CORE VCT I PLC

Annual Report and Accounts
for the year ended 31 December 2006

Performance Summary

	As at 31 December 2006		As at 31 December 2005 (as restated)	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Net asset value per share	97.02 pence	1.00 pence	95.47 pence	1.00 pence
Net asset value total return per share[1]	98.02 pence	1.00 pence	95.47 pence	1.00 pence
Share Price (mid-market)	100.00 pence	4.50 pence	100.00 pence	3.50 pence

	Year ended 31 December 2006		Period ended 31 December 2005	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Revenue return per share	2.58 pence	–	1.98 pence	–
Increase in total return since inception[2]	3.72%	–	1.02%	–
Dividends paid per share	1.00 pence	–	–	–
Total expense ratio[3]	1.94%	–	1.64%	–

[1] Net asset value total return per share comprises closing net asset value per share plus cumulative dividends paid to date per share.
[2] Increase in total return since inception compares net asset value total return per share to initial net asset value per share.
[3] Total expense ratio has been calculated using total operating costs divided by closing net assets.

In addition to the dividends paid to date, the Directors are recommending a final dividend of 2.1 pence per Ordinary Share in respect of the year ended 31 December 2006.

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Investment Objective

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

Investment Approach

We invest management buyout and development capital, typically in:

- Established, private companies, which show:
  - sufficient operating critical mass, with an established economic model;
  - quality management teams with the key skills in place to deliver a well-defined business model;
- Amounts of £2 - £5 million in companies valued at £5 - £25 million.

Fund Structure

Core VCT I is structured as follows:–

- **No Annual Management fees**

  Only when Shareholders have received the first 60 pence of distributions, which together with an assumed 40 pence of initial tax relief will have realised them 100 pence, will the Manager start to be entitled to 30% of distributions from the Fund (for further information please see Note 5 to the Accounts on page 25) .

- **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 interest in delivering this liquidity for Shareholders as well as maximising overall investment performance.

Chairman's Statement

I am delighted to present my second Annual Report on the activities of the Company in respect of the year ended 31 December 2006, during which time the Company has remained in the investment phase as the portfolio of private equity investments is built up.

Results

The Net Asset Value (NAV) per Ordinary Share as at 31 December 2006 was 97.02 pence. The total return per Ordinary Share since inception is therefore 98.02 pence, representing a gain of 3.72% over the initial opening NAV per Ordinary Share at the closing of the Offer in 2005.

This increase in total return has largely been driven by the performance of those assets of the Company managed by Credit Suisse, which achieved a total return since 21 March 2006 of 4.42%.

At this early stage in the performance of the private equity portfolio being established, there have been no material valuation changes, and nor would we expect such until the investments are more mature and their longer term performance becomes more established.

Investments

Core Capital LLP ("Core Capital" or "the Manager"), has invested in five new investments during this year, increasing its portfolio to six investments at a total cost and valuation of £4.5 million. This means that 44.6% of the Company's assets were in qualifying investments as at the year-end. This has subsequently increased to 55.0% following the completion of a further new investment in Pureleaf Limited, the vehicle for the Buy-In Management Buy-Out ("BIMBO") of Baxter International Removals Limited including a commitment to invest a further £428,000. These amounts compare to the HM Revenue & Customs ("HMRC") requirement to be 70% invested in qualifying investments by 31 December 2007, which the Manager expects to be fulfilled from completing the existing investments currently under offer.

With the exception of the first investment completed in 2005, all of these investments have been completed as part of a larger total investment managed by Core Capital and utilising funds from Core VCT II plc and Core VCT III plc ("Core VCTs II and III") in accordance with the co-investment agreement.

Dividends

Core VCT I 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 income earned on the Company's assets managed by Credit Suisse. Accordingly, the Board is proposing a final dividend of 2.10 pence per Ordinary Share for the year ended 31 December 2006, bringing the cumulative dividends paid since inception to 3.10 pence.

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 36 of this Report.

Share Price

Both the Ordinary Shares and the B Ordinary Shares ("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 Ordinary Shares within three years of purchase will result in loss of tax relief. Should you wish to sell your shares, you are strongly recommended to approach the administrators, Matrix Securities, for confirmation of the Company's buy-back policy. The B Shares can be sold at any time without loss of tax relief.

Outlook

The Company has made good progress in completing investments of the size, type and quality consistent with its objectives of building a focused portfolio of private equity investments where the total equity funding completed by Core Capital is in the range of £2 – £5 million. Following the launch of Core VCTs II and III, Core Capital has been able to complete larger total investments and the Company has thus benefited from this co-investment approach.

Peter Smaill
Chairman

9 March 2007

Manager's Review

Core VCT I has completed five new investments in the year totalling £3.1 million. In addition, a further new investment in Pureleaf Limited, the vehicle for the BIMBO of Baxter International Removals Limited, a removals and storage business, was completed after the year-end, in which Core VCT I invested £660,000 with a commitment to invest a further £428,000, alongside £3.26 million from Core VCTs II and III. This means that Core VCT I will be 55.0% invested in qualifying VCT investments and will need to complete new investments totalling £4.9 million to meet the 70% requirement by 31 December 2007. The Manager anticipates this being achieved from the investments that they currently have under offer, and will report further on this in the Interim Report as at 30 June 2007. At this stage in the Company's life, the Manager does not anticipate any material movements in the valuations of these investments as they are all relatively new.

Ma Hubbards Limited — Cost £1,500,000
July 2005 and September 2006 — Valuation: £1,500,000

This business owns and operates food led, freehold pubs and the freehold valuation of these assets underpins this investment. Core VCT I invested a further £500,000 in September 2006, being the balance of the investment commitment originally entered into, in order to fund the acquisition of the freeholds, originally held under option. Prices being sought for freehold pubs in the market are higher than had been originally anticipated, buoyed by the continuing strong property market. This has resulted in a slower than anticipated roll-out of this estate as the company has been cautious in acquiring new sites. It has also presented the opportunity to dispose of the least attractive units within the estate, which currently comprises eight units. Like for like sales across the estate have shown strong growth following the company's increased investment in the brand in August. This investment was syndicated with Electra VCTs.

The investment is held at cost.

Audited accounts for the period from 10 November 2004 to 30 April 2006

Turnover	Profit before tax	Net assets
£2,266,081	£(326,999)	£497,220

New Investments

The following five new investments have been completed in the year ended 31 December 2006, of which the first three were completed in the six months ended 30 June 2006 and were therefore previously reported on in the Interim Report :-

Blanc Brasseries Holdings plc — Cost £1,000,000
April 2006 — Valuation: £1,000,000

Core Capital completed this Management Buy Out ("MBO") with total funding of £10 million in April. It led, managed and arranged this transaction with the Core VCTs collectively investing £3 million (£1 million from Core VCT I), and raised a further £3 million in EIS funds from private investors and other smaller VCTs. The partners at Core Capital have previously backed the management team in a number of successful leisure businesses, including Luminar Leisure and Loch Fyne Restaurants, which won the 2005 Best Exit Award at the EIS Association Awards.

