# CORE VCT PLC

Annual Report and Accounts
for the year ended 31 December 2012

# Investment Objective

Core VCT plc ("Core VCT" or "the Company") is a tax efficient listed company. The aim of the Company is to achieve long-term capital and income growth and to distribute tax free dividends comprising realised gains and investors' capital investment.

# Contents



If you have sold or otherwise transferred all of your shares in Core VCT plc, please forward this document and accompanying form of proxy as soon as possible to the purchaser or transferee, or to a stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

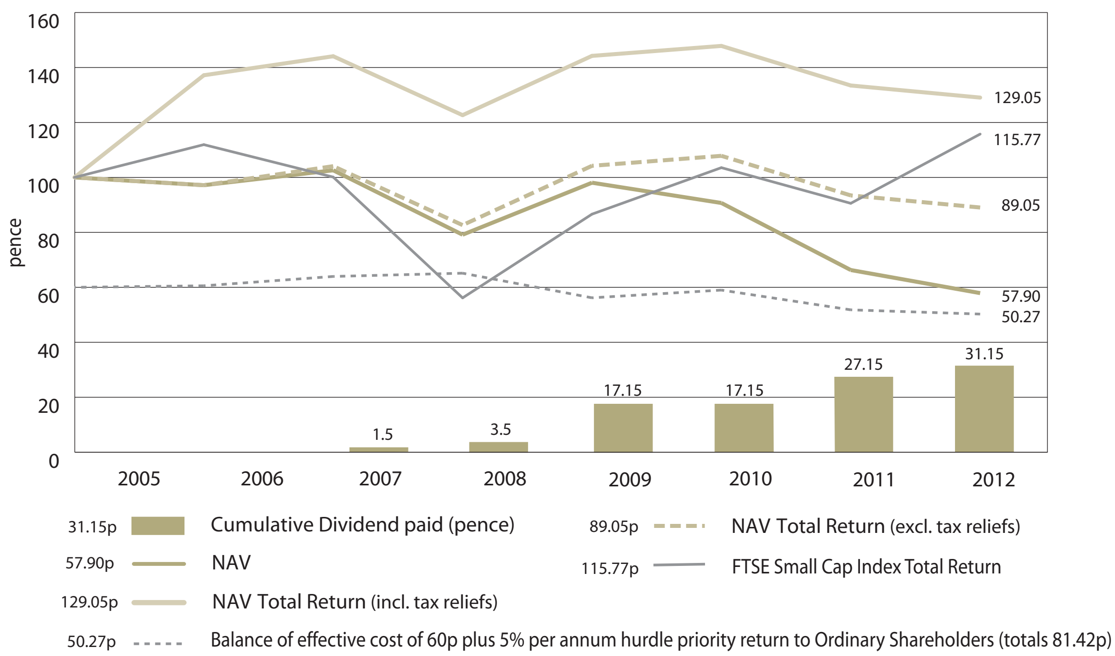
# Performance Summary

## Performance Record

| Year ended | Net Assets £m | Net Asset Value ("NAV") per share pence | Share Price pence | NAV Total Return* (excluding tax relief) pence | NAV Total Return (including initial tax relief) pence | Ongoing Charges Ratio† % |
|---|---|---|---|---|---|---|
| **Ordinary Shares** | | | | | | |
| 2006 | 16.0 | 97.17 | 100.00 | 97.17 | 137.17 | 1.02 |
| 2007 | 16.9 | 102.59 | 80.00 | 104.09 | 144.09 | 0.81 |
| 2008 | 13.1 | 79.15 | 50.00 | 82.65 | 122.65 | 1.43 |
| 2009 | 37.7‡ | 87.07 | 40.00 | 104.22 | 144.22 | 1.05 |
| 2010 | 39.3 | 90.70 | 50.00 | 107.85 | 147.85 | 0.93 |
| 2011 | 28.7 | 66.30 | 37.50 | 93.45 | 133.45 | 1.04 |
| **2012** | **25.1** | **57.90** | **25.75** | **89.05** | **129.05** | **1.24** |
| **B Shares** | | | | | | |
| 2006 | – | 0.01 | 3.50 | | | |
| 2007 | – | 0.01 | 3.50 | | | |
| 2008 | – | 0.01 | 3.50 | | | |
| 2009 | – | 0.01 | 8.50 | | | |
| 2010 | – | 0.01 | 27.00 | | | |
| 2011 | – | 0.01 | 14.00 | | | |
| **2012** | **–** | **0.01** | **10.00** | | | |

*NAV total return is calculated by adding NAV to cumulative dividends paid, using the weighted average from 2009 onwards.
†Ongoing Charges Ratio is calculated by taking operating costs of the Group (excluding trail commission, third party transaction costs and cost associated with corporate transactions) divided by the average NAV for the year.
‡Core VCT I plc and Core VCT II plc merged to form an enlarged Core VCT III plc on 16 July 2009 and this entity changed its name to Core VCT plc.

## Ordinary net asset value, ordinary net asset value total return and ordinary net asset value total return (with tax reliefs) against the FTSE Small Cap Index Total Return as at 31 December 2012




As at 31 December 2012, the ordinary shareholders must receive 81.42p (representing 31.15p of dividends paid to date plus 50.27p still to be paid to ordinary shareholders) before the B shares receive any distributions.

# Performance Summary

## Dividends Paid Since Launch to Ordinary Shareholders

| | Revenue Dividend pence | Capital Dividend pence | Total Annual Dividend pence | Cumulative Dividend pence | Cumulative Weighted Average Dividend pence |
|---|---|---|---|---|---|
| 2007 | 1.5 | – | 1.5 | 1.5 | |
| 2008 | 2.0 | – | 2.0 | 3.5 | |
| 2009 | 1.0 | 12.0 | 13.0 | 16.5 | 17.15 |
| 2010 | – | – | – | 16.5 | 17.15 |
| 2011 | – | 10.0 | 10.0 | 26.5 | 27.15 |
| **2012** | **–** | **4.0** | **4.0** | **30.5** | **31.15** |

Following the merger of Core VCT I plc and Core VCT II plc into Core VCT III plc on 16 July 2009 the weighted average dividend has been calculated by taking the total dividends paid in each VCT (Core VCT 1 plc £1,979,467, Core VCT II plc £2,722,270 and Core VCT III plc £2,724,292) giving a total of £7,426,029 divided by the shares in issue following the merger, totalling 43,301,414.

# Potential Cash Returns to Shareholders

## Potential Cash Returns to Shareholders on a Break Up Basis (excluding associated costs and based on NAV at the year end for illustrative purposes only)

| | Net Assets £ | Ordinary Shareholders £ | B Shareholders £ | Total Return £ |
|---|---|---|---|---|
| Net assets at 31 December 2012 | 25,074,368 | | | |
| Distributions at 31 December 2012 | 13,488,390 | | | |
| Total Return as at 31 December 2012 | 38,562,758 | | | |
| 60p effective initial cost of Ordinary shares (pre Merger) | (26,374,686) | 26,374,686 | | |
| Hurdle rate entitlement to date | (8,882,832) | 8,882,832 | | |
| 66.6667% of Hurdle rate entitlement to B shareholders | (3,305,240) | – | 3,305,240 | |
| Net assets remaining | – | | | |
| 60% to Ordinary shareholders | – | – | | |
| 40% to B shareholders | – | | – | |
| **Total Fund** | **–** | **35,257,518** | **3,305,240** | **38,562,758** |
| **No. of Ordinary Shares/B Shares** | | **43,301,414** | **28,867,227** | **43,301,414** |
| Net asset value per share (pence) | | 81.42p | 11.45p | |
| **Potential Return per Share Class (to non-management shareholders)** | | **81.42p** | **3.04p** | **84.46p** |
| **Potential Total Returns (including tax relief) (Note 1)** | | | | **124.46p** |

(Note 1) This illustrates the potential returns available to shareholders who subscribed during the original allotment in each VCT and retain B Shares.

# Chairman's Statement

### Results

The Net Asset Value ("NAV") Total Return of the Ordinary Shares was 89.05p as at 31 December 2012, comprising a NAV of 57.90p and weighted average cumulative dividend paid of 31.15p per Ordinary Share. This is a decrease from the NAV Total Return to 31 December 2011 of 4.7%. A net loss of £1,905,295 (decrease of 4.40p per share) was recorded in the Statement of Comprehensive Income for the year ended 31 December 2012 (2011: net loss of £6,238,726).

The decrease of 4.40p per share is accounted for by:

- 4.08p per share due to movement in the unquoted portfolio;
- Add gain generated from sale of investment 0.40p; and
- Less 0.72p per share for operating costs.

### Merger Costs

Following the merger of Core VCT I plc, Core VCT II plc and Core VCT III plc ("the Group") on 16 July 2009, I reported that the costs of undertaking the merger were expected to be £453,000 (including VAT) and these should be recovered within 3 years. I can report that as at 31 December 2012 cost savings of £464,000 were achieved, slightly ahead of this target.

### Investments

One of the main contributors to the fall in NAV was Allied International Holdings Limited ("Allied"), an investment directly held by Core VCT plc, which required further funding to progress with its turnaround plan. Both Core VCT IV plc and Core VCT V plc did not participate in the further funding due to their cash constraints and £950,000 was provided by Core VCT plc, by way of a loan with capital priority and an appropriate exit premium. During the year, the valuation reduced by £1.1 million (2.63p per Ordinary Share). This valuation decrease was driven by a trading deterioration of almost 20% in revenues year-on-year during 2012, exclusively within the European office destinations. This was particularly disappointing to see, especially following the positive recovery made in the business during 2011. However, confirmed booking levels for FY2013 are very encouraging so far with over 45% of this year's budget already confirmed.

During the year, the senior management team of Allied has been strengthened and there has been a re-organisation within the global sales team to drive the business forward. The order book for 2013 is well ahead of last year (up 40%) with several offices in Europe and the USA already set to outperform their budget which was set at over 15% year-on-year sales increase. Whilst progress has been slower than anticipated originally, we believe the company is now in a position to grow, organically and potentially by further acquisitions, into a major global destination management operation over the medium term.

During the year the value of Momentous Moving Excellence Ltd, an investment directly held by Core VCT plc, was reduced by £0.88 million (2.03 per Ordinary Share). This reduction reflected downward trends in asset values.

### Core Capital I LP ("CCILP")

We reported in the Circular dated 9 June 2011, that £27.3 million of growth capital would be provided to Abriand Limited, Ark Home Healthcare Limited, Colway Limited, Kelway Limited and SPL Services Limited. Whilst this capital is being deployed we expect that the valuations of these investments will remain fairly flat. We do not expect major changes to the valuations until we are much closer to achieving exits, which we target within a 2-3 year timescale. Accordingly, during the year, the valuation of CCILP increased slightly by £249,000 (0.58p per share).

During the year, a further £6.3 million was drawn down from the Institutional investors in CCILP. The main recipient of these funds was Abriand Limited, in which a further £3.5 million was invested and which completes the total £15.0 million growth capital commitment from CCILP for this investment. This has been utilised to fund capital expenditure on new sites, and the acquisition and conversion of the Chez Gerard sites from the administrator of Paramount Restaurants. During the course of the year, all of the acquired sites have been fully converted, mostly into the Brasserie Blanc format, with one unit trading as a re-launched Chez Gerard site. The total commitment to Abriand Limited from CCILP was £20.2 million with £5.2 million being provided, predominantly during 2011, to acquire additional shares in the company.

