

# CORE VCT PLC

Annual Report and Accounts  
for the year ended 31 December 2013



# Investment Objective

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

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

# Performance Summary

## Performance Record

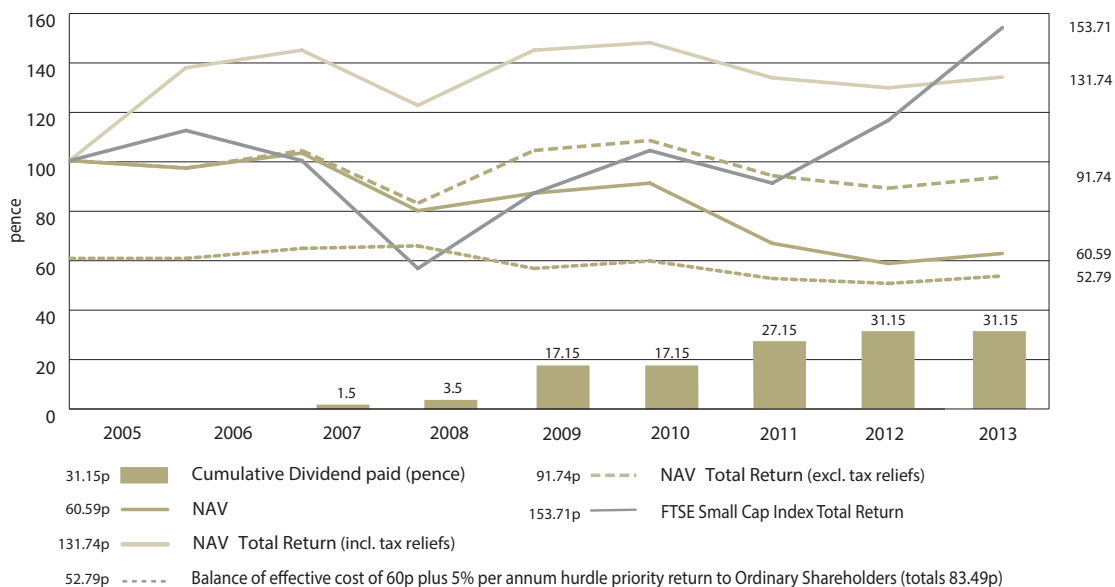
Year ended	Net Assets £m	Net Asset Value ("NAV") per share pence	Share Price pence	NAV Total Return* (excluding tax relief) pence	NAV Total Return (including initial tax relief) pence	Ongoing Charges Ratio† %
<b>Ordinary Shares</b>						
2006	16.0	97.17	100.00	97.17	137.17	1.02
2007	16.9	102.59	80.00	104.09	144.09	0.81
2008	13.1	79.15	50.00	82.65	122.65	1.43
2009	37.7‡	87.07	40.00	104.22	144.22	1.05
2010	39.3	90.70	50.00	107.85	147.85	0.93
2011	28.7	66.30	37.50	93.45	133.45	1.04
2012	25.1	57.90	25.75	89.05	129.05	1.24
<b>2013</b>	<b>26.2</b>	<b>60.59</b>	<b>21.25</b>	<b>91.74</b>	<b>131.74</b>	<b>1.29</b>
<b>B Shares</b>						
2006	–	0.01	3.50			
2007	–	0.01	3.50			
2008	–	0.01	3.50			
2009	–	0.01	8.50			
2010	–	0.01	27.00			
2011	–	0.01	14.00			
2012	–	0.01	10.00			
<b>2013</b>	<b>–</b>	<b>0.01</b>	<b>7.50</b>			

\*NAV total return is calculated by adding NAV to cumulative dividends paid, using the weighted average from 2009 onwards.

†Ongoing Charges Ratio is calculated by taking operating costs of the Group (excluding trail commission, third party transaction costs and cost associated with corporate transactions) divided by the average NAV for the year.

‡Core VCT I plc and Core VCT II plc merged to form an enlarged Core VCT III plc on 16 July 2009 and this entity changed its name to Core VCT plc.

## Ordinary net asset value, ordinary net asset value total return and ordinary net asset value total return (with tax reliefs) against the FTSE Small Cap Index Total Return as at 31 December 2013



As at 31 December 2013, the ordinary shareholders must receive 83.94p (representing 31.15p of dividends paid to date plus 52.79p still to be paid to ordinary shareholders) before the B shares receive any distributions.

# Performance Summary

## Dividends Paid Since Launch to Ordinary Shareholders

	Revenue Dividend pence	Capital Dividend pence	Total Annual Dividend pence	Cumulative Dividend pence	Cumulative Weighted Average Dividend pence
2007	1.5	–	1.5	1.5	
2008	2.0	–	2.0	3.5	
2009	1.0	12.0	13.0	16.5	17.15
2010	–	–	–	16.5	17.15
2011	–	10.0	10.0	26.5	27.15
2012	–	4.0	4.0	30.5	31.15
<b>2013</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30.5</b>	<b>31.15</b>

Following the merger of Core VCT I plc and Core VCT II plc into Core VCT III plc on 16 July 2009 the weighted average dividend of 17.15p has been calculated by taking the total dividends paid in each VCT (Core VCT I plc £1,979,467, Core VCT II plc £2,722,270 and Core VCT III plc £2,724,292) giving a total of £7,426,029 divided by the shares in issue following the merger, totalling 43,301,414.

## Potential Cash Returns to Shareholders

### Potential Cash Returns to Shareholders on a Break Up Basis (for illustrative purposes only)

	Net Assets £	Ordinary Shareholders £	B Shareholders £	Total Return £
Net assets at 31 December 2013	26,240,092			
Distributions at 31 December 2013	13,488,390			
Total Return as at 31 December 2013	39,728,482			
60p effective initial cost of Ordinary shares	(26,374,686)	26,374,686		
Hurdle rate to date (Note 1)	(9,970,853)	9,970,853		
66.6667% of Hurdle rate to B shareholders	(3,382,943)		3,382,943	
Net assets remaining	–			
60% to Ordinary shareholders	–	–		
40% to B shareholders	–		–	
<b>Total Fund</b>	<b>–</b>	<b>36,345,539</b>	<b>3,382,943</b>	<b>39,728,482</b>
<b>No. of Ordinary Shares/B Shares</b>		<b>43,301,414</b>	<b>28,867,227</b>	<b>43,301,414</b>
Net asset value per share (pence)		83.94p	11.72p	
<b>Potential Return per Share Class (to non-management shareholders)</b>		<b>83.94p</b>	<b>–</b>	<b>83.94p</b>
<b>Potential Total Returns (including tax relief) (Note 1)</b>				<b>123.94p</b>

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

# Chairman's Statement

## Results

The Net Asset Value ("NAV") Total Return for the Ordinary Shares was 91.74p as at 31 December 2013, comprising a NAV of 60.59p and weighted average cumulative dividends paid of 31.15p per Ordinary Share. This is an increase from the NAV Total Return to 31 December 2012 of 3.0% (and an increase of 11.9% since 30 June 2013). A net profit of £1,165,724 (an increase of 2.69p per share) was recorded in the Statement of Comprehensive Income for the year ended 31 December 2013 (2012: net loss of £1,905,295).

The increase of 2.69p per Ordinary Share is accounted for by:-

- An additional 2.84p per Ordinary Share due to an increase in the value of the unquoted portfolio;
- Plus a gain generated from the sale of investments totalling 0.52p per Ordinary Share; and
- Less 0.67p per Ordinary Share to operating costs.

## Investments

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

**CCILP is the vehicle for the major part of the portfolio and allowed the Manager to attract additional capital for expansion from outside investors in 2011**

During the year a further £6.8 million was drawn down from the other institutional investors. The main recipient of these funds were Ark Home Healthcare Limited (£2.7 million), Colway Limited (£1.7 million) and SPL Services Limited (£1.6 million). As at 31 December 2013, £1.7 million remains to be called (net of General Partner Fee).

During the year, the valuation of your Company's interest increased by an amount equivalent to 5.28p per Ordinary Share or 13.0%.

### Investments directly held by Core VCT plc

The investments directly held by the Company being Allied International Holdings Limited, Cording Real Estate Group LLP and Momentous Moving Holdings Limited decreased by 2.44p per share during the year.

The Manager's Review provides an update on all the investments held by the Company including those held in CCILP.

## Realisations

I am pleased to report that our small holding in Augentius Fund Administration LLP was realised during the year for £224,520. The total return for the Company was 3.7x cost.

In addition, Momentous Moving Holdings Limited repaid the balance of their short term loan totalling £250,000.

## Dividends

Whilst welcome, the realisations referred to above are not sufficiently material to make a meaningful distribution to shareholders. We expect that any future realisations from the portfolio would be more significant, and we would then be in a position to distribute such proceeds cost effectively to all shareholders. In the meantime, these

recent proceeds have assisted with the funding of Allied International Holdings Limited and contributed to the retained cash balance at the year-end of £0.6 million, which the Board believes will provide sufficient level of headroom for the operations of the Company. Accordingly, the Board is not recommending a final dividend to shareholders at this stage.

## Alternative Investment Fund Managers' Directive ("AIFMD")

The AIFMD is European legislation which creates a European-wide framework for regulating managers of alternative investment funds ("AIFs"). Closed-end investment companies such as Core VCT plc fall within the remit of these new regulations. The legislation came into force in July 2013, but there is a twelve month transitional period which means that the Company has until July 2014 to comply. The Board has reviewed the impact of the directive on the Company's operations and decided to appoint the Manager as the Company's AIFM. The controlling members of Core Capital LLP formed a new partnership called Core Capital Partners LLP, in order to comply with the AIFMD regulatory requirements. Accordingly, on 6 January 2014, the Board terminated the existing management deed and appointed Core Capital Partners LLP, as the Manager of the Company. Under the directive, the Company is also required to appoint a depositary. The Board is well advanced in considering which organisation to appoint as the depositary which will result in an additional cost to the Company.