Blanc Brasseries currently operates five units in the premium casual dining market and is looking to grow to twenty units within three years. The restaurants are situated in prime locations in Birmingham, Cheltenham, Manchester, Oxford and Tunbridge Wells and have been rebranded and relaunched. This has driven volume growth in the units and refined the operating model in preparation for the roll out. Again, finding well located new sites on attractive economic terms in the current strong property market has required a creative approach and patience, but the company now has a good pipeline of new sites for openings later in calendar 2007 and 2008.

The investment is held at cost.

Audited accounts for the period from 6 February 2006 to 2 July 2006

Turnover	Profit before tax	Net assets
£1,891,638	£(1,063,429)	£4,629,640

Colway Limited (trading as Red Box) — Cost £1,000,000

May 2006 — Valuation: £1,000,000

Core Capital led, managed and arranged this investment with total funding of £12 million. The Core VCTs collectively invested £3 million (£1 million from Core VCT I) in a mix of ordinary shares and loan notes with an 8% per annum yield, with the balance of the total funding raised through an innovative senior and mezzanine debt structure.

Red Box is a long established office and graphics supplies business with over £15 million of turnover. The main B2B division of the business has been rebranded Red Box (from The London Graphic Centre), and one acquisition has been completed as the first steps in achieving growth through consolidating smaller businesses to drive further economies of scale.

The investment is held at cost. No audited financial information has been produced since investment.

Highpitch Limited — Cost £72,333

June 2006 — Valuation: £72,333

Core VCT I invested a small amount in a mezzanine debt layer to fund the £7.5 million MBO of Highpitch. The Core VCT I secured loan note ranks ahead of a significant equity investment by the management. It carries an effective yield of 12.5% per annum and is indicative of the terms available in smaller mezzanine transactions not currently served by other debt or equity providers.

Highpitch comprises two businesses – MNet, a fast growing provider of Internet Protocol (IP) networks to mid sized UK companies, with turnover of circa £8 million, and MBS, a long established reseller of Canon photocopiers. Both companies provide services under long term contracts to a similar customer base.

The investment is held at cost. No audited financial information has been produced since investment.

Augentius Group Limited — Cost £30,144

October 2006 — Valuation: £30,144

Core VCT I invested a small amount in a mezzanine debt layer to fund the MBO of Augentius. The transaction did not require bank debt and the £1 million A loan stock in which Core VCT I invested alongside Core VCT II and Core VCT III is the senior ranking debt. The loan stock has a cash yield of 9.5% and is indicative of the terms available in smaller mezzanine transactions not currently served by other debt and equity providers.

Augentius acquired the private equity fund administration division of Ansbacher & Co in August 2006. The business operates from London and Guernsey and provides out-sourced administration services to many leading private equity funds.

The investment is held at cost. No audited financial information has been produced since investment.

Kelway Limited — Cost £1,000,000

November 2006 — Valuation: £1,000,000

Core Capital led, managed and arranged this investment with a total transaction value of £20m. The Core VCTs collectively invested £5 million in a mix of ordinary shares, loan notes and bank guarantees where the Manager's investment is positioned principally as a senior loan note that has an upside equity exposure of 25%.

Kelway is one of the fastest-growing IT resellers. Since it was established in 1990, it has experienced continued growth and success due to its ability to deliver exactly the right IT solutions for a wide range of customers, backed by a level of service that's the envy of the industry. Kelway understands that their customers' trust must be earned – so they ensure that the customer's individual needs are satisfied and that their expectations are exceeded.

Their unrivalled levels of quality and service have helped Kelway to achieve success in a highly competitive industry. The account management and customer service people are experienced IT professionals who offer a consultative approach to procurement. They work closely with customers to understand their business needs and will recommend only the most appropriate solutions.

Kelway operates from newly-built headquarters in London and regional sales offices in Leeds, Exeter, Swansea and Glasgow. Customer orders are fulfilled from their central distribution centre in Northampton.

The investment is held at cost. No audited financial information has been produced since investment.

Manager's Review

Credit Suisse portfolio

The Funds managed by Credit Suisse (CS) are held in a range of short-term, highly liquid securities, aiming to achieve a better overall return than a pure money market fund. These funds are liquidated as Core Capital identifies suitable qualifying investment opportunities. During the year, the funds were initially held in cash, then moved into a range of short dated government and corporate bonds, but towards the end of the year, also built up some exposure to equity markets. At the year-end 45% of the portfolio was held in equity related instruments, while 55% was held in bonds. In respect of the equity portion of their portfolio, CS has taken steps to protect the portfolio against downward capital movements. The overall return achieved by the portfolio since investment out of cash on 21 March 2006 was 4.42%.

Additional Funds

Core VCT I primarily invests alongside Core VCTs II and III, with the latter two raising a total of £33 million in 2006, creating a combined total of some £44 million. Each of these Funds invests in private equity investments, typically between £2 – £5 million in aggregate.

Whilst Core Capital is not raising additional 'equity' based funds, the Manager has launched Core VCTs IV and V which are targeted to jointly raise £20 million. These two new Funds will invest in mezzanine debt opportunities, with a lower risk and return profile. Certain of these investments may potentially be alongside Core VCTs I, II and III and will therefore be complementary to our investment approach.

Future Investments

Core Capital is aiming to build a highly selective investment portfolio where the unique approach and focus on larger investments with the most able and ambitious management teams will add value and liquidity. Many of the investments the Manager has completed this year have been introduced directly to the Partners at Core Capital, and not generally marketed to other investors. This proprietary deal flow and Core Capital's ability to complete larger investments from the multiple funds managed clearly differentiates the Manager's approach and should result in an attractive portfolio of private equity investments.

Investment Portfolio Summary
as at 31 December 2006

	Date of initial Investment	Book Cost £'000	Valuation £'000	% of equity held	% of net assets by value
Qualifying Investments (unquoted)					
Ma Hubbards Limited	July 2005	1,500	1,500	49.9%	14.0%
Managed freehold pubs					
Blanc Brasseries Holdings plc	April 2006	1,000	1,000	11.87%	9.4%
Premium casual dining brasseries					
Colway Limited	May 2006	1,000	1,000	23.33%	9.4%
(trading as Red Box)					
Office and graphics supplies					
Kelway Holdings Limited	November 2006	1,000	1,000	6.20%	9.4%
IT services					
Total qualifying investments		4,500	4,500		42.2%
Non-qualifying investments					
Short-dated fixed and variable interest securities		3,176	3,171		29.6%
Listed securities		1,184	1,241		11.6%
Funds and Trusts		1,380	1,421		13.3%
Highpitch Limited	June 2006	72	72		0.7%
Provider of internet services and photocopiers					
Augentius Fund Administration LLP	October 2006	30	30		0.3%
Fund administrator					
Total non-qualifying investments		5,842	5,935		55.5%
Total investments		10,342	10,435		97.7%
Other assets			381		3.5%
Current liabilities			(125)		(1.2%)
Net assets			10,691		100.0%

Book value of total qualifying investments represents 43.5% of the book value of total investments. The VCT investment tests are measured broadly on original cost of investments, including cash balances, and this gives the figure of 44.6% quoted in the Chairman's Statement on page 3 in relation to progress towards achieving a minimum of 70% of total investments invested in qualifying investments before 31 December 2007.

