

C O R E

CORE VCT I PLC

**Annual Report and Accounts
for the period ended 31 December 2005**

Performance Summary

As at 31 December 2005		
Capital Values	Ordinary Shares	B Shares
Net asset value per share	94.47 pence	1.00 pence
Net asset value total return in period	95.47 pence	1.00 pence
Share Price (mid-market)	100 pence	3.50 pence

Period ended 31 December 2005		
Revenue	Ordinary Shares	B Shares
Return per share	1.98 pence	–
Dividend per share	1.00 pence	–

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Investment Objective

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

Investment Approach

- The Company invests management buyout and development capital, typically in established, private companies which show:
 - sufficient operating critical mass and an established economic model; and
 - quality management teams with the key skills in place to deliver a well-defined business model
- Amounts of £2 – £5 million are generally invested in companies valued at £5 – £25 million

Structure

Core VCT I plc is structured as follows:–

- **No annual management fees**

Only when Shareholders have received the first 60 pence of distributions, which together with an assumed 40 pence of initial tax relief will have realised them 100 pence per share, will the Manager be entitled to 30% of distributions from the Company (for further information please see Note 3 to the Accounts on page 20).

- **Maximise distributions of income and capital**

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

Chairman's Statement

Closing of the Offer for Subscription

As I reported in the Interim Report, Core VCT I plc ("the Company") closed its Offer for Subscription on 23 June 2005, having raised £10.9 million (before costs), making it one of the most successful generalist VCTs launched by a new manager in this period.

Following the closing of the Offer, a bonus issue of one B Share was made for every six Ordinary Shares held. Shareholders are reminded that the B Shares form an integral part of their investment. The holders of these shares will be entitled to receive 40% of the future income and remaining capital for distribution to all Shareholders once the holders of Ordinary shares have received distributions equal to their effective initial cost of investment of 60 pence per share and the Hurdle Rate Return (an amount equal to 5% of the effective initial cost that remains to be repaid, compounded annually).

Results

During the first half of this initial financial period ended 31 December 2005, the Company was primarily involved in attracting investors. The Offer closed in June 2005, following which the funds raised were held mainly in cash managed by Credit Suisse First Boston producing interest income in the period of £280,567. The Net Asset Value (NAV) per Ordinary Share as at 31 December 2005 was 94.47 pence after deducting a proposed dividend of 1 penny per Ordinary Share. The total return per Ordinary Share of 95.47 pence therefore represents a slight increase over the opening NAV per Ordinary Share of 94.50 pence (being 100 pence issue price per share less fixed issue costs of 5.50 pence per share).

Investments

The first investment was completed in July in Ma Hubbards Limited, a company which owns a portfolio of pub assets. Core Growth Capital LLP ("the Manager") led this investment for which total funding including bank debt was £9 million with £3 million invested jointly by Core VCT I plc and the Electra Kingsway VCTs. As reported in the Manager's Review on page 4, the Manager currently has a number of investments under offer or in advanced negotiations, with the intention of completing these investments alongside Core VCTs II and III once these companies have commenced operations. This investment approach will give Core VCT I plc access to larger transactions than if it were investing in isolation. Core VCT I plc has entered into a co-investment agreement through which it is anticipated that future investments will be made in parallel with Core VCTs

II and III. This will reduce or eliminate the need for syndicating investments externally.

The Company has until 31 December 2007 to meet the target set under VCT legislation of investing 70% of the funds raised in qualifying companies.

Dividends

Core VCT I plc is structured to maximise distributions of both capital and income to Shareholders over the life of the Company. These will be derived primarily from investment realisations which are likely to be some years away and surplus cash assets which the Company anticipates being in a position to distribute after the end of its third financial year. In the meantime, dividend payments are likely to be modest and derived primarily from interest earned on the Company's cash assets. Accordingly, the Board is proposing a final dividend of 1 penny per Ordinary Share for the period ended 31 December 2005.

Outlook

The principal objective of the Company at this stage in its life is to complete private equity investments of the size, type and quality that are consistent with its investment objectives. The Manager's unique 'performance only' rewards create the right incentives for it to select and negotiate investments that are structured to deliver attractive cash returns to Shareholders once the investment portfolio is established.

Information for Shareholders

The Board supports open communication with Shareholders and welcomes any comments or questions they may have. Contact information is provided on page 4 of this Report.

Share Price

Both the Ordinary Shares and the B Shares are fully listed shares. Prices are available on www.londonstockexchange.com and the Ordinary Share price is published daily in the Financial Times. Shareholders are reminded that disposing of shares within three years of purchase will result in loss of tax relief.

Finally, I would like to thank all of our Shareholders for their support at this early stage of the Company's life.

Peter Smaill

Chairman

3 March 2006

Manager's Review

New Investments

Following the closing of the Offer in June 2005, and having raised a total of £10.9 million, the Manager completed the first investment in Ma Hubbards Limited. Core Growth Capital LLP ("the Manager") led, managed and arranged this transaction totalling £9 million of which £6 million was provided through debt facilities and the balance of £3 million invested by Core VCT I plc and the Electra Kingsway VCTs. The business, which has a proven business model, owns and operates freehold pubs (initially under option). The Manager believes that the investment has an attractive risk/return profile which is underpinned by the freehold asset values.

Funds Under Management

In order to invest efficiently in larger amounts, typically of £2 – £5 million per investment, Core Growth Capital launched Core VCTs II and III in October 2005 with the aim of establishing additional Companies with which it is intended that Core VCT I plc will be the principal investing partner. These Companies have identical economic structures to that of Core VCT I plc with identical Boards of Directors. They will be invested effectively in parallel with Core VCT I plc, facilitating the completion of larger

investments without the need to syndicate transactions externally. As at 3 March 2006, Core VCTs II and III had raised £16.6 million towards the Manager's fund raising target of £30 million. This will give the Manager combined funds under management of £40.5 million and permit investments in the range of £2 – £5 million to be completed entirely by Funds managed by Core Growth Capital. The Company has entered into a co-investment agreement with Core VCTs II and III and future investments will be allocated on a strict pro rata basis.

Future Investments

As a consequence of the Manager's preference to complete larger single investments directly from the Funds it manages, it has deliberately paused completing further investments in Core VCT I plc until Core VCTs II and III have raised sufficient further funds. The Manager has investigated a large number of potential investments from which it has four transactions under offer and at various stages of due diligence representing a total investment across the three companies of over £10 million. Whilst it reserves the right to withdraw from any or all of these transactions, the Manager is confident that attractive private equity investments will be made.