During the year, £1.2 million was invested in SPL Services Limited to fund working capital requirements. Ark Home Healthcare Limited received £0.8 million of funding to design, trial and implement a new business operating model. The remaining £0.75 million drawn down relates to the General Partner Fee for the year to June 2013.

The remaining £7.8 million to be called (net of General Partner Fee) is intended to be deployed in Ark Home Healthcare Limited, Colway Limited and SPL Services Limited.

### Realisations

I mentioned in my Chairman's Statement last year that Adapt Limited was sold to funds managed by Lyceum Capital for approximately £30 million. Some of the proceeds were held in an escrow account to fund litigation costs. These funds were released during the year and Core VCT plc received a further £172,000. The total return, since inception, on this investment is summarised below:

| | |
|---|---|
| Cost | £1.5 million |
| Total Return | £3.0 million |
| Money Multiple | 2.0x |
| IRR | 20% pa |

In addition, shortly before the year end, we received the part repayment of a short term loan to Momentous Moving Excellence Ltd, totalling £250,000.

### Dividends

Following the successful sale of Adapt Limited to funds managed by Lyceum Capital during September 2011, a 4p interim capital dividend was paid to Ordinary Shareholders on 28 February 2012.

The retained cash balances at the year-end are £1.1 million, which the Board believes will provide a sufficient level of headroom for the operations of the Company, and accordingly is not recommending a further distribution as a final dividend to shareholders at this stage. Future dividends will only be paid to shareholders following the successful exit of investments within the portfolio, when we plan to distribute all of the realised proceeds available, subject to working capital and VCT requirements.

# Chairman's Statement

### B Shares

Shareholders will be aware that the Company has an innovative charging structure. No annual management fees are paid to Core Capital LLP, which is only rewarded once shareholders have been returned all of their effective initial capital of 60 pence and subject to a hurdle rate of 5 per cent per annum. This is achieved through the issue of B Shares, which collectively receive 40% of distribution above the effective initial capital plus hurdle. Of these shares, 73% are held by Core Capital LLP, such that Core Capital will receive 29% of distributions above the effective initial cost plus hurdle.

Currently, total cumulative distributions, including the hurdle, are approximately 50.27p per Ordinary Share short of the required threshold following the achievement of which the B Shares would participate in distributions. However, I would like to remind shareholders that once this threshold is achieved, distributions to Ordinary Shares will be reduced to 60% of the total, and that your holding in B Shares forms an integral part of your investment along with your holding in Ordinary Shares.

### Share Price and Share Buy Backs

We would remind shareholders that we view the NAV Total Return, rather than the share price, as the preferred measure of performance, as it encompasses the value of the current portfolio and the amount of cash distributed to shareholders over the life of their investment. It is disappointing to report that the NAV Total Return has fallen by 4.7% over the year. However, we believe that the underlying portfolio performance will improve as we start to see the benefits from deploying the substantial capital raised last year from Core Capital I LP, and as our directly held investment, Allied, makes the progress we expect.

We are conscious that the mid price of the shares continues to be at a significant discount to the NAV (56% at 31 December 2012). Whilst the Group has the ability to buy back its own shares, the Boards' view is that any cash realised from disposal of investments should be returned to all shareholders by way of a distribution. Both the Ordinary Shares (CR3) and B Shares (CR3B) are fully listed shares. Prices are available on www.londonstockexchange.com.

I am pleased to welcome my co Director John Brimacombe as a fellow shareholder following his purchase of 250,000 B Shares during the year.

### Annual General Meeting

The Company's Annual General Meeting will be held at 10 am on 1 May 2013 at 19 Cavendish Square, London, W1A 2AW. This is a good opportunity for shareholders to meet the Directors and the Manager and I would encourage you to attend.

The Notice of the Annual General Meeting is contained on pages 40 to 41 and a Form of Proxy is enclosed. Shareholders who are unable to attend the Meeting are encouraged to complete and return the Form of Proxy to the Company's registrars so as to ensure that their votes are represented at the Meeting.

### Outlook

The outlook for the UK economy remains subdued and uncertain. Against this backdrop, it is encouraging that the level of debt in our underlying portfolio is relatively low and management teams have been strengthened where required. Together with the further capital that has either recently been invested or remains available, our largest companies in particular are well placed to deliver growth. Your Board and Manager are working towards creating value and seeking realisations for our shareholders whenever opportunitites occur over the medium term.

**Peter Smaill**
*Chairman*
14 March 2013

# Manager's Review

## Investment Highlights

- £0.95 million invested in one existing portfolio company
- Further draw down of £6.3 million from other institutional investors in Core Capital I LP

## Core Capital I LP ("CCILP")

During the year, a further £6.3 million was drawn down from the Institutional Investors in CCILP. The main recipient of these funds was Abriand Limited, in which a further £3.5 million was invested and which now completes the total £15.0 million growth capital commitment from CCILP for this investment. This has been utilised to fund capital expenditure on new sites and the acquisition and conversion of the Chez Gerard sites from the administrator of Paramount Restaurants. During the course of the year, all of the acquired sites have been fully converted, mostly into the Brasserie Blanc format, with one unit trading as the re-launched Chez Gerard site. The total commitment to Abriand Limited from CCILP was £20.2 million with £5.2 million being provided, predominantly during 2011, to acquire additional shares in the company.

During the year, £1.2 million was invested in SPL Services Limited to fund working capital requirements. Ark Home Healthcare Limited received £0.8 million of funding to design, trial and implement a new business operating model. Core Mezz II Limited, which held Better at Home Limited, was also acquired by Ark Home Healthcare Limited during the year for cost (£0.8 million). The remaining £0.8 million drawn down relates to the General Partner Fee for the year to 30 June 2013.

The remaining £7.8 million to be called (net of General Partner Fee) is intended to be deployed in Ark Home Healthcare Limited, Colway Limited and SPL Services Limited.

## Realisations

Following the sale of Adapt Limited to funds managed by Lyceum Capital during 2011 for approximately £30 million, the proceeds which had been retained in an escrow account to fund litigation costs were released during the year. Core VCT plc, received a further £172,000.

Momentous Moving Excellence Ltd partly repaid £250,000 of their £500,000 short term loan during the year.

## Existing Investment

We invested a further £0.95 million into Allied International Holdings Limited to fund working capital requirements. Both Core VCT IV plc and Core VCT V plc did not support the funding due to cash constraints within each VCT.

A more detailed description of the status of each investment follows.

# Manager's Review

## Core Capital I LP ("CCILP")

**Limited Partnership Fund**

All Core Capital LLP managed funds

| | |
|---|---|
| First Investment: | Jul-11 |
| Total Investment Cost: | £19,638,000 |
| Total equity held: | 29.56% |

Core VCT plc only (through Core BVI Limited)

| | |
|---|---|
| Cost: | £15,530,000 |
| Valuation: | £17,630,000 |
| Valuation basis: | % of Fund Value |
| % of equity held: | 23.38% |

**Core Capital I LP closed on 8 July with a value of £76 million.**

During the year to 31 December 2012, £6.3 million was called from the Institutional Investors. Abriand Limited received £3.5 million to fund the conversion of the Chez Gerard sites from the administrator of Paramount Restaurants. Ark Home Healthcare Limited received £0.8 million of funding to design, trail and implement a new business model. SPL Services Limited received a further £1.2 million to fund working capital requirement. The remaining £0.8 million relates to the General Partner Fee.

As at 31 December 2012, the value of CCILP is £75.4 million and commitments totalling £9.3 million remain to be called from investors.

The fair value of the assets held by CCILP are detailed on page 8.

## Pureleaf Limited (trading as Momentous Moving Excellence Ltd)

**Storage and Removals Business**

All Core Capital LLP managed funds

| | |
|---|---|
| First Investment: | Jan-07 |
| Total Investment Cost: | £6,361,000 |
| Total equity held: | 49.9% |

Core VCT plc only

| | |
|---|---|
| Cost: | £4,600,000 |
| Merge Cost: | £3,766,000 |
| Valuation: | £3,022,000 |
| Valuation basis: | NAV |
| % of equity held: | 49.9% |

| Year ended 31 May | 2012 | 2011 |
|---|---|---|
| | £'000 | £'000 |
| Sales | 4,562 | 5,363 |
| EBIT | (49) | 338 |
| Loss before tax | (380) | (47) |
| Net liabilities | (2,230) | (1,864) |

**Momentous Moving Excellence ("MME") is a long established storage and removals business.**

Formerly Baxters, carries out a significant amount of long term storage. MME has a strong balance sheet with substantial net assets, freehold assets and modest debt levels. The business has recently benefited from an improvement in its contracted storage rates as well as growth in its individual corporate relocation business which has improved the profits in the business.

## Allied International Holdings Limited

**Destination Management Company**

All Core Capital LLP managed funds

| | |
|---|---|
| First Investment: | Nov-09 |
| Total Investment Cost: | £7,599,000 |
| Total equity held: | 66.5% |

Core VCT plc only

| | |
|---|---|
| Cost: | £3,195,000 |
| Merge Cost: | £3,195,000 |
| Valuation: | £2,069,000 |
| Valuation basis: | Gross Profit Multiple |
| % of equity held: | 22.5% |

| Year ended 31 December | 2011 | 2010 |
|---|---|---|
| | £'000 | £'000 |
| Sales | 26,264 | 19,075 |
| EBIT | (1,515) | (2,256) |
| Loss before tax | (1,512) | (2,309) |
| Net assets | 55 | 1,758 |

**Allied is a turnaround investment and is a leading Destination Management Company (DMC) with 27 locations throughout the USA, Europe and the Middle East.**

We acquired the business in November 2009 by acquiring all of the senior debt at a substantial discount and providing working capital funding. 2009 represented a low point in the business cycle, and we believe Allied has the potential to grow organically and by acquisition into a major global operation.

We have introduced new management at a senior level, eliminated senior debt and provided further funding during 2012 to be used for growth and the re-organisation. This further investment was £0.95 million from Core VCT plc.

## Cording Land LLP

**Property Investment and Asset Management**

All Core Capital LLP managed funds

| | |
|---|---|
| First Investment: | Dec-08 |
| Total Investment Cost: | £1,420,000 |
| Total equity held: | 25% |

Core VCT plc only

| | |
|---|---|
| Cost: | £1,400,000 |
| Merger Cost: | £1,400,000 |
| Valuation: | £1,400,000 |
| Valuation basis: | Cost |
| % of equity held: | 25% |

| Year ended 31 March | 2012 | 2011 |
|---|---|---|
| | £'000 | £'000 |
| Sales | 789 | 425 |
| EBIT | 247 | (198) |
| Profit/(loss) before tax | 285 | 200 |
| Net assets | 1,452 | 1,358 |

**Cording Land is an investment management and asset management business in the UK commercial real estate market.**

Since our first investment of £1 million in January 2009, Cording Land has strengthened its investment team, recruited an experienced asset management team and now currently manages some £550 million of UK real estate assets. We provided a further £400,000 in December 2009 to be utilised to complete the acquisition of Danmerc Limited, a company that advises a group of Danish Pension Funds on their commercial real estate investments in the UK.