## B Shares

Shareholders will be aware that the Company has an innovative charging structure. No annual management fees are paid to the Manager, Core Capital Partners LLP, which is only rewarded once shareholders have been returned all of their effective initial capital of 60 pence and subject to a hurdle rate of 5 per cent per annum. This is achieved through the issue of B Shares, which collectively receive 40% of distribution above the effective initial capital plus hurdle. Of these shares, 74% are held by the Manager, such that the Manager will receive 29% of distributions above the effective initial cost plus hurdle.

Currently total cumulative distributions, including the hurdle, are approximately 53p per Ordinary Share short of the required threshold following the achievement of which the B Shares would participate in distributions. However, I would like to remind shareholders that once the threshold is achieved, distributions to Ordinary Shares will be reduced to 60% of the total, and that your holding in B Shares forms an integral part of your investment along with your holding in Ordinary Shares.

## Share Price and Share Buy Backs

We would remind shareholders that we view the NAV Total Return, rather than the share price, as the preferred measure of performance, as it encompasses the value of the current portfolio and the amount of cash distributed to shareholders over the life of their investment.

We are conscious that the mid price of the shares continues to be at a significant discount to the NAV (65% as at 31 December

# Chairman's Statement

2013). Whilst the Company has the ability to buy back its own shares, the Board's view is that any cash realised from a disposal of investments should be returned to all shareholders by way of distribution. Both the Ordinary Shares (CR3) and B Shares (CR3B) are fully listed shares. Prices are available on [www.londonstockexchange.com](http://www.londonstockexchange.com).

## Annual General Meeting

We have taken shareholders' views on board; and this year the Company will hold a concurrent AGM with both Core VCT IV plc and Core VCT V plc, enabling a single investor presentation while conforming to the prescribed procedures for the meeting in terms of the Companies Act. The Company's Annual General Meeting will be held at 10.30 am on 1 May 2014 at 19 Cavendish Square, London, W1A 2AW. This is a good opportunity for shareholders to meet the Directors and the Manager and I would encourage you to attend.

The Notice of the Annual General Meeting is contained on pages 41 and 42 and a Form of Proxy is enclosed. Shareholders who are unable to attend the Meeting are encouraged to complete and return the Form of Proxy to the Company's registrars so as to ensure that their votes are represented at the Meeting.

## Outlook

There has been a period of substantial change in the operational performance in the underlying companies, especially in those investments held in CCILP. This is now starting to show through maintainable EBITDA growth in our largest investments, particularly Kelway Holdings Limited and Abriand Limited.

The UK is beginning to show some improving liquidity conditions for both transactions and exit activity following the depressed conditions in the conventional market for corporate lending. Your Manager has successfully completed the debt refinancing for the restaurant chain Abriand Limited and we look forward to reporting on the progress of achieving our intended realisations in the future.

## Peter Smaill

*Chairman*

14 March 2014

# Manager's Review

## Investment Highlights

- Further draw down of £6.8 million by Core Capital I LP
- Allied International Holdings Limited required further funding of £700,000
- Successful sale of Augentius Fund Administration LLP at 3.7x cost

## Core Capital I LP ("CCILP" or "the fund")

During the year, the valuation of CCILP increased by £2.3 million, representing 5.28p per ordinary share. A further £6.8 million was drawn down from the other Institutional Investors in CCILP. The main recipient of these funds were Ark Home Healthcare Limited £2.7 million, SPL Services Limited £1.6 million and Colway Limited £1.7 million.

The fund invested a further £2.7 million in Ark Home Healthcare during the period to fund the increase in costs associated with implementing a new operating model and also to provide working capital. The benefits of this transformation should be evident during 2014.

The fund provided Colway Limited a £1.2 million guarantee to secure further bank finance and £0.5 million to fund working capital commitments. The further working capital was required to deal with one off costs associated with the ongoing restructuring and the management change program.

The fund also provided SPL Services Limited with a further £1.6 million to fund working capital requirements and senior management changes.

As at 31 December 2013, a total of £1.7 million (net of General Partner Fee) remains to be called from other institutional investors.

## Investments Directly Held by Core VCT plc:

### *Allied International Holdings Limited*

Allied is showing good progress with the restructuring program being completed over the summer. During the year, Core VCT plc provided a further £700,000 by way of a loan with capital priority. During the year, the valuation reduced by £122,000, representing 0.28p per ordinary share.

### *Momentous Moving Holdings Limited*

During the year, the valuation reduced by £933,000, representing 2.16p per ordinary share. This reduction represented downward trends in asset values. During the year, the Company had repaid the balance of its short term loan totalling £250,000.

A more detailed description of the status of each investment follows, including those investments held in CCILP.

## Realisations

The Company's small holding in Augentius Fund Administration LLP ("Augentius") (£480) was realised during the year for £224,520. The total return for the Company was 3.7x cost. Augentius had repaid the associated £100,000 loan stock during 2011.

## Core Capital I LP ("CCILP")

## Limited Partnership Fund

### All Core Capital Partners LLP managed funds

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

### Core VCT plc only (through Core BVI Limited)

Cost:	£15,530,000
Valuation:	£19,917,000
Valuation basis:	% of Fund Value
% of partnership interest:	23.38%

### Core Capital I LP closed on 8 July 2011 with a value of £76 million

During the year to 31 December 2013, £6.8 million was called from the other Institutional Investors. Ark Home Healthcare Limited received £2.7 million to fund the implementation of the new operating model and also to provide working capital. Colway Limited required a cash backed guarantee to secure further bank finance of £1.2 million and a further £0.5 million to provide working capital. SPL Services Limited received a further £1.6 million to fund working capital requirements. The remaining £0.8 million relates to the General Partner Fee.

As at 31 December 2013, the value of CCILP is £85.2 million and commitments totalling £1.7 million (net of General Partner Fee) remain to be called from the other Institutional Investors.

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


# Manager's Review

## Investments held by CCILP:

### Ark Home Healthcare Holdings Limited

Year ended 31 March	2013	2012
	£'000	£'000
Sales	17,898	11,397
EBIT	2,584	(2,801)
Loss before tax	(5,308)	(3,730)
Net assets	5,375	8,228

### Domiciliary Care




**Cost:** £8,024,000  
**Valuation:** £6,926,000  
**Valuation basis:** Gross Profit Multiple  
**% of equity held:** 40.7%

**Ark is a leading provider of domiciliary and homecare services in the UK.**  
 We co led this investment as part of an initial £17.5 million equity commitment in June 2010. Ark was formed with an initial three businesses, and has subsequently acquired a further three businesses, making six acquisitions completed in total. The Clinical care division was established in 2011, and a Private Pay brand was launched at the end of 2012. A new operating model is currently being implemented which should deliver enhanced quality of care and cost efficiencies as the business grows in scale.

### Abriand Limited (formerly Brasserie Bar Co. Ltd)

Year ended 30 June	2013	To 1 July 2012
	£'000	£'000
Sales	30,653	16,665
EBIT	(1,101)	(2,114)
Loss before tax	(3,966)	(3,702)
Net liabilities	(7,654)	(3,691)

### Operator of Restaurants




**Cost:** £24,663,000  
**Valuation:** £27,231,000  
**Valuation basis:** Earnings Multiple  
**% of equity held:** 71.0%

**Abriand owns and operates branded restaurants in the premium casual dining segment of the market.**  
 The business has grown into one of the leading premium-casual chains in the UK. The business operates two concepts, Brasserie Blanc (BB), which retains an involvement from Raymond Blanc, and operates in the high street lease sites (14 sites outside London and 6 in London) and White Brasserie Company (WBC), which operates food led Brasseries (2 sites).  
 Post the year end, the business secured £13.5 million of new funding to replaced the existing senior debt facilities and provide funding to grow the business to 40 or 50 units by 2016.

### Colway Limited

Year ended 31 March	2013	2012
	£'000	£'000
Sales	20,989	23,810
EBIT	(1,743)	(401)
Loss before tax	(2,075)	(804)
Net assets	1,148	2,038

### Office and Graphic Supplies




**Cost:** £4,275,000  
**Valuation:** £2,993,000  
**Valuation basis:** Sum of Parts  
**% of equity held:** 92.7%

**Colway is a long established office and graphic supplies business, with three principal divisions - Business, Systems and Retail.**  
 Since our initial investment in September 2007 Colway has acquired and integrated 8 businesses. The focus has been on completing the restructuring of the cost base and the creation of a stronger sales engine in the Red Box and LGS divisions. The revenue decline in RedBox has now stabilised and the Group's cost reduction program has de-risked the business.  
 We now have a stable platform from which to resume growth.

### Kelway Holdings Limited

Year ended 31 March	2013	2012
	£'000	£'000
Sales	355,148	350,710
EBIT	7,480	9,639
Profit before tax	6,940	8,349
Net assets	37,277	32,780

### IT Business



**Cost:** £16,060,000  
**Valuation:** £33,484,000  
**Valuation basis:** Earnings Multiple  
**% of equity held:** 29.0%

**Kelway is a fast growing IT business supplying solutions, services and hardware to the corporate middle market.**  
 Kelway has grown turnover to over £355 million in the last financial year and has been ranked in the Sunday Times Profit Track 100 for the third year in succession. The business has completed 6 major acquisitions since our investment and operates in Services, Solution and Supply. The business recently completed the acquisition of Equanet from DSGI (Dixons Group). This acquisition will be accretive in the first year.



## SPL Services Limited

Logistic Business

Year ended 31 March	2013	2012
	£'000	£'000
Sales	15,827	14,241
EBIT	(2,574)	(317)
Loss before tax	(3,179)	(640)
Net assets	(5,023)	(1,899)



Cost:	£5,505,000
Valuation:	£9,288,000
Valuation basis:	Proforma EBITDA
% of equity held:	73.7%

SPL Services is a specialist logistics business servicing the pharmaceutical sector, particularly the fast growing clinical trials market.

Since our initial investment in 2007, SPL has grown its geographical base from London to cover India, Singapore, Korea and the USA. The Company has also grown revenues from £4 million to £16 million. The Company's trading has improved following a significant restructuring and the replacement of the CEO and FD.