Company	Equity investment (ordinary shares) £	Investment in loan stock £	Total investment (at cost) £	Total valuation at 31 December 2005 £	Percentage of equity held %
Ma Hubbards Limited	450,000	550,000	1,000,000	1,000,000	49.9

The first audited accounts of Ma Hubbards Limited will be produced for the period ended 30 April 2006.

Shareholder Enquiries

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (Tel: 0870 162 3100) or visit their website at: www.capitaregistrars.com.

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

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

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

Nicole Airey on 020 7317 0158 or by e-mail on Nicole.Airey@Core-Cap.com

Board of Directors

Peter Smaill

Status: Independent, non-executive Chairman

Age: 51

Date of appointment: 29 November 2004

Peter has pursued a career in private equity investment spanning more than 25 years, focusing on mid-market transactions of all types. He has been associated with many successful exits of buyouts, buyins and growth capital investments throughout the UK. A law graduate of Edinburgh University, Peter trained at 3i and had a period with Gresham Trust plc, specialising in Business Expansion Scheme financings, prior to developing his career at National Westminster Bank Plc. He was a Director of NatWest Equity Partners Limited (now Bridgepoint Capital Limited), and headed its Edinburgh office in 1989. He was Director of the NatWest IT Fund from 1996 to 2000, which achieved successful flotations for investments on the FTSE AIM All-Share and techMARK All-Share indices and NASDAQ, as well as 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 has acted as a non-executive director of AIM Group Holdings Limited and OSS Environmental Holdings Limited. He is currently a non-executive director of Portman Holdings Limited a management buyout which he led in 1996. Peter was from 1998 to 2002 a Council member of the British Venture Capital Association Limited and Chairman of its Training Committee. Peter was appointed as non-executive Chairman of Core VCT II plc and Core VCT III plc in October 2005.

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

Status: Non-executive Director

Age: 73

Date of appointment: 29 November 2004

Lord Walker has pursued both an active business career and a distinguished career in British politics. He was elected a

Conservative Member of Parliament in 1961 for Worcester and became the youngest member of the Shadow Cabinet in 1965 and the youngest Cabinet member in 1970. He remained a member of all Conservative Cabinets from 1970 to 1990. In 1990, he left the Cabinet and returned to his business activities and took on a series of executive and non-executive board positions including British Gas plc (1990-1996) and Tate & Lyle plc (1990-2001). He is Chairman of Allianz Cornhill Insurance plc, Vice Chairman of Dresdner Kleinwort Wasserstein and a non-executive Director of the London International Financial Futures and Options Exchange, Caparo plc and Caparo Group Limited and ITM Power plc. Lord Walker was appointed as a non-executive Director of Core VCT II plc and Core VCT III plc in October 2005.

Helen Bagan

Status: Independent non-executive Director

Age: 47

Date of appointment: 29 November 2004

Helen started her career at Deloitte Haskins & Sells where she qualified as an accountant and spent 4 years in corporate finance. She moved into private equity in 1992, joining Henderson Venture Managers Limited, and subsequently Dunedin Capital Partners Limited where she was a member of the team that bought-out the business from its parent company in 1996. She was Finance Director of Majedie Investments plc, a quoted investment trust, from 1999 until she became Finance Director at ProVen Private Equity Limited 2000 to 2003. There she was responsible for group compliance and financial management of VCTs, limited partnerships, and funds managed by its US parent company, Beringea. Helen is a non-executive director of Plus Markets Group Plc and was appointed as a non-executive Director of Core VCT II plc and Core VCT III plc in October 2005.

Directors' Report

The Directors present the first Annual Report and Accounts of the Company for the period since incorporation on 13 October 2004 to 31 December 2005.

Business and principal activities

The principal activity of the Company during the period under review was the Offer for Subscription under which £10,999,295 (before costs) was raised. Going forward, the principal activity of the Company will be investment in a diverse selection of established unquoted companies in the United Kingdom. Details of the investments made by the Company are given in the Manager's Review on page 4 of this Report. A review of the Company's business during the period is contained in the Chairman's Statement.

The Ordinary Shares of 1p each and the B shares of 1p each in the capital of the Company were first admitted to the Official List of the UK Listing Authority (UKLA) and began trading on 4 April and 29 June 2005 respectively.

The Company is an investment company as defined in section 266 of the Companies Act 1985 and has satisfied the requirements for provisional approval as a Venture Capital Trust under section 842AA of the Income and Corporation Taxes Act 1988 (ICTA). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 842AA of the ICTA.

Future developments

The Company will continue to pursue its Investment Objective as set out at the beginning of this Annual Report.

Issue of shares

The Company was incorporated on 13 October 2004. On incorporation the authorised share capital of the Company was £50,000 comprising 50,000 Ordinary Shares of £1.00 each (of which two were issued fully paid at a subscription price of £1.00 each to the subscribers to the Memorandum of Association).

At an Extraordinary General Meeting held on 19 October 2004 the authorised share capital of the Company (issued and unissued) was subdivided into 5,000,000 Ordinary Shares of 1p each and the authorised share capital was increased to £340,000 by the creation of 13,850,000 new Ordinary Shares of 1p each, 10,150,000 B Shares of 1p each and 50,000 Redeemable Preference Shares of £1 each.

On 19 October 2004, so as to enable the Company to obtain a certificate under section 117 of the Companies Act 1985, Core Growth Capital LLP was allotted 50,000 Redeemable Preference Shares of £1 each at par for cash, paid up to one quarter of their nominal value. The Redeemable Preference Shares were paid up

in full on 23 June 2005, and redeemed by the Company out of the proceeds of the Offer for Subscription launched on 1 December 2004. The authorised but unissued share capital thereby created was automatically redesignated and subdivided on redemption into 65 Ordinary Shares of 1p each and 35 B Shares of 1p each pursuant to the Articles of Association, increasing the authorised share capital of the Company to 24,250,000 Ordinary Shares and 15,750,000 B Shares and reducing the Redeemable Preference Shares to nil.

Of the 24,250,000 authorised Ordinary Shares of 1p each, a total of 10,944,571 were issued between 1 December 2004 and 23 June 2005 at a price of £1 per share raising a total of £10,944,571 (before costs).

