted and replaced with the following Article 3.6(a)

“the aggregate number of votes that a holder of B Shares, together with any concert party (as defined in the Takeover Code), shall be entitled to have whether on a show of hands, on a poll or otherwise, shall in aggregate not exceed 29.9 per cent. (rounded down if necessary), any such reduction in votes necessary to be apportioned between the holder of B Shares and the concert parties pro rata to the number of B Shares held by them, and”

; and

2.7.1.6 the name of the Company be changed, subject to the Schemes becoming effective, to Core VCT plc.

2.7.2 That:

2.7.2.1 in substitution for existing authorities but subject to the authority referred to in paragraph 2.7.1.4 set out above, the Directors be authorised to exercise all of the powers of the Company to allot relevant securities (which expression shall have the meaning ascribed to it in Section 80 of the CA 1985) up to an aggregate nominal value of £1,115, provided that the authority shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements);

2.7.2.2 in substitution for existing authorities, the Directors be empowered pursuant to Section 95(1) of the CA 1985 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 94(2) of the CA 1985) for cash pursuant to the authority given in accordance with Section 80 of the CA 1985 referred to in paragraph 2.7.2.1 above as if Section 89(1) of the CA 1985 did not apply to such allotment, provided that the power provided shall expire on the conclusion of the annual general meeting of the Company to be held in 2010 and provided further that this power shall be limited to the allotment and issue of equity securities up to an aggregate nominal value representing 10 per cent. of the issued Ordinary Share capital and/or 10 per cent. of the issued B Share capital, in each case as at 17 July 2009, where the proceeds may in whole or part be used to purchase Shares; and

2.7.2.3 in substitution for existing authorities, the Company be empowered to make one or more market purchases within the meaning of Section 163 of the CA 1985 of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:

- (i) the aggregate number of Shares which may be purchased shall not exceed 7,730,000 Ordinary Shares and/or 8,960,000 B Shares;
- (ii) the minimum price which may be paid per Share is 0.01p, the nominal value thereof;
- (iii) the maximum price which may be paid per Ordinary Share or, as the case may be B Share, is an amount equal to 105 per cent. of the average of the middle market quotation per Ordinary Share or, as the case may be B Share, taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share or, as the case may be B Share, is to be purchased;
- (iv) the authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2010 unless such authority is renewed prior to such time; and
- (v) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares.

2.7.3 That the amount standing to the credit of the share premium account of the Company at the date the order is made confirming such cancellation by the court be and is hereby cancelled.

2.8 As at 31 December 2008, the authorised share capital of the Company was £55,005 divided into 222,020,000 Ordinary Shares (of which 16,510,859 were in issue, all fully paid-up save as set out in paragraph 2.9 below) and 333,030,000 B Shares (of which 24,736,288 were in issue, all fully paid-up save as set out in paragraph 2.9 below). Since that date the Company has made no further Share issues or repurchases. The authorised and issued share capital of the Company is therefore the same as it was on 31 December 2008.

l: 21.1.1

- 2.9 1,400,000 of the Ordinary Shares are subject to irrevocable undertakings to pay the relevant subscription costs per share on the Company giving notice, such notice having been given on 30 April 2009 for payment by 12 June 2009, such payments being the subject of bank guarantees if payment is not received by the relevant holder.

### 3. MEMORANDUM AND ARTICLES OF ASSOCIATION

In this paragraph 3, reference to "Directors" means the directors of the Company from time to time and reference to the "Board" means the board of directors of the Company from time to time.

I: 21.2.1.

- 3.1 The Memorandum provides that the Company's principal object and purpose is to carry on the business of a VCT. The objects of the Company are set out in full in clause 4 of the Memorandum.

#### 3.2 Articles

The following is a summary of the current Articles. The Articles are to be amended, as set out in paragraph 3.3 below, to reflect the new provisions of Company Act 2006 following approval of a resolution to be proposed at the Annual General Meeting approving such amendments. The Articles include provisions that any references to statutes shall be as amended or replaced from time to time.

##### 3.2.1 General meetings

I: 21.2.5

- 3.2.1.1 The Company shall not more than 18 months after its incorporation and subsequently once in each year hold a general meeting as its annual general meeting in addition to any other general meetings in that year. Not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject as aforesaid and to the provisions of CA 85, the annual general meeting shall be held at such time and place as the Directors may determine. All general meetings other than annual general meetings shall be called extraordinary general meetings

- 3.2.1.2 The Directors may whenever they think fit, and shall on requisition in accordance with CA 85, proceed to convene an extraordinary general meeting for a date not later than seven weeks after receipt of the requisition.

- 3.2.1.3 Subject to the provisions of CA 85, an annual general meeting and a general meeting at which a special resolution is to be proposed shall be called by 21 days' notice at the least, and all other general meetings shall be called by 14 days' notice at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held provided that a general meeting, notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed.

- (i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. in nominal amount of the shares giving that right.

- 3.2.1.4 Every notice calling a general meeting shall be in writing and shall specify the place, the day and the time of meeting, and in the case of an annual general meeting shall specify the meeting as such. Notices shall be given as provided by these Articles to all the members, other than those who under the provisions of these Articles or the conditions of issue of the shares held by them are not entitled to receive the notice, to the Directors (including the alternate directors) and to the auditors and (where required by CA 85) former auditors of the Company.

- 3.2.1.5 In every notice convening a general meeting of the Company or a meeting of any class of its members there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him, and that a proxy need not also be a member. The notice shall specify the general nature of the business to be transacted at the meeting, and if any resolution is to be proposed as an extraordinary resolution or as a special resolution, the notice shall contain a statement to that effect.

- 3.2.1.6 Every such notice sent to a member shall be accompanied by a form of proxy (with or without provision for its return prepaid) either in blank or nominating in the alternative any one or more of the Directors or the chairman of the meeting or any other person or persons. Every such form of proxy shall:
- (i) provide for two-way voting on all resolutions intended to be proposed at the related meeting (except procedural resolutions);
  - (ii) state that a member is entitled to appoint a proxy of his own choice and provide a space for the insertion of the name of such proxy; and
  - (iii) state that, if it is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes.
- 3.2.1.7 Where, by any provision contained in CA 85, special notice is required of a resolution, the resolution shall not be effective unless notice of the intention to move it has been given to the Company not less than 28 days (or such shorter period as CA 85 permits) before the meeting at which it is moved, and the Company shall give to the members notice of any such resolution as required by and in accordance with the provisions of CA 85.
- 3.2.1.8 Any corporation which is a member of the Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company, or at any meeting of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company (save that such person may not, by virtue of this Article, appoint a proxy of the corporation), and such corporation shall, for the purposes of these Articles, be deemed to be present in person at such meeting if a person so authorised is present thereat.