## Investments directly held by Core VCT plc:

### Allied International Holdings Limited

Destination Management Company

All Core Capital Partners LLP managed funds

First Investment:	Nov-09
Total Investment Cost:	£8,299,000
Total equity held:	66.5%

Year ended 31 December	2012*	2011
	£'000	£'000
Sales	21,686	26,264
EBIT	(2,566)	(1,515)
Loss before tax	(2,645)	(1,512)
Net assets	4,509	4,723



Core VCT plc only

Cost:	£3,895,000
Valuation:	£2,647,000
Valuation basis:	Earnings Multiple
% of equity held:	22.5%

\* not yet signed by the auditor

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

We acquired the business in November 2009 by purchasing all of the senior debt at a substantial discount and providing working capital funding. 2009 represented a low point in the business cycle.

We have since spent considerable time to restructure the business and introduced stronger leadership at both senior and managerial levels, with the last round completed during 2013. The business is now in a much stronger position and we expect improvement to start to show during 2014, with full turnaround and expansion performance targeted in 2015 and beyond.

### Momentous Moving Holdings Limited

Storage and Removals Business

All Core Capital Partners LLP managed funds

First Investment:	Jan-07
Total Investment Cost:	£6,111,000
Total equity held:	49.9%

Year ended 31 May 2013	2013	2012
	£'000	£'000
Sales	3,697	4,562
EBIT	41	103
Loss before tax	17	114
Net assets	2,118	1,975



Core VCT plc only

Cost:	£4,350,000
Valuation:	£1,838,000
Valuation basis:	NAV
% of equity held:	49.9%

Momentous Moving Holdings Limited ("MMHL") is a long established storage and removals business.

Formerly Baxters, MMHL is a logistics and storage company with a growing International Relocations service business. During 2013, the business was restructured to separate the surplus assets from the ongoing trade, which is now focused in the south east of England at its Aylesbury warehouse and office site. We are exploring various alternative routes to maximising shareholder value in the trade and assets of the business.

### Cording Real Estate Group LLP (formerly Cording Land LLP)

Property Investment and Asset Management

All Core Capital Partners LLP managed funds

First Investment:	Dec-08
Total Investment Cost:	£1,420,000
Total equity held:	49.9%

Year ended 31 March	2013	2012
	£'000	£'000
Sales	1,055	789
EBIT	42	247
Profit before tax	430	285
Net assets	1,507	1,452



Core VCT plc only

Cost:	£1,400,000
Valuation:	£1,400,000
Valuation basis:	NAV
% of equity held:	25.0%

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

Since our initial investment in December 2008, Cording Real Estate Group LLP has significantly strengthened its investment teams and either partnered with or acquired businesses to form a fully integrated property platform. The business now comprises 8 offices employing 83 staff, managing 482 assets and €4bn of property mandates.

# Investment Portfolio Summary

for the year ended 31 December 2013

Group	Date of initial investment	Investment cost <sup>(i)</sup> £'000	Book cost <sup>(ii)</sup> £'000	Valuation £'000	% of net assets by value
<b>Unquoted Investments</b>					
<b>Core Capital I LP</b> Limited partnership fund	Jul-11	15,530	15,530	19,917	75.9
<b>Allied International Holdings Limited</b> Destination management company	Nov-09	3,895	3,895	2,647	10.1
<b>Momentous Moving Holdings Limited</b> Provider of removal and storage services	Jan-07	4,350	3,516	1,838	7.0
<b>CP Newco I and 2 Limited; comprising Cording Real Estate Group LLP</b> A real-estate investment and asset management company	Dec-08	1,400	1,400	1,400	5.3
<b>Total investments</b>		<b>25,175</b>	<b>24,341</b>	<b>25,802</b>	<b>98.3</b>
<b>Net current assets</b>				<b>438</b>	<b>1.7</b>
<b>Net assets</b>				<b>26,240</b>	<b>100.0</b>

<sup>(i)</sup> Original investment cost

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

As at 31 December 2013, the fair value of the assets held by CCILP are:	£'000
Ark Home Healthcare Holdings Limited	6,926
Abriand Limited	27,231
Colway Limited	2,993
Kelway Limited	33,484
SPL Services Limited	9,288
	79,922
Net current assets	5,284
<b>Total Fund Value</b>	<b>85,206</b>
<b>Group's interest in CCILP</b>	<b>19,917</b>

# Strategic Report

As explained with the Report of the Directors on page 13, the Company carries on business as a venture capital trust.

## Business Model

### Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance procedures and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 12. The Company has no employees.

The Board has contractually delegated the management of the investment portfolio and other services to Core Capital Partners LLP ("the Manager"). A summary of the terms of the management agreement is contained in note 3 to the accounts.

## Strategies for achieving objectives

### Investment Objective

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

### Investment Policy

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

### Investment Approach

The Manager invests primarily in:

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

### Fund Structure

The Company is structured as follows:

- **No Annual Management Fees**

Only when shareholders have received the first 60 pence per share of distributions, which together with an assumed 40

pence per share of initial tax relief will have realised them 100 pence, will the Manager start to be entitled to 29% of distributions from the Company (for further information please refer to Note 3 of the Accounts).

- **Maximise Distributions of Income and Capital**

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

### VCT Regulation

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

### Risk Management

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

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

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

The Company has no fixed life but intends to realise its assets over time, and distribute all proceeds (net of costs) from its

# Strategic Report

realised investments. This process will naturally result in each retained investment representing an increased proportion of the remaining net assets of the Company.

## **Gearing**

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

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

## **Review of Performance and Outlook**

The Company's performance in meeting its objectives is measured against key performance indicators as set out on the following page. Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 3 to 4 and the Managers' Review on pages 5 to 7, both of which form part of the Strategic Report.

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

As stated with the Corporate Governance Statement on pages 17 to 18, the Board applies principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and in note 15 which provides detailed explanations of the risks associated with the Company's financial instruments.

- *Economic risk* – events such as an economic recession and movements in interest rates could affect the valuation of small companies.
- *Loss of approval as a Venture Capital Trust* – the Company must comply with Section 274 of the Income Tax Act 2007 which allows it to be exempt from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT.
- *Investment and strategic* – incorrect strategy, asset allocation, and stock selection could all lead to poor returns for

shareholders. The underlying investments may also need significant funding which is not in accordance with VCT legislation.

- *Regulatory* – breach of regulatory rules could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report.
- *Operational* – failure of the Manager's accounting systems or disruption to the Manager's business could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- *Financial* – inadequate controls by the Manager could lead to misappropriation of assets. Inappropriate accounting policies may lead to misreporting or breaches of regulations.

The Board seeks to mitigate and manage these risks through continual review, policy setting, shareholder communication and enforcement of contractual obligations and monitoring progress and compliance.

## **Key Performance Indicators**

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

### **Total Return**

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

- *Net Asset Value (NAV)*  
NAV is calculated quarterly with full valuation of the unquoted investments carried out every quarter for those investments held in Core Capital I LP and every six months for the investments directly held by the Company.
- *Cumulative Distributions*  
Cumulative distributions are since inception distributions of both income and capital. The Company has no fixed life, but intends to liquidate naturally and distribute its assets over time. In particular, the Company has a policy to distribute the proceeds from realised investments (the original capital investment plus realised profits less losses), as well as income after expenses, subject to retaining capital for further investment in the underlying portfolio companies and working capital.

The Company's performance against the key performance indicators is reported within the Chairman's Statement on

pages 3 to 4 and the Manager's Review on pages 5 to 7. A historical record of these indicators are provided within the Performance Summary on page 1.

## **Environmental, Human Rights, Employee, Social and Community Issues**

The Board recognises the requirement under Section 414 of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

## **Statement Regarding Annual Report and Accounts**

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary to shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

**Peter Smail**

*Chairman*

14 March 2014

# Board of Directors

## Peter Smail

*Status: Independent, non-executive Chairman*

*Date of appointment: 11 October 2005*

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

## John Brimacombe

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

*Date of Appointment: 9 August 2007*

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

## David Dancaster

*Status: non-executive Director*

*Date of Appointment: 25 June 2010*

David is a partner of Core Capital LLP, the Company's Manager until 6 January 2014, and the group finance director of Caparo plc. He is also a director of a number of companies in the Caparo Group. He began his career with PricewaterhouseCoopers in 1980 and, after five years there, he joined the Corporate Finance department of Charterhouse Bank, remaining there for ten years and serving as a director of the bank for the last four. From 1989 he was responsible for advising Caparo, following which he joined the group in 1996 and has played a major role in its extensive acquisition programme. He is a Chartered Accountant and holds a BA Hons from the University of Exeter.

# Report of the Directors

## Results and Dividends

The Directors present their Report and audited financial statements of the Group and Company for the year ended 31 December 2013.

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

The Board is not in a position to pay a final dividend in respect of the year ended 31 December 2013.

## Principal Activity and Status

The Company is a public limited company (5572561) under the Companies Act 2006. The Company has revoked investment company status on 7 May 2009 in order to effect the payment of capital dividends.

The Company carries on business as a venture capital trust. It has been approved by HM Revenue and Customs as a venture capital trust.

## Subsidiary

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

## Share Capital

As at 31 December 2013 the issued Ordinary Share Capital of the Company was £4,330 (2012: £4,330) comprising 43,301,414 Ordinary Shares (2012: 43,301,414) and the issued B Share Capital of the Company was £2,887 (2012: £2,887) comprising 28,867,227 B Shares (2012: 28,867,227).

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

## Directors

In accordance with the Company's Articles of Association, John Brimacombe will retire by rotation, and being eligible will offer himself for re-election, at the Annual General Meeting. David Dancaaster is a partner of Core Capital LLP, the Company's

Manager until 6 January 2014 and is therefore not considered to be independent.

In accordance with the AIC's Code of Corporate Governance ("AIC Code") he will retire annually, for the next 3 years, and offer himself for re-election. David Dancaaster will retire at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on page 16, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

No Director has a contract of service with the Company.