Of the 15,750,000 authorised B Shares of 1p each, a total of 7,296,381 were issued on the close of the Offer on 23 June 2005. The number of B Shares issued was equal to 40% of the aggregate total number of Ordinary Shares and B Shares in issue following the issue of these shares. 75% of the B Shares were issued to members of the Manager at a price of £1 per share raising a total of £54,723. The Ordinary Share premium account was utilised to distribute the remaining 25% of the B Shares to the Ordinary Shareholders of the Company by way of a bonus issue pro-rata to the number of Ordinary Shares they held.

No further shares were issued in the period to 31 December 2005.

On 19 October 2004 the Company obtained Shareholder approval to apply to the High Court to cancel 50% of the Share Premium account relating to the Ordinary Shares. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 6 April 2006.

Results and dividend

The revenue return attributable to Ordinary Shareholders for the period was £125,268 after taxation. The Directors will be recommending a final dividend of 1 penny per share to Shareholders at the Annual General Meeting to be held on 6 April 2006 payable on 20 April 2006 to Shareholders who are on the Register on 24 March 2006.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 5 of this Annual Report. The current Directors were all appointed to the Board on 29 November 2004. Stephen Edwards and Walid

Fakhry were Directors of the Company from incorporation on 13 October to 29 November 2004.

The interests of the Directors and connected persons in the issued capital of the Company as at 31 December 2005 were:

	Shares held on 31 December 2005:	
	Ordinary Shares	B Shares
Peter Smaill	31,200	5,311
Helen Bagan	15,600	2,600
Lord Peter Walker	46,800	7,800

Peter Smaill's holding of 5,311 B Shares at 31 December 2005 included 111 B Shares which were the total of the fractional entitlements arising from the bonus issue of B Shares. He purchased these at 1 penny per share (the nominal value of the shares) and subsequently sold the shares to unconnected persons after 31 December 2005 in accordance with the Prospectus. There have been no further changes in the holdings of the Directors since 31 December 2005.

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 1 December 2004. For further information please see note 3 to the accounts on page 20. The Directors believe that the continuing appointment of the Manager on the terms agreed is in the interests of the Shareholders as a whole. The Manager combines investment, entrepreneurial and commercial skills and is well placed to take advantage of investment opportunities within the small to mid-sized private equity market. The Directors believe that the team has a strong combination of skills for investing, managing and exiting investments successfully.

Matrix-Securities Limited acts as both Company Administrator and Company Secretary to the Company for which it received a fee of £30,844 in respect of the period covered by this report. There are no compensation provisions on termination of this agreement.

VCT status monitoring

The Company appointed PricewaterhouseCoopers LLP to advise

on its compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers reviews new investment opportunities as appropriate and carries out regular reviews of the Company's investment portfolio.

Auditors

PKF (UK) LLP were appointed as auditors of the Company on 1 December 2004. They resigned as auditors of the Company with immediate effect in a letter dated 30 November 2005 and did not mention any circumstances connected with their resignation which they considered should be brought to the notice of the Shareholders or creditors of the Company. On 8 December 2005 the Board appointed Ernst & Young LLP to fill the casual vacancy that arose as a result of PKF (UK) LLP's resignation as auditors to the Company with immediate effect until the next Annual General Meeting of the Company.

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 on 6 April 2005.

Substantial interests

As at 3 March 2006 the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2005 the average credit period for creditors was 2 days.

Annual General Meeting

A notice and proxy form for the Annual General Meeting of the Company to be held at 4.30 pm on 6 April 2006 at One Jermyn Street, London SW1Y 4UH is set out on pages 29–32 of this Annual Report.

The notice of the meeting includes resolutions to re-appoint each of the Directors who are required under the Articles of Association of the Company to stand for re-election at the first Annual General Meeting following their appointment by the Board. Brief biographical details of the Directors are published on page 5 of this Annual Report. Additionally, Lord Walker is standing for re-election in accordance with Section 293(5) of the Companies Act 1985 having attained the age of 70. The Board has satisfied itself that the performance of each of the Directors continues to be effective and that the individual Directors

Directors' Report

continue to demonstrate commitment to their roles and therefore recommends all three Directors for re-election.

The following describes the Special Business to be transacted at the meeting.

Authorities for the Directors to allot shares (Resolution 9) and the disapplication of pre-emption rights (Resolution 10) under sections 80 and 95 of the Companies Act 1985 ("the Act").

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing Shareholders. Resolution 9 will enable the Directors to allot up to an aggregate nominal amount not exceeding £27,361 with regard to the Ordinary Shares and £18,240 with regard to the B Shares representing approximately 25% of the issued ordinary share capital of both classes. This resolution is proposed as an ordinary resolution.

Under section 89 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 10 will enable this requirement to be disapplied (in accordance with Section 95) in the specific circumstances named in the Resolution. This resolution is proposed as a special resolution.

Both authorities, unless previously renewed or revoked, will expire on the earlier of the Annual General Meeting of the Company to be held in 2007 and the date which is eighteen months after the date on which the relevant resolution is passed except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of the authority. Both resolutions generally renew previous authorities approved on 29 November and 19 October 2004 respectively. The Directors have no immediate intention of exercising these powers.

Authority to purchase the Company's own shares (Resolution 11)

This resolution authorises the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum number of Ordinary Shares equal to 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 2007 and

the date which is eighteen months after the date on which this resolution is passed. The maximum price (exclusive of expenses) which may be paid for an Ordinary 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 one penny per share, i.e. the nominal value of the shares.

As a consequence of the tax relief available to investors who purchase new VCT shares, market liquidity is restricted. The passing of this resolution will provide a mechanism to enable the Company to fund purchases of its own shares should they trade at a discount to the NAV thus enhancing the NAV per share of the remaining outstanding Ordinary Shares.

The additional new reserve created by the cancellation of the share premium account, if sanctioned by the Court, may be used to off-set the effects of any future unrealised losses on the ability of the Company to pay future dividends in respect of the Ordinary Shares. In addition, the reserve created by the cancellation may also be used, to a limited extent, to purchase Ordinary Shares in the market. Such purchases may help to limit the discount at which the shares may trade to their underlying net asset value.

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

Cancellation of the share premium account (Resolution 12).

A resolution to cancel 50% of the amount standing to the credit of the share premium account of the Company will be proposed at the meeting. This resolution renews an authority previously approved on 19 October 2004.

By order of the Board

Matrix-Securities Limited

Secretary

3 March 2006

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 7A of the Companies Act 1985. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 6 April 2006. The Company's auditors are required to give their opinion on the specified information provided on Directors' emoluments and this is explained further in their report to Shareholders on page 15. The figures that are audited are detailed as such.