10 Largest investments

	Book cost £'000	Valuation £'000	% of net assets by value
Treasury 8.5% Loan 2007	1,676	1,671	15.6%
Ma Hubbards Limited	1,500	1,500	14.0%
Blanc Brasseries Holdings plc	1,000	1,000	9.4%
Colway Limited	1,000	1,000	9.4%
Kelway Holdings Limited	1,000	1,000	9.4%
Barclays Bank PLC Floating rate note 2012	500	500	4.7%
Lehman Brothers Floating rate note 2009	500	500	4.7%
Wells Fargo Floating rate note 2011	500	500	4.7%
Schroder Income Maximiser Unit Trust	460	465	4.3%
iShares FTSE UK Dividend Plus exchange traded fund	343	364	3.4%
Total of 10 largest investments	8,479	8,500	79.6%

Board of Directors

Peter Smaill

Status: Independent, non-executive Chairman

Age: 52

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 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 has acted as a non-executive director of AIM Group Holdings Limited and OSS Environmental Holdings Limited. He was non-executive chairman of Portman Holdings Limited, a MBO which he led in 1996 and successfully exited in February 2007. In January 2006, he was appointed a director of Fairfax Investment Management Limited. 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 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: 74

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 was Chairman of Allianz Cornhill Insurance plc until June 2006 and is Vice Chairman of Dresdner Kleinwort Limited. He is a non-executive Director of the London International Financial Futures and Options Exchange, a non-executive director of Caparo plc and Caparo Group Limited and a non-executive director of ITM Power plc. He is also a director of the International Tax and Investment Centre and is vice president of the German-British Chamber of Industry and Commerce. Lord Walker was appointed as a Director of Core VCT II plc and Core VCT III plc in October 2005.

Helen Bagan

Status: Independent, non-executive Director

Age: 48

Date of appointment: 29 November 2004

Helen started her career at Deloitte Haskins and 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 in 2000, where she was responsible for group compliance and financial management of VCTs, limited partnerships, and funds managed by its US parent company, Beringea, where she left in 2003. Helen was non-executive director of Ofex Holdings Plc and Plus Markets Group plc until January 2007. Helen was appointed as a Director of Core VCT II plc and Core VCT III plc in October 2005.

Directors' Report

The Directors present the second Annual Report and Accounts of the Company for the year ended 31 December 2006.

Business and principal activities

The principal activity of the Company during the year under review was investment in a diverse selection of established unquoted companies in the United Kingdom. Details of the principal investments made by the Company are given in the Investment Portfolio Summary on page 7 of this Report. A review of the Company's business during the year is contained in the Chairman's Statement on page 3 and Manager's Review on pages 4–6.

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 ("the Act") 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.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on page 3 and the Manager's Review on pages 4–6. The Performance Summary on page 1 provides data on the Company's key performance indicators.

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

Total Return

The total return (Net asset value (NAV) plus cumulative distributions) is the key measure of performance for the Company. The two principal components of this measure are:–

- **NAV per share**
  NAV per share is calculated quarterly, with a full valuation of the unquoted investments carried out every six months in accordance with the International Private Equity Venture Capital Valuation guidelines.
- **Cumulative distributions**
  Cumulative distributions are since inception distributions of both income and capital. The Company has no fixed life, but intends to naturally liquidate and distribute all its assets over time. In particular, the Company has a policy to distribute all proceeds from realised investments (the original capital invested plus realised profits less losses), as well as income after expenses. In addition, the Company intends to return cash assets after the initial 3 year investment period.

Share price

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

Total expense ratio

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

Issue of shares

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

As at 31 December 2006, the issued Ordinary Share capital of the Company was £109,448 and the issued B Share capital of the Company was £72,964. The number of Shares in issue as at 31 December 2006 was 10,944,771 Ordinary Shares and 7,296,381 B Shares.

The Company's application to the High Court to reduce the Share Premium Account of the Company by 50% was approved by an Order of the Court on 23 August 2006 and registered at Companies House on 26 September 2006. The cancellation of the Share Premium Account has created a special reserve that can be used, amongst other things, to fund buy-backs of the Company's shares when the Directors consider that it is in the best interests of the Company to do so.

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

Results

	Year ended 31 December 2006 £	Period ended 31 December 2005 (as restated) £
Capital return for the year	(3,109)	(13,726)
Revenue return after taxation for the year	282,683	125,268
Total return attributable to Shareholders for the year	279,574	111,542

Directors' Report

Dividend

The Directors will be recommending a final dividend of 2.10 pence per Ordinary Share to Shareholders at the Annual General Meeting to be held on 19 April 2007 and will be payable on 7 May 2007 to Shareholders who are on the Register on 13 April 2007.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 8 of this Annual Report. The current Directors were all appointed to the Board on 29 November 2004 and subsequently re-elected at the AGM held on 6 April 2006. In accordance with the Company's Articles of Association and the 2003 FRC Code of Corporate Governance ("the Combined Code"), Helen Bagan will retire by rotation at the Annual General Meeting of the Company to be held on 19 April 2007 and being eligible offers herself for re-election. Having reached the age of 70, Lord Walker will also retire at this meeting and offers himself for re-election.

The Directors' interests (including holdings of connected persons) in the issued capital of the Company as at 31 December 2006 were:

	Shares held on 31 December 2006		Shares held on 31 December 2005	
	Ordinary Shares	B Shares	Ordinary Shares	B Shares
Peter Smaill	31,200	5,200	31,200	5,311
Helen Bagan	15,600	2,600	15,600	2,600
Lord Peter Walker	46,800	7,800	46,800	7,800

There have been no further changes in the holdings of the Directors since 31 December 2006.

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, and changed its name to Core Capital LLP on 3 October 2006. The Management Agreement is for an initial period of four years and thereafter until their appointment is terminated by not less than one year's notice in writing to expire at any time after the initial period. The Manager receives no annual fee but instead has subscribed for 75% of the B Shares in issue. For further information please see note 5 to the accounts on page 25. 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 page 15 of the Corporate Governance Statement.

Matrix-Securities Limited acts as both Administrator and Company Secretary to the Company under an Agreement dated 29 November 2004. The appointment was for an initial period of one year and thereafter may be terminated by not less than six month's notice in writing to expire after the initial period. A fee of £38,189 (2005: £30,884) was paid in respect of the year covered by this Report.