## Conflicts of Interest

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

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

## Substantial Interests in Share Capital

On 31 December 2013, the Company had received notification of the following voting rights (under the FCA's Disclosure and Transparency Rules):

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

\* to be transferred to Core Capital Partners LLP in the coming year.

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

# Report of the Directors

## Management

Core Capital LLP formed a new partnership called Core Capital Partners LLP, in order to comply with AIFMD regulatory requirements. On 6 January 2014, the Board terminated the existing management deed and appointed Core Capital Partners LLP. The Manager manages and advises the Company so that it ensures that the Company satisfies and continues to satisfy the conditions for approval as a venture capital trust as set out in section 274 of Income Tax Act 2007 and the rules of the UKLA. The Board and Manager operate in a supportive, co-operative and open environment and the Board regularly reviews the performance of the Manager. Details of the principal investments made by the Company are given in the Manager's Review on pages 5 to 7. There are no management fees payable to the Manager. Details of the management incentive structure whereby members of the Manager have subscribed for B shares in the Company are set out in Note 3 and the Break Up Schedule shown on page 2.

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

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

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

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

Core Capital LLP, acts as both Administrator and Company Secretary to the Company under an agreement dated 11 February 2012. This agreement was terminated on 6 January 2014 and Core Capital Partners LLP was appointed. There has been no change to the fee which is fixed at £110,000 per annum (excluding VAT).

## VCT Status Monitoring

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

## Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

## Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date these financial statements were approved. At 31 December 2013, the Company held cash balances of £0.6 million. Cashflow projections have been reviewed and show that the Company has sufficient funds to meet its contracted expenditure. The Company has no external loan finance in place and therefore is not exposed to any gearing or covenants.

## 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 are found in note 15 on pages 36 to 40.

## Annual General Meeting

A notice for the Annual General Meeting of the Company to be held at 10.30 am on 1 May 2014 is set out on pages 41 to 42 of this Annual Report. A separate proxy form is enclosed.

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



## Auditor

Ernst & Young LLP were re-appointed as Auditor of the Company at the Annual General Meeting held on 1 May 2013. Ernst & Young LLP have expressed their willingness to continue in office as auditor and resolutions to re-appoint Ernst & Young LLP and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## Authority to Allot Shares and Disapplication of Pre-emption Rights

Authorities for the Directors to Allot Shares (Resolution 8) and the Disapplication of Pre-emption Rights (Resolution 9) under sections 551 and 571 of the Companies Act 2006 ("the Act")

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing shareholders. Resolution 8 will enable the Directors to allot up to an aggregate nominal amount not exceeding £216, representing approximately 5% of the issued ordinary share capital. This resolution is proposed as an ordinary resolution and will require the approval of more than 50% of the votes cast at the meeting. The authority, unless previously renewed or revoked, will expire at the conclusion of the Company's next annual general meeting held after the passing of this resolution.

Under section 561 of the Act, if the Directors wish to allot any of the unissued share capital for cash they must first offer such shares to existing shareholders in proportion to their current holdings. Resolution 9 will enable this requirement to be disapplied in the specific circumstances named in the Resolution. These are in relation to a rights issue and in respect of allotment of equity securities up to an aggregate nominal amount not exceeding £216. This resolution is proposed as a special resolution and will require the approval of at least 75% of the votes cast at the meeting. The authority, unless previously renewed or revoked, will expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of the authority.

Both resolutions generally renew previous authorities approved on 1 May 2013. The Directors have no immediate intention of exercising these powers.

## Authority to Purchase the Company's Own Shares

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to a maximum number of 6,490,881 Ordinary Shares

and 4,327,197 B Shares equal to approximately 14.99% of the issued share capital at the date of the resolution and will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2015 and the date which is fifteen months after the date on which this resolution is passed. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share or B Share will be the amount equal to 105% of the average of the middle market quotations for the Company's Shares of that class as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the purchase. The minimum price which may be paid is 0.01 pence per share, i.e. the nominal value of both classes of shares.

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

## Notice of General Meetings

Following changes introduced in the 2006 Companies Act, companies, are now able to hold general meetings at shorter notice. The Board believes that it is in the best interests of shareholders of the Company to have the ability to call meetings on 14 clear days' notice should a matter require urgency. The Board is therefore proposing Resolution 11 to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use less than 21 clear days notice unless immediate action is required.

## Disclosure of Information to the Auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

By order of the Board

**Rhonda Nicoll**  
*Company Secretary*

14 March 2014

# Corporate Governance Statement

for the year ended 31 December 2013

Shareholders hold the directors of a company responsible for the stewardship of that company's affairs. Corporate governance is the process by which a board of directors discharges that responsibility. The Company's arrangements in respect of corporate governance are explained in this report.

The Company is required to comply with, or to explain its non-compliance with, the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (the "FRC") in September 2012 which can be found at [www.frc.gov.uk](http://www.frc.gov.uk). The Association of Investment Companies issued its own Code of Corporate Governance in February 2013 (the "AIC Code") which can be found at [www.theaic.co.uk](http://www.theaic.co.uk) and which has been approved by the FRC as it addresses all the principles of the UK Corporate Governance Code as well as setting out additional principles and recommendations on issue which are of specific relevance to venture capital trusts. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders than the UK Corporate Governance Code on its own.

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Corporate Governance Code. Since the Company has no employees and all Directors are non-executive, the provisions of the UK Corporate Governance Code on the role of chief executive and on Directors' remuneration, except in so far as they apply to non-executive Directors, are not relevant to the Company and are not reported on further.

At the year end the Board consisted of three non-executive Directors. Peter Smaill is the Chairman and John Brimacombe is the Senior Independent Director. All of the Directors have been issued with letters of appointment, which are available upon request at the Company's registered office. The Board has agreed that David Lancaster will retire annually as he is also a partner of Core Capital LLP, the investment manager until 6 January 2014. In accordance with Principle B.1.1 of the AIC Code David Lancaster is not deemed independent for the next 3 years. The biographies of the Directors are contained on page 12. During the year the performance of the Board, committees and individual Directors was evaluated through a meeting held by the Directors without the Manager. The Board has considered whether each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement and has concluded that all the Directors, with the exception of David Lancaster are independent of the Manager. John Brimacombe is a minority shareholder in Kelway Holdings Limited, in which Core VCT plc holds an interest through Core Capital I LP. The Board considers

that this relationship does not affect John Brimacombe's independence from the Manager. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions in relation to such investments. All Directors receive relevant training, collectively or individually, as necessary.

The Board subscribes the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of services of any of the Company's Directors, including the Chairman, has been imposed.

The basis on which the Company aims to generate value over the longer term is set out in the Strategic Report on pages 9 to 11. A management agreement between the Company and the Manager sets out the matter over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including corporate strategy, investment and dividend policies, corporate governance procedures and risk management are reserved for the approval of the Board of Directors. The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

## Audit Committee

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

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

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Half-Yearly Accounts, the system of internal controls, and the terms of appointment of the auditor together with their remuneration, and ensuring that auditor objectivity and independence is

safeguarded in the provision of non-audit services by the auditor. It also provides a forum through which the auditor may report to the Board of Directors and meets at least twice yearly. The Audit committee regularly monitors the non-audit services being provided to the Company by its auditor.

The Audit Committee is responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements for the year ended 31 December 2013.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- valuation and existence of unquoted investments; and
- compliance with HM Revenue & Customs conditions for maintenance of approved venture capital trust status.

These issues were discussed with the Manager and the auditor at the conclusion of the audit of the financial statements.

**Valuation of unquoted investments:** the Manager and the auditor confirmed to the Audit Committee that the investment valuations had been performed in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data.

**Venture capital trust status:** the Manager confirmed to the Audit Committee that the conditions for maintaining the Company's status as an approved venture capital trust had been met throughout the year. The position was also reviewed by PricewaterhouseCoopers LLP in its capacity as adviser to the Company on taxation matters.

The Manager and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the reports received from the Manager and auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The committee considers that Ernst & Young LLP has carried out its duties as auditor in a diligent and professional manner.

During the year, the Audit Committee assessed the effectiveness of the current external audit process. In accordance with guidance issued by the Auditing Practice Board the audit partner is rotated every five years to ensure objectivity and independence is not impaired. The current audit partner has been in place for two year-ends. Ernst & Young LLP has been the auditor of the Company, since inception. No tender of the

audit of the Company has been undertaken to date. As part of its review of the continuing appointment of the auditors, the Audit Committee regularly considers the need to put the audit out to tender, its fees and independence from the Manager along with any matters raised during each audit.

The Audit Committee considered the performance of the auditor during the year and agreed that Ernst & Young LLP continued to provide a high level of service and maintained a good knowledge of the venture capital trust market, ensuring audit quality continued to be maintained.

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

The following table below sets out the number of Board and Committee meetings held during the year to 31 December 2013 and the number of meetings attended by each Director.

	Board	Audit Committee
No. of meetings	4	2
Peter Smail	4	2
David Lancaster	4	2
John Brimacombe	4	2

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

## Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum both formal and informal, for shareholders to meet and discuss issues with the Director and Manager of the Company.

Details of the resolutions to be proposed at the forthcoming Annual General Meeting on 1 May 2014 can be found in the Notice of Meeting on pages 41 to 42.

## Internal Control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems

# Corporate Governance Statement

for the year ended 31 December 2013

are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

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

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

By order of the Board

**Rhonda Nicoll**  
*Company Secretary*

14 March 2014

# Directors' Remuneration Report

The Board consist of three non-executive Directors, two of which are independent. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees.

## Statement by the Chairman

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 December 2013, are shown below. There were no changes to the policy during the year.

Under company law, the auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's report is contained on pages 22 to 23.

## Directors' Remuneration Policy Report

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of Directors should reflect the experience of the Board as a whole, the responsibilities of the role, the time commitment required, and be fair and comparable to that of other venture capital trusts. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. It is intended that this policy will continue for the three year period ending on 31 December 2016.