Remuneration policy

The remuneration policy and the remuneration of individual Directors is determined by the Board as a whole of which Peter Smaill and Helen Bagan are independent of the Manager. When considering the level of Directors' fees, the Board takes account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Board has access to independent advice where it considers it appropriate. However, no such advice was taken during the period 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 75% of the B Shares through which they effectively receive 30% of all income and capital after such time as the Ordinary Shareholders have received the effective initial cost of 60 pence plus a hurdle rate return of 5% per annum. Lord Peter Walker is a Director and shareholder of Caparo plc which is a partner in Core Growth Capital LLP (For further information on the incentive fee and on Lord Walker's connection to the Caparo Group please see Notes 3 and 22 respectively of the Notes to the Accounts on pages 20 and 28). 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 ended 31 December 2006 and subsequent years.

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

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Act 1985, one third of the Directors (or if the number is not a multiple of three, the number nearest to one-third), shall retire from office by rotation at each Annual General Meeting and the Director(s) retiring by rotation shall be the Director(s) who has been longest in office since their last election. 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 information)

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

Total Directors' fees	Period to 31 December 2005 £
Peter Smaill	16,250
Helen Bagan	13,000
Lord Peter Walker	13,000

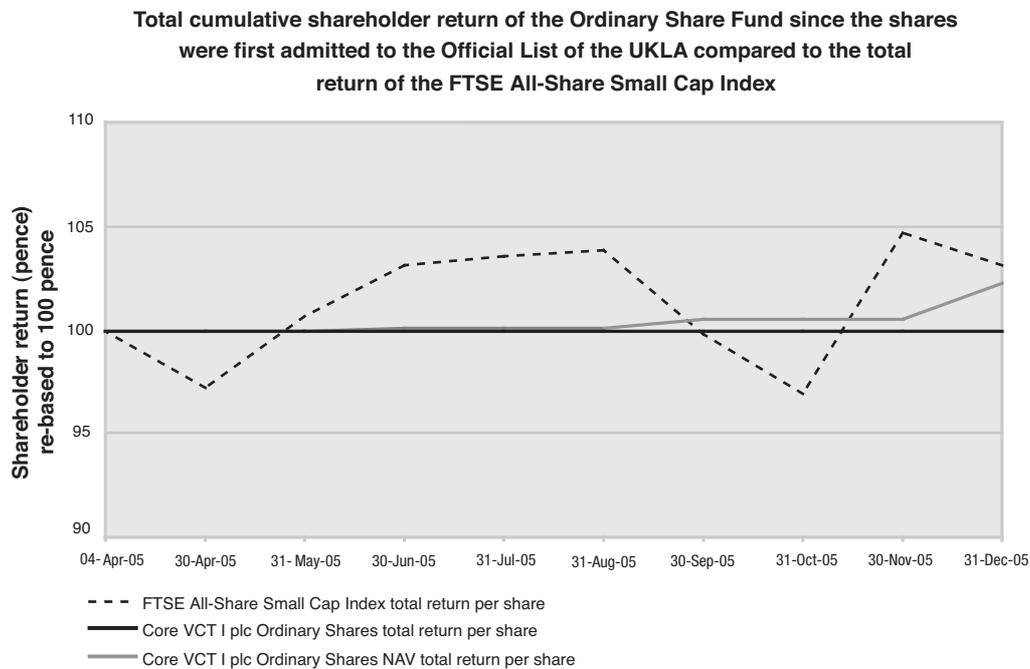
The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors for the period from 1 December 2004 to 31 December 2005 amounted to £42,250.

Directors' Remuneration Report

Total shareholder return

The graph below charts the total cumulative shareholder return of the Ordinary Shares since the shares were first admitted to the Official List of the UKLA on 4 April 2005 (assuming all dividends are re-invested) compared to the total cumulative shareholder return of the FTSE All-Share SmallCap Index. This index represents a broad equity market index against which investors can measure the performance of the Company and is an appropriate index

against which to measure the Company's performance. The total shareholder return has been re-based to 100 pence which is equivalent to the opening share price of the Company. The principal activity of the Company during this first period since incorporation has been to raise initial funds. 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 share has also been used because the Directors believe that it represents a more accurate reflection of the Company's performance than the share price.

By order of the Board

Matrix-Securities Limited

Secretary

3 March 2006

Corporate Governance Statement

The Directors of Core VCT I plc have adopted the FRC Combined Code on Corporate Governance (2003) ("the Combined Code") in respect of the period from 4 April 2005, when the Company's shares were first admitted to the Official List of the UKLA, to 31 December 2005. They have considered the principles detailed in the Combined Code and believe that, insofar as they are relevant to the Company's business, and except as disclosed below, the Company has complied with the provisions of the Code throughout the period.

The Board

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

The Chairman's other significant time commitments are disclosed on page 5.

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

At least four formal Board meetings are held 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 UKLA and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc. Given the size and structure of the Company and the Board, the Board does not believe it is necessary to appoint an Audit Committee or a Nominations and Remuneration Committee. The roles and responsibilities of these Committees have been included in the schedule of matters specifically reserved for decision by the Board following the recommendations of the Combined Code where these are considered to be appropriate to the Company. The Board allocates separate sections of the Agendas for Board meetings for 'Audit matters', 'Nomination matters' and 'Remuneration matters'. Under 'Audit matters', the Board reviews the internal financial and non-financial controls, accounting

policies and the contents of the Interim and Annual Reports to Shareholders and has full responsibility for the appointment and removal of the external auditors. The Company's external auditors are invited to attend meetings as appropriate. The Board has satisfied itself that at least one Director has recent and relevant financial experience in accordance with the Combined Code.

In the period under review the Board held five formal meetings. Each of the Directors attended all of these meetings, with the exception of Lord Walker who was unable to attend one meeting.

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

All of the Directors are subject to re-election by Shareholders at the first Annual General Meeting following their appointment and, subject to the provisions of the Companies Act 1985, one-third of the Directors shall retire from office by rotation at each Annual General Meeting and this Director shall be the Director who has been longest in office since their last election. Having reached the age of 70 years, Lord Walker shall retire annually in accordance with section 293(5) of the Companies Act 1985.

	Date of appointment	Next retirement by rotation/ re-election due
Peter Smail	29 November 2004	AGM 6 April 2006
Helen Bagan	29 November 2004	AGM 6 April 2006
Lord Walker	29 November 2004	AGM 6 April 2006

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to effect, or could appear to effect, the Director's judgement and has concluded

Corporate Governance Statement

that all of the Directors with the exception of Lord Walker are independent of the Manager. The Board has satisfied itself of the independence of the remaining Directors except in respect of the contracts and investments in which they have declared an interest. These are detailed in full in Note 22 of the Notes to the Accounts on page 28 on related party transactions. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. The Chairman fully meets the independence criteria as set out in paragraph A.3.1 of the Combined Code.