VCT status monitoring

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

Auditors

Ernst & Young LLP were reappointed as Auditors of the Company at the Annual General Meeting held on 6 April 2006 and resolutions to re-appoint Ernst & Young LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' right to information

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

Financial instruments

The main risks arising from the Company's financial instruments are due to fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in note 20 on pages 32–33.

Substantial interests

As at 21 February 2007 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 2006 the average credit period for creditors was 36 days (this figure is exceptionally high due to the receipt of a large invoice just before the year-end) (2005: 2 days).

Annual General Meeting

A notice of the Annual General Meeting of the Company to be held at 3.00 pm on 19 April 2007 at One Jermyn Street, London SW1Y 4UH is set out on pages 34–35 of this Annual Report. A personalised Proxy Card has been included with Shareholders' copies of this Annual Report.

The notice of the meeting includes resolutions to re-appoint Helen Bagan and Lord Walker as Directors of the Company and brief biographical details of both Directors can be found on page 8 of this Annual Report.

The resolutions to be considered at the Annual General Meeting include:

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

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing shareholders in accordance with section 89 of the Act. Resolution 8 will enable the Directors to allot up to an aggregate nominal amount not exceeding £27,362 with regard to the Ordinary Shares and £18,241 with regard to the B Shares representing approximately 25% of the issued 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 9 will enable this requirement to be disapplied in the specific circumstances named in the Resolution. These are in relation to a rights issue, to fund a purchase of shares and also pursuant to any future 5 per cent. "top-up" offer. This resolution is proposed as a special resolution.

Both authorities, unless previously renewed or revoked, will expire on the earlier of the Annual General Meeting of the Company to be held in 2008 and the date which is fifteen months after the date on which the relevant resolution is passed except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of the authority. Both resolutions generally renew previous authorities approved on 6 April 2006 respectively. The Directors have no immediate intention of exercising these powers.

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

This resolution authorises the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. The authority is limited to a maximum number of Ordinary Shares and B Shares equal to 14.99% of the issued share capital of each class 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 2008 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 a 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 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 additional new reserve created by the cancellation of the share premium account may be used to off-set the effects of any future unrealised losses on the ability of the Company to pay future dividends in respect of the shares. In addition, the reserve created by the cancellation may also be used, to a limited extent, to purchase Ordinary Shares and B Shares in the market. Such purchases may help to limit the discount at which the shares may trade to their underlying net asset value.

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

By order of the Board

For Matrix-Securities Limited

Secretary

9 March 2007

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 19 April 2007. 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 18. 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 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 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 Capital LLP (for further information on the incentive fee and on Lord Walker's connection to the Caparo Group Limited please see Notes 5 and 21 respectively of the Notes to the Accounts on pages 25 and 33). Lord Walker was paid director's fees of £12,000 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 ended 31 December 2007 and subsequent years.

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

Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Subject to the provisions of the Companies Act 1985, one third of the Directors (or if the number is not a multiple of three, the number nearest to one-third), shall retire from office by rotation at each AGM and the Director(s) retiring by rotation shall be the Director(s) who has been longest in office since their last election. Directors retiring by rotation are then eligible for re-election. Having reached the age of 70 years, Lord Walker shall retire annually in accordance with Section 293(5) of the Companies Act 1985.

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 year are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

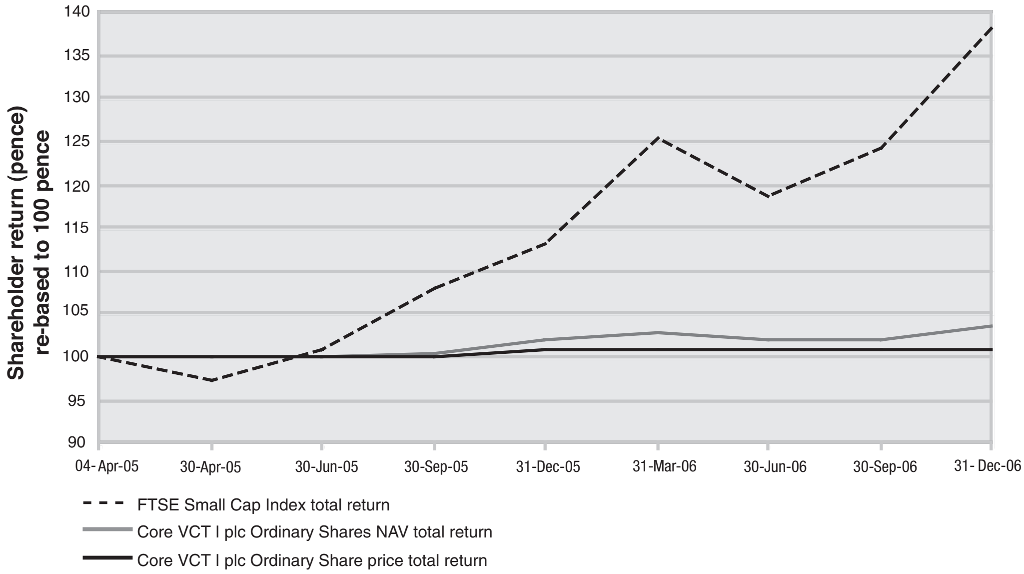
	Year ended 31 December 2006	Period ended 31 December 2005 £
Peter Smaill	15,000	16,250
Helen Bagan	12,000	13,000
Lord Peter Walker	12,000	13,000
	39,000	**42,250**

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors for the year ended 31 December 2006 amounted to £39,000 (2005 from incorporation: £42,250).

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 4 April 2005 (assuming all dividends are re-invested) compared to the total cumulative shareholder return of the FTSE SmallCap Index. This index represents a broad equity market index against which investors can measure the performance of the Company and is considered an appropriate index against which to measure the Company's performance. The total shareholder return has been re-based to 100 pence which is equivalent to the opening share price of the Ordinary Shares. An explanation of the performance of the Company is given in the Chairman's Statement and the Manager's Review.

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



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

By order of the Board

Matrix-Securities Limited
Company Secretary
9 March 2007

Corporate Governance Statement

The Directors of Core VCT I plc have adopted the FRC Combined Code on Corporate Governance (2003) ("the Combined Code") for the year ended 31 December 2006. 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 year.

The Company has recently become a member of the Association of Investment Companies (AIC) and the Directors have adopted the AIC Code of Corporate Governance ("the AIC Code") with effect from 1 January 2007. The AIC Code was endorsed by the FRC on 3 February 2006 who have confirmed that in complying with the AIC Code companies will meet their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

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 8.

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

At least four formal Board meetings are scheduled every year and other meetings are held as necessary. There is a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc. 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. Helen Bagan has particular responsibility on the Board for audit matters and the Board has satisfied itself that she has recent and relevant financial experience.