The investment is held through CP Newco Limited, in which a total of £1.4 million has been invested after Core VCT plc was returned £0.6 million by way of a capital reduction.

## Augentius Fund Administration LLP

**Private Equity and Real Estate**

All Core Capital LLP managed funds

| | |
|---|---|
| First Investment: | Oct-06 |
| Total Investment Cost: | £480 |
| Total equity held: | – |

Core VCT plc only

| | |
|---|---|
| Cost: | £480 |
| Merge Cost: | £480 |
| Valuation: | £480 |
| Valuation basis: | Cost |
| % of equity held: | 1% |

| Year ended 30 September | 2011 | 2010 |
|---|---|---|
| | £'000 | £'000 |
| Sales | 12,137 | 11,800 |
| EBIT | 1,666 | 2,355 |
| Profit before profit share | 1,640 | 2,341 |
| Net assets | 2,529 | 2,669 |

**Augentius is one of the world's leading Private Equity and Real Estate Fund administrators, administering over 300 funds and fund related entities with over 110 staff.**

The business operates from London, Guernsey, New York, Luxembourg, the Netherlands, Hong Kong, Singapore and Mauritius and provides outsourced administration services to many leading private equity and property funds. The Loan Notes were repaid in 2012, repaying our total investment cost, and we now retain a small equity holding.

# Investment Portfolio Summary

## for the year ended 31 December 2012

| Group | Date of initial investment | Investment cost (i) £'000 | Book cost (ii) £'000 | Valuation £'000 | % of net assets by value |
|---|---|---|---|---|---|
| **Unquoted Investments** | | | | | |
| **Core Capital I LP**<br>Limited partnership fund | Jul-11 | 15,530 | 15,530 | 17,630 | 70.3 |
| **Pureleaf Limited (trading as Momentous Moving Excellence Ltd)**<br>Provider of removal and storage services | Jan-07 | 4,600 | 3,766 | 3,022 | 12.0 |
| **Allied International Holdings Limited**<br>Destination management company | Nov-09 | 3,195 | 3,195 | 2,069 | 8.3 |
| **CP Newco Limited; comprising Cording Land LLP**<br>A real-estate investment and asset management company | Dec-08 | 1,400 | 1,400 | 1,400 | 5.6 |
| **Augentius Fund Administration LLP**<br>Provider of fund management administration services | Oct-06 | – | – | – | – |
| **Total investments** | | **24,725** | **23,891** | **24,121** | **96.2** |
| **Net current assets** | | | | **954** | **3.8** |
| **Net assets** | | | | **25,075** | **100.0** |

(i) Original investment cost

(ii) This is based on the investment cost in respect of Core VCT III plc and fair value in respect of Core VCT I plc and Core VCT II plc as at 16 July 2009, the merger date of Core VCT I plc, Core VCT II plc and Core VCT III plc.

| **As at 31 December 2012, the fair value of the assets held by CCILP are:** | **£'000** |
|---|---|
| Ark Home Healthcare Limited | 6,421 |
| Abriand Limited | 25,799 |
| Colway Limited | 4,531 |
| Kelway Limited | 25,803 |
| SPL Services Limited | 2,630 |
| | 65,184 |
| Net current assets | 10,239 |
| **Total Fund Value** | **75,423** |
| **Group's interest in CCILP** | **17,630** |

# Board of Directors

## Peter Smaill

***Status: Independent, non-executive Chairman***

***Date of appointment: 11 October 2005***

Peter has pursued a career in private equity investment spanning more than 30 years, focusing on mid-market transactions of all types. He has been associated with many successful exits of buy-outs, buy-ins and growth capital investments throughout the UK. A law graduate of Edinburgh University, Peter trained at 3i and had a period with Gresham Trust plc, specialising in Business Expansion Scheme financings, prior to developing his career at National Westminster Bank Plc. He was a Director of NatWest Equity Partners Limited (now Bridgepoint Capital Limited), and headed its Edinburgh office in 1989. He was Director of the NatWest IT Fund from 1996 to 2000, which achieved successful flotations for investments on AIM, Techmark and NASDAQ, as well as via trade sales. Subsequently he moved to LICA Development Capital Limited in London where he was Co Managing Director, developing information technology strategy and tax related products, before joining Dunedin Capital Partners Limited, where he was a Director from 2002 to 2004. He was non-executive chairman of Portman Holdings Limited, a Management Buy-out ("MBO") which he led in 1996 and successfully exited in February 2007. In January 2006 he joined Fairfax, an innovative international investment business, and was a director of Fairfax Investment Management Limited until March 2013. In October 2012 he was appointed the chairman of the audit committee of Midlothian Council. Peter was appointed as Chairman of Core VCT I plc on 29 November 2004 and Core VCT II plc in October 2005 and both of these companies merged with Core VCT III plc on 16 July 2009 and was renamed Core VCT plc.

## John Brimacombe

***Status: Senior Independent Director and Chairman of the Audit Committee***

***Date of Appointment: 9 August 2007***

John is managing director of Jobstream Group plc,an Operating Partner of Sussex Place Ventures and chairman of Linguamatics Limited. He was a cofounder of NGame Limited and was also President of Mforma Group Inc. A graduate in Law and Computer Science from Trinity College Cambridge, John was appointed as a Director of Core VCT I plc and Core VCT II plc in August 2007.

## David Dancaster

***Status: non-executive Director***

***Date of Appointment: 25 June 2010***

David is a partner of Core Capital LLP, the Company's Manager, and the group finance director of Caparo plc. He is also a director of a number of companies in the Caparo Group. He began his career with PricewaterhouseCoopers in 1980 and, after five years there, he joined the Corporate Finance department of Charterhouse Bank, remaining there for ten years and serving as a director of the bank for the last four. From 1989 he was responsible for advising Caparo, following which he joined the group in 1996 and has played a major role in its extensive acquisition programme. He is a Chartered Accountant and holds a BA Hons from the University of Exeter.

# Directors' Report

## Results and Dividends

The Directors present their Report and audited financial statements of the Group and Company for the year ended 31 December 2012.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as is required for group financial statements.

A capital dividend of 4p was paid on 28 February 2012 following the sale of Adapt Limited to funds managed by Lyceum Capital.

The Board is not in a position to pay a final dividend in respect of the year ended 31 December 2012.

**Company Number: 5572561**

## Principal Activity and Status

On 16 July 2009, the Company then known as Core VCT III plc, completed a merger with Core VCT I plc and Core VCT II plc and changed its name to Core VCT plc.

The Company is registered as a Public Limited Company under the Companies Act 2006. The Company has revoked investment company status in order to effect the payment of capital dividends. The Directors have managed, and intend to continue to manage, the Company's affairs in such a manner as to comply with Section 274 of the Income Tax Act 2007 which grants approval as a Venture Capital Trust ("VCT"). The Company's shares are listed on the official list and traded on the main market of the London Stock Exchange.

The Company is required to comply with company law, the rules of the UK Listing Authority, IFRS, and its Articles of Association.

## Subsidiary

The Company has a 100% interest in Core (BVI) Limited, which is a limited company domiciled in the British Virgin Islands. Core (BVI) Limited's principal objective is to hold an interest in Core Capital 1 LP, a Limited Partnership formed by the Manager.

## Business Review

### *Board of Directors*

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 9.

### *Investment Objective*

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

### *Investment Approach*

Core Capital LLP, the Manager, invests primarily in:

- Established private companies, which show sufficient operating critical mass, with an established economic model, and able, motivated management teams with the key skills in place to deliver a well-defined business plan.
- Total investment sizes are typically £3 to £8 million across its VCT clients, in companies initially valued at £5 to £25 million.

### *Fund Structure*

The Company is structured as follows:

- **No Annual Management Fees**
  Only when shareholders have received the first 60 pence per share of distributions, which together with an assumed 40 pence per share of initial tax relief will have realised them 100 pence, will the Manager start to be entitled to 29% of distributions from the Company (for further information please refer to Note 3 of the Accounts).
- **Maximise Distributions of Income and Capital**
  Core VCT plc has a policy to distribute the proceeds from realised investments subject to further capital requirement. The Company has no fixed life but intends to liquidate naturally and distribute its assets over time. The Manager's incentives are structured to align their interests in delivering this liquidity for shareholders as well as maximising overall investment performance.

### *Investment Policy*

The Company may invest all of its assets in private companies. These investments are unquoted, and include but are not limited to, MBOs and Development Capital for expansion or acquisition funding for established companies. However, due to the nature of completing and realising such investments, and the need to maintain some liquid reserves, there will inevitably be periods when a proportion of assets are not held in unquoted investments.

### *VCT Regulation*

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HM Revenue & Customs. Amongst other conditions, the Company may not invest more than 15% of its VCT value in a single company and must have at least 70% by value of its investments throughout the period in shares or securities that comprise qualifying holdings, of which 30% by value must be Ordinary Shares which carry no preferential rights.

### *Risk Management*

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

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

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

### *Gearing*

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

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

### *Strategy*

As part of its strategy, the Board has contractually delegated the management of the investment portfolio and other services to the Manager.

The Company's performance in meeting its objectives is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year-end, and the outlook for the coming year is contained in the Chairman's Statement on pages 3 to 4 and the Manager's Review on pages 5 to 7, both of which form part of the Business Review.

### *Principal Risks and Uncertainties and Risk Management*

The Board believes that the principal risks faced by the Company are:

- Economic risk – events such as an economic recession and movements in interest rates could affect the valuation of small companies.
- Loss of approval as a Venture Capital Trust – the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempt from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT.
- Investment and strategic – incorrect strategy, asset allocation, and stock selection could all lead to poor returns for shareholders. The underlying investments may also need significant funding which is not in accordance with VCT legislation.
- Regulatory – breach of regulatory rules could lead to suspension of the Company Stock Exchange Listing, financial penalties or a qualified audit report.
- Operational – failure of the Manager's accounting systems or disruption to the Manager's business could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Manager could lead to misappropriation of assets. Inappropriate accounting policies may lead to misreporting or breaches of regulations.

The Board seeks to mitigate and manage these risks through continual review, policy setting, shareholder communication and enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are described in more detail on page 15.

### *Performance and Key Performance Indicators ("KPIs")*

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

# Directors' Report

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

- *Net Asset Value (NAV)*
  NAV is calculated quarterly, with a full valuation of the unquoted investments carried out every six months in accordance with the International Private Equity and Venture Capital Valuation guidelines.

- *Cumulative Distributions*
  Cumulative distributions are since inception distributions of both income and capital. The Company has no fixed life, but intends to liquidate naturally and distribute its assets over time. In particular, the Company has a policy to distribute the proceeds from realised investments (the original capital investment plus realised profits less losses), as well as income after expenses, subject to retaining capital for further investment in the underlying portfolio companies and working capital.

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

A historical record of these indicators is contained in the Performance Summary on pages 1 to 2.

## Share Capital

As at 31 December 2012 the issued Ordinary Share Capital of the Company was £4,330 (2011: same) comprising 43,301,414 Ordinary Shares (2011: same) and the issued B Share Capital of the Company was £2,887 (2011: same) comprising 28,867,227 B Shares (2011: same).

Only the holders of Ordinary Shares have voting rights, except in the event of a resolution being put to shareholders to amend any provision of the Company's articles or where an offer for the Company has been made and remains open for acceptance. In both instances B shareholders would be entitled to vote.