### 3.2.2 Voting rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles (in particular as set out in paragraph 3.2.5 below), on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

I: 21.2.3  
III: 4.5

### 3.2.3 Variation of class rights

- 3.2.3.1 If at any time the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of CA 84, be varied or abrogated, whether the Company is a going concern or during or in contemplation of its being wound up, either (a) in such manner (if any) as may be provided by such rights or (b) in the absence of any such provision (i) with the consent in writing of the holders of three-quarters in nominal amount of the issued shares of that class or (ii) with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that (a) no member, not being a Director, shall be entitled to notice thereof or to attend thereat unless he be a holder of shares of the relevant class (b) no vote shall be given except in respect of a share of that class (c) the necessary quorum at any such meeting other than an adjourned meeting shall be not less than two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (d) at an adjourned meeting one person holding shares of the class in question or his proxy shall constitute a quorum and (e) any holder of shares of the class in question present in person or by proxy and entitled to vote at the meeting may demand a poll.
- 3.2.3.2 The provisions set out above shall apply to the variation or abrogation of the special rights attached to some of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- 3.2.3.3 The rights conferred upon the holders of any class of shares issued with preferred or other special rights shall not (unless otherwise expressly provided by these Articles or by the conditions of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto or by the purchase by the Company of its own shares.

I: 21.2.4

### 3.2.4 Alteration of share capital

3.2.4.1 The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts and carrying such rights as the resolution may prescribe. All new shares shall (unless the Company shall in general meeting otherwise determine) be subject to the provisions of these Articles with reference to allotment, payments of calls, forfeiture, surrender, lien, transfer, transmission and otherwise.

3.2.4.2 The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or been agreed to be taken, by any person, and diminish the amount of its share capital by the nominal amount of the shares so cancelled; and
- (iii) sub-divide its shares, or any of them, into shares of smaller amount (subject nevertheless to the provisions of CA 85), and so that the resolution whereby any share is sub-divided may determine that, as regards each share so sub-divided, one or more of the shares resulting from such sub-division may have any such preferred or other special rights, or may have such deferred rights, or be subject to any such restrictions as compared with the others, as the Company has power to attach to unissued or new shares.

3.2.4.3 The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

### 3.2.5 B Shares

3.2.5.1 The following definitions apply to this paragraph 3.2.5:

- (i) "Takeover Offer" shall mean an offer to acquire all of the Ordinary Shares and B Shares (other than any Ordinary Shares or B Shares already held by the proposed purchaser;
- (ii) "Trigger Event" shall mean in the event that the holders of Ordinary Shares have received from the Company by way of dividends, return of capital or otherwise, in aggregate, an amount equal to:
  - (a) 60p per Ordinary Share issued at any time by the Company; and
  - (b) an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the Ordinary Share) on such part of the said 60p that remains to be paid to the holder of the Ordinary Shares;
- (iii) "Catch-up Period" shall mean the period commencing on the later of 1 January 2009 or the day immediately following the date that the Trigger Event occurs ("Commencement Date") and ending at such time as the holders of B Shares have received from the Company (by way of dividends, return of capital or otherwise) in aggregate, an amount equal to 150 per cent. of all amounts received by all the holders of Ordinary Shares (by way of dividends, return of capital or otherwise) prior to the Commencement Date less an amount equal to 60p per Ordinary Shares in issue prior to such commencement date;
- (iv) "Termination Event" shall mean Termination for Cause of the management agreement referred to at paragraph 6.1.1 as set out in that paragraph;
- (v) "Relevant Number" shall mean either:
  - (a) all the B Shares in the event the Company gives notice pursuant to Article 3.3 following a Termination Event; and
  - (b) in the event that the B Shares in aggregate, by number, (or but for the provisions in set out in this paragraph 3.2.5) would exceed 60 per cent. of the total number of Ordinary Shares and B Shares (a "Reduction Event"), such number of B Shares that following the application of paragraphs 3.2.5.4 to 3.2.5.6 (inclusive) would result in the number of B Shares in aggregate being equal to 60 per cent. of the total number of Ordinary Shares and B Shares. The said aggregate number of B Shares to be so converted and

redesignated shall be apportioned between the holders of B Shares, in respect of such shares, pro rata to the number of B Shares held by them.

- (vi) The definition of 'Trigger Event' will be replaced, subject to the approval of the resolutions to be proposed at the Meetings and the Schemes becoming effective, with the following:

"in the event that the holders of Ordinary Shares have received from the Company by way of dividends, return of capital or otherwise, in aggregate, an amount equal to:

- (a) 60p per Ordinary Share issued at any time by the Company (20p of which being deemed to have been paid following payment of the special dividend of 12p declared on 12 June 2009 and to be paid on 28 July 2009); and
- (b) an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from 28 July 2009) on such part of the said 60p that remains to be paid to the holder of the Ordinary Share"

3.2.5.2 The Ordinary Shares and the B Shares shall be treated on a *pari passu* basis, save as set out below.

3.2.5.3 The following provisions shall apply in relation to the Ordinary Shares and the B Shares, notwithstanding any other provision of these Articles:

- (i) save where the resolution put to the meeting of shareholders is to amend any provision of the Articles or where a Takeover Offer has been made and remains open for acceptance, the holders of the B Shares shall not be entitled in respect of their B Shares to vote at any meeting of the shareholders until such time as a Trigger Event has occurred;
- (ii) the holders of the B Shares shall not have any right to receive from the Company any monies in respect of their B Shares whether by way of dividends, return of capital or otherwise until the Commencement Date; and
- (iii) the holders of the Ordinary Shares shall not have any right to receive from the Company during the Catch-up Period any monies in respect of their Ordinary Shares whether by way of dividends, return of capital or otherwise.