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

Director	Attendance (attended/no. of meetings)
Peter Smaill	7/7
Helen Bagan	4/7
Lord Walker	6/7

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

All of the Directors are subject to re-election by Shareholders at the first Annual General Meeting following their appointment and, subject to the provisions of the Companies Act 1985, one-third of the Directors shall retire from office by rotation at each AGM and this Director shall be the Director who has been longest in office since their last election. Helen Bagan will retire by rotation at the Annual General Meeting of the Company to be held on 19 April 2007 and being eligible offers herself for re-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 Smaill	29 November 2004	AGM 2008
Helen Bagan	29 November 2004	AGM 19 April 2007
Lord Walker	29 November 2004	AGM 19 April 2007

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement and has concluded that all of the Directors with the exception of Lord Walker are independent of the Manager. 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 21 of the Notes to the Accounts on page 33 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 Capital LLP (formerly Core Growth Capital LLP) as Manager of the Company. The Manager will manage and advise the Company so that it will ensure that the Company will satisfy and continue to satisfy the conditions for approval as a venture capital trust as set out in section 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 pages 4–6. 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 5 to the accounts on page 25.

The continued appointment of Core Capital LLP as Investment Manager to the Company on the existing terms was approved by the Board on 21 February 2007. 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 and levels of staffing, the investment process and the results achieved to date. As noted in the Chairman's Statement and Investment Manager's Review, good progress has been made in establishing a portfolio which should, based on the Manager's projections, ensure that the key test of 70% of your Company's assets qualify for VCT purposes will be achieved by the end of the Company's third financial period.

The Board considers it too early to form a view as to relative performance given the timing of investments. From time to time the Board initiates discussions on the investment process and portfolio activity with the aim of developing the capacity of the Manager to deliver investor value at acceptable risk as the level of invested capital rises.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement, and where relevant those of companies in the same peer group, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager, with the principal economic reward to the manager consisting of the capital growth potential of their holding of B Shares of the Company in the event that investor-focussed 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

Corporate Governance Statement

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 throughout the year under review. The first formal review took place on 21 February 2007. 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 UK Listing Authority, 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 of hands.

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

Going concern

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

Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 17 of this Report.

The Report of the Auditors is set out on page 18 of this Report.

The non-audit services provided by the auditors for the year ended 31 December 2006 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 year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing such statements, the Directors are required to:

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

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

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

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

We have audited the financial statements of Core VCT I plc for the year ended 31 December 2006 which comprise the Income Statement, Balance Sheet, Reconciliation of Movement in Shareholders' Funds and Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 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 Performance Summary, Investment Objective, the Chairman's Statement, the Manager's Review, the Investment Portfolio Summary, Board of Directors, the Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance Statement, and the Statement of Directors' Responsibilities. 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 2006 and of its net return for the year then ended;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor, London

9 March 2007

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.

Income Statement
for the year ended 31 December 2006

	Notes	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
				Year ended 31 December 2006			Period from 13 October 2004 to 31 December 2005 (restated)
Unrealised gains on investments		–	93,617	93,617	–	–	–
Net realised losses on investments		–	(56,578)	(56,578)	–	–	–
Income	4	507,398	–	507,398	310,337	–	310,337
Transaction costs and investment management expense	5	(4,298)	(49,567)	(53,865)	–	(16,946)	(16,946)
Other expenses	6	(153,715)	–	(153,715)	(155,685)	–	(155,685)
Return on ordinary activities before taxation		349,385	(12,528)	336,857	154,652	(16,946)	137,706
Tax on ordinary activities	8	(66,702)	9,419	(57,283)	(29,384)	3,220	(26,164)
Return attributable to equity shareholders		282,683	(3,109)	279,574	125,268	(13,726)	111,542
Return per Ordinary Share	10	2.58p	(0.03)p	2.55p	1.98p	(0.22)p	1.76p

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

There were no other gains or losses in the year ended 31 December 2006, or the comparative period.

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

No operations were acquired or discontinued in the year.

The notes on pages 22–33 form part of these financial statements.

Balance Sheet
as at 31 December 2006

	Notes	31 December 2006 £	£	£	31 December 2005 (restated) £	£	£
Non-current assets							
Investments at fair value	11			10,436,107			1,000,000
Current assets							
Debtors and prepayments	13	219,551			51,734		
Cash at bank	19	161,093			9,598,850		
			380,644			9,650,584	
Creditors: amounts falling due within one year	14						
Corporation tax		57,283			26,164		
Other creditors		25,858			6,556		
Accruals		42,272			96,654		
			(125,413)			(129,374)	
Net current assets				255,231			9,521,210
Net assets				10,691,338			10,521,210
Capital and reserves							
Called up Ordinary Share capital	15			109,446			109,446
Called up B Ordinary Share capital	15			72,964			72,964
Share premium account	16			5,113,629			10,227,258
Capital reserve - realised	16			(110,452)			(13,726)
Capital reserve - unrealised	16			93,617			–
Special distributable reserve	16			5,113,629			–
Revenue reserve	16			298,505			125,268
Total equity shareholders' funds				10,691,338			10,521,210
Net asset value per 1p Ordinary Share	17			97.02p			95.47p
Net asset value per 1p B Ordinary Share	17			1.00p			1.00p

The notes on pages 22–33 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 9 March 2007 and were signed on its behalf by:

Peter Smaill

Chairman

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £	Period from 13 October 2004 to 31 December 2005 £
Opening Shareholders' funds before restatement		10,411,764	–
Prior year adjustment arising from the introduction of FRS 21	3	109,446	–
At 1 January 2006 (restated)		10,521,210	–
Net share capital subscribed for in the year		–	10,409,668
Profit for the year		279,574	111,542
Dividends paid	9	(109,446)	–
Closing Shareholders' funds at 31 December 2006		10,691,338	10,521,210

Cash Flow Statement

for the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £	£	Period from 13 October 2004 to 31 December 2005 £	£
Operating activities					
Investment income received		561,280		262,339	
Investment management expense paid		(38,552)		–	
Other cash payments		(425,807)		(73,157)	
Net cash inflow from operating activities	18		96,921		189,182
Taxation					
UK Corporation tax paid			(26,164)		–
Investing activities					
Acquisition of investments	11	(22,189,371)		(1,000,000)	
Disposal of investments	11	12,790,303		–	
			(9,399,068)		(1,000,000)
Equity Dividends paid	9		(109,446)		–
Cash outflow before financing			(9,437,757)		(810,818)
Financing					
Issue of ordinary shares		–		10,999,295	
Issue costs		–		(589,627)	
Net cash inflow from financing			–		10,409,668
Net (decrease)/increase in cash for the year	19		(9,437,757)		9,598,850

The notes on pages 22–33 form part of these Financial Statements.