The Board aims to include a balance of skills, experience, ages and length of service that the Directors believe to be appropriate to the management of the Company. No new appointments have been made to the Board since the Company began trading. The Board has plans to review and implement an induction procedure when such an appointment is made. The performance of the Board and the Chairman is reviewed regularly as part of the internal control process. The Board does not therefore believe that a formal system of performance evaluation of the Board and its Chairman is appropriate to the Company at the current time.

The Company does not have a Chief Executive.

The Manager

Under the terms of a Management Deed dated 1 December 2004, the Company has appointed Core Growth Capital LLP as Manager of the Company. The Manager will manage and advise the Company so that it will ensure that the Company will satisfy and continue to satisfy the conditions for approval as a Venture Capital Trust set out in section 842AA of ICTA and the rules of the UKLA. 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 page 4. There are no management fees payable to the Manager. Details of the management incentive structure whereby members of the Manager have subscribed for B shares in the Company are set out in Note 3 to the accounts on page 20.

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.

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 since 23 June 2005. The first formal review took place on 16 February 2006. The Board has identified no significant problems with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Directors' remuneration

Under Listing Rule 16.3.5 of the UKLA, where a Venture Capital Trust company has no executive directors the Combined Code's principles relating to directors' remuneration do not apply. The remuneration of the Directors is determined by the Board, in accordance with the Company's Articles of Association.

Relations with Shareholders

Communication with Shareholders is given a high priority. All Shareholders receive a copy of the Annual and Interim Reports. There is an opportunity to question the Directors at the Annual General Meeting to which all Shareholders are invited.

Shareholders also receive a Newsletter in respect of the quarters in which they do not receive either the Annual or the Interim Reports.

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

The Company counts all proxy votes and indicates to Shareholders at each General Meeting the balance for and against each resolution and the number of abstentions, after it has been dealt with on a show hands.

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

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 14 of this report.

The Report of the Auditors is set out on page 15 of this report.

The non audit services provided by the auditors for the period ended 31 December 2005 related to the provision of tax compliance work. The Board regularly reviews and monitors the external auditor's independence and objectivity. As part of this it reviews the nature and extent of services supplied by the auditors to ensure that independence is maintained.

Internal audit

The Board has reviewed the need for an internal audit function. It has concluded that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal financial control, which safeguards Shareholders' investment and Company assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Directors' Remuneration Report and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

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

We have audited the Financial Statements of Core VCT I plc for the period 13 October 2004 to 31 December 2005 which comprise the Statement of Total Return, Balance Sheet and Cash Flow Statement and the related notes 1 to 22. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, the Manager's Review, Board of

Directors, the Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance Statement, and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its Net Revenue for the period then ended; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered auditor, London

3 March 2006

Notes :

1. The financial statements may be published on the websites of the Manager and the Company Secretary or on a website that is managed by another organisation. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Total Return

(incorporating the Revenue Account of the Company for the period from 13 October 2004 to 31 December 2005)

	Period from 13 October 2004 to 31 December 2005			
	Notes	Revenue £	Capital £	Total £
Income	2	310,337	–	310,337
Transaction costs	3	–	(16,946)	(16,946)
Other expenses	4	(155,685)	–	(155,685)
Return on ordinary activities before taxation		154,652	(16,946)	137,706
Tax on ordinary activities	6	(29,384)	3,220	(26,164)
Return on ordinary activities after taxation		125,268	(13,726)	111,542
Dividend	7	(109,446)	–	(109,446)
Transfer to/(from) reserves		15,822	(13,726)	2,096
Return per Ordinary Share – basic and diluted	8	1.98p	(0.22)p	1.76p

The revenue column is the profit and loss account of the Company.

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

No operations were acquired or discontinued in the period.

The notes on pages 19 to 28 form part of these Financial Statements.

Balance Sheet

as at 31 December 2005

	Notes	£	as at 31 December 2005	£
Fixed assets				
Investments	9			1,000,000
Current assets				
Debtors and prepayments	11	51,734		
Cash at bank	18	9,598,850		
			9,650,584	
Creditors: amounts falling due within one year				
Corporation tax		26,164		
Other creditors		116,002		
Accruals		96,654		
	12		(238,820)	
Net current assets				9,411,764
Net assets				10,411,764
Capital and reserves				
Called up Ordinary Share capital	13			109,446
Called up B Share capital	13			72,964
Share premium account	14			10,227,258
Capital reserve – realised	14			(13,726)
Revenue reserve	14			15,822
Total equity Shareholders' funds				10,411,764
Net asset value per 1p Ordinary Share	16			94.47p
Net asset value per 1p B Ordinary Share	16			1.00p

The notes on pages 19 to 28 form part of these Financial Statements.

The financial statements on pages 16 to 18 were approved by the Directors on 3 March 2006 and were signed on its behalf by:

Peter Smail
Director

Cash Flow Statement

for the period from 13 October 2004 to 31 December 2005

	Period ended 31 December 2005		
	Notes	£	£
Operating activities			
Investment income received		262,339	
Other cash payments		(73,157)	
Net cash inflow from operating activities	17		189,182
Taxation			
UK Corporation tax paid			–
Investing activities			
Acquisition of investments	9	(1,000,000)	
Net cash outflow from investing activities			(1,000,000)
Cash outflow before financing			(810,818)
Financing			
Issue of ordinary shares	14	10,999,295	
Issue costs	14	(589,627)	
			10,409,668
Increase in cash for the period	18		9,598,850

The notes on pages 19 to 28 form part of these Financial Statements.

Notes to the Accounts

for the period ended 31 December 2005

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current period and have been prepared in accordance with applicable accounting standards as defined in the Companies Act 1985 s.256, is set out below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable accounting standards and with the 2003 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies.'

b) Investments

Unquoted investments are stated at Directors' valuation, in accordance with the British Venture Capital Association ("BVCA") guidelines.

Unquoted investments are valued by the Directors in accordance with the following rules, which are consistent with the BVCA guidelines:

- (i) Investments in companies at an early stage of their development are also valued at cost in the absence of overriding factors;
- (ii) Where investments have been held for more than 12 months, the shares may be valued by applying a suitable price-earnings ratio to that company's historic/current or forecast earnings (the ratio used being based on a comparable listed company or sector but the resulting value being discounted to reflect lack of marketability);
- (iii) In certain circumstances, the net asset value basis is used as the most appropriate methodology;
- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of a company, this value will be used;

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the capital reserve.