The fees for the Directors are determined within limits set out in the Company's Articles of Association. The present limit is £100,000 per annum and may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable in cash, quarterly in arrears. 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 74% of the B Shares through which they effectively receive 29% of all income and capital after such time as the Ordinary Shareholders have received the effective initial cost of 60 pence plus a hurdle rate return of 5% per annum. David Dancaster is a partner in Core Capital LLP, the Company's Manager until 6 January 2014, and is also group finance director at Caparo plc, which is also a partner of Core Capital LLP. David Dancaster was paid £18,000 by the Company during the year under review.

It is the Boards' policy that Directors do not have service contracts, but each new Director is provided with a 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. 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. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting. The terms of the Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to retire by rotation, and to offer themselves for re-election by shareholders at least every three years after that. Below is a table which sets out each Directors date of appointment and due date for re-election/election.

	Date appointment	Due date for re-election
Peter Smail	11-Oct-2005	AGM 2015
John Brimacombe	9-Aug-2007	AGM 2014
David Dancaster	25-Jun-2010	AGM 2014

## Voting at Annual General Meeting

An ordinary resolution for the approval of this Directors' Remuneration Policy Report will be put to shareholders at the forthcoming Annual General Meeting.

## Directors' Annual Report on Remuneration

### Directors' Emoluments (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	Year to 31 December 2013 £	Year to 31 December 2012 £
Peter Smail	22,500	22,500
John Brimacombe	18,000	18,000
David Dancaster	18,000	18,000
<b>Total</b>	<b>58,500</b>	<b>58,500</b>

The table below shows the actual expenditure during the year in relation to Directors' remuneration and shareholder distributions:

	Year to 31 December 2013 £	Year to 31 December 2012 £
Total Directors' Fees	58,500	58,500
Shareholder Distributions	–	1,732,057

# Directors' Remuneration Report

## Directors' Shareholdings (audited)

The Directors who served during the year held the following interests in the Company's Ordinary Shares at the year end:

	Ordinary Shares	2013 B Shares	Ordinary Shares	2012 B Shares
Peter Smaill	59,956	9,994	59,956	9,994
John Brimacombe	57,782	250,000	–	250,000
David Dancaster	–	–	–	–

There have been no further changes in the interests of the Directors in the Ordinary Shares and B Shares of the Company between 31 December 2013 and 14 March 2014.

## Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to in the Report of the Directors on page 14. The following graph charts the total cumulative shareholder return of the Company since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 10 March 2006 compared to the total cumulative shareholder return of the FTSE Small Cap Index. This index represents a broad equity market index against which

investors can measure the performance of the Company and is considered an appropriate index against which to measure the Company's performance. The total shareholder return has been rebased to 100 pence at 10 March 2006. An explanation of the performance of the Company is given in the Chairman's Statement and the Manager's Review.

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

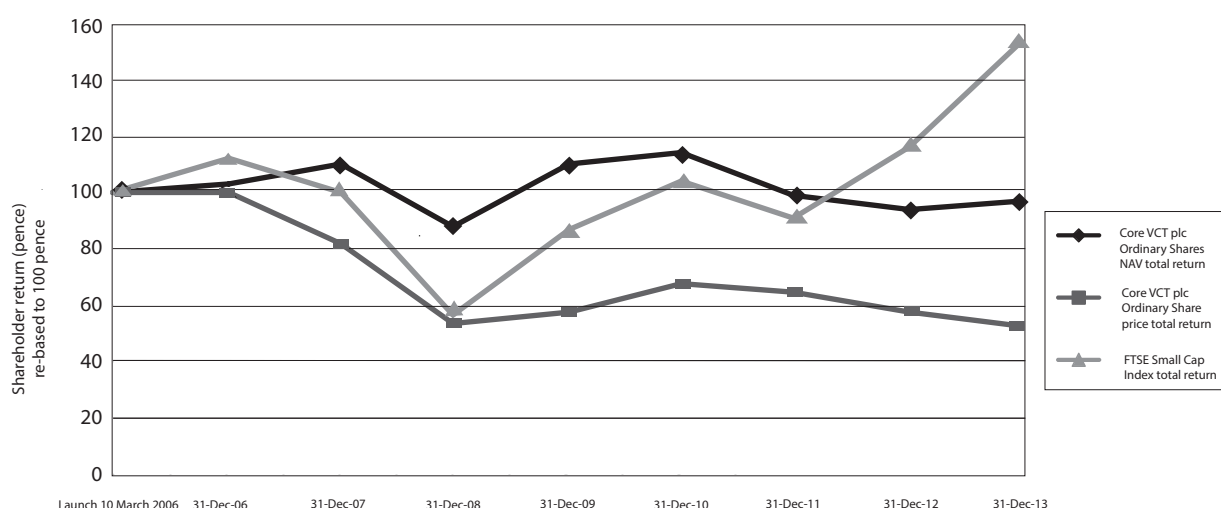
Total cumulative shareholder return of the Ordinary Share Fund since the Ordinary Shares were first admitted to the Official List of the UK Listing Authority compared to the total return of the FTSE Small Cap Index.

## Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 1 May 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2012. 93% votes were in favour of the resolution, 5% were against and 2% abstained.

An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

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



On behalf of the Board

**Peter Smaill**

Chairman

14 March 2014

# Statement of Directors' Responsibilities

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

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

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

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

Under applicable law and regulations, the Directors are responsible for preparing a Strategic Report, a Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement.

We confirm to the best of our knowledge:

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

On behalf of the Board

Peter Smail

*Chairman*

14 March 2014

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

We have audited the financial statements of Core VCT plc for the year ended 31 December 2013 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Our assessment of risk of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- valuation of the group's investments; and
- existence and ownership of the group's investments.

## Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming our audit opinion in the Auditor's Report.

When establishing our overall audit strategy, we determined materiality for the group to be £262,000, which is 1% of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessment, together with our assessment of the group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the group should be 50% of materiality, namely £131,000.



Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

We have reported to the Audit Committee all audit differences in excess of £13,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

100% of the Group's profit before tax and 100% of the Group's net assets were subject to a full scope audit by the group audit team.

Our response to the risks identified above was as follows:

- with the assistance of our valuation experts, we considered the appropriateness of the valuation techniques applied to all unlisted investments by reviewing the valuation model, and obtained evidence to corroborate the inputs into the valuation model; and
- we obtained independent confirmation from the custodian of the group's investments and agreed them to the books and records of the Company.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 17 to 18 in the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

**Ashley Coups** (Senior statutory auditor)

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

14 March 2014

# Consolidated Statement of Comprehensive Income

## for the year ended 31 December 2013

	Notes	Year ended 31 December 2013			Year ended 31 December 2012		
		Revenue Return £	Capital Return £	Total £	Revenue Return £	Capital Return £	Total £
<b>Income</b>							
Investment Income	2	10,000	–	10,000	10,000	–	10,000
Other income	2	563	–	563	870	–	870
Gains/(losses) on investments held at fair value	7	–	1,456,130	1,456,130	–	(1,594,933)	(1,594,933)
<b>Total Income</b>		<b>10,563</b>	<b>1,456,130</b>	<b>1,466,693</b>	<b>10,870</b>	<b>(1,594,933)</b>	<b>(1,584,063)</b>
<b>Expenditure</b>							
Other expenses	3	(300,969)	–	(300,969)	(321,232)	–	(321,232)
<b>Total expenditure</b>		<b>(300,969)</b>	<b>–</b>	<b>(300,969)</b>	<b>(321,232)</b>	<b>–</b>	<b>(321,232)</b>
<b>Profit/(loss) before taxation</b>		<b>(290,406)</b>	<b>1,456,130</b>	<b>1,165,724</b>	<b>(310,362)</b>	<b>(1,594,933)</b>	<b>(1,905,295)</b>
Taxation	4	–	–	–	–	–	–
<b>Profit/(loss) for year/total comprehensive income/(loss)</b>		<b>(290,406)</b>	<b>1,456,130</b>	<b>1,165,724</b>	<b>(310,362)</b>	<b>(1,594,933)</b>	<b>(1,905,295)</b>
Return per ordinary share:	6	(0.67)p	3.36p	2.69p	(0.72)p	(3.68)p	(4.40)p

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

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

No operations were acquired or discontinued during the year.

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

# Consolidated and Company Balance Sheets

as at 31 December 2013

	Notes	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
<b>Non-current assets</b>					
Investments at fair value through profit or loss	7	25,801,773	25,801,773	24,120,643	24,120,643
Subsidiary undertaking	8	–	1,000	–	1,000
		25,801,773	25,802,773	24,120,643	24,121,643
<b>Current assets</b>					
Other receivables	10	2,825	2,825	2,657	2,657
Cash	11	564,552	563,552	1,075,281	1,074,281
		567,377	566,377	1,077,938	1,076,938
<b>Current liabilities</b>					
Other payables	12	(129,058)	(129,058)	(124,213)	(124,213)
<b>Net current assets</b>		438,319	437,319	953,725	952,725
<b>Net assets</b>		<b>26,240,092</b>	<b>26,240,092</b>	<b>25,074,368</b>	<b>25,074,368</b>
<b>Equity</b>					
Called-up Ordinary Share capital	13	4,330	4,330	4,330	4,330
Called-up B Share capital	13	2,887	2,887	2,887	2,887
Special distributable reserve		30,635,667	30,635,667	30,635,667	30,635,667
Capital reserve		(3,569,347)	(3,569,347)	(5,025,477)	(5,025,477)
Revenue reserve		(833,445)	(833,445)	(543,039)	(543,039)
<b>Shareholders' funds</b>	14	<b>26,240,092</b>	<b>26,240,092</b>	<b>25,074,368</b>	<b>25,074,368</b>
Assets attributable to Ordinary Shareholders	14	26,237,205	26,237,205	25,071,482	25,071,482
Assets attributable to B Shareholders	14	2,887	2,887	2,886	2,886
Net asset value per 0.01p Ordinary Share	14	60.59p	60.59p	57.90p	57.90p
Net asset value per 0.01p B Ordinary Share	14	0.01p	0.01p	0.01p	0.01p

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

The financial statements were approved and authorised for issue by the Board on 14 March 2014 and were signed on its behalf by:

**Peter Smaill**

*Chairman*

# Consolidated and Company Statements of Changes in Equity

for the year ended 31 December 2013

	Called up Ordinary Share Capital £	Called up B Share Capital £	Special Distributable Reserve £	Capital Reserve £	Revenue Reserve £	Total £
<b>Group</b>						
<b>For the year ended 31 December 2013</b>						
Net assets at 1 January 2013	4,330	2,887	30,635,667	(5,025,477)	(543,039)	25,074,368
Profit/(loss) for the year/total comprehensive income	–	–	–	1,456,130	(290,406)	1,165,724
<b>Net assets at 31 December 2013</b>	<b>4,330</b>	<b>2,887</b>	<b>30,635,667</b>	<b>(3,569,347)</b>	<b>(833,445)</b>	<b>26,240,092</b>
<b>Group</b>						
<b>For the year ended 31 December 2012</b>						
Net assets at 1 January 2012	4,330	2,887	32,367,724	(3,430,544)	(232,677)	28,711,720
Loss for the year/total comprehensive loss	–	–	–	(1,594,933)	(310,362)	(1,905,295)
Dividends paid	–	–	(1,732,057)	–	–	(1,732,057)
<b>Net assets at 31 December 2012</b>	<b>4,330</b>	<b>2,887</b>	<b>30,635,667</b>	<b>(5,025,477)</b>	<b>(543,039)</b>	<b>25,074,368</b>
<b>Company</b>						
<b>For the year ended 31 December 2013</b>						
Net assets at 1 January 2013	4,330	2,887	30,635,667	(5,025,477)	(543,039)	25,074,368
Profit/(loss) for the year/total comprehensive income	–	–	–	1,456,130	(290,406)	1,165,724
<b>Net assets at 31 December 2013</b>	<b>4,330</b>	<b>2,887</b>	<b>30,635,667</b>	<b>(3,569,347)</b>	<b>(833,445)</b>	<b>26,240,092</b>
<b>Company</b>						
<b>For the year ended 31 December 2012</b>						
Net assets at 1 January 2012	4,330	2,887	32,367,724	(3,430,544)	(232,677)	28,711,720
Loss for the year/total comprehensive loss	–	–	–	(1,594,933)	(310,362)	(1,905,295)
Dividends paid	–	–	(1,732,057)	–	–	(1,732,057)
<b>Net assets at 31 December 2012</b>	<b>4,330</b>	<b>2,887</b>	<b>30,635,667</b>	<b>(5,025,477)</b>	<b>(543,039)</b>	<b>25,074,368</b>

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

# Consolidated and Company Cash Flow Statements

for the year ended 31 December 2013

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
<b>Net cash outflow from operating activities</b>	(510,729)	(510,729)	(837,998)	(837,998)
<b>Financing activities</b>				
Equity dividends paid	–	–	(1,732,057)	(1,732,057)
<b>Net cash outflow from financing activities</b>	–	–	(1,732,057)	(1,732,057)
<b>Net decrease in cash and cash equivalents</b>	(510,729)	(510,729)	(2,570,055)	(2,570,055)
Cash and cash equivalent at beginning of period	1,075,281	1,074,281	3,645,336	3,644,336
<b>Cash and cash equivalent at the end of period</b>	564,552	563,552	1,075,281	1,074,281
<b>Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities</b>				
Profit/(loss) before taxation	1,165,724	1,165,724	(1,905,295)	(1,905,295)
(Gains)/losses on investments	(1,456,130)	(1,456,130)	1,594,933	1,594,933
Purchases of investments	(700,000)	(700,000)	(950,000)	(950,000)
Sales of investments	475,000	475,000	421,516	421,516
(Increase)/decrease in accrued income and prepayments	(168)	(168)	3,884	3,884
Increase/(decrease) in other payables	4,845	4,845	(3,036)	(3,036)
<b>Net cash outflow from operating activities</b>	(510,729)	(510,729)	(837,998)	(837,998)

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

# Notes to the Accounts

for the year ended 31 December 2013

## 1 Accounting policies

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union.

The functional currency of the Group is pounds sterling because this is the currency of the primary economic environment in which the Group operates.

### (a) Basis or preparation

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (the "SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies (the "AIC") in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

### (b) Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but were not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IAS/IFRS)		Effective for periods beginning on or after
IAS 27	Reissued as IAS27 Consolidated and Separate Financial Statements 9 (as amended in 2011)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

The Company does not believe that there will be a material impact on the consolidated financial statements from the adoption of these standards/interpretations.

### (c) Basis of Consolidation

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

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

### (d) Use of estimates

The preparation of financial statements requires the Group to make estimated and assumptions that affect the items reported in the Consolidated and Company Balance Sheet and Consolidated Statement of Comprehensive Income and the disclosure of financial assets and liabilities at the date of the financial statements. Although these estimates are based on best knowledge of current facts, circumstances and, to some extent, future events and actions, the Group's actual results may ultimately differ from those estimates, possibly significantly. Unquoted investments that the Group holds are not traded and, as such, the prices are more uncertain than those more widely traded securities. The unquoted investments are valued by reference to valuation techniques approved by the Directors and in accordance with the International Private Equity and Venture Capital Valuation (IPEVC) guidelines and IFRS as described in note 1(f).

### (e) Income

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.

**(f) Investments**

Investments other than the subsidiary are classified as fair value through profit and loss at initial recognition and are recognised on trade date. The subsidiary is valued at fair value. Financial assets designated at fair value through profit and loss are measured initially and at subsequent reporting dates at fair value.

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

- (i) Investments which have been made recently are at fair value, which unless another methodology gives a better indication of fair value, will be by reference to the price of recent investment.
- (ii) Investments in companies at an early stage of their development are also valued at fair value, which unless another methodology gives a better indication of fair value, will be by reference to the price of recent investment.
- (iii) Investments which have been held for more than 12 months and which have gone beyond the stage in their development in (ii) above, may be valued, in the absence of overriding factors, by applying a suitable price-earnings ratio discounted to reflect lack of marketability to that company's maintainable earnings (the ratio used being based on a comparable listed company or sector). Where overriding factors apply, alternative methods of valuation will be used.
- (iv) Where a value is indicated by a material arms-length transaction by a third party in the shares of the Company, this value can be used.
- (v) Investment in a fund is carried at the Company's proportionate share of the adjusted net asset value of the fund prepared on a fair value basis.

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

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

The Board has considered the intrinsic value of the B shares allotted to the Manager at the year end, and agreed that the valuation should be considered once 60p plus hurdle has been returned to ordinary shareholders.

**(h) Expenses**

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

**(i) Taxation**

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

**(j) Reserves**

- (i) Capital Reserve – gains and losses on investments held, gains and losses realised on investments sold are taken to the Capital Reserve together with taxation allocated to capital. Capital distributions will be paid from the Capital Reserve.
- (ii) Revenue Reserve – the net profit arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends (excluding capital dividends) paid during the year are deducted from this reserve.
- (iii) Special Distributable Reserve – will be available to fund future distributions to shareholders.

# Notes to the Accounts

for the year ended 31 December 2013

## 2 Income

	2013 £	2012 £
<b>Investment income</b>	10,000	10,000
<b>Other income</b>		
Deposit interest	563	870
	10,563	10,870

## 3 Other expenses

	2013 £	2012 £
Directors' remuneration	58,500	58,500
Employer's NIC	4,887	4,973
Administration fees	132,000	133,166
Broker's fees	–	12,000
Auditors' fees – audit	34,800	34,800
– other services	2,300	5,800
Taxation services	3,000	3,000
Registrar's fees	19,150	20,469
Printing	12,497	13,099
Legal and professional fees	10,788	8,997
Directors' insurance	8,215	8,693
Subscriptions	12,158	15,346
Sundry	2,674	2,389
	300,969	321,232

The management deed between the Company and Core Capital LLP entered into on 11 October 2005 was terminated on 6 January 2014 and a new management deed was entered into between the Company and Core Capital Partners LLP, a new partnership formed by the management team at Core. The agreement is based on the same terms and may be terminated by giving not less than one year's notice in writing.

As at 31 December 2013 the Manager held 21,194,848 B Shares of 0.01p each in the capital of the Company, representing 73.4% of the issued B share capital. This continues to provide them with a carried interest of 29% 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;
- 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. the Manager has also agreed to ensure that the annual operating costs of the Company, excluding trail commission and professional advisers' fees are limited to an amount not to exceed an annual amount of 1.5% of gross funds raised. (This is to be the gross funds raised across the VCTs post merger).



#### 4 Taxation on ordinary activities

	Year ended 31 December 2013			Year ended 31 December 2012		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
<b>a) Analysis of charge in the year</b>						
Corporation tax	–	–	–	–	–	–
Charge for year	–	–	–	–	–	–

The tax assessed for the period is lower than the standard rate of corporation tax (23.25%) (2012: 25.25%). The differences are explained below.

	Year ended 31 December 2013			Year ended 31 December 2012		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
<b>b) Factors affecting tax charge for the year</b>						
Profit/(loss) before tax	(290,406)	1,456,130	1,165,724	(310,362)	(1,594,933)	(1,905,295)
Corporation tax at the standard rate of 23.25% (2012: 25.25%)	(67,519)	338,550	271,031	(78,366)	(402,721)	(481,087)
Non taxable capital (gains)/losses	–	(338,550)	(338,550)	–	402,721	402,721
Non-deductible expenses	–	–	–	–	–	–
Additional losses carried forward	67,519	–	67,519	78,366	–	78,366
Current tax charge for year	–	–	–	–	–	–

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

#### Deferred taxation

The Company has not recognised a deferred tax asset of £197,281 (2012: £175,740) arising as a result of having unutilised management expenses. It is unlikely that the Company will obtain tax relief for these in the future, so no deferred tax asset has been recognised.