## Directors and their interests

Biographies of the Directors are shown on page 9.

In accordance with the Company's Articles of Association, Peter Smaill will retire by rotation, and being eligible will offer himself for re-election, at the Annual General Meeting. David Dancaster is a partner of Core Capital LLP, the Company's Manager and is therefore not considered to be independent. In accordance with the AIC's Code of Corporate Governance ("AIC Code") he will retire annually and offer himself for re-election. David Dancaster will retire at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election.

The Board confirms that, following performance evaluations, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

The Directors who held office at the end of the year and their interests in the shares of the Company were:

| | 2012 Ordinary Shares | B Shares | 2011 Ordinary Shares | B Shares |
|---|---|---|---|---|
| Peter Smaill | 59,956 | 9,994 | 59,956 | 9,994 |
| John Brimacombe | – | 250,000 | – | – |
| David Dancaster | – | – | – | – |

There have been no further changes in the holdings of the Directors since 31 December 2012. No options over the share capital of the Company have been granted to the Directors. No Director has a service contract with the Company. The Company does not have any employees.

## Management

Core Growth Capital LLP was appointed Manager to the Company on 11 October 2005 and changed its name to Core Capital LLP on 3 October 2006. The Management Agreement may be terminated by not less than one year's notice in writing. The Manager receives no annual fee but instead has subscribed for 73% of the B Shares in issue. For further information please see note 3 to the accounts on page 29. The Directors regularly review the performance of the Manager and carry out an annual evaluation. They believe that the continuing appointment of the Manager on the terms agreed is in the interests of the Shareholders as a whole. For further details of the review please see the Directors' Report on page 15.

Core Secretarial Services LLP acted as both Administrator and Company Secretary to the Company under an agreement dated 24 August 2010. An administration fee of £170,000 (exclusive of VAT) was charged per annum to the Core VCTs and a Fee Percentage (the proportion represented as a percentage) which the Company's net asset value bears to the aggregate net asset value of all the VCTs was attributed to each VCT. This agreement was terminated on 11 February 2012 and was replaced with an agreement with Core Capital LLP. The only other change to the new agreement is that the administration fee charged to Core VCT plc will be fixed at £110,000 per annum (excluding VAT).

## Corporate Governance

The Directors of Core VCT plc have adopted the AIC Code for the year ended 31 December 2012 available at the website www.theaic.co.uk. The AIC Code addresses all principles set out in Section 1 of the UK Corporate Governance Code ('the Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council ("FRC") has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the Code and paragraph 9.8.6 of the Listing Rules.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Code except where noted below. There are certain areas of the Code that the AIC does 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:

- A.2 The role of the chief executive
- D.1 Executive directors' remuneration
- C.3 The need for an internal audit function

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

### *The Board*

The Board comprises three non-executive Directors. Each brings a range of relevant expertise, experience and judgement to the Board. The Company has appointed John Brimacombe as Senior Independent Director and he is available as an alternative channel of communication should communication with the Chairman not be appropriate. The Directors believe that this structure is the most appropriate for the Company given its current size and the nature of its business.

All the Directors are equally responsible under Company law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

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

### *Audit Committee*

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by John Brimacombe, operates within written terms of reference clearly setting out its authority and duties, which are available on request from the Company Secretary.

The Audit Committee is comprised of the full Board. This is a departure from Principle C.3.1 of the AIC Code which recommends that the constitution of the Audit Committee should be 2 independent Directors and the Audit Committee Chairman. David Dancaster is a member of the Audit Committee but is not independent. Given the size and structure of the Company the Board is satisfied with the constitution of the Audit Committee.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Financial Statements, the system of internal controls, and the terms of appointment of the auditor together with their remuneration. The objectivity of the auditor is reviewed by the Audit Committee, which also reviews the terms under which the external auditor is appointed to perform non-audit services. It also provides a forum through which the auditor may report to the Board of Directors twice yearly. The Audit Committee reviews thescope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees. Such non-audit fees paid to the Company's auditor, Ernst & Young LLP, amounted to £5,800 for the year ended 31 December 2012 (2011: £8,920) and related to agreed upon procedures with respect to the half yearly accounts and the provision of taxation services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

Given the size and structure of the Company the Board does not believe it necessary to appoint a Remuneration Committee or Nomination Committee. The roles and responsibilities of these Committees have been included in a schedule of matters specifically reserved for decision by the Board.

The table below sets out the number of Board and Committee meetings held during the year to 31 December 2012 and the number of meetings attended by each Director.

| | Board | Audit Committee |
|---|---|---|
| No. of meetings | 4 | 2 |
| Peter Smaill | 4 | 2 |
| David Dancaster | 4 | 2 |
| John Brimacombe | 4 | 2 |

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

All of the Directors are subject to re-election by shareholders at the first Annual General Meeting following their appointment and, subject to the provisions of the Companies Act 2006, one-third of the Directors shall retire from office by rotation at each AGM and this Director shall be the Director who has been longest in office since their last election. Notwithstanding the above provision, each Director is required to submit himself for re-election in any period of three consecutive Annual General Meetings.

| | Date of appointment | Last re-election | Next retirement by rotation/re-election due |
|---|---|---|---|
| Peter Smaill | 11-Oct-2005 | AGM 2011 | AGM 2013 |
| John Brimacombe | 9-Aug-2007 | AGM 2012 | AGM 2014 |
| David Dancaster | 25-Jun-2010 | AGM 2012 | AGM 2013 |

In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Whilst the Board does not consider that this is an issue, the overall matter of directors' independence is taken extremely seriously, as discussed below. If the matter becomes relevant in future years, the Board will consider length of tenure of directors at the appropriate time.

The Board has considered whether each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement and has concluded that all the Directors, with the exception of David Dancaster are independent of the Manager. John Brimacombe is a minority shareholder in Kelway Holdings Limited, in which Core VCT plc holds an interest through Core Capital I LP. The Board considers that this relationship does not affect John Brimacombe's independence from the Manager.

The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions in relation to such investments.

The Board aims to include a balance of skills, experience and length of service that the Directors believe to be appropriate to the management of the Company. The Board reviews all candidates for new appointments and candidates are selected based on the skills and experience that the Board believes will fill any gaps that the Board may have. The Board offers an induction procedure to all new directors and all directors may choose relevant training as and when required. The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. During the year the performance of the Board, committees and individual Directors was evaluated through a meeting.

### *The Manager*

The Company has appointed Core Capital LLP as Manager under the terms of a Management Deed dated 11 October 2005. The Manager manages and advises the Company so that it ensures that the Company satisfies and continues to satisfy the conditions for approval as a venture capital trust as set out in section 274 of Income Tax Act 2007 and the rules of the UKLA. The Board and Manager operate in a supportive, co-operative and open environment and the Board regularly reviews the performance of the Manager. Details of the principal investments made by the Company are given in the Manager's Review on pages 5 to 7. There are no management fees payable to the Manager. Details of the management incentive structure whereby members of the Manager have subscribed for B shares in the Company are set out in Note 3 and the Break Up Schedule shown on page 2.

The continued appointment of Core Capital LLP as Manager to the Company on the existing terms has been approved by the Board. The Board considers the arrangement for the provision of investment management and other services to the Company on an ongoing basis and a review is conducted annually.

As part of this review the Board considered the quality of management, the levels of staffing, the investment process and the results achieved to date.

From time to time the Board makes suggestions as to the development of processes and considers the changes proposed by management as to the ownership and operation of the management contract.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement the Board considers that they represent an appropriate balance between cost and incentivisation of the Manager, with the principal economic reward to the Manager consisting of the capital growth potential of their B Shares of the Company in the event that investor-focused hurdles are met.

### *Internal Control*

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

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

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

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

This procedure for the review of control systems has been in place and operational throughout the year under review and up to the date of this report. The Board has identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

# Directors' Report

***Directors' Remuneration***

The remuneration of the Directors is determined by the Board, in accordance with the Company's Articles of Association. The Articles currently stipulate a maximum total Board remuneration of £100,000 per annum. The Board as a whole reviews the remuneration policy of the Company. Further details can be found in the Directors' Remuneration Report on pages 18 to 19.

***Conflicts of Interest***

The Companies Act 2006 sets out directors' general duties and from 1 October 2008 a Director, under this Act, must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interest. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the company secretary any changes to conflicts or any potential new conflict.

***Relations with Shareholders***

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum both formal and informal, for shareholders to meet and discuss issues with the Director and Manager of the Company. Details of the resolutions to be proposed at the forthcoming Annual General Meeting on 1 May 2013 can be found in the Notice of Meeting on pages 40 to 41.

***Going Concern***

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date these financial statements were approved. At 31 December 2012, the Company held cash balances of £1.1 million. Cashflow projections have been reviewed and show that the Company has sufficient funds to meet its contracted expenditure. The Company has no external loan finance in place and therefore is not exposed to any gearing or covenants.

## VCT Status Monitoring

The Company appointed PricewaterhouseCoopers LLP ("PwC") to advise on its compliance with the legislative requirements relating to VCTs. PwC carry out regular reviews of the Company's investment portfolio.

## Auditor

Ernst & Young LLP were re-appointed as Auditor of the Company at the Annual General Meeting held on 1 May 2012. Ernst & Young LLP have expressed their willingness to continue in office as auditor and resolutions to re-appoint Ernst & Young LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## Auditor's Right to Information

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

## Financial Instruments

The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in note 16 on pages 35 to 39.

## Substantial Interests in Share Capital

On 31 December 2012, the Company had received notification of the following voting rights (under the FSA's Disclosure and Transparency Rules):

| | Number of B Shares Held | Percentage Held |
|---|---|---|
| Core Capital LLP | 21,194,848 | 73.4% |

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the year.

## Creditors' payment policy

The Company's creditor policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any material trade creditors at the year end or the previous year end.

## Annual General Meeting

A notice for the Annual General Meeting of the Company to be held at 10 am on 1 May 2013 is set out on pages 40 to 41 of this Annual Report. A separate proxy form is enclosed.

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

## Authorities for the Directors to Allot Shares (Resolution 7) and the Disapplication of Preemption Rights (Resolution 8) under sections 551 and 571 of the Companies Act 2006 ("the Act")

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing shareholders. Resolution 7 will enable the Directors to allot up to an aggregate nominal amount not exceeding £216, representing approximately 5% of the issued ordinary share capital. This resolution is proposed as an ordinary resolution and will require the approval of more than 50% of the votes cast at the meeting. The authority, unless previously renewed or revoked, will expire at the conclusion of the Company's next annual general meeting held after the passing of this resolution.

Under section 561 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 8 will enable this requirement to be disapplied in the specific circumstances named in the Resolution. These are in relation to a rights issue and in respect of allotment of equity securities up to an aggregate nominal amount not exceeding £216 This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting. The authority, unless previously renewed or revoked, will expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of the authority.

Both resolutions generally renew previous authorities approved on 1 May 2012. The Directors have no immediate intention of exercising these powers.