3.2.5.4 The Company may following the occurrence of a Termination Event give 14 days prior written notice to each holder of a B Share that the Company requires the Relevant Number of B Shares held by the holder thereof to be converted and redesignated as deferred shares (having the right and restrictions set out at paragraph 3.2.5.5 below ("Deferred Shares") following expiry of such notice. In addition, the Company may following the occurrence of a Reduction Event require that the Relevant Number of B Shares held by the holder thereof be forthwith converted and redesignated as Deferred Shares and the Company shall be deemed to have given such notice 14 days prior to the Reduction Event, such notice to expire immediately following the Reduction Event.

3.2.5.5 Following expiry of the notice given by the Company following the occurrence of a Termination Event or immediately following a Reduction Event, the Relevant Number of B Shares shall automatically be converted and redesignated into Deferred Shares. The Deferred Shares shall entitle the holders thereof to the following rights (subject to the following restrictions) in relation to their Deferred Shares:

- (i) as regards dividend, the holders of Deferred Shares shall not be entitled to any dividend or other distribution in respect of their holding of such shares;
- (ii) as regards capital, on a return of assets on a liquidation, reduction of capital or otherwise, the holders of the Deferred Shares shall be entitled in respect of such shares to the nominal value in respect of such shares after the holders of the Ordinary Shares and B Shares shall have received £1,000,000 in respect of each such share held by them;
- (iii) as regards voting the holders of the Deferred Shares shall not be entitled to receive notice of and attend general meetings and not be entitled to vote at such meetings in respect of such shares;
- (iv) as regards further issues, the rights conferred upon the holders of Deferred Shares shall be deemed not to be modified, varied or abrogated by the creation or issue of any further shares

(whether ranking *pari passu* with or in priority to the Deferred Shares or otherwise) or by any other alteration whatsoever to the share capital of the Company; and

- (v) the Deferred Shares shall be redeemable by the Company at any time and on their redemption the holders thereof shall subject to the provisions of the Act be paid 0.01p per Deferred Share held. The holders of the Deferred Shares shall promptly take all actions required by the Company in relation to or otherwise in connection with any such redemption including, without prejudice to the generality of the foregoing, the delivery of all share certificates in respect of such Deferred Shares to such person and at such time as directed by the Company.

3.2.5.6 Each holder of B Shares shall within 10 days of the Relevant Number of B Shares being converted and redesignated into Deferred Shares as aforesaid deliver the certificates for his B Shares to the Company (or as it directs) and within 10 days of receipt thereof the Company shall or shall procure the issue of a certificate for the Deferred Shares resulting from the conversion and redesignation and a balancing certificate for the B Shares remaining after such conversion and redesignation.

3.2.5.7 Notwithstanding any other provision of the Articles:

- (i) the aggregate number of votes that certain holders of B Shares, being for this purpose, such persons which subscribe for 50 per cent. of the B Shares pursuant to the terms of an option agreement referred to at paragraph 6.1.4 below, shall be entitled to have whether on a show of hands, on a poll or otherwise shall in aggregate not exceed 29.9 per cent. (rounded down if necessary). Such votes shall be apportioned between the holders of the B Shares, in respect of such shares, pro rata to the number of B Shares held by them; and
- (ii) no Ordinary Shares may be issued, other than those pursuant to the offer for subscription dated 24 October 2005 without the prior written consent of those shareholders who hold more than 50 per cent. by number of the B Shares immediately prior to the proposed issue of new Ordinary Shares.

### 3.2.6 Issues and transfer of shares

3.2.6.1 Subject to the provisions of the Articles and CA 85 relating to authority, pre-emption rights and otherwise, and of any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors, who may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

3.2.6.2 All transfers of certificated shares shall be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. Such instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the Register of Members in respect thereof. A member may transfer all or any of his uncertificated shares by means of a relevant system in the manner provided for the Uncertificated Securities Regulations 1995 ("Regulations"). The registration of transfers of shares or any class of shares may be suspended at such time and for such period as the directors may from time to time determine, provided always that the register of members shall not be closed for more than 30 days in any year.

3.2.6.3 The Directors may decline to recognise any instrument of transfer, unless:

- (i) the instrument of transfer duly stamped is deposited at the Office or such other place as the Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer: provided that, in the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange as defined in the Financial Services Act 1986, the lodgement of a share certificate will only be necessary if a certificate has been issued in respect of the share in question;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer relates to a share in respect of which all sums presently payable to the Company have been paid.

The Directors may also refuse to register a transfer if in their opinion (and with the approval of the UK Listing Authority) exceptional circumstances so warrant.

### **3.2.7 Suspension of rights where non-disclosure of interest**

- 3.2.7.1 Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, has been served with section 212 CA 1985 notice to supply information in relation to the holding and the holder is in default in providing such information then the Company may give the holder of those shares a further notice (a "Restriction Notice") to the effect that from the service of the Restriction Notice those shares will be subject to some or all of the relevant restrictions (as detailed below) during the period of default.
- 3.2.7.2 If the member has a holding of less than 0.25 per cent. of any class of shares, then, unless the Directors otherwise determine, the member shall not be entitled in respect of the shares concerned to attend or vote at a General Meeting either personally or by proxy.
- 3.2.7.3 If the member has a holding of at least 0.25 per cent. of any class of shares, then, unless the Directors otherwise determine, the member shall not be entitled in respect of the shares held by him (whether or not referred to in the section 212 notice):
- (i) to attend or vote at a general meeting either personally or by proxy; or
  - (ii) to receive any dividend (including shares issued in lieu of a dividend) payable in respect of such shares; or
  - (iii) to transfer or agree to transfer any of such shares, or any rights therein.
- 3.2.7.4 The restrictions referred to above shall be without prejudice to the right of either the member holding the shares concerned or, if different, the beneficial owner of those shares to effect or agree to sell those shares by way of an arm's-length transfer. For this purpose an "arm's-length transfer" in relation to any shares is a transfer to a bona fide unconnected third party including:
- (i) a sale of those shares on a recognised investment exchange (as defined in the Financial Services Act 1986) or on any stock exchange outside the United Kingdom on which the shares are normally traded; or
  - (ii) an offer made to all the holders (or all the holders other than the person making the offer and his nominees) of the shares in the Company to acquire those shares or a specified proportion of them, or to all the holders (or all the holders other than the person making the offer and his nominees) of a particular class of those shares to acquire the shares of that class or a specified proportion of them