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. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield. Provisions are made against such income receivable as soon as it is considered doubtful that such income will be received.

d) 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 period 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 vesting period.

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

e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exceptions of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate and as noted in Note 1 d) above.

f) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred

Notes to the Accounts

for the period ended 31 December 2005

at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

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

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

2 Income

	2005 £
Income from investments – from loan stock	29,770
Other income – from bank deposits	280,567
Total income	310,337
Total income comprises	
Dividends	–
Interest	310,337
	310,337

3 Transaction costs and investment management expense

	Revenue 2005 £	Capital 2005 £	Total 2005 £
Transaction costs	–	16,946	16,946
Investment management expense	–	–	–
	–	16,946	16,946

Under the agreement with the Manager, external costs incurred on transactions that do not proceed to completion are to be borne by the Company and by other VCTs managed by the Manager. The amount of such costs for the period ended 31 December 2005 is £16,946.

Core Growth Capital LLP ("the Manager") advises the Company on investments in qualifying companies under an agreement dated 1 December 2004. The agreement is for an initial period of four years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period.

The Manager has subscribed for 5,472,285 B shares of 1p each, being 75% of the B shares of 1p each that have been issued.

This effectively provides them with a carried interest of 30 per cent of the distributions of income and capital after the Ordinary Shareholders have received back:–

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

Given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the value of the B shares) the Board considers that the fair value of these shares at the period end is £54,723, being 1p per share. This is the subscription price paid by the Manager, and as the Manager has paid this value in cash, there is no additional value attributable to the B Shares for the period under review.

4 Other expenses

	2005 £
Directors' remuneration (including NIC) (see note 5)	44,582
Administration fees	30,844
Broker's fees	10,575
Auditors' fees – audit	17,625
– other services	2,546
Registrar's fees	2,669
Printing	5,100
Legal and professional fees	14,750
Directors' insurance	18,831
Subscriptions	7,466
Sundry	697
	155,685

Charges for non-audit services provided by the auditors for the period ended 31 December 2005 relate to the provision of tax compliance work. The Directors consider the auditors were best placed to provide this service. The Board reviews the nature and extent of non audit services to ensure that independence is maintained.

5 Directors' remuneration

	2005 £
Directors' emoluments	
Helen Bagan	13,000
Peter Smaill	16,250
Lord Peter Walker	13,000
	42,250
Employer's NIC	2,332
	44,582

The above represent emoluments for a thirteen month period from 1 December 2004. No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees.

Notes to the Accounts

for the period ended 31 December 2005

6 Taxation on ordinary activities

a) Analysis of tax charge:

	2005 £
a) Analysis of tax charge:	
– corporation tax	26,164
– current and total tax charge (note 6b)	26,164
b) Revenue return on ordinary activities before tax	154,652
Profit on ordinary activities multiplied by standard company rate of corporation tax in the UK of 19%	29,384
Impact of allowable expenditure credited to capital reserve	(3,220)
Current tax charge for period (note 6a)	26,164

Investment trust companies are exempt from tax on capital gains if they meet the Inland Revenue criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

Deferred taxation

There is no potential liability to deferred tax. There is no unrecognised deferred tax asset, as all allowable expenditure has been utilised.

7 Dividends and other appropriations

	2005 £
Dividends on Ordinary Shares	
Final proposed of 1 p per share	109,446

8 Return per Ordinary Share

The revenue return per Ordinary Share for the period ended 31 December 2005 is based on the revenue return on ordinary activities after taxation of £125,268, and is based on 6,320,824 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The capital return per Ordinary Share for the period ended 31 December 2005 is based on the net capital expenses on ordinary activities after taxation of £13,726, and is based on 6,320,824 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

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



9 Investments

	2005 £
Valuation	
Unquoted equity shares	450,000
Loan stock	550,000
Total	1,000,000

Further details on the investment are disclosed in note 10 below.

Movements in investments during the period are summarised as follows:

	Unquoted equity shares £	Loan stock £	Total £
Cost/valuation at 13 October 2004	–	–	–
Purchases at cost	450,000	550,000	1,000,000
Unrealised gains/(losses) in period	–	–	–
Cost/valuation at 31 December 2005	450,000	550,000	1,000,000

10 Significant interests

At 31 December 2005, the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following company:

	Equity investment (ordinary shares) £	Investment in loan stock £	Total investment (at cost) £	Percentage of investee company's total equity
Ma Hubbards Limited	450,000	550,000	1,000,000	49.9%

The above company is incorporated in the United Kingdom.

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

11 Debtors

	2005 £
Amounts due within one year	
Accrued income	47,998
Prepayments	3,736
	51,734

Notes to the Accounts

for the period ended 31 December 2005

12 Creditors: amounts falling due within one year

	2005 £
UK corporation tax	26,164
Trade creditors	1,000
Other creditors	5,556
Proposed dividend	109,446
Accruals	96,654
	238,820

The Company has also obtained a credit facility of £5 million that will be secured on the Company's assets.

13 Called up share capital

	2005 £
Authorised:	
Ordinary Shares of 1p each: 24,250,000	242,500
B Shares of 1p each: 15,750,000	157,500
	400,000

	2005 £
Allotted, called-up and fully paid:	
Ordinary Shares of 1p each: 10,944,571	109,446
B Shares of 1p each: 7,296,381	72,964

On incorporation, the authorised capital of the Company was £50,000 divided into 50,000 Ordinary Shares of £1 each. Two Ordinary Shares of £1 each were subscribed at par.

On 19 October 2004 the authorised share capital of the Company was increased from £50,000 to £340,000 by the creation of 13,850,000 Ordinary Shares of 1p each, 10,150,000 B Shares of 1p each and 50,000 Redeemable Preference Shares of £1 each and each of the existing £1 Ordinary Shares were sub-divided into 100 1p Ordinary Shares, creating a further 5,000,000 1p Ordinary Shares. 50,000 £1 Redeemable Preference Shares were allotted and paid up to one quarter of their nominal value for cash consideration to enable the Company to obtain a certificate under s 117 of the Companies Act 1985.