Notes to the Accounts
for the year ended 31 December 2006

1 Accounting policies

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

a) **Basis of accounting**

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

b) **Investments**

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

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

(i) Investments which have been made in the last 12 months are at fair value, which unless another methodology gives a better indication of fair value, will be at cost.

(ii) Investments in companies at an early stage of their development are also valued at fair value, which unless another methodology gives a better indication of fair value, will be at cost.

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

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

(v) Where a company's underperformance against plan indicates a permanent diminution in the value of the investment, this amount is transferred to the realised reserve from the unrealised reserve.

c) **Changes in accounting policies**

With effect from 1 January 2006, the Company has adopted the following Financial Reporting Standards (FRS):

FRS 21 (Events after the Balance Sheet Date) – Dividends paid by the Company are accounted for in the year in which they are paid or approved by shareholders. Previously, the Company accrued dividends in the period in which the net income, to which those dividends related, was accounted for.

FRS 25 (Financial Instruments: Disclosure and Presentation) and FRS 26 (Financial Instruments: Measurement) – The Company has designated its investments as being measured at "fair value through profit and loss". The fair value of quoted investments is deemed to be the bid value of these investments at the close of business on the relevant date.

The corresponding amounts in these financial statements are restated in accordance with these new policies. Note 3 below provides further details of these restatements.

The Company has also adopted FRS 20 (Accounting for share based payments), FRS 22 (Earnings per Share), FRS 23 (The effects of changes in foreign exchange rates) and FRS 28 (Corresponding amounts), none of which give rise to prior year adjustments.

d) **Income**

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

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, shown as third party transaction costs in Note 5.

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

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

f) **Expenses**

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

g) **Taxation**

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

Deferred tax is measured at the average tax rates that are expected to apply in the 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 Impact of the introduction of FRS 21, FRS 25 and FRS 26

The financial information for the year ended 31 December 2006 has been prepared in accordance with FRS 21, 25 and 26. The introduction of these new standards has had the following impacts:

Transaction costs:

The transaction costs incurred when purchasing or selling an asset are now written off to the capital column of the Income Statement in the period they occur.

Dividends:

Under the new standards, dividends are only recorded in the Financial Statements of the Company on payment or approval by shareholders.

Dividends paid by an investment trust are no longer shown in the Income Statement but are disclosed as part of the Reconciliation of Movements in Shareholders' Funds.

Consequently, the final dividend proposed for the year ended 31 December 2005 has been added back to the opening balances as at 1 January 2006 and is shown as a deduction in this period in note 3.

Notes to the Accounts
for the year ended 31 December 2006

3 Restatement of opening balances at 31 December 2005

At 1 January 2006 the Company adopted Financial Reporting Standards 21, 25 and 26.

(a) The following is a reconciliation of the figures at 31 December 2005 previously reported under the applicable UK accounting standards and Statement of Recommended Practice.

	Previously reported as at 31 December 2005 £	Adjustments £	Restated as at 31 December 2005 £
Non-current assets	1,000,000		1,000,000
Current assets	9,650,584		9,650,584
Creditors: amounts falling due within one year	(238,820)	109,446	(129,374)
Net assets	10,411,764	109,446	10,521,210
Capital and reserves			
Called up share capital	109,446		109,446
Called up B share capital	72,964		72,964
Share premium account	10,227,258		10,227,258
Capital reserve - realised	(13,726)		(13,726)
Revenue reserves	15,822	109,446	125,268
Equity shareholders' funds	10,411,764	109,446	10,521,210
Net asset values			
Per 1p Ordinary Share	94.47p		95.47p
Per 1p B Ordinary Share	1.00p		1.00p

Note to reconciliation

No provision has been made for the final dividend on Ordinary Shares for the year ended 31 December 2005 of £109,446. Under FRS 21 this is not recognised until it is declared and approved by the Shareholders. This amount is therefore added back to revenue reserves and creditors.

(b) Reconciliation of the Income Statement as previously reported to the restated amount now shown for the period from 13 October 2004 to 31 December 2005.

	£	Per share
Total transfer to reserves as previously reported	2,096	1.76p
Add back dividends paid and proposed	109,446	–
Return attributable to equity shareholders	111,542	1.76p

4 Income

	2006 £	2005 £
Income from investments		
– from loan stock	119,857	29,770
– from dividends	8,310	–
– from fixed and variable interest securities	253,953	–
– from money market funds	17,383	–
	399,503	29,770
Interest income		
Bank interest	107,895	280,567
	107,895	280,567
Total income	507,398	310,337
Total income comprises		
Dividends	25,693	–
Interest	481,705	310,337
	507,398	310,337
Income from investments comprises		
Listed securities	279,646	–
Unlisted securities	119,857	–
	399,503	–

5 Transaction costs and investment management expense

	Revenue 2006 £	Capital 2006 £	Total 2006 £	Revenue 2005 £	Capital 2005 £	Total 2005 £
Third Party – transaction costs (see Note 1e)	–	32,541	32,541	–	16,946	16,946
Core Capital LLP – management fees	–	–	–	–	–	–
Credit Suisse – transaction costs	–	4,130	4,130	–	–	–
Credit Suisse – management fees	4,298	12,896	17,194	–	–	–
	4,298	49,567	53,865	–	16,946	16,946

Core Capital LLP 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 year. Core Capital LLP changed its name from Core Growth Capital LLP on 3 October 2006.

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 year 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 investment management expense in respect of the year under review.

Third party transaction costs arose from aborted transactions where such costs were not otherwise recoverable. Under the agreement with the Manager, these costs are to be borne by the Company and by the other VCTs managed by Core Capital. The amount of such costs for the year ended 31 December 2006 is £32,541 (2005: £16,946).

6 Other expenses

	2006 £	2005 £
Directors' remuneration (including NIC) (see note 7)	41,561	44,582
Administration fees	38,189	30,844
Broker's fees	(3,966)	10,575
Auditors' fees – audit	17,625	17,625
– other services	5,112	2,546
Registrar's fees	9,980	2,669
Printing	1,665	5,100
Legal and professional fees	18,195	14,750
Directors' insurance	11,793	18,831
Subscriptions	12,290	7,466
Sundry	1,271	697
	153,715	155,685

Charges for non-audit services provided by the auditors for the year ended 31 December 2006 relate to the provision of tax compliance work and the review of the Interim Report. The Directors consider the auditors were best placed to provide these services. The Board reviews the nature and extent of non audit services to ensure that independence is maintained.

7 Directors' remuneration

	2006 £	2005 £
Directors' emoluments		
Helen Bagan	12,000	13,000
Peter Smaill	15,000	16,250
Lord Peter Walker	12,000	13,000
	39,000	42,250
Employer's NIC	2,561	2,332
	41,561	44,582

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.