# Notes to the Accounts

for the year ended 31 December 2013

## 5 Dividends

Amounts recognised as distributions to equity holders in the year:

	2013 £	2012 £
Ordinary Shares – interim capital dividend of Nil per share (2012: 4.0p per share)	–	(1,732,057)
Ordinary Shares – final dividend for the year 31 December 2012 of nil (2012: nil)	–	–
	–	(1,732,057)

No final dividend has been proposed for the year ended 31 December 2013 (2012: nil).

## 6 Return per Ordinary Share

	2013 £	2012 £
Basic return from ordinary activities after taxation:	1,165,724	(1,905,295)
<b>Basic return per share (note a)</b>	<b>2.69p</b>	<b>(4.40)p</b>
Net revenue from ordinary activities after taxation	(290,406)	(310,362)
<b>Revenue return per share (note b)</b>	<b>(0.67)p</b>	<b>(0.72)p</b>
Net capital return from ordinary activities after taxation	1,456,130	(1,594,933)
<b>Capital return per share (note c)</b>	<b>3.36p</b>	<b>(3.68)p</b>
Weighted average number of shares in issue in the year	43,301,414	43,301,414

### Notes

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

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

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

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

## 7 Investments

	Unlisted (Level 3) £	2013 Total £	Unlisted (Level 3) £	2012 Total £
<b>Group</b>				
Investments brought forward				
Cost	23,890,469	23,890,469	23,190,469	23,190,469
Unrealised gains	230,174	230,174	1,996,623	1,996,623
Valuation brought forward	24,120,643	24,120,643	25,187,092	25,187,092
Movements in the year:				
Purchases at cost	700,000	700,000	950,000	950,000
Sale proceeds	(475,000)	(475,000)	(421,516)	(421,516)
Gains on sale of investments	224,520	224,520	171,516	171,516
Movement in investment holding gains	1,231,610	1,231,610	(1,766,449)	(1,766,449)
Valuation at 31 December	25,801,773	25,801,773	24,120,643	24,120,643

	2013 Total £	2012 Total £
Gains on investments sold	224,520	171,516
Gains/(losses) on investments held	1,231,610	(1,766,449)
Movement in investment holding gains	1,456,130	(1,594,933)

	Unlisted (Level 3) £	Subsidiary (Level 3) £	2013 Total £	Unlisted (Level 3) £	Subsidiary (Level 3) £	2012 Total £
<b>Company</b>						
Investments brought forward						
Cost	23,890,469	1,000	23,891,469	23,190,469	1,000	23,191,469
Unrealised gains	230,174	–	230,174	1,996,623	–	1,996,623
Valuation brought forward	24,120,643	1,000	24,121,643	25,187,092	1,000	25,188,092
Movements in the year:						
Purchases at cost	700,000	–	700,000	950,000	–	950,000
Sale proceeds	(475,000)	–	(475,000)	(421,516)	–	(421,516)
Gains on sale of investments	224,520	–	224,520	171,516	–	171,516
Movement in investment holding gains	1,231,610	–	1,231,610	(1,766,449)	–	(1,766,449)
Valuation at 31 December	25,801,773	1,000	25,802,773	24,120,643	1,000	24,121,643

	2013 Total £	2012 Total £
Gains on investments sold	224,520	171,516
Gains/(losses) on investments held	1,231,610	(1,766,449)
Movement in investment holding gains	1,456,130	(1,594,933)

Core (BVI) Limited is a subsidiary of Core VCT plc which holds a 23.38% interest in Core Capital I LP.

# Notes to the Accounts

for the year ended 31 December 2013

## 8 Subsidiary

Name	Country of incorporation	Class of capital	Share capital and reserves £	Profit for the year £	% of class held	% of equity held	Valuation as at 31 Dec 2013
Core (BVI) Limited	British Virgin Islands	Ordinary	1,000	–	100	100	1,000

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

## 9 Significant interests

At 31 December 2013 the Group held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (ordinary share) £	Investment in loan stock £	Total investment (at cost) £	% of investee company's total equity %
Allied International Holdings Limited	994,589	2,900,000	3,894,589	22.5
CP Newco I and 2 Limited (comprising Cording Real Estate Group LLP)	1,400,000	–	1,400,000	25.0
Momentous Moving Holdings Limited	191,362	3,324,532	3,515,894	49.9

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

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

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

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

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

## 10 Other receivables

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Prepayments	2,825	2,825	2,657	2,657
	2,825	2,825	2,657	2,657

## 11 Cash

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Cash at Bank	564,552	563,552	1,075,281	1,074,281

## 12 Current liabilities

Other payables

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
Accruals	129,036	129,036	124,191	124,191
Other creditors	22	22	22	22
	129,058	129,058	124,213	124,213

## 13 Share capital

### Equity share capital

At 31 December 2013 there were 43,301,414 (2012: same) Ordinary Shares and 28,867,227 (2012: same) B Shares in issue.

The B Share mechanism of the Company applies as follows:

- first, the holders of Ordinary Shares will be entitled to all distributions until such time as 60p has been returned per Ordinary Share, of which the Weighted Average Distribution (referred to in page 1) will be deemed to have been satisfied, plus an amount equal to the 5 per cent per annum hurdle (compounded annually and calculated on daily basis from the date of issue of Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of Ordinary Shares.
- second, all income and capital should be distributed or returned (as the case may be) to the holders of B shares until they have received an amount equal to 66.6667% of the amount distributed to the holders of Ordinary Shares in excess of the 60p per share (i.e. an equalisation payment in order to give the holders of B Shares 40% of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank pari passu for all distributions resulting in 60% being distributed to holders of Ordinary Shares and 40% being distributed to the holders of B Shares.

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

	2013 £	2012 £
Equity share capital		
Ordinary Shares of 0.01p each: 43,301,414 (2012: 43,301,414)	4,330	4,330
B Shares of 0.01p each: 28,867,227 (2012: 28,867,227)	2,887	2,887

### Capital Management

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

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

# Notes to the Accounts

for the year ended 31 December 2013

## 14 Net asset value per share

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

By attributing to the B shares purely the capital contribution of 0.01 pence per share reflects the Board's best estimate at 31 December 2013 of the B shares' entitlement to assets at 31 December, given the inherent uncertainties in projecting the investment performance of the Manager (which will ultimately determine the B shares' entitlement to the Company's assets).

The net asset values per share have been calculated by reference to the number of shares in issue at 31 December 2013 (2012: same), being 43,301,414 Ordinary Shares and 28,867,227 B shares.

As at 31 December	Total attributable net assets 2013 £	Net asset value (pence per share) 2013 £	Total attributable net assets 2012 £	Net asset value (pence per share) 2012 £
Ordinary Shares of 0.01p each in accordance with the Articles	22,854,262	52.78p	21,766,242	50.27p
Additional entitlement to assets on the attributed basis	3,382,943	7.81p	3,305,240	7.63p
<b>Attributed basis</b>	<b>26,237,205</b>	<b>60.59p</b>	<b>25,071,482</b>	<b>57.90p</b>
B Shares of 0.01p each in accordance with the Articles	3,385,830	11.73p	3,308,126	11.46p
Reduced entitlement to assets on the attributable basis	(3,382,943)	(11.72)p	(3,305,240)	(11.45)p
<b>Attributed basis</b>	<b>2,887</b>	<b>0.01p</b>	<b>2,886</b>	<b>0.01p</b>

## 15 Financial Instruments and Fair Value

The Group's financial instruments in the year comprised:

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

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2013 and their fair value.

The carrying value is the same as the fair value and has not been disclosed.

Financial assets measured at fair value	2013 (Fair value) £	2012 (Fair value) £
<b>Assets at fair value through profit and loss</b>		
Investments (Level 3)	25,801,773	24,120,643
<b>Total non current</b>	<b>25,801,773</b>	<b>24,120,643</b>
Other receivables	2,825	2,657
<b>Total current</b>	<b>2,825</b>	<b>2,657</b>
<b>Total</b>	<b>25,804,598</b>	<b>24,123,300</b>
<b>Financial liabilities</b>		
Other payables	(129,058)	(124,213)
<b>Total current</b>	<b>(129,058)</b>	<b>(124,213)</b>
<b>Total</b>	<b>25,675,540</b>	<b>23,999,087</b>

## Fair Value Hierarchy

All financial instruments by which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

The level 3 reconciliation is provided in note 7 to the accounts.

## Valuation process for level 3 investments

The Board of Directors are responsible for approving the valuations of the Company.

The valuation of Core Capital I LP is performed on a quarterly basis and the investments directly held by the Company are performed on a semi-annual basis by a member of the portfolio management team and are reviewed by the investment committee. The valuations are based on the most up to date trading data available from the underlying portfolio companies. The latest valuation is also compared with the valuations from the preceding period as well as the valuation from the previous year end. The valuations are then discussed with the Board of Directors. This includes a discussion of the major assumptions used in the valuations and any changes in the valuation methods are discussed and agreed with the Board of Directors.

## Valuation techniques

### *Unlisted equity investments*

The Company invests in private equity companies which are not quoted on an active market.

The Investment Manager determines comparable public companies based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the Enterprise Value ("EV") of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size difference between the comparable companies on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the EV which is then applied to each investment in accordance with the capital structure to measure the fair value of each holding.

The Investment Manager will also calculate the EV of a business based on the Sum of its Parts. If an external valuation has been provided this will be used for valuing that part of the business, as long as significant time has not elapsed from the valuation date to the Net Asset Value date. The EV will also include cash, less working capital requirements.

The Investment Manager will calculate the EV of a property Investment and Asset Management business by applying a % to the funds under management and applying a turnover multiple to the turnover for the last twelve months traded. Senior debt will be deducted from the EV, prior to valuing the company's interest in the underlying business.

### *Limited Partnership Fund*

The Company invests in Core Capital I LP a limited partnership private equity fund. Fair value is based on the Company's share of Net Asset Value of the Fund, as determined by the general partner of the Fund. The Net Asset Value of a Fund is calculated by determining the fair value of a Fund's investment in any investee companies. The value is generally obtained by calculating the EV of the company and then deducting financial instruments, such as external debt, ranking ahead of the Fund's highest ranking instrument in the company.