## Authority to Purchase the Company's Own Shares (Resolution 9)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to a maximum number of 6,490,881 Ordinary Shares and 4,327,197 B Shares equal to approximately 14.99% of the issued share capital at the date of the resolution and will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2014 and the date which is fifteen months after the date on which this resolution is passed. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share or B Share will be the amount equal to 105% of the average of the middle market quotations for the Company's Shares of that class as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase. The minimum price which may be paid is 0.01 pence per share, i.e. the nominal value of both classes of shares.

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

The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

**Rhonda Nicoll**
*Company Secretary*
14 March 2013

# Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 1 May 2013. The Company's auditor is required to give their opinion on the specified information provided on Directors' emoluments and this is explained further in their report to shareholders on pages 21 to 22. The figures that are audited are indicated as such.

### Remuneration Policy

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

It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. However, members of the Manager own 73% of the B Shares through which they effectively receive 29% of all income and capital after such time as the Ordinary Shareholders have received the effective initial cost of 60 pence plus a hurdle rate return of 5% per annum. David Dancaster is a partner in Core Capital LLP, the Company's Manager, and is also group finance director at Caparo plc, which is also a partner of Core Capital LLP. David Dancaster was paid £18,000 by the Company during the year under review.

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

The Company's Articles of Association limit the total amount that can be paid to the Directors in fees to £100,000 per annum. It is intended that this policy will continue for the year ending 31 December 2013 and subsequent years.

### Terms of Appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Act 2006, one third of the Directors (or if the number is not a multiple of three, the number nearest to one third), shall retire from office by rotation at each AGM and the Director(s) retiring by rotation shall be the Director(s) who has been longest in office since their last election. Notwithstanding the above provision, each Director is required to submit himself for re-election in any period of three consecutive Annual General Meetings. Directors retiring by rotation are then eligible for re-election.

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

### Directors' Emoluments (audited)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below.

| | Year to 31 December 2012 £ | Year to 31 December 2011 £ |
|---|---:|---:|
| Peter Smaill | 22,500 | 22,500 |
| John Brimacombe | 18,000 | 18,000 |
| David Dancaster | 18,000 | 18,000 |
| | **58,500** | **58,500** |

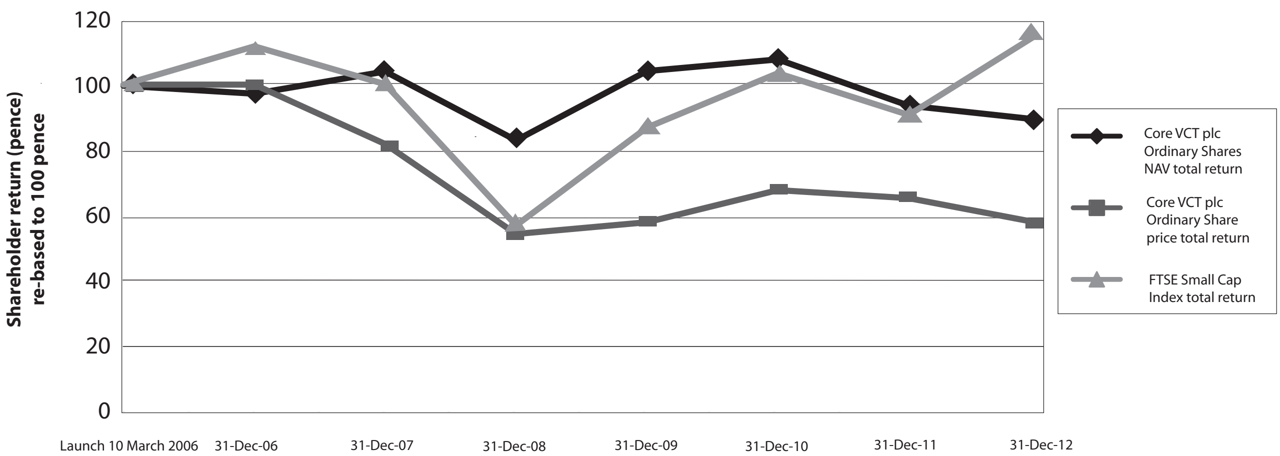
Apart from the incentive schemes noted earlier, the Company does not have any other schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

## Total Shareholder Return

The following graph charts the total cumulative shareholder return of the Company since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 10 March 2006 compared to the total cumulative shareholder return of the FTSE Small Cap Index. This index represents a broad equity market index against which investors can measure the performance of the Company and is considered an appropriate index against which to measure the Company's performance. The total shareholder return has been rebased to 100 pence at 10 March 2006. An explanation of the performance of the Company is given in the Chairman's Statement and the Manager's Review.

The NAV Total Return per Ordinary Share has been shown separately on the graph because the Directors believe that it represents a more accurate reflection of the Company's performance.

**Total cumulative shareholder return of the Ordinary Share Fund since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority compared to the total return of the FTSE Small Cap Index**




By order of the Board

**Peter Smaill**
*Chairman*
14 March 2013

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Standards ('IFRS') as adopted by the European Union.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, the financial performance and cash flows of the Group and Company for that period. In preparing the Group and Company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance;
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the Group and the Company and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Responsibility Statements under the Disclosure and Transparency Rules**

Each of the Directors confirms that to the best of his knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Peter Smail
*Chairman*
14 March 2013

# Independent Auditor's Report to the Shareholders of Core VCT plc

We have audited the financial statements of Core VCT plc for the year ended 31 December 2012 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements, and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

# Independent Auditor’s Report to the Shareholders of Core VCT plc

- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors’ statement, on page 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors remuneration.

Ashley Coups (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 March 2013

# Group Statement of Comprehensive Income

## for the year ended 31 December 2012

| | Notes | Revenue Return £ | Capital Return £ | Year ended 31 December 2012 Total £ | Revenue Return £ | Capital Return £ | Year ended 31 December 2011 Total £ |
|---|---|---|---|---|---|---|---|
| **Capital losses on investment** | | | | | | | |
| Losses on investments held at fair value | 8 | – | (1,594,933) | (1,594,933) | – | (5,770,276) | (5,770,276) |
| | | – | (1,594,933) | (1,594,933) | – | (5,770,276) | (5,770,276) |
| **Revenue** | | | | | | | |
| Investment Income | 2 | 10,000 | – | 10,000 | 393,883 | – | 393,883 |
| Other income | 2 | 870 | – | 870 | 2,669 | – | 2,669 |
| **Total Income** | | **10,870** | **(1,594,933)** | **(1,584,063)** | **396,552** | **(5,770,276)** | **(5,373,724)** |
| **Expenditure** | | | | | | | |
| Other expenses | 3 | (321,232) | – | (321,232) | (354,113) | (510,889) | (865,002) |
| **Total expenditure** | | **(321,232)** | **–** | **(321,232)** | **(354,113)** | **(510,889)** | **(865,002)** |
| **(Loss)/profit before taxation** | | **(310,362)** | **(1,594,933)** | **(1,905,295)** | **42,439** | **(6,281,165)** | **(6,238,726)** |
| Taxation | 5 | – | – | – | – | – | – |
| **(Loss)/profit for year/total comprehensive income** | | **(310,362)** | **(1,594,933)** | **(1,905,295)** | **42,439** | **(6,281,165)** | **(6,238,726)** |
| **Return per ordinary share:** | 7 | **(0.72)p** | **(3.68)p** | **(4.40)p** | **0.10p** | **(14.51)p** | **(14.41)p** |

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued during the year.

The accompanying notes are an integral part of the above statement.

# Group and Company Balance Sheets

## as at 31 December 2012

| | Notes | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investments at fair value through profit or loss | 8 | 24,120,643 | 24,120,643 | 25,187,092 | 25,187,092 |
| Subsidiary undertaking | 9 | – | 1,000 | – | 1,000 |
| | | 24,120,643 | 24,121,643 | 25,187,092 | 25,188,092 |
| **Current assets** | | | | | |
| Other receivables | 11 | 2,657 | 2,657 | 6,541 | 6,541 |
| Cash | 12 | 1,075,281 | 1,074,281 | 3,645,336 | 3,644,336 |
| | | 1,077,938 | 1,076,938 | 3,651,877 | 3,650,877 |
| **Current liabilities** | | | | | |
| Other payables | 13 | (124,213) | (124,213) | (127,249) | (127,249) |
| **Net current assets** | | 953,725 | 952,725 | 3,524,628 | 3,523,628 |
| **Net assets** | | **25,074,368** | **25,074,368** | **28,711,720** | **28,711,720** |
| **Equity** | | | | | |
| Called-up Ordinary Share capital | 14 | 4,330 | 4,330 | 4,330 | 4,330 |
| Called-up B Share capital | 14 | 2,887 | 2,887 | 2,887 | 2,887 |
| Special distributable reserve | | 30,635,667 | 30,635,667 | 32,367,724 | 32,367,724 |
| Capital reserve | | (5,025,477) | (5,025,477) | (3,430,544) | (3,430,544) |
| Revenue reserve | | (543,039) | (543,039) | (232,677) | (232,677) |
| **Shareholders' funds** | 15 | **25,074,368** | **25,074,368** | **28,711,720** | **28,711,720** |
| **Assets attributable to Ordinary Shareholders** | 15 | **25,071,482** | **25,071,482** | **28,708,834** | **28,708,834** |
| **Assets attributable to B Shareholders** | 15 | **2,886** | **2,886** | **2,886** | **2,886** |
| **Net asset value per 0.01p Ordinary Share** | 15 | **57.90p** | **57.90p** | **66.30p** | **66.30p** |
| **Net asset value per 0.01p B Ordinary Share** | 15 | **0.01p** | **0.01p** | **0.01p** | **0.01p** |

The accompanying notes are an integral part of the above statements.

The financial statements were approved and authorised for issue by the Board on 14 March 2013 and were signed on its behalf by:

**Peter Smaill**

*Chairman*

# Group and Company Statements of Changes in Equity

for the year ended 31 December 2012

| | Called up Ordinary Share Capital £ | Called up B Share Capital £ | Share Premium £ | Special Distributable Reserve £ | Capital Reserve £ | Revenue Reserve £ | Total £ |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **For the year ended 31 December 2012** | | | | | | | |
| Net assets at 1 January 2012 | 4,330 | 2,887 | – | 32,367,724 | (3,430,544) | (232,677) | 28,711,720 |
| Loss for the year/total comprehensive income | – | – | – | – | (1,594,933) | (310,362) | (1,905,295) |
| Dividends paid | – | – | – | (1,732,057) | – | – | (1,732,057) |
| **Net assets at 31 December 2012** | **4,330** | **2,887** | **–** | **30,635,667** | **(5,025,477)** | **(543,039)** | **25,074,368** |
| **Group** | | | | | | | |
| **For the year ended 31 December 2011** | | | | | | | |
| Net assets at 1 January 2011 | 4,330 | 2,887 | 30,879,638 | 5,818,227 | 2,850,621 | (275,116) | 39,280,587 |
| (Loss)/profit for the year/total comprehensive income | – | – | – | – | (6,281,165) | 42,439 | (6,238,726) |
| Dividends paid | – | – | – | (4,330,141) | – | – | (4,330,141) |
| Cancellation of Share Premium account | – | – | (30,879,638) | 30,879,638 | – | – | – |
| **Net assets at 31 December 2011** | **4,330** | **2,887** | **–** | **32,367,724** | **(3,430,544)** | **(232,677)** | **28,711,720** |
| **Company** | | | | | | | |
| **For the year ended 31 December 2012** | | | | | | | |
| Net assets at 1 January 2012 | 4,330 | 2,887 | – | 32,367,724 | (3,430,544) | (232,677) | 28,711,720 |
| Loss for the year/total comprehensive income | – | – | – | – | (1,594,933) | (310,362) | (1,905,295) |
| Dividends paid | – | – | – | (1,732,057) | – | – | (1,732,057) |
| **Net assets at 31 December 2012** | **4,330** | **2,887** | **–** | **30,635,667** | **(5,025,477)** | **(543,039)** | **25,074,368** |
| **Company** | | | | | | | |
| **For the year ended 31 December 2011** | | | | | | | |
| Net assets at 1 January 2011 | 4,330 | 2,887 | 30,879,638 | 5,818,227 | 2,850,621 | (275,116) | 39,280,587 |
| (Loss)/profit for the year/total comprehensive income | – | – | – | – | (6,281,165) | 42,439 | (6,238,726) |
| Dividends paid | – | – | – | (4,330,141) | – | – | (4,330,141) |
| Cancellation of Share Premium account | – | – | (30,879,638) | 30,879,638 | – | – | – |
| **Net assets at 31 December 2011** | **4,330** | **2,887** | **–** | **32,367,724** | **(3,430,544)** | **(232,677)** | **28,711,720** |

The accompanying notes are an integral part of the above statements.