8 Taxation on ordinary activities

		2006 £	2005 £
a)	**Analysis of charge in the year**		
	Revenue charge	66,702	29,384
	Credited to capital return	(9,419)	(3,220)
	Current tax charge for year	57,283	26,164
b)	**Factors affecting tax charge for the year**		
	Total return on ordinary activities before tax	336,857	137,706
	Less: unrealised gains	(93,617)	–
	Add: non-taxable realised losses	56,578	–
	Less: capitalised transaction costs and investment management expense	49,567	16,946
	Revenue return on ordinary activities before taxation	349,385	154,652
	Corporation tax @ 19 %	66,384	29,384
	Non-taxable UK dividend income	(1,579)	–
	Non-taxable expenses	1,897	–
	Taxation on revenue return	66,702	29,384
	Capitalised expenditure allowable and credited to capital return	(9,419)	(3,220)
	Current tax charge for year	57,283	26,164

Investment trust companies are exempt from tax on capital gains if they meet HM Revenue & Customs (HMRC) criteria set out in s842AA Income and Corporation Taxes Act 1988 for a given period.

Deferred taxation

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

9 Dividends and other appropriations

Amounts recognised as distributions to equity holders in the year:

	2006 £	2005 £
Ordinary Shares – final dividend for the period ended 31 December 2005 of 1p (2005: nil p) per share	109,446	–

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

Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered.

	2006 £	2005 (restated) £
Revenue available for distribution by way of dividends for the year	349,385	154,652
Proposed final dividend of 2.1 pence per Ordinary Share for the year ended 31 December 2006	229,836	109,446

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

10 Return per Ordinary Share

	Year ended 31 December 2006 £	Period from 13 October 2004 to 31 December 2005 (audited and restated) £
Total earnings after taxation:	279,574	111,542
Basic earnings per share (note a)	**2.55p**	**1.76p**
Net revenue from ordinary activities after taxation	282,683	125,268
Revenue return per share (note b)	**2.58p**	**1.98p**
Net realised capital losses	(56,578)	–
Net unrealised capital gains	93,617	–
Capital expenses	(40,148)	(13,726)
Total capital return	(3,109)	(13,726)
Capital return per share (note c)	**(0.03)p**	**(0.22)p**
Weighted average number of shares in issue in the year	10,944,556	6,320,824

Notes

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

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

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

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

11 Investments

	Fully listed £	Unlisted ordinary shares £	Loan stock £	Fixed and variable interest securities £	Funds and trusts £	Total £
Book cost/valuation at 31 December 2005	–	450,000	550,000	–	–	1,000,000
Purchases at cost	1,246,526	1,337,762	2,264,715	15,960,589	1,379,779	22,189,371
Sale proceeds	(63,140)	–	–	(12,727,163)	–	(12,790,303)
Realised gains/(losses)	533	–	–	(57,111)	–	(56,578)
Increase/(decrease) in unrealised appreciation	56,989	–	–	(5,017)	41,645	93,617
Closing valuation at 31 December 2006	1,240,908	1,787,762	2,814,715	3,171,298	1,421,424	10,436,107
Book cost at 31 December 2006	1,183,919	1,787,762	2,814,715	3,176,315	1,379,779	10,342,490
Unrealised appreciation at 31 December 2006	56,989	–	–	(5,017)	41,645	93,617
	1,240,908	1,787,762	2,814,715	3,171,298	1,421,424	10,436,107

12 Significant interests

At 31 December 2006 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

Company	Equity investment (ordinary shares) £	Investment in loan stock £	Total investment (at cost) £	Percentage of investee company's total equity
Ma Hubbards Limited	450,000	1,050,000	1,500,000	49.9%
Blanc Brasseries Holdings plc	1,000,000	–	1,000,000	11.9%
Colway Limited (trading as Red Box)	300,000	700,000	1,000,000	23.3%
Kelway Holdings Limited	36,218	963,782	1,000,000	6.2%

The above companies are incorporated in the United Kingdom.

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

13 Debtors

	2006 £	2005 £
Amounts due within one year:		
Accrued income	159,644	47,998
Prepayments	5,119	3,736
Other debtors	54,788	–
	219,551	51,734

14 Creditors: amounts falling due within one year

	2006 £	2005 (restated) £
UK Corporation tax	57,283	26,164
Trade creditors	20,480	1,000
Other creditors	5,378	5,556
Accruals	42,272	96,654
	125,413	129,374

The Company has also obtained a credit facility of £5 million on 8 March 2006, that will be secured on the Company's assets.

15 Called up share capital

	2006 £	2005 £
Authorised:		
Ordinary Shares of 1p each: 24,250,000	242,500	242,500
B Shares of 1p each: 15,750,000	157,500	157,500
	400,000	400,000
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 10,944,771 (2005: 10,944,771)	109,446	109,446
B Shares of 1p each: 7,296,381 (2005: 7,296,381)	72,964	72,964

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

(i) their Effective Initial Cost of investment of 60p per share, and

(ii) the Hurdle Rate Return, being an amount equal to 5% of the Effective Initial Cost that remains to be repaid, compounded annually.

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

In the event of liquidation before that date, the Ordinary Shares are entitled to 60%, and the B Shares 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 Shares have received two thirds of the Hurdle Rate Return due to the Ordinary Shareholders.

Ordinary Shares have one vote per share. Until such time as the Ordinary Shares have received 60p per share and the Hurdle Rate of 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.

16 Share capital and reserves

	Called up Ordinary Share capital £	Called up B Share capital £	Share premium account £	Capital reserve (realised) £	Capital reserve (unrealised) £	Special distributable reserve £	Revenue reserve £	Total £
As at 1 January 2006 (as restated) – see note 3	109,446	72,964	10,227,258	(13,726)	–	–	125,268	10,521,210
Cancellation of 50% of the share premium account (see note)	–	–	(5,113,629)	–	–	5,113,629	–	–
Realised losses	–	–	–	(56,578)	–	–	–	(56,578)
Unrealised gains	–	–	–	–	93,617	–	–	93,617
Capitalised management expense less tax credit	–	–	–	(40,148)	–	–	–	(40,148)
Dividends	–	–	–	–	–	–	(109,446)	(109,446)
Net revenue for the year	–	–	–	–	–	–	282,683	282,683
At 31 December 2006	109,446	72,964	5,113,629	(110,452)	93,617	5,113,629	298,505	10,691,338

Note: The cancellation of 50% of the Company's Share Premium Account (as approved at the Annual General Meeting held on 6 April 2005 and by Order of the Court dated 23 August 2006) has provided the Company with a special distributable reserve. The purpose of the reserve is to fund market purchases of the Company's shares, and to write off existing and future losses, should the Company revoke its investment company status and be obliged to take into account capital losses in determining distributable reserves.

17 Net asset values per share

The net asset values per share, as disclosed in the Balance Sheet, are based on attributable assets at the date of the Balance Sheet and assume that no break-up of the Company will occur – the "attributed basis". The Board considers that the Articles basis reflects the attribution of assets between the two classes of shares that would occur in the event that a liquidation of the Company took place. On liquidation, B Shareholders could be entitled to up to 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 2006 of the B Shares' entitlement to assets at 31 December 2006, 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 2006, being 10,944,771 (2005: 10,944,771) Ordinary Shares of 1p each and 7,296,381 (2005 7,296,381) B Ordinary Shares of 1p each.