Adjustments to the Net Asset Value may be considered, for example, where:

- Net Asset Value had not been derived from the fair value of the underlying portfolio companies; and
- The Company has agreed a sale of its holding in a fund interest at a price other than Net Asset Value.

There has been no adjustment to the reported Net Asset Value of Core Capital I LP as at 31 December 2013.

# Notes to the Accounts

for the year ended 31 December 2013

## Quantitative Information on significant unobservable inputs – level 3 investments

Description	2013 £'000	Valuation Technique(s)	Unobservable Input	Actual
Allied International Holdings Limited	2,647	EBITDA Multiple	EBITDA Multiple Discount	5.75x 0%
Cording Real Estate Group LLP	1,400	% FUM	Actual % Discount	0.5% 20%
		Turnover Multiple	Turnover Multiple Discount	1.0% 20%
Momentous Moving Holdings Limited	1,838	Adjustment to NAV	NAV (£'000) Adjustment to NAV	1,838 0%
Core Capital I LP	19,617	Adjustment to NAV	NAV (£'000) Adjustment to NAV	19,617 0%

## Sensitivity analysis to significant changes in unobservable inputs with level 3 investments

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2013 are as shown below:

Description	Input	Unobservable Input	Effect of Fair Value £'000
Allied International Holdings Limited	EBITDA Multiple	10%	275
Cording Real Estate Group LLP	% FUM	10%	174
	Discount	10%	35
	Turnover Multiple	10%	105
	Discount	10%	21
Momentous Moving Holdings Limited	Adjusted NAV	10%	95
Core Capital I LP	Adjusted NAV	10%	1,992

## Unlisted equity investments

Significant increases (decreases) in the multiple being applied in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the discount to the multiple in isolation would result in significant (lower) higher fair value measurement. In practice these measures are likely to move in opposite directions and therefore are likely to offset one another.

The investment in Allied International Holdings Limited and Momentous Moving Holdings Limited comprises both equity and loan stock. The valuations are based on the total capital structure of the businesses as both the equity and loan notes must be realised together.

## Market price risk

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

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

The Board's strategy in managing the market price risk inherent in the Group's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's investment objective, as set out on page 9. As part of the investment process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total VCT value of investment assets at the point of investment. The Board meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives.



## Credit risk

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

At the reporting date, the Group's maximum exposure to credit risk amounted to the following:

	2013 £	2012 £
Investment in fixed interest investments	4,484,386	5,090,115
Cash and cash equivalents	564,552	1,075,281
Other receivables	2,825	2,657
	5,051,763	6,168,053

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

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

	2013 £	2012 £
<b>Repayable within</b>		
Less than 1 year	–	250,000
1 to 3 years	2,834,386	3,890,115
4 to 5 years	1,650,000	950,000
Total	4,484,386	5,090,115

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

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

## Interest rate risk

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

The Group's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk on page 38.

The interest rate profile of the Group's financial net assets at 31 December 2013 was:

	Financial assets/ liabilities on which no interest paid £	Fixed rate financial assets £	Floating rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity	1,400,000	–	–	1,400,000		
LP interest	19,917,387	–	–	19,917,387		
Loan stock	–	4,484,386	–	4,484,386	11.05	2.0
Cash	–	–	564,552	564,552		
Other receivables	2,825	–	–	2,825		
Other payables	(129,058)	–	–	(129,058)		
Total	21,191,154	4,484,386	564,552	26,240,092		

# Notes to the Accounts

for the year ended 31 December 2013

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

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

Floating rate cash earns interest based on LIBOR rates.

## Interest rate sensitivity

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

## Liquidity risk

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

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

## Currency risk

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

## 16 Related party transactions

David Dancaster is a partner of Core Capital LLP, the Company's Manager until 6 January 2014, and the group finance director of Caparo plc which is a member of Core Capital LLP. Caparo held 1,177,254 Ordinary Shares and 34,807 B Shares in Core VCT plc. No amounts have been paid or are repayable to Caparo plc except dividends paid to all ordinary shareholders of the Company totalling a cumulative weighted average of 31.15p per share to 31 December 2013. Nothing (2012: £nil) was due to the Manager at 31 December 2013. Details of the carried interest arrangements between the Company and the Manager are set out in Note 3 which also discloses amounts paid and payable to the Manager. Following the successful launch of Core Capital I LP, the general partner of the LP, receives £750,000 per annum until the fourth anniversary, payable out of the assets of Core Capital I LP.

## 17 Post balance sheet event

The management deed and administration agreement were terminated with Core Capital LLP on 6 January 2014 and Core Capital Partners LLP were appointed on the same terms.

# CORE VCT PLC

(Registered in England and Wales No. 5572561)

## NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 10.30 am on 1 May 2014 at 19 Cavendish Square, London W1A 2AW for the following purposes:

### ORDINARY BUSINESS

1. To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2013, together with the Auditors' report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 December 2013.
4. To re-appoint Ernst & Young LLP of 1 More London Place, London SE1 2AF as Auditor.
5. To authorise the Directors to determine the remuneration of the Auditor.
6. To re-elect John Brimacombe, who retires by rotation, as a Director.
7. To re-elect David Dancaster, who retires annually, as a Director of the Company.

### SPECIAL BUSINESS

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

8. THAT the Directors be, and they are hereby, generally and unconditionally authorised under Section 551 of the Companies Act 2006 (the '2006 Act') to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £216 being approximately 5% of the issued ordinary share capital of the Company as at 31 December 2013, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares or grant rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

9. THAT, subject to the passing of Resolution 8, the Directors be, and they are hereby, empowered under Section 571 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) under the authority conferred by Resolution 8 for cash as if Section 561(1) of the 2006 Act did not apply to the allotment, provided that this power shall be limited to the allotment:
  - (a) of equity securities in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as practicable) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - (b) (other than under paragraph(a) above) of equity securities up to an aggregate nominal amount not exceeding £216 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, and so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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

10. THAT the Company be and is hereby generally and, subject as here and after appears, unconditionally authorised in accordance with Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares and B Shares of 0.01 pence each in the capital of the Company, provided always that:
  - (a) the maximum number of Ordinary Shares and B Shares hereby authorised to be purchased is 6,490,881 and 4,327,197 respectively representing approximately 14.99% of the Company's issued Share capital as the date hereof;
  - (b) the minimum price that may be paid for an Ordinary Share or, as the case may be, B Share shall be 0.01p per share;

# NOTICE of the ANNUAL GENERAL MEETING

- (c) the maximum price, exclusive of expenses, that may be paid for an Ordinary Share or, as the case may be, B Share shall not be more than an amount equal to the higher of:
  - (i) an amount equal to 105 per cent of the average of the closing middle market price for the Ordinary Share or B Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share or B Share is purchased; and
  - (ii) the price stipulated by Article 5(1) of Commission Regulation (EC) No. 273/2003 (the Buyback and Stabilisation Regulation); and
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this Resolution, save that the Company may before such expiry enter into a contract to purchase Ordinary Shares and/or, as the case maybe, B Shares which will or may be complete wholly or partly after such expiry.

11. THAT a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company.

**BY ORDER OF THE BOARD**

Rhonda Nicoll

*Secretary*

Registered Office  
9 South Street, London, W1K 2XA

14 March 2014

#### NOTES:

1. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), Members must be registered in the Register of the Company at 10.30 am on 29 April 2014 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Company's registrars, Capita Asset Services (telephone 08716640300 – calls cost 10p plus network costs – if calling from overseas please call +442086393399) or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. A reply paid form of proxy is enclosed with Shareholders' copies of the document. To be valid, it should be lodged with the Company's registrars, so as to be received not later than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjourned meeting or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll.
5. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:
  - (a) If they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
  - (b) If they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
6. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Note 2 and 3 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointed right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
7. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to the Company in writing. Amended instructions must be received by Capita Registrars Limited by the deadline for receipt of proxies.
9. As at 14 March 2014 the Company's issued share capital consists of 43,301,414 ordinary Shares and 28,867,227 B Shares. The B Shares are not entitled to vote. The total number of votes in the Company is 92,685,680.
10. A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, [www.core-cap.com](http://www.core-cap.com).
11. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which, relates to the business of the meeting, although no answer need to be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
12. Members satisfying the threshold in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses, any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

# NOTICE of the ANNUAL GENERAL MEETING

13. By attending the meeting, members and their proxies and representative are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.
14. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for the proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (RA10) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuers agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
16. CREST members and, where applicable their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
17. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
18. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks the date of the AGM.
19. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
20. The Annual Report incorporating this notice of meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 13 March 2014 (the business day prior to publication of this notice) and, if applicable, any member's statements, members' resolutions or members' matters of business received by the Company after the dates of this notice will be available on the Company's website, [www.core-cap.com](http://www.core-cap.com).
21. None of the directors has a contract of service with the Company. A copy of the generic and terms and conditions of appointment that have been adopted by the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekend and public holidays) until the date of the meeting and at the place of the Meeting for a period of fifteen minutes prior to and during the Meeting.

# Shareholder Enquiries

## Shareholder Information

### Dividends

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

### Share Price

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

### Notification of Change of Address

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

### Trading Shares

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

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

## Financial Calendar

1 May 2014	Annual General Meeting
August 2014	Announcement of interim results and posting of half-yearly report
March 2015	Announcement of final results for year to 31 December 2014.

## Enquiries

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

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

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

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

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

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

# Corporate Information

## Directors

Peter Smaill (Chairman)  
John Brimacombe\*  
David Dancaster

\*Senior Independent Director and Chairman of the Audit Committee

## Registered office

9 South Street  
London  
W1K 2XA

## Secretary and administrator

Rhonda Nicoll  
Core Capital Partners LLP  
9 South Street  
London  
W1K 2XA

## Investment Manager

Core Capital Partners LLP  
9 South Street  
London  
W1K 2XA

## Bankers

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

## Auditor

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

## VCT Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Solicitors

HowardKennedyFsi LLP  
19 Cavendish Square  
London  
W1A 2AW

## Registrar

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: 0871 664 0324

**Company No : 5572561**

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

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## Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("FCA")
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.