# Group and Company Cash Flow Statements

## for the year ended 31 December 2012

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | (837,998) | (837,998) | 6,504,520 | 6,503,520 |
| **Financing activities** | | | | |
| Equity dividends paid | (1,732,057) | (1,732,057) | (4,330,141) | (4,330,141) |
| **Net cash outflow from financing activities** | (1,732,057) | (1,732,057) | (4,330,141) | (4,330,141) |
| **Net (decrease)/increase in cash and cash equivalents** | (2,570,055) | (2,570,055) | 2,174,379 | 2,173,379 |
| Cash and cash equivalent at beginning of period | 3,645,336 | 3,644,336 | 1,470,957 | 1,470,957 |
| **Cash and cash equivalent at the end of period** | 1,075,281 | 1,074,281 | 3,645,336 | 3,644,336 |
| **Reconciliation of loss before taxation to net cash (outflow)/inflow from operating activities** | | | | |
| Loss before taxation | (1,905,295) | (1,905,295) | (6,238,726) | (6,238,726) |
| Losses on investments | 1,594,933 | 1,594,933 | 5,770,276 | 5,770,276 |
| Purchases of investments | (950,000) | (950,000) | (16,751,214) | (16,752,214) |
| Sales of investments | 421,516 | 421,516 | 23,588,738 | 23,588,738 |
| Decrease in accrued income and prepayments | 3,884 | 3,884 | 100,718 | 100,718 |
| (Decrease)/increase in other payables | (3,036) | (3,036) | 34,728 | 34,728 |
| **Net cash (outflow)/inflow from operating activities** | (837,998) | (837,998) | 6,504,520 | 6,503,520 |

The accompanying notes are an integral part of the above statements.

# Notes to the Accounts

for the year ended 31 December 2012

## 1 Accounting policies

A summary of the principal accounting policies adopted is set out below.

(a) **Basis of accounting**

The financial statements of the Company and the Group have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The financial statements have been prepared on a going concern basis. The principal accounting policies are set out below. Where presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP') issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The functional currency of the Group is UK pounds sterling as this is the currency of the primary economic environment in which the Group operates. Accordingly, the financial statements have been prepared in UK pounds sterling.

In the process of applying the Group's accounting policies, judgements relating to investments have had the most significant effect on the amounts recognised in the accounts, and details of those judgements are set out in accounting policy 1(d).

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unlisted investments, details of which are set out in accounting policy 1(d).

There have been no significant changes to the accounting policies during the year to 31 December 2012.

The following standards and interpretations have an effective date after the date of these financial statements and the Group has not early adopted them.

**IFRS 7 & IAS 32 Offsetting of Financial Instruments** The amendments to IAS 32 and IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that these amendments will have on the financial position.

**IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)** IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

**IFRS 10 Consolidated Financial Statements (effective 1 January 2013)** IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the full impact of this standard.

**IFRS 12 Disclosure of Involvement with Other Entities (effective 1 January 2013)** IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

**IFRS 13 Fair Value measurement (effective 1 January 2013)** IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

**IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)** The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment will affect presentation only and has no impact on the Group's financial position or performance.

**IAS 19 Employee Benefits (Amendment) (effective 1 January 2013)** The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This will have no impact on the Group's financial position.

**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective 1 January 2013)** As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the full impact of the amendments.

(b) **Basis of Consolidation**

The Group accounts consolidate the accounts of the Company and its wholly-owned subsidiary, Core (BVI) Limited. The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to present its own Statement of Comprehensive Income for 2012.

Subsidiaries are consolidated from the date of acquisition, being the date from which control is transferred to the Company, and cease to be consolidated from the date on which control is transferred out of the Group.

(c) **Income**

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received.

(d) **Investments**

Investments other than the subsidiary are classified as fair value through profit and loss at initial recognition and are recognised on trade date. The subsidiary is valued at cost less indication of any impairment. Financial assets designated as fair value through profit and loss are measured initially and at subsequent reporting dates at fair value. For listed investments this is bid price.

Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the International Private Equity and Venture Capital Valuation ("IPEVC") guidelines published in 2009:

(i) Investments which have been made recently are at fair value, which unless another methodology gives a better indication of fair value, will be by reference to the price of recent investment.

(ii) Investments in companies at an early stage of their development are also valued at fair value, which unless another methodology gives a better indication of fair value, will be by reference to the price of recent investment.

(iii) Investments which have been held for more than 12 months and which have gone beyond the stage in their development in (ii) above, the shares may be valued, in the absence of overriding factors, by applying a suitable price-earnings ratio discounted to reflect lack of marketability to that company's maintainable earnings (the ratio used being based on a comparable listed company or sector). Where overriding factors apply, alternative methods of valuation will be used. These may include the application of a material arms length transaction by an independent third party, cost, cost less provision for impairment, discounted cash flow, or a net asset basis.

(iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of the Company, this value can be used.

(v) Investments in Fund are carried at the Company's proportionate share of the net asset value of the Fund prepared on a Fair Value basis.

(e) **Transaction costs and investment management expense**

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

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

(f) **Expenses**

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

(g) **Taxation**

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) **Reserves**

(i) Capital Reserve – gains and losses on investments held, gains and losses realised on investments sold and exchange adjustments to overseas currencies are taken to the Capital Reserve together with taxation allocated to capital.

(ii) Revenue Reserve – the net profit arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends (excluding capital dividends) paid during the year are deducted from this reserve.

## 2 Income

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **Investment income** | 10,000 | 393,883 |
| **Other income** | | |
| Deposit interest | 870 | 2,669 |
| | 10,870 | 396,552 |

The income generated in 2011 was much greater due to the sale of Adapt Limited to funds managed by Lyceum Capital and the Redemption Premium which was paid following the sale.

## 3 Other expenses

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Directors' remuneration | 58,500 | 58,500 |
| Employer's NIC | 4,973 | 4,923 |
| Administration fees | 133,166 | 149,679 |
| Broker's fees | 12,000 | 12,000 |
| Auditors' fees – audit | 34,800 | 34,800 |
| – other services | 5,800 | 8,920 |
| Taxation services | 3,000 | 3,000 |
| Registrar's fees | 20,469 | 19,871 |
| Printing | 13,099 | 11,660 |
| Legal and professional fees | 8,997 | 12,000 |
| Directors' insurance | 8,693 | 14,522 |
| Subscriptions | 15,346 | 20,767 |
| Sundry | 2,389 | 3,471 |
| | 321,232 | 354,113 |

The combined other expenses as at 31 December 2008 for Core VCT I plc, Core VCT II plc and Core VCT III plc, prior to the merger was £467,441 (excluding IFA Trail Commission).

Charges for non-audit services provided by the auditor for the year ended 31 December 2012 relate to the provision of the desktop review of the half yearly report and assisting with the statutory accounts being lodged with HMRC in the required format. The Directors consider the auditor was best placed to provide these services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

The Group has also incurred costs of £510,889 in relation to the corporate transaction as outlined in the Circular dated 9 June 2011. These costs have been charged to capital for the year ended 31 December 2011.

Core Capital LLP advises the Company on investments in unquoted companies under an agreement dated 11 October 2005. The agreement may be terminated by giving not less than one year's notice in writing.

Following the merger with Core VCT I plc and Core VCT II plc the Manager held 20,426,515 B Shares of 0.01p each in the Company. During the year the Manager purchased a further 768,333 B Shares and the the Manager now holds 21,194,848 B Shares, representing 73.42% of the issued B share capital. This continues to provide them with a carried interest of 29.4% of the distributions of income and capital after the ordinary shareholders have received back:

i. their Effective Initial Cost of Investment of 60p per share; and
ii. the Hurdle Rate Return, being an amount equal to 5% of the Effective Initial Cost that remains to be repaid, compounded annually.
iii. The Manager has also agreed to ensure that the annual operating costs of the Company, excluding trail commission and professional advisers' fees are limited to an amount not to exceed an annual amount of 1.5% of gross funds raised. (This is to be the gross funds raised across the VCTs post merger).

The combined transaction costs and investment management expenses as at 31 December 2008 for Core VCT I plc, Core VCT II plc and Core VCT III plc, prior to the merger was £155,512.

# Notes to the Accounts

for the year ended 31 December 2012

## 4 Directors' remuneration

| | 2012 £ | 2011 £ |
|---|---|---|
| Directors' emoluments | | |
| Peter Smaill | 22,500 | 22,500 |
| John Brimacombe | 18,000 | 18,000 |
| David Dancaster | 18,000 | 18,000 |
| | 58,500 | 58,500 |

The combined Directors' remuneration as at 31 December 2008 for Core VCT I plc, Core VCT II plc and Core VCT III plc, prior to the merger, was £79,835.

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

## 5 Taxation on ordinary activities

| | Year ended 31 December 2012 | | | Year ended 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| a) **Analysis of charge in the year** | | | | | | |
| Corporation tax | – | – | – | – | – | – |
| Charge for year | – | – | – | – | – | – |

The tax assessed for the period is lower than the standard rate of corporation tax (25.25%) (2011: 26.5%). The differences are explained below.

| | Year ended 31 December 2012 | | | Year ended 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| b) **Factors affecting tax charge for the year** | | | | | | |
| (Loss)/profit before tax | (310,362) | (1,594,933) | (1,905,295) | 42,439 | (6,281,165) | (6,238,726) |
| Corporation tax at the standard rate of 25.25% (2011: 26.5%) | (78,366) | (402,721) | (481,087) | 11,246 | (1,664,509) | (1,653,263) |
| Non taxable capital losses | – | 402,721 | 402,721 | – | 1,529,123 | 1,529,123 |
| Non-deductible expenses | – | – | – | 3,180 | 135,386 | 138,566 |
| Additional losses/(gains) carried forward | 78,366 | – | 78,366 | (14,426) | – | (14,426) |
| Current tax charge for year | – | – | – | – | – | – |

Venture Capital Trust companies are exempt from tax on capital gains if they meet the HM Revenue & Customs criteria set out in Section 274 Income Tax Act 2007 for a given year.