### **3.2.8 Distributions of income and capital**

- 3.2.8.1 The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities, in particular as set out in paragraph 3.2.5 above. The Company in general meeting may declare dividends accordingly, but no dividend shall exceed the amount recommended by the Directors.
- 3.2.8.2 No dividends shall be payable otherwise than in accordance with CA 85 and out of the profits of the Company available for that purpose. Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of CA 85 or other accretions to capital assets, including in particular any sums resulting from the writing-up of the book values of any capital assets, shall be available for dividend or any other distribution within the meaning ascribed thereto by Part VIII of CA 85.
- 3.2.8.3 Subject to the rights of holders, if any, of shares with special rights as to dividends, all dividends shall be declared and paid pro rata to the nominal amounts of the shares in respect whereof the dividend is paid, except that, if any share is issued on terms providing that it shall carry any particular rights as to dividend, such share shall rank for dividend accordingly.
- 3.2.8.4 The Directors may if they think fit from time to time resolve to pay to the members such fixed or variable interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by CA 85. If at any time the share capital of the Company is divided into different classes, the Directors may (subject to the provisions of CA 85) resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the

holders thereof preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. Provided that the Directors act *bona fide*, they shall not incur any responsibility to the holders of shares conferring a preference for any damage that such holders may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights.

3.2.8.5 All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the payment of any such dividend into a separate account or the investment of such dividend shall not constitute the Company a trustee in respect thereof. No dividend or other moneys payable in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. Any dividend which has remained unclaimed for a period of 12 years from the date the dividend was declared or the due date for payment thereof shall at the expiration of that period be forfeited and cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

### 3.2.9 Borrowing powers

XV: 1.2

3.2.9.1 The following definitions shall apply to this paragraph 3.2.9:

(i) "Adjusted Capital and Reserves" shall mean at any material time a sum equal to the aggregate of:

- (i) the amount paid on the issued share capital of the Company; and
- (ii) the amount standing to the credit of the reserves of the Company (including any share premium account, capital redemption reserve and any credit balance on profit and loss account);

all as shown by the latest published audited consolidated balance sheet of the Company and the Subsidiaries;

(ii) "Subsidiary" shall mean; any company of which the Company controls directly or indirectly not less than a majority of the votes which could be cast on a poll at a general meeting of such company but excluding votes which may only be cast in certain events whether or not such events have occurred and excluding also any company that the Board certifies is an investee company of the Company (whether or not the Company's investment in such company constitutes a qualifying holding for the purposes of Schedule 28B of the ICTA 1988)

3.2.9.2 Subject as hereinafter provided and to the provisions of CA 85, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.2.9.3 The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its Subsidiaries (as hereinafter defined) so as to secure (so far, as regards the Subsidiaries, as by such exercise they can secure) that the aggregate amount at any one time owing or deemed to be owing by the Company and/or any of the Subsidiaries, determined as hereinafter mentioned, in respect of moneys borrowed by it or them or any of them shall not at any time, without the previous sanction of an Ordinary Resolution of the Company, exceed an amount equal to the Adjusted Capital and Reserves. Provided that prior to the publishing of the first audited consolidated balance sheet of the Company and the Subsidiaries such amount shall not, at any time, without the previous sanction of an Ordinary Resolution of the Company, exceed 90 per cent. of the amount paid on the issued share capital of the Company.

### 3.2.10 Directors and Interests

I: 21.2.2

3.2.10.1 Subject as hereinafter provided, the Directors shall be not less than two but no more than ten in number. The Company may by ordinary resolution from time to time vary the minimum number and may also determine and from time to time vary the maximum number of Directors.

3.2.10.2 At each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to one third) shall retire from office by rotation, provided that:

- (i) no Director holding office of chief executive or managing or joint managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire; and
- (ii) notwithstanding the effect of the foregoing provision, each Director eligible for retirement shall be required to submit himself for re-election at least once in any period of three consecutive annual general meetings.

3.2.10.3 A Director or an alternate Director shall not require a share qualification but nevertheless shall be entitled to attend and speak at any general meeting of the Company and at any separate meeting of the holders of any class of shares in the Company.

3.2.10.4 The ordinary remuneration of the Directors shall not in aggregate exceed £100,000 per annum (or such higher sum as may from time to time be determined by an Ordinary Resolution) and shall be divided between the Directors as they may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he held office. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the Directors or of committees of the Directors or General Meetings or separate meetings of the holders of any class of shares or debenture of the Company or otherwise in connection with the discharge of their duties.

3.2.10.5 Subject to the provisions of CA 85, a Director, notwithstanding his office:

- (i) 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;
- (ii) 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
- (iii) 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.

3.2.10.6 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 CA 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 CA 2006 to raise the matter(s) for consideration by the Board.

3.2.10.7 Any terms determined by the Board under the provisions of the Articles 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):

- (i) subject always to the 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);
- (ii) 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
- (iii) (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).

- 3.2.10.8 Except as specified in the Articles, 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.
- 3.2.10.9 Any authorisation of a Relevant Situation given by the Board under the Articles 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 CA 2006 to avoid conflicts of interest.
- 3.2.10.10 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:
- (i) any matter authorised under the Articles; or
  - (ii) any interest permitted under the Articles; and
  - (iii) no contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any matter authorised under the Articles or the Director having any interest permitted under the Articles.

#### 3.2.11 Untraced shareholders

The Company shall be entitled to sell at the best price reasonably obtainable therefor any share held by a member, or any share to which a person is entitled by transmission, if all the following stipulations are complied with in relation thereto:

- (i) during a period of 12 years within which at least three dividend payments in respect of the shares in question have become payable, no cheque or warrant sent by the Company in the manner prescribed by the Articles has been cashed, no communication has been received by the Company from the member or person concerned and no other method of payment permitted by the Articles has been successfully completed;
- (ii) the Company has, at the expiration of such period of 12 years, by advertisement in both a national daily newspaper and in a newspaper circulating in the area of the last known address of the member or the address at which service of notices upon such member or person may be effected in accordance with the Articles, and by notice in writing to the UK Listing Authority if shares of the class concerned are listed thereon, given notice of its intention to sell such share; and
- (iii) the Company has not during a further period of three months after the date of the advertisement and prior to the sale of the share received any communication from the member or person concerned.