On 29 November 2004, the authorised share capital of the Company was increased from £340,000 to £400,000 by the creation of 2,150,000 Ordinary Shares of 1p each and 3,850,000 B Shares of 1p. The Company redeemed 50,000 Redeemable Preference Shares at a cost of £50,000 on 23 June 2005 out of the proceeds of the Offer for Subscription. The authorised but un-issued share capital thereby created was re-designated as 3,250,000 Ordinary Shares of 1p each and 1,750,000 B Shares of 1p each pursuant to the Articles of Association. This increased the authorised share capital to 24,250,000 Ordinary Shares of 1p each and 15,750,000 B Shares of 1p each.

The Ordinary Shareholders are entitled to all of the income and capital of the Company until they have received distributions equal to:

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

After that point, the B Shareholders are entitled to 40% of the future income and remaining capital for distribution to all Shareholders.

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

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

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

14 Share capital and reserves

	Called up Ordinary Share capital £	Called up B Share capital £	Share premium account £	Capital reserve realised £	Revenue reserve £	Total £
At 13 October 2004	–	–	–	–	–	–
Shares issued	109,446	54,723	10,835,126	–	–	10,999,295
Expenses of share issues	–	–	(589,627)	–	–	(589,627)
Bonus issue of B shares from share premium account	–	18,241	(18,241)	–	–	–
Capitalised investment management expense less tax credit	–	–	–	(13,726)	–	(13,726)
Retained net revenue for the period	–	–	–	–	15,822	15,822
At 31 December 2005	109,446	72,964	10,227,258	(13,726)	15,822	10,411,764

The bonus issue of 1,824,096 B Shares to Ordinary Shareholders was financed by a transfer from the Ordinary Fund share premium account. 5,472,285 B Shares were allocated to the Manager at par for cash, giving a total number of 7,296,381 B Shares in issue.

15 Reconciliation of movements in Shareholders' funds

	2005 £
Opening balance at beginning of period	–
Issue of Ordinary and B Shares	10,999,295
Expenses of share issues	(589,627)
Total recognised gains and losses for the period	111,542
Dividends on equity shares	(109,446)
	10,411,764

Notes to the Accounts

for the period ended 31 December 2005

16 Net asset value per Ordinary Share and B Share

The net asset values per share, as disclosed on the balance sheet, are based on attributable assets at the date of the balance sheet and assume that no break-up of the Company will occur – the “attributed basis”. The Board considers that the Articles basis reflects the attribution of assets between the two classes of shares that would occur in the event that a liquidation of the Company took place. On liquidation, B Shareholders could be entitled to up to 40% of the assets remaining after Ordinary Shareholders first recover their effective initial cost of 60 pence per share plus the annual hurdle rates due to both share classes, achieved up to the date of liquidation.

At this early stage in the Company's life, the Board considers that liquidation is unlikely, and that attributing to the B Shares purely the capital contributed of 1 penny per share reflects the Board's best estimate at 31 December 2005 of the B Shares' entitlement to assets at 31 December 2005, given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the B Shares' entitlement to the Company's assets).

The net asset values per share have been calculated by reference to the numbers of shares in issue at 31 December 2005, being 10,944,571 Ordinary Shares of 1p each and 7,296,381 B Shares of 1p each.

	Total attributable net assets £	Net asset value (pence per share)
Ordinary Shares of 1p each		
In accordance with the Articles	8,873,755	81.08 p
Additional entitlement to assets on the attributed basis	1,465,045	13.39 p
Attributed basis	10,338,800	94.47 p

		2005 £
B Shares of 1p each		
In accordance with the Articles	1,538,009	21.08 p
Reduced entitlement to assets on the attributed basis	(1,465,045)	(20.08)p
Attributed basis	72,964	1.00 p

17 Reconciliation of net revenue before taxation to net cash outflow from operating activities

	2005 £
Net revenue before taxation	137,706
Increase in debtors	(51,734)
Increase in creditors and accruals	103,210
Net cash inflow from operating activities	189,182

18 Analysis of changes in net funds

	Cash £
At beginning of period	–
Cash flows	9,598,850
At 31 December 2005 – cash at bank (net funds)	9,598,850

19 Financial instruments

The Company's financial instruments comprise:

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

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been in place throughout the period under review.

Risk

Credit Risk: Failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered.

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 loss that the Company might suffer through holding market positions in the face of market movements.

The investments in the equity and fixed interest stock of the unquoted company that the Company holds is not traded and as such the price is more volatile than those of widely traded securities. In addition, the ability of the Company to realise the investment at its carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

Financial instruments are stated in the balance sheet at values which are not materially different from their fair value. Investments valuation is aimed at fair value and for cash, book value approximates to fair value due to the short maturity of the instruments.

Interest Rate: The Company's fixed interest securities, its equity and non-equity investments and net revenue may be affected by interest rate movements. Investments are often in start up businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

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

Notes to the Accounts

for the period ended 31 December 2005

Management of risk

Credit Risk: All transactions are settled on the basis of delivery against payment.

Market Price Risk: The Board manages the market price risk inherent in the Company's portfolio by maintaining an appropriate spread of market risk, and by ensuring full and timely access to relevant information from the Managers. The Board regularly reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise. The Company does not use derivative instruments to hedge against market risk.

Interest Rate: The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board, as referred to above.

Financial assets

The interest rate profile of the Company's financial assets (excluding short-term debtors and creditors) at 31 December 2005 was:

	Financial assets on which no interest paid £	Fixed rate financial assets £	Floating rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	450,000	–	–	450,000		
Loan stocks	–	550,000	–	550,000	11.42	4.50
Cash	–	–	9,598,850	9,598,850		
Total	450,000	550,000	9,598,850	10,598,850		

Floating rate cash earns interest based on LIBOR rates.

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

The carrying value of financial assets and liabilities approximates their fair value, due to their short-term maturity.

20 Commitments and Guarantees

The Company has committed to invest a further £500,000 in Ma Hubbards Limited, to repay a loan of £500,000 made to Ma Hubbards Limited.

21 Segmental analysis

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

22 Related party transactions

One of the Directors, Lord Walker, is also a Director of Caparo plc, which is a member of the Manager, Core Growth Capital LLP. Details of the carried interest arrangements between the Company and the Manager are set out in Note 3.

The Manager received a fee of 5.5% of the gross proceeds of the Offer, equalling £589,627, disclosed as the expenses of the share issue in note 14.