### Deferred taxation

The Company has not recognised a deferred tax asset of £175,740 (2011: £93,410) arising as a result of having unutilised management expenses. It is unlikely that the Company will obtain tax relief for these in the future, so no deferred tax asset has been recognised.

## 6 Dividends

Amounts recognised as distributions to equity holders in the year:

| | 2012 £ | 2011 £ |
|---|---|---|
| **Ordinary Shares** – interim capital dividend of 4.0p per share (2011: 10.0p per share) | (1,732,057) | (4,330,141) |
| **Ordinary Shares** – final dividend for the year 31 December 2012 of nil (2011: nil) | – | – |
| | (1,732,057) | (4,330,141) |

No final dividend has been proposed for the year ended 31 December 2012 (2011: nil).

## 7 Return per Ordinary Share

| | 2012 £ | 2011 £ |
|---|---|---|
| Basic return from ordinary activities after taxation: | (1,905,295) | (6,238,726) |
| **Basic return per share (note a)** | **(4.40)p** | **(14.41)p** |
| Net revenue from ordinary activities after taxation | (310,362) | 42,439 |
| **Revenue return per share (note b)** | **(0.72)p** | **0.10p** |
| Net capital return from ordinary activities after taxation | (1,594,933) | (6,281,165) |
| **Capital return per share (note c)** | **(3.68)p** | **(14.51)p** |
| Weighted average number of shares in issue in the year | 43,301,414 | 43,301,414 |

### Notes

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

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

(c) Capital return per share is net capital return divided by the weighted average number of shares in issue during the year.

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

## 8 Investments

| | Unlisted (Level 3) £ | 2012 Total £ | Listed (Level 1) £ | Unlisted (Level 3) £ | 2011 Total £ |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Investments brought forward | | | | | |
| Cost | 23,190,469 | 23,190,469 | – | 33,174,223 | 33,174,223 |
| Unrealised gains | 1,996,623 | 1,996,623 | – | 4,357,769 | 4,357,769 |
| Valuation brought forward | 25,187,092 | 25,187,092 | – | 37,531,992 | 37,531,992 |
| Movements in the year: | | | | | |
| Purchases at cost | 950,000 | 950,000 | – | 16,751,214 | 16,751,214 |
| Sale proceeds | (421,516) | (421,516) | (209,145) | (23,116,693) | (23,325,838) |
| Gains/(losses) on sale of investments | 171,516 | 171,516 | 209,145 | (3,618,275) | (3,409,130) |
| Movement in investment holding gains | (1,766,449) | (1,766,449) | – | (2,361,146) | (2,361,146) |
| Valuation at 31 December | 24,120,643 | 24,120,643 | – | 25,187,092 | 25,187,092 |

| | 2012 Total £ | 2011 Total £ |
|---|---|---|
| Gains/(losses) on investments sold | 171,516 | (3,409,130) |
| Losses on investments held | (1,766,449) | (2,361,146) |
| Movement in investment holding gains | (1,594,933) | (5,770,276) |

| | Unlisted (Level 3) £ | Subsidiary (Level 3) £ | 2012 Total £ | Listed (Level 1) £ | Unlisted (Level 3) £ | Subsidiary (Level 3) £ | 2011 Total £ |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| Investments brought forward | | | | | | | |
| Cost | 23,190,469 | 1,000 | 23,191,469 | – | 33,174,223 | – | 33,174,223 |
| Unrealised gains | 1,996,623 | – | 1,996,623 | – | 4,357,769 | – | 4,357,769 |
| Valuation brought forward | 25,187,092 | 1,000 | 25,188,092 | – | 37,531,992 | – | 37,531,992 |
| Movements in the year: | | | | | | | |
| Purchases at cost | 950,000 | – | 950,000 | – | 16,751,214 | 1,000 | 16,752,214 |
| Sale proceeds | (421,516) | – | (421,516) | (209,145) | (23,116,693) | – | (23,325,838) |
| Gains/(losses) on sale of investments | 171,516 | – | 171,516 | 209,145 | (3,618,275) | – | (3,409,130) |
| Movement in investment holding gains | (1,766,449) | – | (1,766,449) | – | (2,361,146) | – | (2,361,146) |
| Valuation at 31 December | 24,120,643 | 1,000 | 24,121,643 | – | 25,187,092 | 1,000 | 25,188,092 |

| | 2012 Total £ | 2011 Total £ |
|---|---|---|
| Gains/(losses) on investments sold | 171,516 | (3,409,130) |
| Losses on investments held | (1,766,449) | (2,361,146) |
| Movement in investment holding gains | (1,594,933) | (5,770,276) |

Level 1 includes investments quoted on an active market
Level 3 includes investments in private companies and other unquoted securities

## 9 Subsidiary

| Name | Country of incorporation | Class of capital | Share capital and reserves £ | Profit for the year £ | % of class held | % of equity held | Valuation as at 31 Dec 2012 |
|---|---|---|---|---|---|---|---|
| Core (BVI) Limited | British Virgin Islands | Ordinary | 1,000 | – | 100 | 100 | 1,000 |

Core (BVI) Limited was incorporated on 25 May 2011. Core (BVI) Limited is a fully owned subsidiary of Core VCT plc and its principal activity is to hold an interest in Core Capital I LP. This subsidiary has been consolidated since incorporation.

## 10 Significant interests

At 31 December 2012 the Group held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

| | Equity investment (ordinary share) £ | Investment in loan stock £ | Total investment (at cost) £ | % of investee company's total equity % |
|---|---|---|---|---|
| Allied International Holdings Limited | 994,589 | 2,200,000 | 3,194,589 | 22.5 |
| CP Newco Limited (comprising Cording Land LLP) | 1,400,000 | – | 1,400,000 | 25.0 |
| Pureleaf Limited | 191,362 | 3,574,532 | 3,765,894 | 49.9 |

The Company holds through Core (BVI) Limited a 23.38% partnership interest in Core Capital I LP.

The above companies, apart from the subsidiary, are incorporated in the United Kingdom.

Core Capital LLP also advises Core VCT IV plc and Core VCT V plc that have made investments to 31 December 2012 in the following companies:

| Company | Core VCT IV plc £ | Core VCT V plc £ | Total at cost £% | % of equity held by funds managed by Core Capital LLP % |
|---|---|---|---|---|
| Allied International Holdings Limited | 2,202,298 | 2,202,298 | 4,404,596 | 66.5 |
| CP Newco Limited (comprising Cording Land LLP) | 10,001 | 10,001 | 20,002 | 25.0 |
| Pureleaf Limited | 755,000 | 1,005,000 | 1,760,000 | 49.9 |

Core VCT IV plc and Core VCT V plc each hold through subsidiaries a 3.09% partnership interest in Core Capital I LP.

## 11 Other receivables

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|---|---|---|---|
| Prepayments | 2,657 | 2,657 | 6,541 | 6,541 |
| | 2,657 | 2,657 | 6,541 | 6,541 |

## 12 Cash

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|---|---|---|---|
| Cash at Bank | 1,075,281 | 1,074,281 | 3,645,336 | 3,644,336 |

## 13 Current liabilities

Other payables

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|---|---|---|---|
| Accruals | 124,191 | 124,191 | 127,227 | 127,227 |
| Other creditors | 22 | 22 | 22 | 22 |
| | 124,213 | 124,213 | 127,249 | 127,249 |

## 14 Share capital

### Equity share capital

At 31 December 2012 there were 43,301,414 (2011: same) Ordinary Shares and 28,867,227 (2011: same) B Shares in issue.

The B Share mechanism of the Company applies 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 Weighted Average Distribution (referred to in page 1) will be deemed to have been satisfied, plus an amount equal to the 5 per cent per annum hurdle (compounded annually and calculated on daily basis from the date of issue of 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 should 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% of the amount distributed to the holders of Ordinary Shares in excess of the 60p per share (i.e. an equalisation payment in order to give the holders of B Shares 40% 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% being distributed to holders of Ordinary Shares and 40% being distributed to the holders of B Shares.

Ordinary Shares have one vote per share. Until such time as the Ordinary Shares have received 60p per share and the Hurdle Rate return, the B Shares will only be entitled to vote in the event that the resolution being put to the meeting is one to amend any provision of the Company's Articles, or where an offer for the Company has been made and remains open for acceptance.

| | 2012 £ | 2011 £ |
|---|---|---|
| Equity share capital | | |
| Ordinary Shares of 0.01p each: 43,301,414 (2011: 43,301,414) | 4,330 | 4,330 |
| B Shares of 0.01p each: 28,867,227 (2011: 28,867,227) | 2,887 | 2,887 |

### Capital Management

The Company's capital is represented by the Issued Share Capital, Special Distributable Reserve, Capital Reserve and Revenue Reserve.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors.

## 15 Net asset value per share

The net asset values per share,as disclosed in the balance sheet, are based on attributable assets at the date of the balance sheet ("attributed basis"). The Board considers that the Articles basis reflects the attribution of assets between the two classes of shares that would occur in the event that a liquidation of the Company took place. On liquidation, B shareholders could be entitled to up to 40% of the assets remaining after the Ordinary Shareholders first recover their effective initial cost of 60 pence per share plus the annual hurdle rates due to both share classes, achieved up to the date of liquidation.

By attributing to the B shares purely the capital contribution of 0.01 pence per share reflects the Board's best estimate at 31 December 2012 of the B shares' entitlement to assets at 31 December, given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the B shares' entitlement to the Company's assets).

The net asset values per share have been calculated by reference to the number of shares in issue at 31 December 2012 (2011: same), being 43,301,414 Ordinary Shares and 28,867,227 B shares.

| As at 31 December | Total attributable net assets 2012 £ | Net asset value (pence per share) 2012 £ | Total attributable net assets 2011 £ | Net asset value (pence per share) 2011 £ |
|---|---|---|---|---|
| **Ordinary Shares of 0.01p each in accordance with the Articles** | **21,766,242** | **50.27p** | **23,071,487** | **53.28** |
| Additional entitlement to assets on the attributed basis | 3,305,240 | 7.63p | 5,637,347 | 13.02 |
| **Attributed basis** | **25,071,482** | **57.90p** | **28,708,834** | **66.30** |
| **B Shares of 0.01p each in accordance with the Articles** | **3,308,126** | **11.46p** | **5,640,233** | **19.54** |
| Reduced entitlement to assets on the attributable basis | (3,305,240) | (11.45)p | (5,637,347) | (19.53) |
| **Attributed basis** | **2,886** | **0.01p** | **2,886** | **0.01** |

## 16 Financial Instruments

The Group's financial instruments in the year comprised:

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

### Classification of financial instruments

The Group held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 December 2012:

| | 2012 (Fair value) £ | 2011 (Fair value) £ |
|---|---|---|
| **Assets at fair value through profit and loss** | | |
| Investments (Level 3) | 24,120,643 | 25,187,092 |
| Cash at bank | 1,075,281 | 3,645,336 |
| **Loans and receivables** | | |
| Other receivables | 2,657 | 6,541 |
| Other payables | (124,213) | (127,249) |
| | 25,074,368 | 28,711,720 |

The level 3 reconciliation is provided in note 8 to the accounts.