#### 3.2.12 Non-United Kingdom shareholders

There are no limitations in the Articles on the rights of non-United Kingdom Members to hold or to exercise voting rights attached to the Company's shares. Non-United Kingdom Members are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

#### 3.2.13 Distribution of realised capital profits

At any time when the Company has given notice in the prescribed form (which has not been revoked) to the registrar of companies of its intention to carry on business as an investment company ("a Relevant Period") distribution of the Company's capital profits (within the meaning of Section 266(2)(c) of CA 85) shall be prohibited, except for the purpose of redeeming or purchasing its own shares in accordance with sections 160 and 162 of CA 85. The Directors shall establish a reserve to be called the capital reserve. During a Relevant Period all surpluses arising from the realisation or revaluation of investments and all other moneys realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value

thereof and all other moneys which are considered by the Directors to be in the nature of accretion to capital shall be credited to the capital reserve. Subject to CA 85, the Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. During a Relevant Period, any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to CA 85, any expenses, loss or liability (or provision therefor) which the Directors consider to relate to a capital item (including any proportion of the expenses of management or administration of its assets and/or of the finance costs of the Company) or which the Directors otherwise consider appropriate to be debited to the capital reserve, shall be carried to the debit of the capital reserve. During a Relevant Period, all sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that, notwithstanding any other provision of the Articles, during a Relevant Period no part of the capital reserve or any other money in the nature of accretion to capital shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by Section 263(2) of CA 85), except for the purpose of redeeming or purchasing its own shares in accordance with sections 160 and 162 of CA 85, or be applied in paying dividends on any shares in the Company. In periods other than a Relevant Period any amount standing to the credit of the capital reserve may be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (as defined by Section 263(2) of CA 85) or be applied in paying dividends on any shares in the Company.

### 3.2.14 Duration and winding-up

I: 5.1.3

- 3.2.14.1 If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of an extraordinary resolution and any other sanction required by CA 85, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets in respect of which there is a liability.
- 3.2.14.2 The Company may, subject to the provisions of CA 85 and of the Articles, issue warrants or grant options to subscribe for shares in the Company. Such warrants or options shall be issued upon such terms and subject to such conditions as may be resolved upon by the Board of Directors including, without prejudice to the generality of the foregoing, terms and conditions which provide that, on a winding up of the Company, a holder of warrants or grantee of options may be entitled to receive out of the assets of the Company available in the liquidation *pari passu* with the holders of shares of the same class as the shares in respect of which the subscription rights conferred by the warrants or the options can be exercised such a sum as he would have received had he exercised the subscription rights conferred by his warrants or the options prior to the winding up but after deduction of the price (if any) payable on exercise of such subscription rights.
- 3.2.14.3 At the tenth annual general meeting of the Company following the admission of the Ordinary Shares to the Official List of the UK Listing Authority and, if the Company has not then been liquidated, unitised or reconstructed, at each fifth subsequent annual general meeting of the Company convened by the Directors thereafter, the Directors shall propose an ordinary resolution that the Company should continue as a venture capital trust for a further five year period. If such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation or other re-organisation of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Directors for a date not more than nine months after the date of the meeting at which such ordinary resolution was not passed. The Directors shall use all reasonable endeavours to ensure that such proposals for the liquidation, unitisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution. For these purposes of paragraph 3.2.14.3, only an ordinary resolution will not have been passed only if those members in person or by proxy who vote against the resolution hold in aggregate not less

than 25 per cent. of the issued share capital of the Company at such time entitled to attend and vote at such a meeting.

### 3.3 Proposed amendments to the Articles

Amendments to the Articles in light of the new provisions of CA 2006 will be proposed to Shareholders for approval at the Annual General Meeting. The resolution, if approved, will introduce technical changes being made to the Articles in relation to, amongst other things, the convening and procedures at meetings, age limit for directors, conflicts of interest, directors' indemnity and insurance and liability of shareholders. A summary of the proposed changes are set out on pages 42 to 43 of the annual report for the year 31 December 2008, which is being incorporated by reference and can be accessed at the following website

[www.core-cap.com](http://www.core-cap.com)

and is available for inspection at the FSA's document viewing facility, which is situated at:

Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

## 4. DIRECTORS' AND OTHER INTERESTS IN THE COMPANY

I: 18.1

4.1 As at 11 June 2009 (being the last practicable date prior to publication of this document), the Company is not aware of any person, other than Giltspur Nominees Limited and Core (see paragraph 4.2 below), who immediately following the issue of the New Shares pursuant to the Schemes, directly or indirectly, has an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

4.2 As at 11 June 2009 (the last practicable date before the publication of this document) and prior to the implementation of the Scheme, the holdings of Shares of the Directors and Core (through Giltspur Nominees Limited) and its members, partners and employees were as follows:

I: 17.2

Director	Ordinary Shares		B Shares	
	Number	% of Ordinary Share Capital	Number	% of B Share Capital
Peter Smail	31,900	0.19	23,175	0.09
Lord Walker	31,200	0.19	23,400	0.09
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	11,482,714	46.42
Core members, partners and employees	332,000	2.01	11,716,714	47.37

As at 11 June 2009 (being the latest practicable date prior to publication of this document) save as disclosed above, no Director, his family or any person connected to the Director within the meaning of Section 252 CA 1985 has any interest in the share or loan capital of the Company.

III: 3.3

- 4.3 The Directors and Core (through Giltspur Nominees Limited) and its members, partners and employees, as at 11 June 2009 (being the latest practicable date prior to publication of this document), interests in VCT I and VCT II are as follows:

**VCT I**

<b>Director</b>	<b>VCT I Ordinary Shares</b>		<b>VCT I B Shares</b>	
	<b>Number</b>	<b>% of VCT I Ordinary Share Capital</b>	<b>Number</b>	<b>% of VCT I B Share Capital</b>
Peter Smail	31,200	0.29	5,200	0.07
Lord Walker	46,800	0.43	7,800	0.11
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	5,472,285	75.00
Core members, partners and employees	1,663,353	15.21	5,749,477	78.80

**VCT II**

<b>Director</b>	<b>VCT II Ordinary Shares</b>		<b>VCT II B Shares</b>	
	<b>Number</b>	<b>% of VCT II Ordinary Share Capital</b>	<b>Number</b>	<b>% of VCT II B Share Capital</b>
Peter Smail	–	–	–	–
Lord Walker	–	–	–	–
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	11,483,856	46.42
Core members, partners and employees	748,000	4.53	12,029,856	48.63