	Total attributable net assets 2006 £	Net asset value 2006 pence per share	Total attributable net assets (Restated) 2005 £	Net asset value (Restated) 2005 pence per share
Ordinary Shares of 1p each				
In accordance with the Articles	**9,041,500**	**82.61 p**	**8,939,423**	**81.68 p**
Additional entitlement to assets on the attributed basis	1,576,874	14.41p	1,508,823	13.79 p
Attributed basis	**10,618,374**	**97.02 p**	**10,448,246**	**95.47 p**
B Shares of 1p each				
In accordance with the Articles	**1,649,838**	**22.61 p**	**1,581,787**	**21.68 p**
Reduced entitlement to assets on the attributed basis	(1,576,874)	(21.61)p	(1,508,823)	(20.68)p
Attributed basis	**72,964**	**1.00 p**	**72,964**	**1.00 p**

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

	2006 £	2005 £
Net revenue before taxation	349,385	154,652
Investment management fees charged to capital	(49,567)	(16,946)
Increase in debtors	(167,817)	(51,734)
(Decrease)/increase in creditors and accruals	(35,080)	103,210
Net cash inflow from operating activities	96,921	189,182

19 Analysis of changes in net funds

	2006 £	2005 £
At 31 December 2005 – cash at bank (net funds)	9,598,850	–
Cash flows	(9,437,757)	9,598,850
At 31 December 2006 – cash at bank (net funds)	161,093	9,598,850

20 Financial Instruments

The Company's financial instruments in the year comprise:

- Equity shares, fixed and variable 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 year under review, the Company's policy that no trading in derivative 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 current and preceding periods.

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 companies that the Company holds are 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.

Liquidity risk: the Company cannot realise assets or otherwise raise funds to meet commitments, and cashflow risk is the risk that future cashflows generated will fluctuate in amount.

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. In limited cases, the Company uses 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.

Liquidity risk: This risk is minimised as sufficient of the Company's assets comprise realisable securities which can be sold to meet funding commitments as necessary.

Financial Assets

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

	Financial assets on which no interest paid £	Fixed rate financial assets £	Floating rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity	4,450,094	–	–	4,450,094		
Securities	–	1,671,423	1,499,875	3,171,298	7.08	2.15
Loan stocks	–	2,814,715		2,814,715	6.67	6.0
Cash	–	–	161,093	161,093		
Debtors	219,551	–	–	219,551		
Creditors	(125,413)	–	–	(125,413)		
Total	4,544,232	4,486,138	1,660,968	10,691,338		

The interest rate profile of the Company's financial assets 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	450,000	–	–	450,000		
Loan	–	550,000	–	550,000	11.42	4.50
Cash	–	–	9,598,850	9,598,850		
Debtors	51,734	–	–	51,734		
Creditors	(129,374)	–	–	(129,374)		
Total	372,360	550,000	9,598,850	10,521,210		

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.

21 Related party transactions

Lord Walker is also a Director of Caparo plc, which is a member of the Manager, Core Capital LLP. Details of the carried interest arrangements between the Company and the Manager are set out in Note 5 which also discloses amounts paid and payable to the Manager. No amounts have been paid or are payable to Caparo plc.

22 Commitments and Guarantees

The Company, jointly with Core VCT II plc and Core VCT III plc has committed to invest up to a further £2,000,000 in Kelway Holdings Limited, to repay a loan of this amount made to Kelway Holdings Limited.

23 Post Balance Sheet events

The Company has invested £660,000 in Pureleaf Limited, the investment vehicle for the Buy-In Management Buy-Out of Baxter International Removals Limited.

24 Segmental analysis

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

CORE VCT I PLC

(Registered in England and Wales No. 5258348)

NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second Annual General Meeting of the Company will be held at 3.00 pm on 19 April 2007 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 year ended 31 December 2006, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2006 as set out in the Annual Report and Accounts of the Company for the year ended 31 December 2006.
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 Lord Walker as a Director of the Company.
7. To declare a final dividend for the year ended 31 December 2006 of 2.10 pence per share, payable on 7 May 2007 to Ordinary Shareholders registered at close of business on 13 April 2007.
8. THAT in substitution for any existing authorities pursuant to section 80 of the Companies Act 1985 ("the Act") the Directors be generally and unconditionally authorised, in accordance with section 80 of the Act to allot Ordinary Shares up to the maximum nominal amount of £27,362 and B Ordinary Shares up to a maximum nominal amount of £18,241 being approximately 25% of the issued share capital of each class, this authority to expire on the fifth anniversary of the date of the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting). The Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly as if the authority conferred thereof had not expired.

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

9. THAT in substitution for any existing authorities pursuant to section 95 of the Act the Directors be and they are hereby empowered to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred upon them by resolution 8 above as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities in connection with:
   (i) The allotment of equity securities having a nominal value not exceeding 10% of the issued Ordinary Share capital and issued B Ordinary 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 Ordinary 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 or B 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 Ordinary 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 2008 or the date which is fifteen months after the date on which this resolution is passed (unless previously renewed, varied or revoked by the Company in General Meeting), except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

SPECIAL BUSINESS

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

    (i) the maximum aggregate number of Ordinary Shares and B Shares authorised to be purchased is an amount equal to 14.99 per cent. of the issued Ordinary Share capital or issued B Share capital, as the case many be, as at the date hereof;

    (ii) the minimum price which may be paid for an Ordinary Share or a B Share, as the case may be, is 1 penny, the nominal amount thereof;

    (iii) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share or a B Share, as the case may be, shall be an amount which is 105% of the average of the middle market prices as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which that Ordinary Share or B 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 2008 and the date which is fifteen months after the date on which this resolution is passed save that the Company may prior to such expiry, enter into a contract to purchase Ordinary Shares, or as the case may be, B Shares which will or may be completed or expected wholly or partly after such expiry and provided further that any purchase by the Company of its own shares does not prejudice the ability of the Company to disregard, to the fullest possible extent pursuant to section 842AA (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 Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 .

BY ORDER OF THE BOARD

Matrix-Securities Limited
Secretary

Registered Office
One Jermyn Street
London SW1Y 4UH

9 March 2007

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, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD.

(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 17 April 2007 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 17 April 2007 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.

Corporate Information

Directors
Peter Smaill (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

Investment Manager
Core Capital LLP
103 Baker Street
London
W1U 6LN

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

Receiving Agent
Matrix Registrars Limited
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London
SW1Y 4UH

Cash Assets Investment Manager
Credit Suisse
Private Banking, London Branch
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EC4R 1BE

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

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Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

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

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

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

Company No : 5258348