# Notes to the Accounts

for the year ended 31 December 2012

The Group's investment portfolio consists of unquoted investments representing 96% (2011: 88%) of net assets. This portfolio has a 100% (2011: 100%) concentration of risk towards small UK based, sterling denominated companies.

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

### Market price risk

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

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

The Board's strategy in managing the market price risk inherent in the Group's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's investment objective, as set out on page 10. As part of the investment process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total VCT value of investment assets at the point of investment. The Board meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives.

### Market price risk sensitivity

The Board believes that the Group's assets are mainly exposed to market price risk, as the Group is required to hold its assets in the form of sterling denominated investments in small companies.

The investment made by the Manager in unquoted companies, irrespective of the instruments the Group actually holds, (whether shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

The Board considers that the values of investments in unquoted equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The impact on net return and net assets if there were to be a 15% movement in overall share prices of unquoted investments for the year would have been an increase or decrease of £3,618,096 (2011: £3,778,064).

The above figures assume that each of these sub categories of investments (shares and loan stocks) held by the Group produces a movement overall of 15% and that the actual portfolio of investments held by the Group is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity investments, as the returns are set by reference to interest rates and premiums agreed at the time of the initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

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

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Investment in fixed interest investments | 5,090,115 | 5,398,800 |
| Cash and cash equivalents | 1,075,281 | 3,645,336 |
| Other receivables | 2,657 | 6,541 |
| | 6,168,053 | 9,050,677 |

The Group has an exposure to credit risk in respect of the loan stock investments it has made in investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe.

The following table shows the maturity of the loan stock and debt securities referred to above.

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **Repayable within** | | |
| Less than 1 year | 250,000 | – |
| 1 to 3 years | 3,890,115 | 4,398,800 |
| 4 to 5 years | 950,000 | 1,000,000 |
| More than 5 years | – | – |
| Total | 5,090,115 | 5,398,800 |

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

There could also be a failure by counter parties to deliver securities which the Group has paid for, or not pay for securities which the Group has delivered. This risk is considered to be small as most of the Group's investment transactions are in unquoted investments, where investments are conducted through solicitors, to ensure that payment matches delivery.

### Interest rate risk

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

The Group's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk on page 36.

The interest rate profile of the Group's financial net assets at 31 December 2012 was:

| | Financial assets/ liabilities on which no interest paid £ | Fixed rate financial assets £ | Floating rate financial assets £ | Total £ | Weighted average interest rate % | Average period to maturity (years) |
|---|---|---|---|---|---|---|
| Equity | 1,400,477 | – | – | 1,400,477 | | |
| LP interest | 17,630,051 | – | – | 17,630,051 | | |
| Loan stock | – | 5,090,115 | – | 5,090,115 | 8.78 | 2.5 |
| Cash | – | – | 1,075,281 | 1,075,281 | | |
| Other receivables | 2,657 | – | – | 2,657 | | |
| Other payables | (124,213) | – | – | (124,213) | | |
| Total | 18,908,972 | 5,090,115 | 1,075,281 | 25,074,368 | | |

The interest rate profile of the Group's financial net assets at 31 December 2011 was:

| | Financial assets/ liabilities on which no interest paid £ | Fixed rate financial assets £ | Floating rate financial assets £ | Total £ | Weighted average interest rate % | Average period to maturity (years) |
|---|---|---|---|---|---|---|
| Equity | 2,408,204 | – | – | 2,408,204 | | |
| LP interest | 17,380,088 | – | – | 17,380,088 | | |
| Loan stock | – | 5,398,800 | – | 5,398,800 | 7.27 | 3.0 |
| Cash | – | – | 3,645,336 | 3,645,336 | | |
| Other receivables | 6,541 | – | – | 6,541 | | |
| Other payables | (127,249) | – | – | (127,249) | | |
| Total | 19,667,584 | 5,398,800 | 3,645,336 | 28,711,720 | | |

Floating rate cash earns interest based on LIBOR rates.

**Interest rate sensitivity**

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

### Liquidity risk

The investment in equity and fixed interest stocks of unquoted companies that the Group holds are not traded. They are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down by VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that a majority of these assets will be readily realisable within the next 1 to 4 years from the year end.

All creditors and accruals are due within one year and are comfortably covered by cash held and short term debtors.

### Currency risk

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

## 17 Related party transactions

David Dancaster is a partner of Core Capital LLP, the Company's Manager, and the group finance director of Caparo plc which is a member of Core Capital LLP. Caparo held 1,177,254 Ordinary Shares and 34,807 B Shares in Core VCT plc. No amounts have been paid or are repayable to Caparo plc except dividends paid to all ordinary shareholders of the Company totalling a cumulative weighted average of 31.15p per share to 31 December 2012. Nothing (2011: £nil) was due to the Manager at 31 December 2012. Details of the carried interest arrangements between the Company and the Manager are set out in Note 3 which also discloses amounts paid and payable to the Manager. Following the successful launch of Core Capital I LP, the general partner of the LP, receives £750,000 per annum until the fourth anniversary, payable out of the assets of Core Capital I LP.

Core Secretarial Services LLP provided both accounting and company secretarial services to the Company for the period to 11 February 2012 and received fees totalling £15,958 (2011: £149,679) from the Company. Rhonda Nicoll is a member of Core Capital LLP and is also a partner of Core Secretarial Services LLP.

# CORE VCT PLC

(Registered in England and Wales No. 5572561)

# NOTICE of the ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 10 am on 1 May 2013 at 19 Cavendish Square, London W1A 2AW for the following purposes:**

## ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2012, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2012.
3. To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF as Auditor.
4. To authorise the Directors to determine the remuneration of the Auditor.
5. To re-elect Peter Smaill, who retires by rotation, as a Director.

6 To re-elect David Dancaster, who retires annually, as a Director of the Company.

## SPECIAL BUSINESS

*To consider and, if thought fit, to pass the following as an Ordinary Resolution:*

7. THAT the Directors be, and they are hereby, generally and unconditionally authorised under Section 551 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £216 being approximately 5% of the issued Ordinary Share capital of the Company as at 31 December 2012, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

8. THAT, subject to the passing of Resolution 7, the Directors be, and they are hereby, empowered under Section 571 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) under the authority conferred by Resolution 7 for cash as if Section 561(1) of the 2006 Act did not apply to the allotment, provided that this power shall be limited to the allotment:

   (a) of equity securities in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as practicable) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (b) (other than under paragraph(a) above) of equity securities up to an aggregate nominal amount not exceeding £216 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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

9. THAT the Company be and is hereby generally and, subject as here and after appears, unconditionally authorised in accordance with Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares and B Shares of 0.01 pence each in the capital of the Company, provided always that:

   (a) the maximum number of Ordinary Shares and B Shares hereby authorised to be purchased is 6,490,881 and 4,327,197 respectively representing approximately 14.99% of the Company's issued Share capital as the date hereof;

   (b) the minimum price that may be paid for an Ordinary Share or, as the case may be, B Share shall be 0.01p per share;

# NOTICE of the ANNUAL GENERAL MEETING

(c) the maximum price, exclusive of expenses, that may be paid for an Ordinary Share or, as the case may be, B Share shall not be more than an amount equal to the higher of:

  (i) an amount equal to 105 per cent of the average of the closing middle market price for the Ordinary Share or B Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share or B Share is purchased; and

  (ii) the price stipulated by Article 5(1) of Commission Regulation (EC) No. 273/2003 (the Buyback and Stabilisation Regulation); and

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this Resolution, save that the Company may before such expiry enter into a contract to purchase Ordinary Shares and/or, as the case maybe, B Shares which will or may be complete wholly or partly after such expiry.

BY ORDER OF THE BOARD

Rhonda Nicoll

*Secretary*

Registered Office
9 South Street, London, W1K 2XA

14 March 2013

NOTES:

1. No Director has a service contract with the Company.

2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), Members must be registered in the Register of Members of the Company at 10am on 29 April 2013 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Company's registrars, Capita Registrars Limited (telephone 08716640300 – calls cost 10p plus network costs – if calling from overseas please dial +442086393399) or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5. A reply paid form of proxy is enclosed with Shareholders' copies of this document. To be valid, it should be lodged with the Company's registrars, so as to be received not later than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll.

6. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on are solution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on are solution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:

   (a) If they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
   (b) If they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

7. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

8. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have some one else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

9. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

10. As at 14 March 2013 the Company's issued share capital consists of 43,301,414 Ordinary Shares and 28,867,227 B Shares. The B Shares are not entitled to vote. The total number of votes in the Company is 43,301,414.

11. A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.core-cap.com.

12. Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the AGM which, relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

    Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses, Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

    By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.

# Shareholder Enquiries

## Shareholder Information

### Dividends

Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained by telephoning the Company's registrar, Capita Registrars (see back of cover for details).

### Share Price

The Company's Ordinary Shares and B Shares are listed on the London Stock Exchange. The ticker code is CR3 for the Ordinary Shares and CR3B for the B Shares.

### Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, under the signature of the registered holder.

### Trading Shares

The Company's Ordinary Shares and B shares can be bought and sold in the same way as any other quoted company on the London Stock Exchange via a stockbroker.

Please call Core Capital LLP (see details below) if you or your adviser have any questions about the process.

### Financial Calendar

| | |
|---|---|
| 1 May 2013 | Annual General Meeting |
| August 2013 | Announcement of interim results and posting of half-yearly report |
| March 2014 | Announcement of final results for year to 31 December 2013. |

### Enquiries

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

| | | |
|---|---|---|
| Stephen Edwards | Tel: 020 3179 0919 or by email | Stephen.Edwards@Core-Cap.com |
| Walid Fakhry | Tel: 020 3179 0915 or by email | Walid.Fakhry@Core-Cap.com |

For shareholder enquiries please contact the Company Secretary at Core Capital LLP:

| | | |
|---|---|---|
| Rhonda Nicoll | Tel: 020 3179 0930 or by email | Rhonda.Nicoll@Core-Cap.com |

Core VCT plc is managed by Core Capital LLP which is authorised and regulated by the FSA. Past performance is not a guide to future performance. Stockmarkets may cause the value of investments to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in unquoted securities and smaller companies, their potential volatility may increase the risk to the value of the investment.

# Corporate Information

**Directors**
Peter Smaill (Chairman)
John Brimacombe*
David Dancaster

*Senior Independent Director and Chairman of the Audit Committee

**Registered office**
9 South Street
London
W1K 2XA

**Secretary and administrator**
Rhonda Nicoll
Core Capital LLP
9 South Street
London
W1K 2XA

**Investment Manager**
Core Capital LLP
9 South Street
London
W1K 2XA

**Bankers**
Lloyds Banking Group
PO Box No. 39900 Level 7
Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

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

**VCT Tax Adviser**
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

**Solicitors**
HowardKennedyFsi LLP
19 Cavendish Square
London
W1A 2AW

**Registrar**
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

**Company No : 5572561**

www.core-cap.com

## Share Fraud Warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in "boiler rooms" that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority (FSA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

**Protect Yourself**

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FSA Register at **www.fsa.gov.uk/fsaregister** to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.
5. Search our list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

**Report A Scam**

If you are approached about a share scam you should tell the FSA using the share fraud reporting format **www.fsa.gov.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

**If you have already paid money to share fraudsters you should contact Action Fraud on**

0300 123 2040