- 4.4 None of the Directors have a service agreement with the Company, nor are any such contracts proposed. The Directors were appointed under letters of appointment dated 11 October 2005 in respect of Peter Smail and Lord Walker and 9 August 2007 in respect of John Brimacombe. All appointments may be terminated without notice. Directors are entitled to annual fees of £6,000 (save for the chairman who receives £7,500). No amounts have been set aside by the Company to provide pension, retirement or similar benefits for the Directors. Fees paid to the Directors in respect of the year ended 31 December 2008 were £19,500. Aggregate emoluments for the current year are expected to be £19,500. From the Effective Date, and subject to the Schemes becoming effective, the fees payable to the chairman shall increase to £22,500 per annum and for each of the other Directors to £18,000 per annum. I: 15.1  
I: 16.1  
I: 16.2
- 4.5 No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the period since its incorporation and remains in any respect outstanding or unperformed or significant to the business of the Company. There are no potential conflicts or interest between any duties of the Directors to the Company and their private interests and other duties. III: 3.3  
I: 14.2
- 4.6 No loan or guarantee has been granted or provided by the Company to or for the benefit of any of the Directors.
- 4.7 The Company has taken out directors' and officers' liability insurance for the benefit of its Directors, which is renewable on an annual basis.

- 4.8 The Directors are currently or have been within the last five years, a member of the administrative, management or supervisory bodies or partners of the companies and partnerships mentioned below: I: 14.1

	<b>Current</b>	<b>Past 5 Years</b>
Peter Smail	Core VCT I plc Core VCT II plc Core VCT III plc Fairfax Capital Limited Fairfax Investment Management Limited PC Reversions Limited Transalpine Capital Limited	Core Old VCT II Limited Portman Holdings Limited
Lord Walker	Caparo Group Limited Caparo plc Core VCT I plc Core VCT II plc Core VCT III plc International Tax and Investment Center ITM Power plc Liffe Administration and Management	Allianz (UK) Limited Allianz Insurance plc Allianz Holdings plc CBC UK Limited Core Old VCT II Limited
John Brimacombe	Core VCT I plc Core VCT II plc Core VCT III plc Jobstream Group plc Jobstream Systems Limited Jobstream UK Limited Kelway Holdings Limited Linguamatics Limited Mantis Consultants Limited Skimbit Limited Snaffle Promotions Limited	ECFP Ventures Limited Mforma Europe Limited Ngame Limited

- 4.9 None of the Directors have any convictions in relation to fraudulent offences during the previous five years.
- 4.10 There were no bankruptcies, receiverships or liquidations of any companies or partnership where any of the Directors were acting as (i) a member of the administrative, management or supervisory body, (ii) a partner with unlimited liability, in the case of a limited partnership with a share capital, (iii) a founder where the company had been established for fewer than five years or (iv) a senior manager during the previous five years.
- 4.11 There have been no official public incriminations and/or sanctions of any Director by statutory or regulatory authorities (including designated professional bodies) and no Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company during the previous five years.

## 5. OVERSEAS SHAREHOLDERS

- 5.1 The issue of New Shares to be issued pursuant to the Schemes to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such VCT I and VCT II shareholders should inform themselves about and observe any legal requirements, in particular:

- 5.1.1 none of the New Shares to be issued pursuant to the Schemes have been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United

States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia or Japan;

- 5.1.2 the Company is not registered under the United States Investment Company Act of 1940, as amended and investors are not entitled to the benefits of that Act; and
- 5.1.3 no offer is being made, directly, under the Schemes, in or into or by the use of emails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) or interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, or Japan.
- 5.2 It is the responsibility of VCT I and VCT II shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Shares pursuant to the Schemes, including the obtaining of any government or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

## 6. MATERIAL CONTRACTS

I: 22

- 6.1 Save as disclosed in this paragraph 6.1, the Company has not entered into any contract, other than in the ordinary course of business, which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:
- 6.1.1 The management agreement dated 11 October 2005 between the Company and Core. The management agreement provides that in consideration of £1, Core will provide investment management services to the Company in respect of its portfolio of qualifying investments in each case for an initial period of four years. The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial four year period. The management agreement will be terminable by Core in the event of, *inter alia*, the Company committing a material breach of the management agreement and if the breach is capable of remedy and the Company fails to rectify the same within 30 days of being requested to do so and, by Core, if the Company fails to become or ceases to be a VCT for tax purposes or if the Company goes into liquidation or has a receiver or administrator appointed over it or any of its undertakings and assets. The management agreement may also be terminated by the Company where:
- 6.1.1.1 Core has committed a material breach of the management agreement, which if capable of remedy remains unremedied for 30 days following notification thereof by the Company;
- 6.1.1.2 Core ceases to be an authorised person or permitted to act as discretionary investment manager pursuant to the terms of the management agreement;
- 6.1.1.3 Core has committed an act of fraud, reckless disregard or gross negligence in relation to its duties under the management agreement;
- 6.1.1.4 Core goes into liquidation or has a receiver or administrator appointed over it or any of its undertaking or assets; or
- 6.1.1.5 Walid Fakhry and Stephen Edwards both cease (whether at the same time or otherwise) to be members of the Investment Manager

(in any such case it would be "Terminated for Cause"). If the management agreement is Terminated for Cause then the B Shares in the Company shall be re-designated into deferred shares. This is to ensure that the members of Core effectively lose the right to receive any carried interest/performance incentive and would provide funds out of which the Board could employ alternative managers. If the B Shares are redesignated, any assets attributable to them in excess of their par value of 0.01p immediately prior to such resignation, would accrue to the Ordinary Shares.

No fees will be payable by the Company to Core in respect of the management of the portfolio of qualifying investments.

However, in line with common practice in the private equity industry, Core retains the right to charge arrangement fees, for example, when Core acts on behalf of VCTs it manages as the

leading or sole institutional investor, and monitoring fees, where appropriate, from portfolio companies in which VCTs managed by it invest. The Company will be responsible for any external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion – such fees are payable in addition to the administration expenses of the Company. The management agreement also contains provisions indemnifying Core against any liability, not due to its default, in respect of any negligence or fraud.