CORE VCT I PLC

(Registered in England and Wales No. 5258348)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of the Company will be held at 4.30 pm on 6 April 2006 at Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH 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 period from 13 October 2004 to 31 December 2005, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the period from 13 October 2004 to 31 December 2005 as set out in the Annual Report and Accounts of the Company for the period ended 31 December 2005.
3. To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF as Auditors.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To re-elect Helen Bagan as a Director of the Company.
6. To re-elect Peter Smaill as a Director of the Company.
7. To re-elect Lord Walker aged 73 as a Director of the Company.
8. To declare a final dividend for the period ended 31 December 2005 of 1 penny per share, payable on 20 April 2006 to Ordinary Shareholders registered at close of business on 24 March 2006.

SPECIAL BUSINESS

9. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act") the Directors be generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 ("the Act"), to allot Ordinary Shares up to the maximum nominal amount of £27,361 and B Shares up to a maximum of £18,240 being approximately 25% of the issued share capital of each class, this authority to expire on the fifth anniversary of the date of the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting). The Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly as if the authority conferred thereof had not expired.

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

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

and shall expire on the earlier of the Annual General Meeting of the Company to be held in 2007 or the date which is eighteen

CORE VCT I PLC

(Registered in England and Wales No. 5258348)

NOTICE of the ANNUAL GENERAL MEETING

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

11. THAT the Company be and is hereby authorised in accordance with section 166 of the Act to make one or more market purchases (within the meaning of section 163 of the Act) of the Ordinary Shares of 1 penny each in the Company provided that:

- (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is an amount equal to 14.99 per cent. of the issued Ordinary Share capital as at the date hereof;
- (ii) the minimum price which may be paid for an Ordinary Shares is 1 penny per share;
- (iii) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share shall be an amount which is 105% of the average of the middle market prices as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which that Ordinary Share, as the case may be, is purchased;

and this authority shall expire on the earlier of the Annual General Meeting of the Company to be held in 2007 and the date which is eighteen months after the date on which this resolution is passed save that the Company may prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or expected wholly or partly after such expiry and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 842 AA (5B) of the Income and Corporation Taxes Act 1988, the use to which money raised pursuant to a share issue is put, for the purposes of complying with the 70% test and the 30% test, as those terms are defined in the current draft of The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 as may be amended;

12. THAT in substitution for any existing authorities 50 per cent (rounded down to the nearest £1) of the amount standing to the credit of the share premium account of the Company at the date hereof be cancelled.

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

3 March 2006

NOTES:

- (i) A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his place. A proxy need not be a member of the Company.
- (ii) To be valid the enclosed form of proxy for the Annual General Meeting together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited no less than 48 hours prior to the time fixed for the holding of the meeting or any adjournment of the said meeting at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TY.
- (iii) Completion and return of the form of proxy will not prevent you from attending and voting in person at the Annual General Meeting.
- (iv) The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at midnight on 4 April 2006 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the Register of Members after midnight on 4 April 2006 or, in the event that the meeting is adjourned, in the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (v) The Register of Directors' Interests shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

PROXY FOR THE ANNUAL GENERAL MEETING FOR CORE VCT I PLC

I/We

of

being a member/members of the Company hereby appoint the Chairman of the Meeting, or

of

as my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held at 4.30 pm on 6 April 2006 at the offices of Matrix Group Limited, Sixth Floor, One Jermyn Street, London, SW1Y 4UH and at any adjournment thereof.

Please indicate with an 'x' in the boxes below how you wish your vote to be cast. Should this form of proxy be returned signed but without a specific direction, the proxy may vote or abstain as he/she thinks fit. On any other business at the Annual General Meeting (including any motion to amend any resolution or adjourn the meeting) the proxy will vote or abstain from voting at his or her discretion.

The proxy is directed to vote on the resolutions set out in the notice convening the Annual General Meeting, of which resolutions 1 to 9 are proposed as ordinary resolutions and resolutions 10 to 12 are proposed as special resolutions, as follows:

ORDINARY BUSINESS			
	Resolution	For	Against
Resolution 1	To receive and adopt the report of the Directors and the audited accounts of the Company for the period from 13 October 2004 to 31 December 2005.		
Resolution 2	To approve the Directors' Remuneration Report for the period ended 31 December 2005.		
Resolution 3	To re-appoint Ernst & Young LLP as Auditors.		
Resolution 4	To authorise the Directors to determine the remuneration of the auditors.		
Resolution 5	To re-elect Helen Bagan as a Director of the Company.		
Resolution 6	To re-elect Peter Smaill as a Director of the Company.		
Resolution 7	To re-elect Lord Walker aged 73 as a Director of the Company.		
Resolution 8	To declare a final dividend payable to Ordinary Shareholders for the period ended 31 December 2005 of 1 penny per share.		
SPECIAL BUSINESS			
Resolution 9	To authorise the Directors to allot Ordinary Shares		
Resolution 10	To authorise the Directors to disapply pre-emption rights of members. (Special Resolution)		
Resolution 11	To authorise the Company to make market purchases of Ordinary Shares. (Special Resolution)		
Resolution 12	To cancel 50 per cent of the share premium account.		

Signed Dated

NOTES AND INSTRUCTIONS

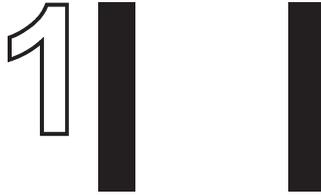
1. A person entitled to receive notice of, attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote, on a poll, in his place. A proxy need not be a member of the Company.
2. Delete "the Chairman of the Meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the Meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his/her discretion as to whether, and if so how, he votes. Any alterations to the Form of Proxy should be initialled.
3. In the case of a Corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
4. To be effective, this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be completed and deposited at the office of the Company's registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
6. The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.



Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
LICENCE No. MB122

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



First Fold

Second Fold

First Fold

Corporate Information

Directors

Peter Smail (Chairman)
Lord Walker
Helen Bagan

All of whom are non-executive and of:

One Jermyn Street
London SW1Y 4UH

Secretary and administrator

Matrix-Securities Limited
One Jermyn Street
London SW1Y 4UH

VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Receiving Agent and Registrar

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

Cash Assets Investment Manager

Credit Suisse First Boston
Private Banking, London Branch
17th Floor
1 Cabot Square
London E14 4QJ

Investment Manager

Core Growth Capital LLP
103 Baker Street
London W1U 6LN
www.core-cap.com

Solicitors

SJ Berwin
222 Grays Inn Road
London WC1X 8XF

Auditors

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

Bankers

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

Sponsor, Promoter and Stockbroker

Collins Stewart Limited
9th Floor
88 Wood Street
London EC2V 7QR

Company No : 5258348