6.1.2 A co-investment agreement between the Company, VCT I, VCT II and Core dated 11 October 2005. The Directors and Core also act for VCT I and VCT II, which has an identical investment policy to the Company. The agreement provides for co-investment between the companies to be achieved in various ways, including:

6.1.2.1 the Company, VCT I and VCT II co-investing in each and every investment in parallel until they reach their prescribed investment targets. The Company, VCT I and VCT II should, therefore, be able to invest up to £3 million at any one time;

6.1.2.2 investments can be phrased to provide additional capital to existing investments, so as to increase the amount invested in each portfolio company over time, for example to finance the continued roll out of a successful business plan, or to support existing businesses in making further acquisitions of companies; and

6.1.2.3 in order to mitigate potential conflicts of interest where less than the maximum permitted amount is to be invested by the Company, VCT I and VCT II, including any new VCT's that may be launched in future years, the Directors, who form the board of each of the Company, VCT I and VCT II, will follow a policy of allocating investment pro rata to the NAV of each company but with the ability to adjust the weighting in favour of any company incorporated at the earliest date if necessary to mitigate any potential breach of VCT regulations. Where such a weighting adjustment is to be made, it will be made at the discretion of and with the approval of the directors from the Company, VCT I and VCT II.

6.1.3 A lock-up agreement between the Company and Core dated 11 October 2005. Under the terms of the agreement the Company and Core has entered into a lock-up agreement in relation to its B Shares. This agreement provides that the Investment Manager may not transfer any of its B Shares save pursuant to a takeover offer and in other specific circumstances.

In addition it should be noted that:

6.1.3.1 the lock-up agreement only applies to those B Shares issued to Core by way of cash subscription. In the event that Core has been issued, by way of bonus issue, B Shares (as a result of Ordinary Shares subscribed by Core) such B Shares issued by way of bonus issue shall not be subject to the said lock-up arrangements;

6.1.3.2 Core is entitled to transfer up to 5 per cent. of the B Shares (or such higher percentage as the Board may determine in their absolute discretion) which form the subject matter of the lock-up agreement without any restriction for the purposes of promoting liquidity in the trading of the B Shares; and

6.1.3.3 the Board may consent to the transfer of further B Shares at the request of Core if such transfer is deemed necessary for the marketing purposes of the offers.

A deed of amendment dated 11 June 2009 has been entered into between the parties to the lock-up agreement pursuant to which the transfer restrictions under the lock-up agreement on Core shall apply to any nominee who holds existing B Shares on Core's behalf or to which the New B Shares are to be issued pursuant to the Schemes, unless otherwise approved by the Board.

6.1.4 An option agreement between the Company and Core dated 11 October 2005. The Company has granted an option to Core entitling the option holder to subscribe for such number of B Shares at par in the Company that will entitle the option holder in aggregate to such number of B Shares that represent 30 per cent. of the aggregate number of B Shares and Ordinary Shares from time to time. The option holder had the right to subscribe for B Shares pursuant to the said option immediately following the initial allotment of shares and thereafter immediately following allotment of any shares from time to time. The option shall lapse where the management agreement referred to at paragraph 5.1.1 is Terminated for Cause.

6.1.5 An agreement dated 11 June 2009 between the Company, the Directors, Core and Howard Kennedy pursuant to which Howard Kennedy will act as sponsor to the Company. Under the

I: 23.1

agreement, which may be terminated by Howard Kennedy in certain circumstances, certain warranties have been given by the Company, the Directors and Core to Howard Kennedy. The Company has also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs

6.2 The following contracts will be entered into, subject, *inter alia*, to the approval by Shareholders of the resolutions to be proposed at the Meeting:

6.2.1 A transfer agreement between the Company and VCT I (acting through the Liquidators) pursuant to which the assets and liabilities of VCT I will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part I of this document. The Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of VCT I will be transferred on receipt to the Company as part of the VCT I Scheme. This agreement will be entered into as part of the VCT I Scheme.

6.2.2 A transfer agreement between the Company and VCT II (acting through the Liquidators) pursuant to which the assets and liabilities of VCT II will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part I of this document. The Liquidators will agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of VCT II will be transferred on receipt to the Company as part of the VCT II Scheme. This agreement will be entered into as part of the VCT II Scheme.

6.2.3 An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Schemes. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Schemes.

## 7. RELATED PARTY TRANSACTIONS

I: 19

Save for the appointment of Core as detailed in paragraph 6.1.1 above and the fees paid to the Directors as detailed in paragraph 4.4 above, there were no related party transactions or fees paid during the years ended 31 December 2006, 2007 and 2008 by the Company or to date in the current financial year.

## 8. TAXATION

8.1 The following paragraphs, which are intended as a general guide only and are based on current legislation and HMRC practice, summarise advice received by the Board as to the position of the Company's Shareholders who hold Shares other than for trading purposes. Any person who is in any doubt as to his taxation position or may be subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.

8.2 Taxation of dividends – under current law, no tax will be withheld by the Company when it pays a dividend.

III: 4.11

8.3 Stamp duty and stamp duty reserve tax – the Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares to be issued pursuant to the Schemes. The Company has been advised that the transfer of New Shares will, subject to any applicable exemptions, be liable to ad valorem stamp duty at the rate of 0.5 per cent. of the consideration paid. An unconditional agreement to transfer such New Shares if not completed by a duly stamped stock transfer will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid.

8.4 Close company – the Board believes that the Company is not, and expects that following completion of the Schemes it will not be, a close company within the meaning of ITA 2007. If the Company was a close company in any accounting period, approval as a VCT for the Company would be withdrawn.

## 9. GENERAL

### 9.1 Working Capital Statement

III: 3.1

The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

### 9.2 Capitalisation and Indebtedness Statement

III: 3.2  
I: 10.3

The Company has no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document. The capitalisation of the Company, extracted from Part IV of this document as at 31 December 2008, is set out below. There has been no material change in the capitalisation of the Company between 31 December 2008, the date of the Company's last published financial information and 11 June 2009, the latest practicable date before the date of publication of this document.

<b>Shareholders' Equity</b>	<b>£'000</b>
Called-up Share capital	4
Share premium account	7,800
Other reserves	5,268
<b>Total</b>	<b>13,072</b>

9.3 The acquisition is not expected to have a material effect on the levels of revenue and losses to be incurred by the Company relative to its enlarged asset base had the acquisition occurred on 31 December 2008.

9.4 The Company has not at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings, and the Company and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the past, a significant effect on the Company's financial position or profitability.

I: 20.8

9.5 Save for the movement in the net asset value from 79.15p per Ordinary Share and 0.01p per B Share as at 31 December 2008 to 100.8p per Ordinary Share and 0.01p per B Share as at 30 April 2009, there has been no significant change in the financial or trading position of the Company since 31 December 2008, the date to which the last audited financial statements have been published and there has been no significant change in the net asset value of the Company since 30 April 2009, in both cases to the date of this document.

I: 20.9

9.6 The Company has paid 3.5p of dividends per Ordinary Share (nil per B Share since launch and recommended a further 1p dividend per Ordinary Share in respect of the year ended 31 December 2008 (subject to approval at the Annual General Meeting) and a further 12p Special Dividend (conditional on the merger becoming effective).

9.7 There have been no important events so far as the Company and the Directors are aware relating to the development of the Company or its business.

I: 5.1.5

9.8 There have been no significant factors, whether governmental, economic, fiscal, monetary or political, including unusual or infrequent events or new developments nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have an effect on the Company's prospects or which have materially affected the Company's income from operations so far as the Company and the Directors are aware.

I: 9.2.1  
I: 9.2.3  
I: 12.1

9.9 There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year, so far as the Company and the Directors are aware.

I: 12.2

9.10 Scott-Moncrieff (a member of the Institute of Chartered Accountants) has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part V of this document in the form and context in which it is included and has authorised the contents of its report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules.

I: 23.1

- 9.11 Howard Kennedy and the Liquidators have given and not withdrawn their written consent to the issue of this document and the inclusion of their names and the references to them in this document in the form and context in which they appear. I: 23.1
- 9.12 The costs and expenses of the Schemes payable by the Company, including any irrecoverable value added tax and all fees and commissions payable are estimated to be £453,000 inclusive of VAT. Whilst the Merger Values takes into account anticipated costs to be incurred by VCT I and VCT II in relation to the Schemes, under the terms of the Transfer Agreements the Company has agreed to meet all the costs of VCT I and VCT II in relation to the Schemes and of winding up VCT I and VCT II whether or not so anticipated. XV: 3.1  
III: 8.1
- 9.13 Shareholders will be informed, by means of the interim and/or annual report or through a Regulatory Information Service announcement if the investment restrictions which apply to the Company as a VCT detailed in this document are breached. XV: 2.1
- 9.14 The Company's capital resources are restricted insofar as they may be used only in putting into effect the investment policies in this document. There are no firm commitments in respect of the Company's principal future investments. I: 10.4
- 9.15 Save as set out in paragraph 3 above, all Shareholders have the same voting rights in respect of the share capital of the Company. The Company is not aware of any person who, directly or indirectly, exercises or could exercise control over the Company, nor of any arrangements, the operation of which may be at a subsequent date result in a change of control of the Company.
- 9.16 Ernst & Young LLP (a member of the Institute of Chartered Accountants in England and Wales), have been auditors of the Company since launch. I: 2.1  
I: 7.2  
I: 17.1
- 9.17 The Company has no employees or subsidiaries.
- 9.18 The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is resident and a tax payer in the United Kingdom. XV: 1.4
- 9.19 Save as set out above, the Company does not have any material shareholders with different voting rights. I: 18.1  
I: 18.2
- 9.20 Application has been made for the admission of the New Shares to be issued under the Schemes to be listed on the Official List and application will be made for the New Shares to be admitted to trading on the London Stock Exchange's market for listed securities. A Regulatory Information Service announcement will be made following the Calculation Date stating the number of such New Shares to be issued. Dealings may not commence in the New Shares issued pursuant to the Schemes before notification of the number of New Shares to be issued is given. The Shares issued pursuant to the Schemes will be in registered form. If, following issue, recipients of New Shares pursuant to the Schemes should wish to hold their New Shares in uncertified form they should contact the Company's registrar. III: 6.1  
III: 4.3
- 9.21 The Company is subject to the investment restrictions relating to a venture capital trust in ITA 2007 and in the Listing Rules which specify that (i) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy as set out in pages 31-32 of this document; (ii) the Company must not conduct any trading activity which is significant in the context of its group as a whole; and (iii) the Company may not invest more than 10 per cent., in aggregate, of the value of the total assets of the issuer at the time an investment is made in other listed closed-ended investment funds. Any material change to the investment policy of the Company will require the approval of Shareholders pursuant to the Listing Rules. The Company intends to direct its affairs in respect of each of its accounting periods so as to qualify as a venture capital trust and accordingly:
- 9.21.1 the Company's income is intended to be derived wholly or mainly from shares or other securities, as this phrase is interpreted by HMRC;
- 9.21.2 the Company will not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- 9.21.3 none of the investments at the time of acquisition will represent more than 15 per cent. by VCT Value of the Company's investments; and
- 9.21.4 not more than 20 per cent. of the Company's gross assets will at any time be invested in the securities of property companies.

9.22 The Company and its Shareholders are subject to the provisions of the Takeover Code and the Companies Acts, which require shares to be acquired/transferred in certain circumstances. III: 4.9

9.23 Had the Schemes been implemented on 30 April 2009, based on the relative unaudited net asset values of the Company, VCT I and VCT II as at that day, 26,641,452 New Ordinary Shares and 17,698,266 New B Shares would have been issued to VCT I and VCT II shareholders representing 107 per cent. of the current issued share capital (161 per cent. of the Ordinary Share capital and 72 per cent. of the B Share capital). III: 9.1

## 10. DOCUMENTS AVAILABLE FOR INSPECTION I: 24

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Martineau, New Bridge Street, London EC4V 6BW and also at the registered office of the Company:

- 10.1 the memorandum and articles of association of the Company (including the amendments proposed thereto to be approved by Shareholders at the Annual General Meeting);
- 10.2 the audited report and accounts of the Company for the three financial years/periods ended 31 December 2006, 2007 and 2008;
- 10.3 the audited report and accounts of VCT I for the three financial years ended 31 December 2006, 2007 and 2008;
- 10.4 the audited report and accounts of VCT II for the three financial years/periods ended 31 December 2006, 2007 and 2008;
- 10.5 the material contracts referred to in paragraph 6 above;
- 10.6 the Directors' appointment letters;
- 10.7 a draft (subject to non-material updating and amendment) of the Transfer Agreements;
- 10.8 the consents referred to in paragraphs 9.10 and 9.11 above;
- 10.9 the circular to Shareholders dated 12 June 2009;
- 10.10 the VCT I Circular dated 12 June 2009;
- 10.11 the VCT II Circular dated 12 June 2009;
- 10.12 the pro forma financial information together with a report from Scott-Moncrieff thereon set out in Part V of this document; and
- 10.13 this document.

12 June 2009





